

[AS PASSED BY THE SENATE]

A

Bill

*further to amend the Special Economic Zones Act, 2012*

**WHEREAS** it is expedient further to amend the Special Economic Zones Act, 2012 (XX of 2012), for the purposes hereinafter appearing;

It is hereby enacted as follows:-

**1. Short title and commencement.- (1)** This Act may be called the Special Economic Zones (Amendment) Act, 2016.

(2) It shall come into force at once.

**2. Amendment of section 3, Act XX of 2012. —** In the Special Economic Zones Act, 2012 (XX of 2012), hereinafter referred to as the said Act, in section 3, for clause (n), the following shall be substituted, namely:-

"(n) "Special Economic Zone" or "(SEZ)" means a geographically defined and delimited area which has been approved and notified by the BOA; "

**3. Amendment of section 15, Act XX of 2012.-** In the said Act, in section 15,-

(i) for sub-section (2), the following shall be substituted, namely:-

"(2) From the commencement of the Special Economic Zones (Amendment) Ordinance, 2015 (XVIII of 2015), only new entrants and new industries that are setup after the establishment of the SEZ may avail SEZ enterprise benefits under this Act." and

(ii) sub-sections (3), (4) and (5) shall be omitted.

**4. Amendment of section 16, Act XX of 2012.-** In the said Act, in section 16,-

(i) sub-section (1) shall be omitted; and

(ii) sub-section (2) and sub-section (3) shall be renumbered as sub-section (1) and sub-section (2), respectively.

**5. Omission of section 33, Act XX of 2012.-** In the said Act, section 33 shall be omitted.

**6. Amendment of section 36, Act XX of 2012.-** In the said Act, in section 36,-

- (i) for clause (a), the following shall be substituted, namely:-  
"(a) one time exemption from all custom-duties and taxes on plant and machinery imported into Pakistan except the items listed under Chapter 87 of the Pakistan Customs Tariff, for the setting up of an SEZ subject to verification by the BOI;" and
- (ii) in clause (b), for the word "Exemption" occurring in the beginning, the word "exemption" shall be substituted and for the word "ten" the word "five" shall be substituted.

**7. Amendment of section 37, Act XX of 2012.-** In the said Act, in section 37,-

- (i) for clause (a), the following shall be substituted, namely:-  
"(a) one time exemption from custom-duties and taxes on import of plant and machinery into SEZ except items listed under Chapter 87 of the Pakistan Customs Tariff, for installation in that zone enterprise subject to verification by the BOI;" and
- (ii) for clause (b), the following shall be substituted, namely:-  
"(b) exemption from all taxes on income for enterprises commencing commercial production by the thirtieth June, 2020, in the SEZs for the next ten years:

Provided that exemption from all taxes on income for those zone enterprises or firms which commence commercial production after the aforesaid date shall be for the next five years."

**STATEMENT OF OBJECTS AND REASONS**

The Special Economic Zones Act, 2012 was promulgated to encourage industrial infrastructure in the country. The purpose was to facilitate domestic and foreign investors to invest in manufacturing sector of Pakistan offering them special exemptions and incentive leading to reduced cost of doing business with efficient infrastructure. The Act provides for duty free import of plant, machinery and equipment and income tax holidays of ten years for zone developers as well as zone enterprises.

After its promulgation, Provincial Governments, chambers of commerce and potential investors raised voice about major lacuna in the law whereby SEZs have been declared outside the customs area of Pakistan. This renders the custom duty exemptions meaningless at the time of imports since the finished products manufactured in SEZs would be liable for payment of heavy customs duty for sale in domestic markets. This has made SEZs similar to Export Processing Zones in incentives and facilities.

Keeping in view the above, BOI conducted a detailed in-house analysis of SEZ Act. The services of an independent legal advisor were also engaged to review the Act. BOI also requested comments of the relevant stakeholders i.e. Ministries of Finance, Commerce, Industries, FBR, Law Division and Provincial Government including Gilgit-Baltistan, were also conducted.

After the amendments, SEZs shall be within the customs territory of Pakistan and Zone Enterprises would be able to sell their products in domestic markets without payment of customs and other duties which will attract more foreign investors to establish their industries in SEZs.

The amendments in the Ordinance will make the SEZ regime more investment and business friendly and encourage development of SEZs in Pakistan. The investor friendly law will encourage rapid industrialization and economic activity in the country leading to job creation, technology transfer and development of industrial infrastructure.

*Minister In-charge*