CHAPTER 420

THE SPECIAL ECONOMIC ZONES ACT

[PRINCIPAL LEGISLATION]

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CHAPTER 420

THE SPECIAL ECONOMIC ZONES ACT

An Act to make provisions for establishment, development and management of the special economic zones; for creating environment for attraction of local and foreign investment; to facilitate expansion of employment opportunities, attainment of economic growth targets and to provide for matters related therewith and incidental thereto.

[8th October, 2012]
[GN. No. 314 of 2012]

Acts Nos.
2 of 2006
2 of 2011
1 of 2015
9 of 2023

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PART I
PRELIMINARY PROVISIONS

Short title

1. This Act may be cited as the Special Economic Zones Act.

Application

2. This Act shall apply to Mainland Tanzania.

Interpretation
Acts Nos.
2 of 2011
ss. 9 and 11
9 of 2023 s. 7
Cap. 420
Cap. 399

3. In this Act, unless the context otherwise requires-

"Act" means the Special Economic Zones Act;

"Authority" means Export Processing Zones Authority established in the Export Processing Zones Act;

"Commissioner General" means the Commissioner General of the Tanzania Revenue Authority as defined under the Tanzania Revenue Authority Act;

"customs authority" means an authority responsible for administration of customs matters in the United Republic;

"customs territory" means an area not within an area declared to be a special economic zone;

"developer" means an investor with right over land in a special economic zone held for purposes of development of special economic zones infrastructure;

"development plan" means the layout plan and designs, master plan, infrastructure plan including roads, buildings, sewerage system, water supply, power supply and other related infrastructure plans;

"Director General" means the Director General of the Export Processing Zones Authority;

"foreign national" in the case of a natural person, means a person who is not a citizen of United Republic, and in the case of a company, a company incorporated under the laws of any country than Tanzania in which fifty one percent of the shares are held by a person who is not a citizen of Tanzania, and in the case of a partnership, means a partnership in which the partnership controlling interest is owned by a person who is not a citizen of United Republic;

"investor" means a company incorporated in the United Republic which is licenced by the relevant licencing authority to carry on business in special economic zones;

"licence" means a permit granted by the relevant licencing authority pursuant to the provisions of section 20 to conduct business transactions in a particular special economic zone;

"Minister" means the Minister responsible for special economic zone;

"non-core business" means economic activities which provide services to investors in the special economic zones and is not eligible to any investment incentives provided under this Act;

"proper officer" means an officer authorised by the customs authority to administer customs matters in the special economic zones;

"licencing authority" means a licencing authority authorised to issue licences to persons wishing to carry on business in the special economic zones;

"special economic zone" means an area of land established as such under section 4(1);

"tax relief period" means a period prescribed under Part VI of this Act, during which an investor may not be

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required to pay taxes and duties in relation to licenced business; and

"zone management company" means a registered company subcontracted by the developer to manage a special economic zone.

PART II

ESTABLISHMENT OF SPECIAL ECONOMIC ZONES[1]

Establishment of special economic zones
Act No. 2 of 2011 s. 10

4.–(1) There shall be established special economic zones in selected geographical areas which shall be provided with special business environment to promote priority economic activities for faster economic growth as may be determined by the Authority.

(2) For the purpose of establishment of special economic zone, priority shall be given to economic activities that have maximum propensity to accelerate domestic production, exports promotion or employment generation.

(3) The location of special economic zones shall target areas that provide comparative advantages for attracting investments.

Purpose and objectives of special economic zone

5.–(1) The purpose and objectives for which special economic zones may be established are to enhance-

(a) productivity;
(b) competitiveness;
(c) economic growth;
(d) export promotion; and
(e) employment generation for poverty eradication.

(2) Subject to subsection (1), special economic zones may be established in selected areas which may be developed into agricultural, agro-industrial, industrial, tourism, commercial, forestry, information and communication technology, banking

1 Parts II –X were renumbered by the Act No. 2 of 2011 s. 10

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and financial centres and other sectors as may be determined by the Authority.

Relationship of special economic zones with customs territory

6.–(1) An area declared as special economic zone shall be under the control and supervision of the customs authority in accordance with regulations as the minister responsible for finance shall prescribe for control of persons, goods and services entering into and exiting therefrom.

(2) For purposes of subsection (1), goods and services destined for special economic zones shall be subject to customs inspection in a special economic zone in which the goods and services are destined.

Areas of special economic zones

7. Special economic zones may include one or more of the following areas-

(a) industrial parks;
(b) export processing zones;
(c) free trade zones;
(d) free ports;
(e) tourist parks;
(f) science and technology parks; or
(g) any other areas as the Authority may prescribe.

Procedure for establishment of special economic zones

8.–(1) For purposes of establishing special economic zone, the Director General shall, in consultation with the Minister responsible for lands and the local government authority within which that special economic zone is proposed to be established, and other relevant authorities, identify suitable land and submit a proposal to that effect to the Authority for approval.

(2) Where the Authority has approved the area under subsection (1), the Minister shall, by notice published in the *Gazette*, declare the same to be a special economic zone.

(3) Where the Authority refuses to approve the proposed area under subsection (1) as special economic zone, it shall give reasons for such refusal.

(4) The notice under subsection (2) shall include the following particulars-

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(a) location and boundaries of the special economic zone;
(b) the components of special economic zone established in accordance with section 7;
(c) the nature of activities to be promoted in the special economic zone; and
(d) any other information as the Authority may direct or deem necessary.

Land under occupancy by person other than Authority

9.–(1) Where land proposed to be declared as special economic zone is under the occupancy of a person other than the Authority, the person with the right over such land shall submit the proposal for declaration of such land as special economic zone to the Director General.

(2) The Director General shall, within fourteen days of receipt of such proposal, submit the same to the Authority together with his opinion.

(3) The Authority shall deal with the proposal in the same manner as prescribed in section 8.

Time limit for Authority to make decision

10.–(1) The Authority shall, within sixty days from the date of submission of the proposal by the Director General pursuant to subsection (1) of section 8, make a decision on the proposal to declare the proposed area of land to be a special economic zone.

(2) The Director General shall, within fourteen days, notify the developer and other relevant parties of the decision of the Authority pursuant to subsection (1).

Preparation, submission and approval of detailed development plan

11.–(1) The developer shall, upon being informed of the decision of the Authority pursuant to the provisions of subsection (2) of section 10 and within ninety days from the date of receipt of notification, prepare a detailed development plan for the special economic zone and submit the same to the Director General.

(2) In preparing the detailed development plan, the Director General or developer shall take into account the needs of the

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local community surrounding the special economic zone relating to the provision of utilities and infrastructure.

(3) For purposes of having orderly and coordinated development and operations of the special economic zone, the Director General shall submit copies of the approved development plan to relevant local government authority and institutions or authorities charged with duties to supply utilities and development of infrastructure.

(4) In approving the detailed development plans, the Authority shall, among other things, consider whether the plans sufficiently address the requirements of the local community surrounding the special economic zone.

Agreement for supplying utilities and developing infrastructure in special economic zones

12.–(1) The Director General or, as the case may be, developer of special economic zone infrastructure, shall work out an agreement with relevant entities responsible for supplying utilities and development of infrastructure to the special economic zone.

(2) The agreement stated in subsection (1) may specify-

(a) the nature of rights and obligations to be performed by parties; or

(b) the time within which the relevant entities may supply utilities to or develop infrastructure within the special economic zone.

PART III

DEVELOPMENT OF SPECIAL ECONOMIC ZONES INFRASTRUCTURE

Government title over land for special economic zones
Act No. 2 of 2011 ss. 10 and 12

13.–(1) The Government's title over land to be developed into special economic zone shall vest in the Authority.

(2) The relationship between the holder of a right over land of the special economic zone and the investor in the special economic zone shall be governed by an agreement which shall define terms and conditions of such relationship.

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Functions of Authority in development and management of special economic zones
Act No. 2 of 2011 ss. 10 and 13

14.–(1) The Authority shall initiate, develop and manage the operations of the special economic zones on behalf of the Government, and for that purpose, shall carry out duties and perform the functions as stipulated under this section.

(2) For purposes of initiating, developing and managing operations of the special economic zones, the Authority shall-

(a) in consultation with the Minister responsible for lands and Minister responsible for local government authorities, acquire land in its name and lease or issue derivative rights to investors or erect thereon industrial and commercial buildings and lease such buildings to investors for undertaking thereon the Special Economic Zones licenced businesses;

(b) provide basic infrastructure for purposes of operations in the special economic zones;

(c) provide within the special economic zones utilities, a system of sewerage, drainage and removal of refuse and waste for the benefit of special economic zones investors and other users;

(d) prepare national and international programmes for appropriate promotion of the special economic zones;

(e) ensure the provision of security and surveillance, property and equipment maintenance, and availability of restaurants and food services; and

(f) provide commercial information for the benefit of investors in the special economic zones.

(3) In discharging the duties and performing the functions referred to in subsection (2), the Authority shall have powers to subcontract any person to execute any duty or perform any function provided for under subsection (2), and in particular, may license or enter into joint venture with private investors to develop special economic zones infrastructure.

(4) The Authority may, in discharging the duties and performing the functions stated in this Act, provide such other services, perform such other duties and functions, and exercise such other powers as may be necessary in the attainment of the spirit of this Act.

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Participation of private sector in development of special economic zones infrastructure
Act No. 2 of 2011 s. 10 and 14
Cap. 355

15.–(1) In discharging its functions, under subsection (1) of section 14, the Authority may sub-contract, the development of the special economic zones infrastructure to a private company.

(2) For purposes of the Urban Planning Act, and the regulations relating to buildings in the special economic zones, a reference to a local government authority in any provisions of those laws with regards to planning consent and building permit shall be construed as a reference to the Authority.

Powers of Authority to issue directives
Act No. 2 of 2011 s. 10

16.–(1) The Authority may, for national economic priorities and interest, issue directives of general and specific nature relating to the development of the special economic zones.

(2) Subject to the provisions of subsection (1), any person to whom the directive has been issued shall ensure compliance thereof and shall further ensure that, the directive is integrated within its plan of implementation.

Sources of funds
Act No. 2 of 2011 s. 10

17. The sources of the funds of the Authority shall include-

(a) sums of money as may be appropriated by the Parliament for that purpose;
(b) returns on investments in the special economic zones infrastructure and industrial sheds;
(c) borrowing;
(d) such donations, grants or bequeaths as the Authority may receive from any person or organization associated with its duties in the special economic zones as provided for in this Act;
(e) proceeds from rent and other service charges derived from the activities in the special economic zones; and
(f) any other moneys received by or made available to the Authority for the purposes of performing its functions under this Act.

Use of Authority funds
Act No. 2 of 2011 s. 10

18.–(1) Funds of the Authority shall be used for-

(a) initiating, developing and managing special economic zones infrastructure in accordance with the provisions of this Act;

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(b) providing utilities in the special economic zones;
(c) rehabilitating and maintaining special economic zone infrastructure; and
(d) discharging liabilities arising out of implementation of this Act.

(2) The Director General shall manage the funds of the Authority.

Management and auditing of funds of Authority
Act No. 2 of 2011 s. 10
Cap. 348

19.–(1) The funds of the Authority shall be managed in accordance with the provisions of the Public Finance Act.

(2) Notwithstanding the provisions of subsection (1), the Authority shall retain all the money accrued to it, for its continuous use in carrying out its functions.

(3) Funds of the Authority shall be audited by the Controller and Auditor-General.

(4) The Director General shall prepare annual report on the implementation of the special economic zones operations and submit the same to the Minister who shall lay the report before the National Assembly.

PART IV
LICENSING

Issuance of licence
Act No. 2 of 2011 ss. 10, 15 and 16

20.–(1) The Authority shall be responsible for the issuance of a licence to any person who wishes to carry on business or activity in the special economic zone.

(2) The licence issued pursuant to subsection (1) shall operate as if it was a licence issued by competent authorities empowered under any written law to issue such licences.

(3) Any matter arising as a result of cancellation, suspension, variation of a licence or prohibition of other activities shall be dealt with in accordance with sections 7, 8, 9 and 10 of the Export Processing Zones Act.

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(4) A person aggrieved by the decision of the Authority made pursuant to subsection (3) may appeal to the Minister.

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Licensing for other businesses within special economic zones Act No. 2 of 2011 ss. 10 and 16

21. Companies intending to provide services within the special economic zones being services which are non-core businesses within special economic zones, shall apply for licences to provide such services to relevant authorities for the time being authorised by law to issue such licences.

PART V
MANAGEMENT OF SPECIAL ECONOMIC ZONES

Administration, management and coordination of special economic zones Act No. 2 of 2011 ss. 10, 11 and 16

22.–(1) The administration, management and coordination of the special economic zone whose title is held by the Authority shall be discharged by the Director General on behalf of the Authority.

(2) The Director General may, for management of the special economic zone referred to in subsection (1), sub-contract such activity to a zone management company.

(3) Where the special economic zone is under occupancy of a person other than the Authority, management of the special economic zone shall be under such person.

Notification by licencing authority to Authority Act No. 2 of 2011 ss. 10 and 16

23. For proper administration, management and coordination of special economic zones, the licencing authority shall notify the Authority of terms and conditions attached to the licence issued within fourteen days from the date of issuing the licence pursuant to subsection (1) of section 20.

Powers of Commissioner General Act No. 2 of 2011 ss. 10 and 16

24.–(1) Pursuant to the provisions of subsection (1) of section 6, the Commissioner General may, by notice in writing addressed to any person carrying on any business or activity in the special economic zone-

(a) impose conditions relating to the regulation, restriction or prohibition of entry of goods or categories of goods in a special economic zone;

(b) order such person in a special economic zone, within a period prescribed in the notice, which shall not be less than twenty one days, to remove from the special

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economic zone, any article, item or thing, as the Commissioner General may specify in such notice.

(2) A person who receives a notice in accordance with the provisions of subsection (1) shall, within thirty days after receipt of such notice, comply with the notice or raise an objection to the Commissioner General relating to any condition imposed by, or order contained in such notice.

(3) The Commissioner General shall determine the objection raised under subsection (2) in accordance with regulations, as shall be prescribed by the Minister responsible for finance.

Restriction on exportation of goods into customs territory by export processing zones investments Act No. 2 of 2011 ss. 10 and 16

25. Goods which are subject to exemption from duties and taxes within the special economic zone delineated as export processing zone shall not be taken out of the zone except-

(a) as exports outside the customs territory;

(b) as exports into the customs territory subject to-

(i) necessary permits being obtained from the customs authority;

(ii) payment of all applicable import duties, levies and other charges;

(iii) compliance with all customs procedures; and

(iv) the per centum of such exports not exceeding twenty per centum of the total annual production of the investor within the establishment.

Obligations of special economic zones investors Act No. 2 of 2011 ss. 10 and 16

26. An investor shall-

(a) provide suitable markings defining the area of the zone which is under his control, and any other place approved by the customs authority for persons or goods entering or leaving the special economic zones;

(b) provide free of charge office accommodation and suitable weighing scales, measures, signs, security and other facilities for examining and taking account of goods, and for securing them as the proper officer may reasonably require;

(c) keep records of all types of plant, machinery and equipment, raw materials and goods manufactured or

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processed in the special economic zone and keep that record at all times available for examination by the proper officer in accordance with customs laws and regulations; and

(d) provide all necessary labour and materials for the storing, examining, packing, marking, coopering, weighing and taking stock of the goods in the special economic zone whenever the proper officer may reasonably require.

Authority to charge for services rendered Act No. 2 of 2011 ss. 10 and 16

27. The Authority may charge rent, dues and impose fees and charges for services rendered or facilities provided in the special economic zones.

PART VI
INVESTMENT INCENTIVES

Category "A" Investors: Development of Infrastructure

Incentives for developers of infrastructure

28. The Authority or, as the case may be, a developer of a special economic zone shall be entitled to the following incentives-

(a) exemption from payment of taxes and duties for machinery, equipment, heavy duty vehicles, building and construction materials and any other goods of capital nature to be used for purposes of development of the special economic zone infrastructure;

(b) exemption from payment of corporate tax for an initial period of ten years and thereafter, a corporate tax shall be charged at the rate specified in the Income Tax Act;

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(c) exemption from payment of withholding tax on rent, dividends and interest for the first ten years;

(d) exemption from payment of property tax for the first ten years;

(e) remission of customs duty, value added tax and any other tax payable in respect of importation of one administrative vehicle, ambulance, fire fighting equipment and fire fighting vehicles and up to two

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buses for employees' transportation to and from the special economic zone;

(f) exemption from payment of stamp duty on any instrument executed in or outside the special economic zone relating to transfer, lease or hypothecation of any movable or immovable property in or situated within the special economic zone or any document, certificate, instrument, report or record relating to any activity, action, operation, project, undertaking or venture in the special economic zone;

(g) entitlement to an initial automatic immigrant quota of up to five persons during the start up period and thereafter, any application for extra persons shall be submitted to the Authority which shall, in consultation with the Immigration Department, authorise any additional persons deemed necessary taking into consideration the availability of qualified Tanzanians, complexity of the technology employed by the investor and agreements reached with the investor;

(h) exemption from payment of value added tax on utility charges;

(i) exemption from pre-shipment or destination inspection requirements;

(j) on site customs inspection of goods within special economic zones; and

(k) treatment of goods destined into special economic zones as transit cargo.

Category "B" Investors: Investors Producing for Sale into the Customs Territory

Incentives for investors selling in customs territory

29. Investors licenced in accordance with subsection (1) of section 21 whose primary markets are within the customs territory shall be entitled to the following incentives-

(a) remission of customs duty, value added tax and any other tax charged on raw materials and goods of capital nature related to the production in the special economic zone;

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(b) exemption from payment of withholding tax on interest on foreign sourced loan;

(c) remission of customs duty, value added tax and any other tax payable in respect of importation of one administrative vehicle, one ambulance, fire fighting equipment, fire fighting vehicles and up to two buses for employees' transportation to and from the special economic zone;

(d) exemption from pre-shipment or destination inspection requirements;

(e) on site customs inspection of goods within special economic zones;

(f) provision of business visa at the point of entry to key technical, management and training staff for a maximum of two months; thereafter the requirements to obtain a residence permit according to the Immigration Act, shall apply;

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(g) entitlement to an initial automatic immigrant quota of up to five persons during the start up period and thereafter, any application for an extra person shall be submitted to the Authority which shall, in consultation with the Immigration Department, authorise any additional persons deemed necessary taking into consideration the availability of qualified Tanzanians, complexity of the technology employed by the investor and agreements reached with the investor;

(h) access to competitive, modern and reliable services available within the special economic zones; and

(i) unconditional transferability through any authorised dealer bank in freely convertible currency of-

  (i) net profits or dividends attributable to the investment;

  (ii) payments in respect of loan servicing where a foreign loan has been obtained;

  (iii) royalties, fees and charges in respect of any technology transfer agreement;

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(iv) the remittance of proceeds (net of all taxes and other obligations) in the event of sale or liquidation of the licenced business or any interest attributable to the licenced business;

(v) payments of emoluments and other benefits to foreign personnel employed in Tanzania in connection with the licenced business.

Category "C" Investors: Investors Producing for Export Markets

Incentives for investors selling in export markets
Acts Nos. 2 of 2011 s. 10 and 16
1 of 2015 s. 30

30.–(1) Investors licensed in accordance with subsection (1) of section 21 primarily for export markets in non manufacturing or processing sectors shall be entitled to the following incentives-

(a) subject to compliance with applicable conditions and procedures, accessing the export credit guarantee scheme;

(b) remission of customs duty, value added and any other tax charged on raw materials and goods of capital nature related to the production in the special economic zone;

(c) exemption from payment of corporate tax for an initial period of ten years and thereafter a corporate tax shall be charged at the rate specified in the Income Tax Act;

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(d) exemption from payment of withholding tax on rent, dividends and interests for the first ten years;

(e) exemption from payment of all taxes and levies imposed by the local government authorities for products produced in the special economic zones for a period of ten years;

(f) exemption from pre-shipment or destination inspection requirements;

(g) on site customs inspection of goods in the special economic zone;

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(h) provision of business visa at the point of entry to key technical, management and training staff for a maximum of two months; thereafter the requirements to obtain a residence permit according to the

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Immigration Act and the work permit in accordance with the Non-Citizens (Employment Regulation) Act shall apply;

(i) remission of customs duty, value added tax and any other tax payable in respect of importation of one administrative vehicle, ambulances, fire fighting equipment and vehicles and up to two buses for employees' transportation to and from the special economic zones;

(j) treatment of goods destined into special economic zone as transit cargo;

(k) exemption from value added tax on utility and wharfage charges;

(l) entitlement to an initial automatic immigrant quota of up to five persons during the start up period and thereafter, any application for an extra person shall be submitted to the Authority which shall, in consultation with the Immigration Department and Commissioner for Labour, authorise any additional persons deemed necessary taking into consideration the availability of qualified Tanzanians, complexity of the technology employed by the investor and agreements reached with the investor;

(m) access to competitive, modern and reliable services available within the special economic zones; and

(n) unconditional transferability through any authorised dealer bank in freely convertible currency of-

  (i) net profits or dividends attributable to the investment;

  (ii) payments in respect of loan servicing where a foreign loan has been obtained;

  (iii) royalties, fees and charges in respect of any technology transfer agreement;

  (iv) the remittance of proceeds, net of all taxes and other obligations in the event of sale or liquidation

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of the business enterprises or any interest attributable to the investment; and

(v) payments of emoluments and other benefits to foreign personnel employed in Tanzania in connection with the business enterprise.

(2) For purposes of this section, "investors licenced primarily for export markets" are investors whose exports are eighty per centum or more of total annual production.

Provisions of tax laws in granting exemptions of duties and taxes

31. Exemptions of duties and taxes provided under this Part shall be granted in accordance with provisions of the relevant tax laws.

PART VII
APPLICATION OF OTHER LAWS

Application of labour, occupational health and immigration laws

32. The existing labour, occupational health and immigration laws applicable in the United Republic shall apply in the special economic zones.

Application of environmental laws

33. The environmental laws for the time being in force in the United Republic shall apply in the special economic zones.

PART VIII
DISPUTE SETTLEMENT

Settlement of disputes

34.–(1) Where a dispute arises between a foreign investor and the Authority, developer or the licencing authority in respect of licenced investment in a special economic zone, all efforts shall be made to settle the dispute through negotiations for an amicable settlement.

(2) A dispute stated under subsection (1) which is not settled through negotiations may be resolved-

(a) in accordance with the laws of United Republic;

(b) within the framework of any bilateral or multilateral agreement on investment protection agreed to by

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the Government of the United Republic and the Government of the country from where the investor originates; or

(c) in accordance with the rules of procedures for arbitration of the International Centre for Settlement of Investment Disputes.

PART IX
POWER TO MAKE REGULATIONS

Power to make regulations

35.–(1) The Minister may make regulations generally for-development of special economic zones infrastructure;

(a) the administration of this Act;

(b) management of the special economic zones; and

(c) administration of the special economic zones funds.

(2) The Minister for the time being responsible for finance may make regulations for-

(a) the entry and exit of persons, goods and services in the special economic zones; and

(b) the manner in which the Commissioner General may deal with objections raised by investors in special economic zones pursuant to subsection (3) of section 24.

Consulting Minister in making regulations

36. Regulation shall not be made under subsection (2) of section 35 with respect to special economic zones unless with consultation with the Minister.

PART X
OFFENCES

Offence for carrying on business without licence

37. A person who carries on any business in a special economic zone without being licenced by relevant licencing authority commits an offence and on conviction, shall be liable-

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(a) where such a person is a natural person, to a fine not exceeding fifteen million shillings or to imprisonment for a term not exceeding four years or to both; and
(b) where such a person is not a natural person, to a fine not exceeding fifty million shillings.

Offences for uttering false statements

38. A person who-
(a) in connection with an application for granting of a licence under this Act; or
(b) for purposes of obtaining any investment incentives, permit or approval under this Act,

makes any false statement which he knows to be false or has reasons to believe it is false or knowingly furnishes any false information, commits an offence and on conviction, shall be liable to a fine not exceeding fifteen million shillings or to imprisonment for a term not exceeding four years or to both.

Offences for trans-shipment

39.–(1) A person shall not trans-ship any products to any other country purporting that such products were produced or manufactured in a special economic zone for purposes of gaining any advantage accorded to United Republic in terms of trade quota under any bilateral, multilateral or regional agreement or protocol.

(2) A person who contravenes subsection (1), commits an offence and, on conviction, shall be liable to-
(a) where such a person is a natural person, to a fine not exceeding twenty million shillings or to imprisonment for a term not exceeding five years or to both; or
(b) where such a person is not a natural person, to a fine not exceeding one billion shillings.

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