

*Bill Supplement to the Zanzibar Government Gazette
Vol. No. CXXVII 6719 of 28th September, 2018*

CONTENTS

Page

A Bill for An Act To Repeal the Zanzibar Investment Promotion and Protection Act, No. 11 of 2004 and to Establish An Act of the Zanzibar Investment Promotion and Protection Authority and other matters connected thereto.....	255
---	-----

NOTICE

The Bill following hereunder shall be presented before the House of Representatives for the first reading which will start its session on 19th September, 2018 and is Gazeted for the public notice incorporating together with their objects and reasons.

ZANZIBAR
28th September 2018

(Dr. ABDULHAMID Y. MZEE)
*Secretary to the Revolutionary
Council and Chief Secretary*

A BILL
for
AN ACT TO REPEAL THE ZANZIBAR INVESTMENT
PROMOTION AND PROTECTION ACT, NO. 11 OF 2004
AND TO ESTABLISH AN ACT OF THE ZANZIBAR
INVESTMENT PROMOTION AND PROTECTION
AUTHORITY AND OTHER MATTERS
CONNECTED THERETO

ENACTED by the House of Representatives of Zanzibar.

PART ONE
PRELIMINARY PROVISIONS

Short title and
Commen-
cement.

1. This Act may be cited as The Zanzibar Investment Promotion and Protection Authority Act, 2018 and shall come into operation immediately after being assented to by the President.

Interpretation.

2. In this Act, unless the context otherwise requires:

“Agricultural zone” means a Free Economic Zone declared as such under section 36 of this Act to facilitate the agricultural sector, its services and associated activities;

“Authority” means the Zanzibar Investment Promotion and Protection Authority established under section 4(1) of this Act;

“Approved” in relation to any investment, foreign currency, period, benefits, incentives, sum or amount means any enterprise, currency, period, benefits, incentives, sum or amount specified in the relevant documents issued by the Authority;

“Approved foreign investment” means an investment made in Zanzibar which more than 50% of its shares are owned by a foreign national;

“Approved domestic investment” means an investment made in Zanzibar in which at least 50% of its shares are owned by Tanzanian;

“Approved investor” means Approved foreign investor or Approved domestic investor whose certificate issued under section 24(3) of this Act;

“Board” means the Board of Directors of the Authority established under section 9(1) of this Act;

“Building permit” means the permit issued by the Development Control Unit (DCU) for the purpose of construction of Approved investment;

“Business service park” means a Free Economic Zone declared as such under section 36 of this Act to facilitate the provision of services including but not limited to regional headquarters, business processing outsourcing centres, call centres, shared service centres, management consulting and advisory services and other associated services;

"Capital" means all cash contribution, plant, machinery, equipment, buildings, spare parts, and other business assets other than goodwill which are not consumed in the regular operations of the business and have a life of more than twelve months;

"Certificate" include licences, approvals and permits necessary for the establishment of a business enterprise which an investor may be obliged to obtain for the purposes of this Act;

“Construction period” means the period allowed by the Authority for the enterprise to complete construction upon receiving Building permit issued by Development Control Unit;

“Construction phase” means the period allowed by the Authority in constructing part of the project according to the Business plan submitted by investor and approved by the Authority;

“Customs control” means the measures applied to ensure compliance with the laws and Regulations under the East African Community Customs Management Act, 2004;

“Customs controlled area” means the Free Economic Zone where certain enterprises carry out customs controlled operations;

“Customs territory” means the geographical area of the United Republic of Tanzania and any other country granted membership of the East African Community under Article 3 of the Treaty for the Establishment of the East African Community, but does not include a Free Economic Zones;

“Executive Director” means a person appointed under section 19(1) of this Act and shall, where appropriate, include any officer lawfully authorized to act on that behalf;

“Export” means to take or cause to be taken out of the customs territory or into a Free Economic Zone;

“Developer” means approved investor who is engaged in or plans on developing, and which may or may not also operate or plan to operate, a Free Economic Zone under this Act;

“Fisheries zone” means a Free Economic Zone declared as such under section 36 of this Act to facilitate the fisheries sector, its services and associated activities;

“Foreign assets” includes freely convertible foreign currency, and any currency, credits, rights, benefits or property, whether corporeal or incorporeal, obtained by the expenditure of foreign currency and the returns derived from such credits, rights, benefits or property;

“Foreign national” means a person who in case of:

- (a) an individual, is not a Tanzanian;
- (b) a body corporate is:
 - (i) incorporated outside Zanzibar; or
 - (ii) incorporated within Zanzibar but is a company in respect of which the Authority is satisfied that the majority of the issued share capital is beneficially owned by foreign nationals within the meaning of this definition.

“Operator” means approved investor engaged in the management or operation of a Free Economic Zone and designated as such under the provisions of this Act;

“Free Economic Zones” means a zone declared as such under section 36 of this Act and shall include Amani Industrial Park, Fumba zone, Micheweni zone, Airport zone, Maruhubi zone or any other site hereafter designated as such by the President;

“Freeport Zone” means a designated area placed at the disposal of the Free Economic Zone where goods introduced into the designated area are generally regarded, in so far as import duties are concerned, as being outside the customs territory and shall include Maruhubi Freeport area, Airport Freeport area or any other site hereafter designated as such by the President;

“Free Trade Zone” means a Free Economic Zone customs-controlled area where goods are off-loaded for transshipment, storage and may include bulk breaking, repacking, sorting, mixing, trading or other forms of handling excluding manufacturing and processing;

“Geographical disadvantaged area” means investment area which has less favorable business environment and may include unavailability of basic infrastructures;

“Goods” include all kinds of wares, articles, merchandise, animals, matter, baggage, stores, materials, currency and includes postal items other than personal correspondence and where any such goods are sold under this Act, the proceeds of such sale;

“Government” means the Revolutionary Government of Zanzibar;

“Import” means to bring or cause to be brought into the customs territory or a Free Economic Zone;

“Import duties” means any customs duties and other charges of equivalent effect levied on imported goods;

“Industrial park” means a Free Economic Zone declared as such under section 36 of this Act, with integrated infrastructure to facilitate the needs of manufacturing and processing industries;

“Information communication technology park” means a Free Economic Zone declared as such under section 36 of this Act to facilitate the information communication technology sector, its services and associated activities;

“Infrastructure” means roads, power, water, drainage, telecommunication, sanitation or water treatment plants, networks, buildings or other facilities, necessary

for the development and operations of approved investment and appropriate to their particular sector or cluster focus;

“Investor” means a person whether natural, body corporate who seeks to make, is making, or has made an investment in accordance with the provisions of this Act;

“Investment” shall comprise the contribution of local or foreign capital by an investor including the creation or acquisition of business assets by or for a business enterprise and shall include expansion, restructuring, improvement or rehabilitation of a business enterprise;

“Investment certificate” means certificate issued under the provisions of section 24 (3) of this Act;

“Livestock zone” means a Free Economic Zone declared as such under section 36 of this Act, in which the following activities are carried out; livestock marshalling and inspection, livestock feeding or fattening, abattoir and refrigeration, deboning, value addition, manufacture of veterinary products, and other related activities;

“Land” means land as defined under Land Tenure Act, No. 12 of 1992;

“Manufacture” means to make, produce, fabricate, assemble, process or bring into existence by manual, mechanical, chemical or biochemical methods into a new product having a distinctive name, character or use and includes processes such as refrigeration, cutting, polishing, blending, beneficiation, remaking and re-engineering;

“Minister” means the minister responsible for investment matters;

“One Stop Centre” means an investment facilitation mechanism which brings relevant government agencies to the Authority for the purpose of providing efficient and transparent services to investors;

“Preference shares” means a share which entitles the holder to a fixed dividend, whose payment takes priority over that of ordinary share dividend;

“President” means the President of Zanzibar and Chairman of the Revolutionary Council;

"Proper officer" means an officer authorized by the Customs Authority to administer customs matters in the Free Economic Zones;

“Science and technology park” means a special economic zone declared as such under section 36 of this Act to facilitate the science and technology sector, its services and its associated activities;

“Strategic investment” means an investment where Approved investor who fulfilling the criteria specified in the Third Schedule of this Act;

“Tanzanian” means:

- (a) any person who is a citizen of Tanzania in accordance with the laws relating to citizenship; or
- (b) a company incorporated in Tanzania in accordance with the Companies Act, Chapter 212.

“Tourism and recreation centre” means a special economic zone declared as such under section 36 of this Act to facilitate tourism and recreation centre, its services and associated activities;

“Trial operations” means for manufacturing enterprise, where applicable, a period whereby the approved investor utilize to make initial trial production, and for the non-manufacturing enterprise, is initial startup period as approved by the Authority;

“Zanzibari” means a:

- (a) Zanzibari as defined under the Zanzibaris Act, No. 5 of 1985; or
- (b) company incorporated in Zanzibar in accordance with the Company Act in which the Authority is satisfied that the majority of the issued share capital is owned by Zanzibaris.

3. The objects and purposes of this Act is to provide for:

Objects and purposes of the Act.

- (a) an enabling environment for investment and business promotion, facilitation and economic development in Zanzibar; and
- (b) regulation and administration of investment activities in Zanzibar including Free Economic Zones with due regard to the principles of openness, competitiveness and transparency.

PART II

THE ZANZIBAR INVESTMENT PROMOTION AUTHORITY

4.-(1) There is hereby established an Authority to be known as the Zanzibar Investment Promotion Authority by its acronym known as “ZIPA”. Establishment of the Authority.

(2) The Authority shall be a body corporate with perpetual succession with a common seal and shall be capable on it’s name of:

- (a) entering into contract;
- (b) suing and being sued;
- (c) borrowing or receiving money including having its own fund;
- (d) taking, purchasing, or otherwise acquiring, holding, charging and disposing of movable and immovable property; and
- (e) doing or causing to be done or performing all such things or acts for the proper performance of its functions under this Act, as may be lawfully done or performed by an Authority.

Objects and purposes of the Authority.

5. The objects and purposes of the Authority shall be to:

- (a) promote Zanzibar as attractive investment and business destination and export platform;
- (b) be a focal point for promotion and facilitation of investments and business;
- (c) provide institutional support for economic development and ensure coherent economic and business policy formulation;
- (d) be main institution responsible for Zanzibar branding for investment promotion;
- (e) facilitate both inward and outward investment and ensure conducive business environment; and
- (f) provide institutional support on the development and administration of Free Economic Zones.

6.-(1) The functions of the Authority shall:

- (a) advise the Government on appropriate policies and strategies for business development, export promotion, business facilitation, aftercare services and image building;
- (b) initiate and undertake necessary research, and formulate investment and business promotion plans and strategies;
- (c) in liaison with relevant ministries and other authorities, determine investment opportunities available in the country and the modalities of accessing them;
- (d) improve business environment by undertaking such other activities as may be necessary to promote Zanzibar as an attractive base for investment and business;
- (e) advise the Government on the design and implementation of investment incentives schemes and monitor its outcome;
- (f) provide, develop, construct, alter, adapt, maintain and administer investment sites, estates or land together with associated facilities of those sites, estates, land and subject to the provision of this Act;
- (g) advise on, and facilitate, the development of investments which are of significance or strategic importance to the economy and engage with international partners to develop strategic alliances to create the appropriate ecosystem for those investment;
- (h) spearhead outward investment and assist in developing joint ventures and partnership agreements;

- (i) administer a "one-stop" centre through which approved investor can channel all their applications for permits, approvals, licences and facilities not handled directly by the Authority, coordinating with such other Government or private entities as may be necessary through agreements with the entities or procedures defined in implementing regulations or such other prescribed procedures;
- (j) establish and enhance inter-agency collaboration among relevant government institutions to ensure compliance with all applicable laws, procedures and other applicable requirements;
- (k) recommend to the Minister a list of activities not allowed to be undertaken by investor in Zanzibar including an additional set of the restricted activities under the Regulations made thereunder; and
- (l) be responsible for administration, control and management of Free Economic Zones.

(2) Without prejudice to generality of the functions conferred under sub section (1) of this section, the Authority in performing specific functions shall:

- (a) implement the policies and programmes of the Government with regard to Free Economic Zones;
- (b) promote and market Free Economic Zones to potential Developers, Operators, or other investors;
- (c) exclusively perform under time-bound conditions as may be prescribed, all administrative business regulations and services functions in relation to the designated Free Economic Zones;

- (d) maintain current data on the performances of the programme of each approved investor;
- (e) regulate the access of non-licensed service providers from the customs territory as may be required in order to service approved investor;
- (f) regulate, implement, monitor and supervise all aspects of the Free economic zones regime set forth in this Act;
- (g) maintain a register of enterprises and residents domiciled in the Free Economic Zones; and
- (h) make recommendations to the Minister on all aspects of designation, approval, establishment, operation and regulation of Free Economic Zones.

(3) The Authority shall carry out all such other acts as may be incidental or conducive to the attainment of the objectives of the Authority or in the exercise of its power.

(4) Subject to the Regulations made under this Act, the Authority shall inform or seek approval of the Government, as the case may be, on the investment projects in Zanzibar.

7. Subject to the approval of the Minister, the Authority shall have powers to:

- (a) determine criteria and application procedures for issuance of the Investment Certificate for Approved investor including Strategic investment as specified under the First Schedule of this Act;
- (b) determine procedures for providing the benefits accruing to Approved investor including Strategic investment as specified under the Second Schedule of this Act;

Powers of the Authority.

- (c) determine application procedures and criteria for Strategic Investment as specified under the Third Schedule of this Act;
- (d) determine form of certificates, permit or licenses to be issued under this Act;
- (e) determine the time periods on which the Authority shall take a decision on whether or not to issue a certificate, permit or license and the procedures for amendment and revocation of such certificates, permit or licenses;
- (f) determine rents, charges, dues or fees for any services and facilities provided by the Authority or for the grant to any person of a certificates, permit or licenses;
- (g) determine the government institutions that shall form part of One Stop Centre;
- (h) advise the area for designating Free Economic Zones;
- (i) identify, map and, where necessary, procure or avail to Developers and Operators the areas of land to be, or which have been, designated as Free Economic Zones;
- (j) determine the procedure for lease or rent a land and provide title deeds to the land or any other property to a Developer, Operator, service provider or any approved investor investing in the Free Economic Zones;
- (k) determine the procedure for undertake or approve the development, operation or maintenance, as well as finance, appropriate infrastructure up to the perimeter of, or within, select Free Economic Zones, as and when deemed necessary;
- (l) ensure orderly development of Free Economic Zones; and

- (m) set the procedure for allocation of land assigned for investment outside Free Economic Zones

8.-(1) The Authority shall function as “One Stop Centre” in providing services to approved investors. One Stop Centre.

(2) The object of “One Stop Centre” shall be to facilitate the speedy acquisition of various services that are required by approved investor in order to start and operate the business.

(3) In exercising his functions as a One Stop Center, the Authority shall have senior officers from the Commission for Lands, Immigration Department, Labour Commission, Tanzania Revenue Authority, Development Control Unit and Zanzibar Business and Property Registration Agency.

(4) The Minister may, by Notice published in the Gazette, add or remove any Institution referred under subsection (3) of this section.

(5) Notwithstanding any other enactment, the “One Stop Centre” shall, in order to facilitate the processing of application for any registration, permit, license, authorization or clearance required by approved investor referred to in sub section (2) of this section:

- (a) receive all applications from investors for registration or any permit, licence, authorisation or clearance under any enactment and transmit each application to the relevant public institutions; and
- (b) ensure that each application is expeditiously processed by the relevant public institutions.

(6) Where an application is not likely to be determined within the period prescribed under the Regulations, the public institutions shall, as soon as practicable but not later than three (3) working days from the prescribed period, inform the Executive Director of the reasons for which the application cannot be determined.

(7) On receipt of a notification under subsection (4) of this section, the Executive Director shall so inform the investor and examine the reasons and may make such recommendation to the relevant public institutions as Executive Director may determine.

PART III ADMINISTRATION OF THE AUTHORITY

Establishment
of Board of
Directors.

9.-(1) There shall be a Board of Directors of the Authority which shall composed of:

- (a) Chairperson who shall be appointed by the President;
- (b) Executive Director;
- (c) Executive Secretary of Planning Commission;
- (d) Deputy Commissioner of Tanzania Revenue Authority in Zanzibar;
- (e) Executive Secretary of Lands Commission; and
- (f) two other members appointed by the Minister, one of them shall be representatives from the private sector and on gender consideration.

(2) A person shall not qualify to be appointed as Chairperson or member appointed under paragraph (f) of this section unless he:

- (a) is a Zanzibari;
- (b) posses at least first degree in Economic, business administration, finance, industrial entrepreneurship, law or any other related field;
- (c) has working experience of at least five years in Economic, business administration, finance, industrial entrepreneurship, law or any other related field; and

(d) is not actively engaged in any political activity.

(3) The Board shall appoint a suitable and qualified public officer to be a Secretary of the Board.

10. Save for ex-officio members, the chairperson shall hold office for a term of four (4) years and all members shall hold office for a term of three years but may be eligible for re-appointment for another one term. Tenure of members.

11. The quorum at any meeting of the Board shall be more than half of its members. Quorum.

12. The Board shall regulate its own procedures of the meetings. Procedures of the meeting.

13.-(1) The Chairperson shall preside in all meetings of the Board and on his absence the members present in the meeting shall appoint a member among themselves to be a Chairperson to preside the meeting. Meeting of the Board.

(2) The Board shall ordinarily meet once after every three months and may convene extra ordinary meeting, where a need arises.

14.-(1) The decisions of the Board shall be made by consensus. Decision.

(2) Subject to the provisions of subsection (1) of this section, where the Board fails to reach the consensus, the decision shall be made by majority vote.

(3) Where there is equality of vote the Chairperson shall have the casting vote.

15. The members of the Board shall be entitled to such allowances as a Minister may, subject to the Public Service Act, determine. Allowance of the members.

Co-option.

16. The Board may co-opt any person to participate in its deliberation, but the person so co-opted shall have no right to vote.

Cessation of members.

17.-(1) A member of the Board shall cease to hold office if:

- (a) he does not attend to any three consecutive meetings without notification to the Chairperson;
- (b) he is declared by competent authority to be of unsound state of mind or has any physical illness which cause him not to exercise his duty;
- (c) he resigns by giving writing notice to the appointing authority and the reason thereof;
- (d) he is declared bankrupt;
- (e) he convicted to imprisonment for term of six months or more;
- (f) he fails to disclose his interest in issue discussed in a meeting;
- (g) his appointment is terminated by the appointing authority; or
- (h) he dies.

(2) The Minister may, subject to any grounds specified under subsection (1) of this section, revoke the appointment of a member appointed by him.

Powers and Functions of the Board.

18. The Board shall have functions and powers to:

- (a) give lawful instructions to the Executive Director in the management, performance and operational policies of the Authority;

- (b) establish such organizational structure and work procedures as may be considered necessary for smooth discharge of the functions and responsibilities of the Authority;
- (c) subject to Public Service Act, determine the terms and conditions of service, salaries and benefits for employees of the Authority;
- (d) set action plans, objectives and appropriate work targets for each department of the Authority and monitor its progress in achieving them on a continuous basis;
- (e) determine the strategy or policy governing the operations of the Authority;
- (f) appoint committees, whether of its own members or otherwise, to whom it may delegate such of its powers as it may deem appropriate;
- (g) subject to Public Service Act and Public Finance Management Act, establish staff and financial Regulations;
- (h) provide general guidance on priority sectors for investment while ensuring diversification based on Zanzibar's comparative advantage;
- (i) subject to the Regulations made under this Act, approve criteria and thresholds for investments approvals;
- (j) effectively monitor the progress of investment projects;
- (k) subject to the provisions of section 26 (4) of this Act, approve cancellation of Investment Certificates; and
- (l) be the first point of Appeals from any aggrieved Approved Investor.

Appointment
of Executive
Director.

19.-(1) There shall be an Executive Director of the Authority, who shall be appointed by the President.

(2) The Executive Director shall be a Chief Executive Officer and shall be responsible for day to day operations, performance and management of the Authority.

(3) A person shall qualify to be appointed as Executive Director if he:

- (a) is Zanzibari;
- (b) has at least a first degree or equivalent from a recognized institution in economics, business administration, management, international relations, industrial entrepreneurship or legal affairs; and
- (c) has adequate knowledge of and working experience of at least ten (10) years in economics, business administration, management, international relations, industrial entrepreneurship or legal affairs or any other related field.

(4) Without prejudice to the powers of the Minister or the Board conferred under this Act, the powers and functions of the Authority provided or conferred under this Act shall be exercised or performed by the Executive Director on behalf of the Authority.

Staff of the
Authority.

20. Subject to the Public Service Act on approval of Organizational Structure and manning levels, the:

- (a) Board shall appoint Head of Departments and senior officials of the Authority; and
- (b) Executive Director may recruit such other officers and staff as is necessary for the efficient discharge of the Authority's responsibilities and functions.

PART IV
TREATMENTS, OBLIGATIONS AND PROHIBITIONS FOR
INVESTOR

21.-(1) Without prejudice any other provisions of laws, all business activities shall be open to any investor except otherwise provided under this Act. Treatment of investor.

(2) Subject to the provisions of subsection (1) of this section, investor is encouraged to invest in such priority sectors as may be declared by the Minister in the Gazette from time to time.

(3) The Minister may, under the Fourth Schedule of this Act, specify some businesses to be reserved solely for Zanzibaris.

(4) Subject to subsection (3) of this section, the restriction shall not apply to any existing approved enterprise which has already been permitted or licensed.

(5) Casino, Gambling, or any betting business is not allowed in Zanzibar.

22. Approved investor shall:

- (a) invest not less than the investment capital approved by the Authority and specified in the Investment Certificate issued under section 24 (3) of this Act;
- (b) implement the approved investment in accordance with Business plan, feasibility study or implementation plan approved by the Authority;
- (c) open an account in Tanzanian Shillings or foreign currency whenever appropriate, with any bank in Zanzibar and transact all investment activities through such account;

Obligations to the Approved investor.

- (d) register with the tax administration, timely file tax returns, fully pay any tax due and apply for any tax incentive;
- (e) properly keep financial and accounting records of the approved investment and submit a copy of an Audited accounts to the Authority, within the first six (6) months following the preceding financial year;
- (f) seek prior approval from the Authority on any change of name, management, ownership or transfer of shares and where any such change or transfer is made without the prior approval of the Authority, the new owner, management or transferee shall be deemed to have agreed, accepted and assumed any obligation.
- (g) keep all records relating to his operations for a period of five (5) years;
- (h) permit officers of the Authority in the performance of their monitoring duties;
- (i) timely provide information as required by government authorities;
- (j) timely submit quarterly progress report during implementation and operation of the approved investment;
- (k) timely renew all licenses, certificates or permits necessary for the implementation or operation of the approved investment;
- (l) allow government or its authorized agents when so request to have access to and inspect premises, books, records or any other document;
- (m) notify the Authority any changes relating to particulars

in the certificate, cease of operation, change of shareholding or any other material and operational changes; and

- (n) abide with the provisions of this Act, Environmental laws and any other laws applicable in Zanzibar.

23. An investor is prohibited to:

Prohibitions.

- (a) offer, solicit or give bribe to any public officer;
- (b) search and acquire land for investment from the local community unless prior approval from relevant Authority is granted;
- (c) evade fulfillment of any obligation under this Act;
- (d) misrepresent, understate or conceal revenue, value or profits or overstate expenditure or claim any benefit to which he is not entitled;
- (e) make false allegation or slandering propaganda against the state organization or officials;
- (f) open foreign account outside Tanzania without written consent from the Authority; or
- (g) breach or contravene any law or regulations applicable in Zanzibar.

PART V
ISSUANCE OF INVESTMENT CERTIFICATE TO
APPROVED INVESTOR

24.-(1) A foreign national shall apply to the Authority for an Investment Certificate that the enterprise in which the assets are invested or proposed to be invested is designated as an Approved foreign investment for the purpose of this Act.

Application
for
Investment
Certificate.

(2) A Zanzibari or Tanzania Individual who has invested or proposed to invest in Zanzibar may apply to the Authority for an Investment Certificate that the enterprise in which he has invested or proposed to invest is designated as an Approved domestic investment for the purpose of this Act.

(3) The Authority shall consider every application made under this section, and in any case in which it is satisfied that:

- (a) it is an investment, or proposed investment, of assets of a value of not less than the amount which the Authority may have determined under this Act;
- (b) the investment or proposed investment meets such further criteria as the Authority may also have determined under this Act,

may issue Investment Certificate to the applicant.

(4) The Authority shall take a decision on whether or not to issue Investment Certificate and inform the applicant of its decision within the period prescribed in regulations made under this Act.

Particulars of
Investment
Certificate.

25. The Investment Certificate shall contain particulars as prescribed under the Fifth Schedule of this Act.

Suspension
and
Cancellation
of Investment
Certificate.

26.-(1) The Authority may suspend the Investment Certificate issued pursuant to section 24 (3) if the Authority suspects that:

- (a) the certificate was obtained by fraud;
- (b) there is misleading facts or statements during the application of the Investment Certificate;
- (c) a holder of the certificate in the process of exiting the business;

- (d) a holder of the certificate fails to commence implementation of the investment within one year from the date of issuance of all required legal documents;
- (e) a project is abandoned;
- (f) a holder of the certificate applies any benefit conferred by or under this Act for purposes other than those for which the benefit was conferred;
- (g) a holder of the certificate fails without reasonable cause to commence operations within the time stipulated in the Investment certificate;
- (h) a holder of the certificate fails to comply with any of the obligations imposed under this Act; or
- (i) a holder of the certificate performs any of the prohibited acts.

(2) Subject to the provisions of sub section (1) of this section, the Authority shall give notice of at least thirty (30) days to the Approved investor to show cause why the Investment certificate should not be cancelled as the case may be.

(3) Where the Approved investor gives the Authority the satisfactory explanations, the Authority shall lift the suspension and guide the Investor as may deem appropriate.

(4) Where the Approved investor:

- (a) fails to comply with the provisions of sub section (2) of this section;
- (b) provides un satisfactory explanation to the Authority;
or
- (c) withdraws the Project,

the Authority shall cancel the Investment Certificate.

Remedies for
cancellation.

27. Where the Authority cancels a Certificate, issued pursuant to section 24 (3) of this Act:

- (a) such investment shall cease to be an Approved Investment under this Act;
- (b) the Land Lease Agreement relating with the certificate shall automatically be revoked; and
- (c) the tax incentives under Part VI of this Act shall cease and any taxes exempted shall become payable effectively.

Amendment
of Certificate.

28.-(1) The Authority may, on application by Approved investor, amend the Investment Certificate where:

- (a) there is a need of extending the period during which the Approved Investment can be made;
- (b) the name of the enterprise is altered by substituting the name as so altered;
- (c) the another investor has succeeded to the interest in the enterprise of the Approved Investor;
- (d) the additional capital is invested in the enterprise by Approved Investor or other investor; or
- (e) an interest in the enterprise passes to another investor on the death of the Approved investors.

(2) Subject to the provisions of subsection (1) of this section, Approved Investor shall, within a period not exceeding thirty (30) days, inform the Authority in writing on the changes and submit all documentations specified in the Regulations made under this Act.

(3) A holder of the Investment Certificate shall pay required fees determined by the Authority as specified in the Regulations of this Act.

PART VI
BENEFITS AND INCENTIVES FOR
APPROVED INVESTOR

29. Where Approved investor is granted an Investment Certificate, the Authority shall, where the investor so requests, facilitate the smooth transaction of all matters in connection with the issuance of the approvals, permits, licenses and other necessary formalities.

Facilitation of license, permits and other services.

30.-(1) In any Approved investment, employment shall only be made to Tanzanians with priority be given to Zanzibaris.

Employment of expatriate.

(2) Notwithstanding subsection (1) of this section, the Approved investor may employ foreign expatriates for key positions where qualified Tanzanian is not available after advertisement.

(3) The number of foreign expatriates under subsection (2) of this section shall be determined by the Authority after consultation with Labour Commission.

31.-(1) Where the Approved investor requires land outside Free Economic Zones, the Authority shall make request to the Minister responsible for land and propose additional terms and conditions commensurate with the type of the investment.

Acquisition of land.

(2) Where the land allocated under subsection (1) of this section is occupied by another person, the Approved investor shall promptly and fully compensate the occupier by cash or adequate number of preference shares in such project for any improvement made on or benefits arising from that land.

(3) Strategic investment shall not pay rent for land lease during construction period of up to five years.

32.-(1) Approved investor shall be entitled to such incentives and allowances as provided by Tax Law or any other law applicable in Zanzibar.

Incentives and allowances.

(2) Without prejudice the provision of subsection (1) of this section, Strategic Investment may also be granted benefits, incentives and allowances prescribed under the Sixth Schedule of this Act.

(3) Approved investor may also be granted incentives and allowances prescribed under Seventh Schedule the of this Act.

(4) The Authority, after consultation with relevant institutions, may recommend to the Minister for additional benefits and incentives to Approved investor who has invested or intend to invest in innovative investment or in geographical disadvantaged areas.

(5) Without prejudice to the provisions of this Act, the Authority may denies to grant some benefits, allowance or incentives to Approved Investor who fails to comply with any obligation imposed under this Act.

PART VII GUARANTEES FOR APPROVED INVESTOR

33. Notwithstanding the provisions of any other law, a foreign national who has invested in Zanzibar may, after taxation, transfer out of Zanzibar in convertible foreign currency at the prevailing official rate of exchange:

- (a) the dividends arising from or out of his investment of foreign assets;
- (b) the principal and interest of any foreign loan registered in Zanzibar contracted with respect to the investment;
- (c) the proceeds on liquidation or sale of the investment or part thereof; and
- (d) any other item of foreign expenditure related to the investment.

34.-(1) An Approved Investment's asset, land, property, interest or right over such investment, asset, land, property, and interest as the case may be shall not be compulsorily expropriated except with a payment of reasonable compensation in accordance with section 17 of the Constitution of Zanzibar, 1984.

Protection
against
compulsory
acquisition of
land.

(2) Where compulsory acquisition takes place in accordance with the requirements of subsection (1) of this section:

- (a) an order published in the Gazette and signed by the Minister shall be issued; and
- (b) before such acquisition has taken place prompt arrangement shall be made to assess and pay adequate and fair compensation.

(3) The provisions of subsection (1) of this section shall not apply where such investment, assets, land, property or interest has been seized pursuant to provisions of any law.

35.-(1) Where an Investor is not satisfied with the compensation granted under section 34 (1) of this Act, or whereas a dispute arises between such investor and the Authority in respect of Approved Investment, all efforts shall be made through mutual discussion to reach amicable settlement.

Dispute
settlement.

(2) Any dispute between an Investor and the Authority in respect of Approved Investment which is not settled through negotiation may be submitted to arbitration in accordance with the:

- (a) rules and procedures provided under the Arbitration Decree Cap 25 of the laws of Zanzibar;
- (b) framework of any bilateral or multilateral agreement on investment protection agreed to by the government and the government of the country where the investor originate; or

- (c) rules and procedure provided under the Arbitration Rules of the United Nations Commission on International Trade Law in force at the time when the Certificate was issued or International Centre for the Settlement of Investment Disputes.

(3) Nothing in this section shall be construed as precluding the Approved Investor and the Authority from agreeing that any particular dispute shall not, be referred to International Arbitration, but be heard and finally determined by any competent court in Zanzibar.

PART VIII FREE ECONOMIC ZONES

Recognition
and
Declaration
of Free
Economic
Zones.

36.-(1) The Free Economic Zones shall include Fumba area, Amaan Industrial Park, Maruhubi area, and Airport area in Unguja, and Micheweni area in Pemba as per the Presidential order No. 5 and No. 29 of 1993, No. 61 of 2000 and No. 14 of 2004.

(2) Without prejudice to the provisions of subsection (1) of this section, the President may, by order published in the Gazette, declare any other area of Unguja or Pemba to be a Free Economic Zone for the purpose of this Act and may define the demarcations thereof and assign names thereto.

(3) An area declared as Free Economic Zone may:

- (a) be designated as a single sector or multiple sector Free Economic Zone, and may include, but not limited to:
 - (i) Free Trade Zones;
 - (ii) Industrial Parks;
 - (iii) Free Ports;
 - (iv) Information Communication Technology Parks;

- (v) Science and Technology Parks;
- (vi) Agricultural Zones;
- (vii) Livestock Zones;
- (viii) Fishery Zones;
- (ix) Tourist and Recreational Zones;
- (x) Business Service Parks; or
- (xi) Convention and Conference Facilities.

- (b) be developed, whether on a public, private, public-private partnership basis or any other form of joint venture, where any goods introduced and specified services provided are regarded, in so far as import duties and taxes are concerned, as being outside the customs territory and wherein the benefits provided under this Act apply.

(4) Any land declared as Free Economic Zone shall not be alienated for private use.

(5) The regulation and administration of activities within the Free Economic Zones shall be done with due regard to the principles of openness, competitiveness and transparency

(6) The Minister may make Regulations relating to any matter in the Free Economic Zones whose administration requires to be provided by Regulations.

37. The objects and purposes of Free Economic Zones is to: Objects and purposes.

- (a) provide investors with a wide scope of operation, create favorable operating conditions and guarantee them stable business sites including:

- (i) development of integrated infrastructure facilities;
 - (ii) creation of incentives for economic and business activities in areas designated as Free Economic Zones; and
 - (iii) removal of impediments to economic or business activities that generate profit for enterprises in areas designated as thereto.
- (b) expedite technological development of special skills; and boost production for export;
 - (c) attract international services; and
 - (d) create employment for locals.

Goods to be considered be imported or exported.

38. Unless otherwise provided under this Act, or any other law:

- (a) goods which are taken out from any part of the customs territory and brought into the Free Economic Zone or services provided from part of the customs territory to a Free Economic Zone shall be deemed to have been exported; and
- (b) goods which are brought out of a Free Economic Zone and taken into any part of the customs territory for use therein or services provided from a Free Economic Zone to any part of the customs territory shall be deemed to be imported.

Goods and services within Free Economic Zones.

39.-(1) Subject to this Act as well as applicable customs laws of the East African Community, goods and services within a Free Economic Zone may be:

- (a) stored, sold, exhibited, broken up, repackaged, assembled, distributed, sorted, graded, cleaned, mixed, or otherwise manipulated or manufactured in accordance with the provisions of this Act;
- (b) destroyed under the supervision of the proper officer; or
- (c) removed under the supervision of the proper officer from the Free Economic Zone for export or sent into another Free Economic Zone or bonded factory, either in its original package or otherwise.

(2) Subject to this Act and the customs laws of the East African Community, goods of any description which would be used in the activities of a licensed Free Economic Zone enterprise may be brought into a Free Economic Zone.

(3) The Free Economic Zone enterprise shall also operate in conformity with the specific regulations issued under the relevant provisions of the East African Community Customs Management Act.

40. Subject to section 39 of this Act:

- (a) goods and services within a Free Economic Zone, which shall constitute a customs controlled area, shall not be taken out of the zone except for:
 - (i) export;
 - (ii) entry into the customs territory, subject to the regulations and procedures on customs;
 - (iii) removal to any other customs controlled area with the approval of the proper officers, and subject to any conditions as may be imposed; or

Removal
of goods
from a Free
Economic
Zone.

- (iv) repair and maintenance or processing or conversion with prior approval of the proper officer and subject to any conditions as may be imposed;
- (b) where goods are manufactured outside Zanzibar, such goods shall be clearly labelled as products of the country where such goods were manufactured;
- (c) services provided by a Free Economic Zone enterprise may be provided to:
 - (i) persons outside United Republic of Tanzania;
 - (ii) other Free Economic Zone enterprises in furtherance of the export activities of such enterprises subject to approval of the Authority; or
 - (iii) persons in the customs territory subject to approval of the Authority

Customs Area.

41. The Free Economic Zones areas declared under this Act shall be regarded as outside Customs Area whereas Customs Laws and Regulations on import duties and taxes shall not apply thereto.

PART IX FINANCIAL PROVISIONS

Funds of the Authority.

42.-(1)The funds of the Authority shall consist of:

- (a) a subvention from the Government;
- (b) all such sums of money as may be paid as fees or rent under this Act;
- (c) all such sums of money as may be received by the Authority for its operations from any other sources; and

- (d) all such donation, grants, bequests or loan may be lawfully received from any institution or organization.

(2) The funds of the Authority shall be used to paid out the expenses and expenditures of the Authority relating with performance of its objectives and functions under this Act.

43.-(1) Subject to the provisions of Public Finance and Management Act, the Authority shall prepare its annual budget and submit to the Minister for approval. Annual budget.

(2) Any excessive funds as determined by the Minister shall be paid into the Consolidated Fund.

44.-(1) The Authority shall cause proper books of accounts to be kept of its income and expenditure, assets and liabilities and all other transactions of the Authority and shall prepare an Annual Statement of Accounts after the end of each financial year in accordance with the provisions of Public Finance and Management Act. Account and audit.

(2) The annual final accounts of the Authority shall be audited in accordance with the provisions of Office of the Controller and Auditor-General Act.

PART X MISCELLANEOUS PROVISIONS

45. Notwithstanding the provisions of any other Act, the information furnished by the Investment certificate holder shall remain confidential to the Authority, and staff or officer of the Authority shall not reveal the information to any other person except: Confidentiality.

- (a) for the purpose of administering this Act;
- (b) where he is required to do so by law; or
- (c) where he is required by the order of the court or Minister.

Appeal.

46. An investor aggrieved by any decision under this Act may appeal in accordance with the procedures specified under Regulations made under this Act.

Abandoned investment.

47.-(1) Notwithstanding the provisions of any other law, where the Authority is of the opinion that the assets of Approved Investor is bona vacantia for one (1) year, the Authority may:

- (a) declare the project abandoned by notice published in the Gazette;
- (b) take custody of the investment, assets or property;
- (c) cease all facilitation for the Investment; and
- (d) appoint a receiver of the investment.

(2) The receiver so appointed under this section shall perform the functions of a receiver as specified under the Company Act of the Laws of Zanzibar.

Offences and Penalties.

48. A person who:

- (a) provides false or misleading information to the Authority;
- (b) refuses or neglects to provide information which the Authority may reasonably require for the purpose of enforcement of this Act;
- (c) refuses to allow any officer of the Authority to enter into his premises or business enterprises;
- (d) obstructs any an officer to exercise his lawful duty conferred under this Act;
- (e) misuses any of the incentives or benefits provided under this Act;

- (f) opens a foreign account outside Tanzania in relation to the approved investment;
- (g) fails to comply with any obligation as provided under this Act; or
- (h) performs any prohibited act specified under this Act,

commits an offence and upon conviction shall be liable for a fine of not less than Ten Thousand US Dollars or equivalent in Tanzanian shilling or imprisonment for a term not less than five years or both such fine and imprisonment.

49.-(1) The Minister may make Regulations where it is ^{Regulations.} necessary or expedient for carrying out the purpose of this Act.

(2) Without prejudice to the generality of provisions of subsection (1) of this section, the Minister shall make Regulations on:

- (a) the criteria and procedure for informing or seeking approval of the Government on Investment Projects;
- (b) special incentives for Tanzanian Diaspora who seek to invest in Zanzibar; and
- (c) the procedure for appeal by any aggrieved investor.

(3) The Minister may, by order published in the Gazette, abolish, amend, vary or replace any schedules under this Act.

50.-(1) The Zanzibar Investment Promotion and Protection Act, ^{Repeals and savings.} No. 11 of 2004 is hereby repealed.

(2) Anything done under the repealed Act under sub section (1) of this section shall be deemed to have been done in accordance with provisions of this Act.

FIRST SCHEDULE

CRITERIA AND APPLICATION PROCEDURES FOR ISSUANCE OF THE INVESTMENT CERTIFICATE FOR APPROVED INVESTOR [Made under section 7(a)]

1. A Foreign national shall apply to the Authority for an Investment Certificate issued under section 24 (3) of this Act after fulfilling the following criteria:

- (a) investing or intend to invest capital equivalent to United States Dollars two million and five hundred thousand (US\$ 2,500,000) for hotel investment, or for any other businesses equivalent to at least United States Dollars three hundred thousand (US\$ 300,000); and
- (b) undertaking lawful business activities as provided under this Act.

2. A Zanzibari or individual Tanzanian shall apply to the Authority for an Investment Certificate issued under section 24(3) of this Act after fulfilling the following criteria:

- (a) Investing or intend to invest capital equivalent to United States Dollars Three hundred thousand (US\$ 300,000) for hotel investment, or for any other businesses equivalent to at least United States Dollars one hundred thousand (US\$ 100,000); and
- (b) undertaking lawful business activities as provided under this Act.

3. Subject to provisions of section (1) and (2) of this Schedule, the applicant shall:

- (a) submit a business concept through an Investment Intention Form which is available at the Authority with free of charge within three (3) working days;
- (b) After the Applicant submit the Investment Intention Form to the Authority, the Authority shall inform the applicant that he required to take the Investment Application Form or advised otherwise;
- (c) Where the applicant advised by the Authority to take the Investment Application Form he shall take it after paying to the Authority a non-refundable fee of United States Dollars five hundred (US\$ 500);
- (d) After the applicant duly fill the Investment Application Form he shall required to submit it together with the following documents to the Authority:
 - (i) Ten (10) copies of Business Profile or Feasibility study;
 - (ii) Certificate of Incorporation or Certificate of Compliance of an enterprise;
 - (iii) Memorandum and Articles of Association;
 - (iv) Proof of availability of funds for the implementation of the investment or proposed investment;
 - (v) Passport copy, passport size photograph and Curriculum Vitae of each shareholder;
 - (vi) Police clearance certificates from country of origin and country of residence of each shareholder and directors;
 - (vii) Permit or license granted by the business sector which the business is operating or intend to operate where appropriate;

- (viii) proof of payment of Investment Application form;
and
 - (ix) any other document to support the application.
- (e) Subject to paragraph (c)(i) of this section, the feasibility study or Business plan shall include at least the following:
- (i) Name of the proposed investment and background information of the business;
 - (ii) Implementation plan of the proposed project and expected date of operation;
 - (iii) Market analysis which include information on potential markets, clients and competitors;
 - (iv) Business operation which include detailed information of any raw materials required and its source, technology to be used, a plan for knowledge transfer; financing and assets to be sourced abroad and time frame in which these finance and assets shall be invested, organization structure and human resource required for the proposed investment;
 - (v) Five year financial plan which indicates financial projection, risk and sensitivity analysis for investment; and
 - (vi) detailed information or assessment of environmental and social factors.

4. The Authority shall, within seven (7) working days, make decision on whether to issue an Interim Certificate or advise the investor otherwise.

5. The investor shall pay certificate fee as provided by this Act and outlined in the Regulations.

6. The certificate for the investment shall be renewed annually until the approved capital is fully invested and the project become operational.

SECOND SCHEDULE

**PROCEDURES FOR PROVIDING BENEFITS ACCRUED
TO A HOLDER OF THE CERTIFICATE INCLUDING
STRATEGIC INVESTMENT****[Made under section 7(b)]**

PART ONE:**Application Procedures for Corporate Income Tax incentives**

1. For a purpose of ensuring that investors recover their investment cost before paying corporate income tax, Approved Investor who invested not less than 75% of the capital specified in the Business plan or Feasibility study approved by the Authority, and started business operation may apply in writing to the Authority for Corporate Income Tax exemption and submit together with application the following documents:

- (a) Audited Final Accounts filed by Zanzibar Business and Property Registration Agency;
- (b) Progress Report of the investment made;
- (c) Tax Clearance Certificates from tax authorities; and
- (d) Valid business license.

2. The application shall be made in the first year of the business operation.

PART TWO:**Application Procedures for Exemption on Value Added
Tax (VAT) or Customs duty**

1. Approved Investor shall be provided with Building Permit issued by a Competent Authority whenever the proposed investment involved construction. Once the building permit is issued, a holder of

investment certificate shall submit to the Authority four sets of Bill of Quantities (BoQ) and four sets of approved drawings.

2. For non-construction investment projects, a holder of the Certificate shall submit four sets of list of all machines, equipment, raw materials and other input exclusively required for the development of the proposed investment.

3. The Authority shall consider the submitted Bill of Quantities, Drawings and list of materials and approve them accordingly, within fourteen (14) working days. A copy of approved list shall be provided to a holder of the Certificate and shall be used as a reference for future exemption applications.

4. Subject to the provisions of section 3 of this Schedule, each consignment of goods to be imported, Approved Investor may, apply to the Authority for exemption at least fourteen (14) working days before arrival of goods in Zanzibar. The application shall be accompanied by:

- (a) Bill of Lading, Airway Bill, Consignment notes or Local sale advise;
- (b) Customs Single Bill of Entry;
- (c) Invoices; and
- (d) Packing list.

5. Subject to the provisions of section 3 of this Schedule, for any local purchase, Approved Investor may apply to the Authority for Value Added Tax relief. The application shall be accompanied by three sets of:

- (a) a dully filled Value Added Tax form issued by Zanzibar Revenue Board; and
- (b) a copy of pro forma invoice.

6. The Authority may, within fourteen (14) working days, confirm the exemption or advise the applicant otherwise.

7. Approved Investor shall pay to the Authority five percent (5%) of the amount exempted, as a service fee.

THIRD SCHEDULE

APPLICATION PROCEDURES AND CRITERIA FOR STRATEGIC INVESTMENT [Made under section 7 (c)]

PART ONE:

Application Procedures for Strategic Investment

1. Approved Investor may apply to the Authority to be granted a status of being Strategic investment in accordance with the conditions and criteria specified in the PART RWO of this Schedule.
2. The Authority shall consider the application and may recommend to the Minister to grant Strategic Investment Status to the applicant.
3. The Minister, after consultation with relevant institution, shall take decision on whether to grant or not Strategic Investment Status, and inform the applicant accordingly.
4. The Minister may withdraw the strategic investment Status to any Approved Investor who has been granted Strategic Investment Status in any case in which he:
 - (a) fails to comply with obligations imposed under this Act;
 - (b) is no more fulfills the criteria and condition of strategic investors; or
 - (c) performs any act which is prohibited under this Act.

**PART TWO:
Criteria for Strategic Investment**

1. Approved Investor may be granted Strategic Investment Status after he has:

- (a) investing assets equivalent to hundred million United States Dollars (US \$100,000,000) or more and contributing at least thirty percent (30%) of this investment in form of equity;
- (b) employing at least 1,000 people; or
- (c) investing assets equivalent to fifty million United States Dollars (US\$50,000,000) in the innovative investment or in the disadvantageous regions in any of the following priority sectors:
 - (i) Industrial manufacturing or assembling;
 - (ii) Up market tourism;
 - (iii) Agriculture and fisheries;
 - (iv) Real-estate development;
 - (v) Energy;
 - (vi) Infrastructure development; and
 - (vii) Information Communication technology (ICT).

FOURTH SCHEDULE

BUSINESSES RESERVED FOR ZANZIBARIS
[Made under section 21 (3)]

The Business which are solely reserved for Zanzibaris are:

- (a) Barbershops;
- (b) Hair dressing;
- (c) Beauty salons;
- (d) Retail business;
- (e) Tour operator; and
- (f) Restaurant (except special cuisine restaurant).

FIFTH SCHEDULE

PARTICULARS OF THE INVESTMENT CERTIFICATE
[Made under section 25]

The Investment Certificate issued under section 24 (3) of this Act shall contain:

- (a) name of the enterprise;
- (b) name of investment or proposed investment;
- (c) activity to be carried out;
- (d) economic sector invested or to be invested;
- (e) location of investment or proposed investment;
- (f) amount of the assets invested or to be invested;
- (g) a statement of the period within which the assets to be invested;
- (h) a statement with regards to type of investment to be carried out;
- (i) a statement authorizing investor to implement the investment;
- (j) type of certificate issued;
- (k) a statement showing date of issue of the certificate;
- (l) a statement showing validity of the certificate; and

- (m) any other matters as may be necessary or desirable for the purpose of this Act.

SIXTH SCHEDULE

**BENEFITS, INCENTIVES AND ALLOWANCE FOR
STRATEGIC INVESTMENTS**
[Made under section 32 (2)]

PART ONE:

- 1.** A holder of a certificate who has invested or intend to invest in tourism sector and has been granted a Strategic investment status by the Minister responsible for Finance may be granted the:
- (a) exemption from all duties on importation and local purchases of construction goods and materials during the project construction;
 - (b) exemption of income tax on interest on capital borrowed from foreign banks;
 - (c) five (5) years grace period on payment of Land Lease;
 - (d) five (5) years grace period on payment of land lease for Marina;
 - (e) fifty percent (50%) exemption of the prevailing rate for Corporate Income Tax;
 - (f) fifty percent (50%) exemption of Profit tax for repatriated Profit;
 - (g) fifty percent (50%) exemption o for Accelerated Depreciation for 5 years; and
 - (h) Duty Free shops allowed.

PART TWO

1. A holder of a certificate who has invested or intend to invest in real –estate business and has been granted a Strategic investment status by the Minister responsible for Finance may be granted the:

- (a) exemption from all duties on importation and local purchases of construction goods and materials during the project construction;
- (b) exemption of income tax on interest on capital borrowed from foreign banks;
- (c) five (5) years grace period on payment of Land Lease;
- (d) five (5) years grace period on payment of land lease for Marina;
- (e) fifty percent (50%) exemption of the prevailing rate for Corporate Income Tax;
- (f) fifty percent (50%) exemption of Profit tax for repatriated Profit;
- (g) fifty percent (50%) Accelerated Depreciation for 5 years; and
- (h) engagement of foreign contractors is allowed.

2. A holder of a certificate who has invested or intend to invest in Agriculture and Fisheries Sector and has been granted a Strategic investment status by the Minister responsible for Finance may be granted the:

- (a) exemption from payment of all duties on importation and local purchase for the input used during the implementation of the projects including construction material where case may be;

- (b) exemption of income tax on interest on capital borrowed from foreign banks;
- (c) five (5) years grace period on payment of Land Lease;
- (d) five (5) years grace period on payment of land lease for Marina;
- (e) fifty percent (50%) of the prevailing rate corporate income tax;
- (f) fifty percent (50%) tax on repatriated profit; and
- (g) fifty% (50%) Accelerated Depreciation for five (5) years.

3. A holder of a certificate who has invested or intend to invest in Energy sector and has been granted a Strategic investment status by the Minister responsible for Finance may be granted the:

- (a) hundred percent (100%) allowance on Research Development (R&D) expenditure;
- (b) free Import Duty, Excise Duty and VAT on importation of machines and equipment;
- (c) exemption from payment of income tax on interest on capital borrowed from foreign banks;
- (d) five (5) years grace period on payment of land lease;
- (e) exemption on payment of Marina lease rent for five (5) years;
- (f) fifty percent (50%) of the prevailing rate corporate income tax;
- (g) fifty percent (50%) tax on repatriated profit; and

- (h) fifty% (50%) of Accelerated Depreciation for five (5) years.

4. A holder of a certificate who has invested or intend to invest in Industrial Manufacturing or Assembling Business and has been granted a Strategic investment status by the Minister responsible for Finance may be granted the following incentives:

- (a) exemption from paying Import Duty, trade levy, Excise Duty and VAT on importation of machinery, vehicles, equipment and other input necessary and exclusively required for the construction of the plant;
- (b) Value Added Tax relief on local purchase for machinery, equipment and other input necessary and exclusively required for the construction of the plant fifty percent (50%) of the prevailing rate of corporate income tax;
- (c) exemption from paying Import Duty, Excise Duty and VAT on importation of factory machinery, equipment and raw materials required during production phase.
- (d) Value Added Tax relief on local purchase for machinery, equipment, raw material, packaging material and other input necessary and exclusively required for the production phase;
- (e) exemption from paying tax on goods produced for export of fifty percent (50%) tax on repatriated profit;
- (f) Hundred percent (100%) sale to the domestic market for good produced and subject to the payment of all taxes;
- (g) Hundred percent (100%) allowance on Research Development (R&D) expenditure;
- (h) Accelerated Depreciation of 50% for 10 years;

- (i) exemption from payment of land lease rent for the first five (5) years;
- (j) exemption of income tax on interest on capital borrowed from foreign banks;and
- (k) fifty per cent (50%) of prevailing rate on profit tax for repatriated profit.

SEVENTH SCHEDULE

INCENTIVES AND ALLOWANCES FOR APPROVED INVESTOR [Made under section 32 (3)]

PART I: Incentives and allowances in the Free Economic Zone

CATEGORY "A" FREE ECONOMIC ZONE DEVELOPERS: DEVELOPMENT OF INFRASTRUCTURE

1. The developer of a Free Economic Zone shall benefit led 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 Free Economic Zone infrastructure;
- (b) exemption from payment of corporate tax for an initial period often years and thereafter a corporate tax shall be charged at the rate specified in the Income Tax Act, 2004;
- (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, ambulances, firefighting equipment and fire fighting vehicles and up to two buses for employees' transportation to and from the free economic zone;

- (f) exemption from payment of stamp duty on any instrument executed in or outside the Free Economic Zone relating to transfer, lease or hypothecation of any movable or immovable property in or situated within the Free Economic Zone or any document, certificate, instrument, report or record relating to any activity, action, operation, project, undertaking or venture in the Free Economic Zone;
- (g) entitlement to an initial automatic immigrant quota of up to five persons during the startup period and thereafter, any application for extra persons shall be submitted to the Authority which shall, in consultation with the Immigration Department, authorize 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 Free Economic Zones; and
- (k) treatment of goods destined into Free Economic Zones as transit cargo.

**CATEGORY "B" FREE ECONOMIC ZONE OPERATORS:
APPROVED INVESTORS PRODUCING FOR SALE INTO
THE CUSTOMS TERRITORY**

1. Approved investors whose primary markets are within the customs territory shall be entitled to the:

- (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 Free Economic Zone;
- (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 ambulances, firefighting equipment and fire fighting vehicles and up to two buses for employees' transportation into and from the Free Economic Zone;
- (d) exemption from pre-shipment or destination inspection requirements;
- (e) on site customs inspection of goods within Free Economic Zones;
- (f) provision of business visa at the point of entry to key technical, management and training staff or a maximum of two months; thereafter the requirements to obtain a residence permit according to the Immigration Act of Tanzania shall apply;
- (g) entitlement to an initial automatic immigrant quota of up to 10 persons during the startup period and thereafter, any application for an extra person shall be submitted to the Authority which shall, in consultation with the competent Authorities, authorize 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 Free Economic Zones; and

- (i) unconditional transferability through any authorized 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; and
 - (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;
- (j) payments of emoluments and other benefits to foreign personnel employed in Tanzania in connection with the licenced business.

**CATEGORY "C" FREE ECONOMIC ZONE OPERATORS:
APPROVED INVESTORS PRODUCING FOR EXPORT
MARKETS**

1. Approved investors producing for export markets in nonmanufacturing or processing sectors shall be entitled to the:
 - (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 Free 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, 2004;
- (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 Free 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 Free Economic Zone;
- (h) provision of business visa at the point of entry to key technical, management and training staff for a maximum of two months; there after the requirements to obtain a residence permit according to the Immigration Act, 1995 shall apply;
- (i) remission of customs duty, value added tax and any other tax payable in respect of importation of one administrative vehicle, ambulances, firefighting equipment and vehicles and up to two buses for employees' transportation to and from the free economic zones;
- (j) treatment of goods destined into Free 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 10 persons during the startup 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 authorize 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 Free Economic Zones; and
- (n) unconditional transferability through any authorized 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 of the business enterprises or any interest attributable to the investment;
 - (v) payments of emoluments and other benefits to foreign personnel employed in Tanzania in connection with the business enterprise;
 - (vi) twenty percent (20%) of total turnover is allowed to be sold to the local market and is subject to the payment of all taxes;

(vii) hundred percent foreign ownership allowed; and

(viii) no limit to the duration that goods may be stored in the Freeport Zones.

2. For purposes of this section "investors licenced primarily for export markets" are investors whose exports are eighty percent (80%) or more of total annual production.

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

PART TWO:

Incentives and allowances outside Free Economic Zones

1. Approved investor investing outside Free Economic Zones, may be granted the:

- (a) exemption from payment of import duty, excise duty VAT and other similar taxes on machinery, equipment, spare parts, vehicles and other input necessary and exclusively required by that enterprise during construction period indicated in the Certificate;
- (b) exemption from payment of business license fee for the first 3 months of trial operation;
- (c) corporate tax exemption for up to five (5) years;
- (d) hundred percent (100%) foreign ownership;
- (e) hundred percent (100%) retention of all profits after tax;
- (f) hundred percent (100%) allowance Research and Development; and
- (g) free repatriation of profit after tax.

2. Without prejudice to the provisions of section 1 of this

Part, approved investor investing in manufacturing sector may further be granted the:

- (a) exemption from payment of any tax on all goods produced for exports;
- (b) exemption from payment of trade levy for raw materials and industrial inputs procured Tanzania Mainland;
- (c) exemption from payment import duty, VAT and other similar taxes on raw and packaging materials during project operations;
- (d) exemption of Income Tax on interest on registered borrowed capital; and
- (e) 100% investment deduction on capital expenditure within 5 years;

3. Without prejudice to the provisions of section 1 of this Part, approved investor investing in real-estate business may also be granted the:

- (a) exemption of Income Tax on interest on borrowed capital;
- (b) Stamp Duty exemption;
- (c) 100% investment deduction on capital expenditure within 5 years; and
- (d) no Capital Gains Tax on properties sold or purchased.

OBJECTS AND REASONS

The objects and purpose of this Bill is to propose the repealing the Zanzibar Investment Promotion and Protection Act, No.11 of 2004 and to establish a new Act for the purpose of expediate economic development in Zanzibar through concept of One Stop Center.

The Bill proposes to establish an Authority which shall have responsibility of supervising all the matters of investment in Zanzibar for the purpose of having One Stop Center.

Currently, the investors experiences some difficulties on acquiring investment services because each public institution deal with their own matter without considering the required good investment environment.

The proposed Bill intends to strength the core functions of the Authority of promoting and facilitating the investment. The said functions can be enhanced through identification of prevailing investment opportunities, promoting inside and out side the country so as to attain investment establishment through coordinating and service providing to the investors.

The Bill intends to bring about the changes on economic growth in Zanzibar, improve goods transportation, availability of foreign currencies, to strengthern effecience on investment administration, to increase employment, to promote government revenue, facilitation of transfer of technology, to minimize cost of doing business, and make Zanzibar as best investment destination and build the good image of the contry.

The proposed Bill intends strengthening the core functions of the Zanzibar Investment Promotion and Authority (ZIPA) of promotion and facilitation of investment in Zanzibar

The Bill is devided into Ten Parts as follows:

Part One, is dealing with Short title and Comencement, Interpretation and objects and purposes of the Act.

Part Two, is about Establishment of the Authority, Objects and purposes of the Authority, Functions of the Authority, Powers of the Authority and One Stop Centre,

Part Three, is dealing with Establishment of Board of Directors, Tenure of members, Quorum, Procedures of the meeting, Meeting of the Board, Decision, Allowance of the members, Co-option, Cessation of members, Powers and Functions of the Board, Appointment of Executive Director, Staff of the Authority,

Part Four, is about Treatment of investor, obligations to the Approved investor and Prohibitions.

Part Five, is about application of Investment Certificate, Particulars of Investment Certificate, Suspension and cancellation of Investment Certificate, Remedies for Cancellation and Amendment of Certificate.

Part Six, deals with Facilitation of license, permits, Employment of expatriate, Acquisition of land, Incentives and allowances.

Part Seven, deals with funds transfer rights, Protection against compulsory acquisition of land and Dispute Settlement.

Part Eight, deals with Recognition and Declaration of Free Economic Zones, Objects and purposes, Goods to be considered be imported or exported, Goods and services within Free Economic Zones, Removal of goods from a Free Economic Zone and Customs Area.

Part Nine, deals with Financial Provisions deals with funds of the Authority, Annual budget and Account and Audit

Part Ten, this part deals with confidentiality, Appeals, Abandoned Investment, Offences and Penalties, Regulations and Repeals and Savings.

{ DR. KHALID SALUM MOHAMED }
MINISTER OF FINANCE AND PLANNING
ZANZIBAR