

**GOVERNMENT OF PAKISTAN
BOARD OF INVESTMENT**



Modified & Amended

Special Economic Zones Act, 2012

As amended up to 31st December 2015

REGISTERED No. M-302

L-7646

The Gazette of Pakistan

**EXTRAORDINARY
PUBLISHED BY AUTHORITY**

ISLAMABAD, THURSDAY, SEPTEMBER 13, 2012

PART 1

Act, Ordinances, President's Orders and Regulations

NATIONAL ASSEMBLY SECRETARIAT

Islamabad, the 13th September, 2012

No. F. 22(7)/2012-Legis.- The following Act of Majlis-e-Shoora (Parliament) received the assent of the President on the 12th August, 2012 and is hereby published for general information:

ACT No. XX OF 2012

An Act to provide for setting up and operation of special economic zones in Pakistan

WHEREAS it is necessary and expedient to promulgate a law for the creation, development and efficient operation of special economic zones through provision of a legal and regulatory frame work to encourage domestic and international investors for promotion and establishment of industrial infrastructure and for other matters connected or ancillary thereto;

It is hereby enacted as follows:-

(1203)

[2973(2012)/Ex Gaz.]

Price: Rs. 20.50

1. Short title, extent and commencement.- (1) This Act may be called the Special Economic Zones Act, 2012.

(2) It extends to the whole of Pakistan.

(3) It shall come into force on such date as the Federal Government may, by notification in the official Gazette, appoint and different dates may be appointed for coming into effect of different provisions of this Act and any reference to commencement shall generally refer to the commencement of this Act but commencement of any provision that comes into force subsequent to the general commencement shall be treated from the date of coming into force of the respective provision and not the general commencement.

2. Act to override other laws.- The provisions of this Act shall have force notwithstanding anything to the contrary contained in any other law for the time being in force.

3. Definitions.- In this Act, unless there is anything repugnant in the subject or context,-

- (a) “Approvals Committee” means the committee constituted under section 7;
- (b) “arbitration” shall include arbitration under the applicable laws of Pakistan as well as arbitration under any applicable international regime, whether selected contractually through an agreement in writing or available to a party or parties as a result of an international agreement accorded or ratified;
- (c) “BOA” means the Board of Approvals constituted under section 5;
- (d) “BOI” means the Board of Investment established under the Board of Investment Ordinance, 2001 (XV of 2001);
- (e) “capital equipment” means plant, machinery or equipment, accessories, and component part of machinery and equipment identifiable for use in or with machinery required for economic activities and machinery includes machinery and equipment of any description, such as is used in industrial process, manufacture, production or processing of other goods and rendering services, except the goods that are consumed in the manufacturing, production or processing of goods or provision of services;

- (f) “developer” means an enterprise which has entered into a development agreement with a SEZ Authority;
- (g) “development agreement” means a duly approved agreement between SEZ authorities and agreed to and endorsed by the BOA and a developer that authorises a developer to develop, establish and operate a SEZ;
- (h) “economic zone” means a geographically defined and delimited area which has been notified and approved for economic, industrial and commercial activities;
- (i) “existing zones” means the export processing zones, industrial zones and other similar entities in existence at the time of the commencement of this Act and includes but not limited to the following, namely:-
 - (i) “export processing zones” means an economic zone which is established under the Export Processing Zone Authority Ordinance, 1980 (IV of 1980);
 - (ii) “extra-territorial zone” means an economic zone of a type that is to be deemed to be outside the customs territory of Pakistan;
 - (iii) “free trade zone” means an economic zone that shall be deemed to be outside the customs territory of Pakistan with respect to which the BOA shall approve special facilities for trade, transshipment and re-export operations in accordance with applicable legislation as for the time being imposed in Pakistan;
 - (iv) “hybrid export processing zone” means an economic zone that shall be deemed to be outside the customs territory of Pakistan in which goods are manufactured and from which services are provided, both for exportation to countries other than Pakistan as well for export into Pakistan;
 - (v) “multilateral economic zone” means an economic zone in which all zone enterprises are required to be beneficially owned by nationals, residents or corporate entities of one or more particular countries;
 - (vi) “reconstruction opportunity zone” means an economic zone from which the exports of goods and services has been recognised by

any country or jurisdiction other than Pakistan as being eligible for reduced tariff duties and other benefits;

(vii) “regional development zone” means an economic zone wherein economic activities are promoted so as to develop particular regions and industries; and

(viii) “sector development zone” means a regional development zone in which permissible economic activity shall be limited to one or more sectors as notified by the BOA;

(j) “misconduct” means any conduct of a member or Chairperson of the Provincial SEZ Authority that is prejudicial to the good order and management of the SEZ Authority or a SEZ and includes but not limited to the following, namely :-

(i) a failure to disclose an interest of the member or Chairperson in a transaction related to a SEZ or an interest of the member’s parent, spouse, brother, sister, child, or spouse of a parent, brother, sister or child;

(ii) any act or omission which is *ultra vires of this Act*;

(iii) any act or omission which lacks good faith; or

(iv) any act or omission which is inconsistent with the fiduciary duties of such member or Chairperson;

(k) “Provincial investment promotion authority” means an investment promotion agency, by whatever name called, formed by a Province to work as focal authority to promote domestic and foreign investment in that Province such as Sindh Board of Investment established in Sindh and Punjab Board of Investment and Trade or any other similar entity;

(l) “SEZ Authorities” mean the Provincial SEZ Authorities established under section 10;

(m) “SEZ Committee” means the authority chartered by the BOA at each SEZ under section 23;

- (n) “Special Economic Zone” or “(SEZ)” means a geographically defined and delimited area which has been approved and notified by the BOA”¹.
- (o) “zone admission criteria” means the criteria under this Act, and to be applied by developers in deciding whether or not to admit an enterprise into a particular SEZ including thereof zone approval criteria that means the criteria to be applied by the SEZ Authority and the BOA in deciding whether to allow or not to allow a particular area to be developed as a SEZ;
- (p) “zone application” means an application submitted in accordance with the provisions of this Act by an SEZ Authority seeking the notification of an area as a special economic zone;
- (q) “zone development plan” means a business plan for developing a SEZ;
- (r) “zone enterprise” means an enterprise admitted into a SEZ by a developer; and
- (s) “zone regulations” mean regulations made by the BOA under this Act.

4. Establishment of special economic zones.- The Federal Government and Provincial Governments may establish special economic zones by themselves or in collaboration with private parties under various modes of collaboration including public-private partnership or exclusively through the private parties as provided under this Act.

5. Board of Approval.- (1) There shall be a Board of Approvals, hereinafter called BOA, consisting of:-

- (i) the Prime Minister of Pakistan who shall be the Chairperson of the BOA;
- (ii) the Minister for Finance who shall be the Vice Chairperson of BOA;
- (iii) the Minister for Industries;
- (iv) the Minister for Production;
- (v) the Minister for Commerce;
- (vi) the Minister for State and Frontier Regions Divison;
- (vii) two members of Majlis-e-Shoora (Parliament) to be nominated by the Prime Minister (one from each House);
- (viii) the Chairman of the BOI;

¹ Section 3, clause (n) substituted through Special Economic Zones (Amendment) Ordinance, 2015

- (ix) the Deputy Chairman Planning Commission;
 - (x) the Chief Minister of each Province;
 - (xi) the Chairman of the Federal Board of Revenue;
 - (xii) Governor, State Bank of Pakistan;
 - (xiii) Secretary BOI;
 - (xiv) Executive heads of the Provincial investment boards by whatever names known or if no such board is established a nominee of the Government of such Province, having adequate relevant professional experience, the tenure of such nominees shall be three years.
 - (xv) the President of the Federation of the Pakistan Chambers of Commerce and Industry;
 - (xvi) the President of the Pakistan Business Council;
 - (xvii) the President of the Overseas Chamber of Commerce and Industry; and
 - (xviii) a professional having relevant adequate experience to be nominated by the Prime Minister of Pakistan.
- (2) The meeting of the BOA shall be convened on the orders of the Chairman BOA or on the recommendations of BOI or the Provincial SEZ Authority.
- (3) The BOA shall meet as frequently as required but not less than twice a year.
- (4) Fifty percent of the members shall constitute quorum of the BOA.
- (5) Where the Chairperson is not present, the Vice-chairperson shall chair the BOA's meeting and if both are not available, a member designated by the Chairperson shall preside.
- (6) The decisions of the BOA shall be taken by majority of the total membership present and voting.
- (7) The BOA shall adopt its own rules of procedure.
- (8) Secretary BOI shall also act as Secretary of the BOA.

6. Functions and responsibilities of the BOA.- The BOA- may-

- (a) approve such regulations for the implementation of this Act as are applicable to all SEZs or to a particular group of SEZ or a particular SEZ;
- (b) approve or reject zone applications;
- (c) approve or reject development agreements;
- (d) examine and decide upon policy issues submitted to it by SEZ Authorities or by developers;
- (e) co-opt on the members of the Approvals Committee as necessary;
- (f) notify with approval of relevant authorities additional benefits under sub-section (2) of section 34;
- (g) cancel development agreement;
- (h) review and direct actions on annual reports submitted by SEZ authorities;
- (i) annually review the implementation of this Act with a view to improving policies relating to SEZs; and
- (j) take any other steps it deems appropriate in order to advance the objectives of this Act.

7. Approvals Committee.- (1) There shall be an Approvals Committee that shall be chaired by the Chairman of the BOI and shall consist of the following, namely:-

- (i) executive heads of the provincial investment boards or companies or agencies, and where these do not exist a representative equivalent to a Provincial Secretary designated by the concerned Province;
- (ii) representatives of the Ministries of Finance, Commerce, Industries and Production and State and Frontier Regions Division not below the level of an Additional Secretary to the Government;
- (iii) private sector representatives representing different sectors and regions to be notified and two co-opted members by special invitation with a three-year term extendable at the discretion of the BOA; and
- (iv) with approval of BOA, co-opted members from concerned Federal and Provincial Government for specific cases.

(2) The Approvals Committee shall exercise all such powers and responsibilities as are delegated to it by the BOA, subject to such conditions as it may deem fit.

(3) The BOA may delegate all or any of its remaining powers and responsibilities to the Approvals Committee.

(4) A decision taken by the Approvals Committee shall be submitted to BOA at its meetings or by circulation for approval.

(5) The BOA may, at any time, exercise any responsibility or any power which it has delegated to the Approvals Committee.

8. Functions of BOI.– (1) The BOI as the Secretariat of BOA and Approvals Committee shall-

(a) be responsible for the co-ordination of all activities pertaining to SEZs, developers and zone enterprises, including the preparation of all documentation for consideration by the BOA, and for ensuring the implementation of all decisions of the BOA;

(b) process all zone applications submitted by SEZ Authorities for consideration of BOA;

(c) process all applications for additional incentives in accordance with subsection (2) of section 34;

(d) review all development agreements proposed by SEZ Authorities;

(e) be responsible for the international and domestic promotion of investments into SEZs; and,

(f) facilitate the interaction of developers and zone enterprises with all other Federal, Provincial and other governmental authorities as well as with international financial and developmental institutions.

(2) BOI shall act as SEZ Authority for the Islamabad Capital Territory as provided in section 10.

(3) BOI shall support and facilitate the SEZ Authorities, if requested.

9. Responsibilities of Provincial Investment Promotion Authorities.- (1) A Provincial investment promotion authority shall be responsible within its Province of jurisdiction for the following, namely:-

- (a) to assist in the operation of the Provincial SEZ Authorities;
- (b) to be the focal entity responsible for the investment promotion;
- (c) may assist the SEZ Authorities and the developers in acquisition and other land related matters including but not limited to necessary easement issues;
- (d) to ensure infrastructure development linkages between authorities within the SEZ; and outside the SEZ;
- (e) to facilitate the developers and zone enterprises in dealing with all provincial governmental authorities for smooth and systematic resolution of issues as and when they arise; and
- (f) to facilitate the developers and enterprises in complying with environmental regimes and social development.

10. SEZ Authority.- (1) There shall be established for each Province, an authority to be known as the SEZ Authority of that Province

(2) Every SEZ Authority shall be a body corporate by the name aforesaid, having perpetual succession and a common seal, with a power, subject to the provisions of this Act and any regulations, to acquire, hold and dispose of property, both movable and immovable, and to contract and shall, by the said name, be entitled to sue and to be sued.

(3) Each SEZ Authority shall consist of,-

- (a) a Chairperson, who shall be the Chief Minister of the concerned Province or a person appointed by the Chief Minister;
- (b) a Vice- Chairperson, who may be the Minister or the Advisor in charge of the investment department and where no such department exists, any member of the Provincial cabinet nominated by the Chief Minister of the concerned Province;
- (c) a Chief Executive Officer who may be appointed by the Chief Minister of the Province concerned and may be the Secretary of the SEZ Authority;

- (d) Secretary of the Provincial investment department and where no such department exists, the executive head of the Provincial investment promotion authority by whatever name it exists;
 - (e) Secretaries of the Provincial industries, finance, commerce, investment, works and services, livestock, agriculture and planning and development departments;
 - (f) Two members to be appointed by the Chief Minister of the Province concerned and two other members to be appointed by the BOA; and
 - (g) a member to be appointed by the concerned Chamber of Commerce and Industry where the SEZ is proposed. If there is no Chamber of Commerce then a member of the Chamber of Commerce of that respective area to be appointed.
- (4) Each SEZ Authority may acquire land in its respective Province in accordance with the Land Acquisition Act, 1894 (I of 1894).
- (5) Each SEZ Authority shall, subject to the approval of BOA, establish its rules and procedures.
- (6) Where the Chairperson is not present, the Vice-Chairperson shall chair the SEZ Authorities meeting.

11. Requirements for all zone applications.- (1) Every zone application submitted for approval to the BOA shall identify the type of SEZ proposed and include-

- (a) a basic business concept or model for the proposed SEZ to be submitted;
- b) parameters for zone admission criteria; and
- c) a preliminary zone development plan which shall-
 - (i) define the geographic boundaries of the proposed SEZ;
 - (ii) set out the basic infrastructure development requirements, both inside and outside the proposed SEZ, necessary for the proper functioning of the proposed SEZ;
 - (iii) set out the land requirements of the proposed SEZ;

- (iv) set out the manner in which land required shall be procured, including specifically whether land will need to be acquired under the Land Acquisition Act, 1894 (I of 1894); and
- (v) set out what criteria shall be applicable to the admission of zone enterprises into that SEZ.

(2) The zone application to be submitted along with a proposed development agreement under section 14 and the criteria on which a developer shall be selected for that SEZ.

12. Approval of zone applications.— (1) All zone applications shall be submitted to the BOA by the SEZ Authority of the Province in which the proposed SEZ shall be located.

(2) The BOA shall review every zone application submitted to it by the SEZ Authority to ensure that the proposal is in conformity with the provisions of this Act, any applicable regulations made under this Act and other applicable provisions of law.

13. Approval of development agreements.—(1) If a zone application is approved by the BOA, the concerned SEZ Authority shall select a developer in accordance with any applicable zone regulations except as provided in section 4. Such zone regulations shall require that envisaged development agreements be notified for competitive bidding.

(2) After negotiating a development agreement, the concerned SEZ Authority shall submit a final agreement for approval to the BOA.

(3) There shall be a provisional approval by concerned SEZ Authority subject to fulfilment of all such conditions necessary for final approval according to laid down criteria.

(4) The BOA may condition its approval of a development agreement on the fulfilment of such conditions as it deems fit and according to the laid down criteria.

(5) After final approval, the development agreement shall be signed jointly by the Secretary of the BOA on behalf of the Federation of Pakistan and by the chief executive officer of the concerned SEZ Authority on behalf of the respective Provincial Government.

(6) If the BOA does not approve a development agreement submitted to it, the concerned SEZ Authority, that submitted the development agreement, may resubmit the development agreement after either renegotiating the terms of the proposed development agreement with the developer concerned or after reaching agreement with a different developer selected in accordance with the applicable zone regulations.

(7) In case of any grievances, a developer may approach BOA directly or through the SEZ Authority and BOA shall have the authority to consider, modify or set aside any decision.

14. Simultaneous approval of zone application and development agreement.- The SEZ Authority may simultaneously submit both a zone application and a development agreement to the BOA for provisional approval, provided that,-

- (a) the developer in question either owns all immovable property in the proposed SEZ or holds leasehold rights; and
- (b) no additional incentives shall be granted by the SEZ Authority under subsection (2) of section 34.

15. Approval of existing zones.- (1) Any existing zone may apply to the SEZ Authority in which it is located for submission of a zone application on its behalf.

(2) From the commencement of the Special Economic Zones (Amendment) Ordinance, 2015, only new entrants and new industries that are setup after the establishment of the SEZ may avail SEZ enterprise benefits under this Act.¹

(3) ²[Omitted]

(4) ³[Omitted]

(5) ⁴[Omitted]

16. Zone approval criteria.-

⁵[Omitted]

⁶(1) Unless otherwise decided by the BOA, the following provisions shall form part of the zone approval criteria, namely:-

- (a) a SEZ shall have a minimum size of at least fifty acres;

¹ Substituted through Special Economic Zones (Amendment) Ordinance, 2015

² Omitted through Special Economic Zones (Amendment) Ordinance, 2015

³ Omitted through Special Economic Zones (Amendment) Ordinance, 2015

⁴ Omitted through Special Economic Zones (Amendment) Ordinance, 2015

⁵ Omitted through Special Economic Zones (Amendment) Ordinance, 2015

⁶ Renumbered through Special Economic Zones (Amendment) Ordinance, 2015

- (b) not more than thirty percent of the entire area of a SEZ shall be used for amenities (including commercial areas), infrastructure and residential/labour colonies;
- (c) public-owned land, if used for SEZs shall be leased for a period of at least fifty years extendable for further period as laid down by the competent forum;
- (d) Developers must undertake to comply with all environmental, labour and other applicable legislation in force in Pakistan;
- (e) zone enterprises must begin construction of facilities within six months and assume regular business operations within twenty four months of their approval as zone enterprises and after receipt of all required licenses and permits;
- (f) within six months the developer is bound to take all necessary approvals to start construction activities, failing which that title will be withdrawn and agreement will be terminated and land will be returned;
- (g) title to land may be registered in the name of zone enterprises only after they have performed business operations in the SEZ concerned for at least six months;
- (h) there shall be no real estate activities in the zone as this would result to with-drawl of the title of land and termination of the agreement; and
- (i) article of association of the Zone developer shall be approved by the Provincial SEZ Authority in accordance with the regulatory framework prescribed by BOA.

¹(2) In case the *SEZ* Authority is satisfied with the justification put forward for delay in performance of a responsibility by an enterprise in a SEZ, it can give reasonable relaxation in time frame for performance of the particular responsibilities.

17. Functions and powers of SEZ authorities.- The SEZ authorities shall be responsible to:-

¹ Renumbered through Special Economic Zones (Amendment) Ordinance, 2015

- (a) prepare zone applications in accordance with this Act and applicable zone regulations;
- (b) select developers in accordance with the provisions of this Act and the applicable zone regulations;
- (c) negotiate development agreements in accordance with the provisions of this Act and applicable zone regulations;
- (d) assist developers upon award of a development agreement in acquiring land and accessing public utilities in accordance with the zone development plan;
- (e) prepare zone regulations for particular SEZ;
- (f) co-ordinate with Federal and Provincial authorities and ensure the building of infrastructure outside the boundaries of SEZ;
- (g) serve as liaisons and facilitating agencies in accordance with the provisions of section 29;
- (h) facilitate the availability of public utilities to zone enterprises in accordance with the zone development plan;
- (i) liaise with all relevant Federal and Provincial authorities to ensure the security of SEZs;
- (j) monitor the proper implementation of streamlined administrative procedures in SEZs under section 28;
- (k) monitor the compliance of developers with zone regulations as well as the compliance of developers with their obligations under development agreements and suspended development agreements, in case of violation of terms of development agreement by the developer, pending final decision by BOA.
- (l) monitor the compliance of zone enterprises with their obligations under regulations;
- (m) review of the activities of the developers and zone enterprises regularly but not less than once a year; and
- (n) report bi-annually to the BOA with respect to SEZs in the Provinces concerned;

18. Suspension and removal of members of SEZ Authorities,-(1) The Chief Minister may order removal of either the Chairperson, if so appointed by him, or any member of the Provincial SEZ Authority.

2) If either the Chairperson or any member of a Provincial SEZ Authority is removed, their replacement shall be appointed by the Chief Minister;

19. Eligibility as developer.-Unless otherwise decided by the BOA with respect to a particular SEZ or type of SEZ, any entity shall be eligible as a developer which is incorporated under the laws of Pakistan.

20. Responsibilities of developers.- (1) With the exception of existing zones which have been approved as SEZs, all SEZs shall be developed and operated by developers within a specified time period as mentioned in the development agreement.

(2) All developers shall-

(i) implement their zone development plans in accordance with the terms of development agreement.

ii) approve zone enterprises and allot land to such enterprises in accordance with the applicable zone admission criteria, zone regulations and the terms of the development agreement; and

(iii) monitor and ensure the compliance of zone enterprises with all applicable zone regulations.

(3) Subject to default on the foregoing unless otherwise, the agreement shall stand terminated.

21. Development agreements.- (1) Each development agreement shall include-

(a) all undertakings of the developer regarding the development and operation of the SEZ concerned, with the zone development plan or business concept of proposed SEZ model as an integral part of the development agreements; and

(b) all authorities conferred on the developer with respect to the SEZ concerned, including specifically any provisions pertaining to the developer's authority to-

- (i) admit enterprises into the SEZ in accordance with the zone admission criteria and allot land to them in accordance with agreed eligibility criteria and procedures;
 - (ii) act as a liaison and facilitating agency between the relevant SEZ authority and zone enterprises;
 - (ii) all financial obligations of the developer, including any obligation to make payment for the allocation of land and provision of services by public authorities; and
 - (iv) clear provisions regarding the responsibility of maintenance of infrastructure and utility services.
- (2) A development agreement shall also include-
- (i) rights, protections and entitlements of the developer with respect to the SEZ concerned, established or allowed under this Act or any other applicable law;
 - (ii) rights, protections and entitlements of zone enterprises in the SEZ concerned established or allowed under this Act or any other applicable law, together with a prescribed procedure for the invocation of such rights, protections and entitlements by the developers;
 - (iii) provision for the settlement of disputes, including disputes on behalf of zone enterprises through arbitration; and
 - (iv) rights or titles and other legal authority of the Provincial SEZ Authorities superior to it in terms of the provisions of this Act.

22. Sanctions against developers.- (1) The SEZ Authority may, if it is satisfied after notice and a hearing that a developer is not acting in accordance with the terms of its development agreement, or is acting in violation of applicable zone regulations or applicable legislation and has failed to rectify such violation despite notice to this effect, it may suspend the development agreement of that developer and move for cancellation of such agreement to the BOA or impose such other penalty as may be provided under the applicable zone regulations or the development agreement.

(2) Upon receipt of an application from the Provincial SEZ Authority seeking cancellation of a development agreement, the BOA shall give notice to the developer

concerned, asking it to show cause why its development agreement should not be cancelled or why such lesser penalty as may be provided under applicable zone regulations should not be imposed.

(3) Pending the final decision of the BOA on a proposal for cancellation of a particular development agreement, the SEZ Authority may appoint an interim administrator or take such interim measures as it is necessary to do so-

- (a) in the public interest; or
- (b) to prevent any of the affairs of any SEZ being conducted in a manner detrimental to the interests of stakeholders, zone enterprises or other persons whose interests are likely to be affected or in a manner prejudicial to the interests of the SEZ.

(4) Pending the final decision of the BOA, on a proposal for cancellation of a particular development agreement, the SEZ Authority may, if it is satisfied that it is necessary to secure the proper management of any zone, issue directions to developers generally, or to any developer in particular to carry out such changes as are necessary to rectify the situation and the developers shall be bound to comply with such directions.

(5) Following a hearing in person, in which the developer may be represented by counsel, the BOA may impose such penalty as is provided by the applicable zone regulations or the development agreement, which may include cancellation of a development agreement or cancellation of any benefits allowed to a developer, provided that any cancellation of benefits to a developer shall be without prejudice to the rights and privileges of zone enterprises.

(6) The BOA may only cancel a development agreement if it finds that-

- (i) the developer has violated its development agreement; and
- (ii) that the developer has failed to rectify such violation despite notice.

(7) In addition to the rights of a developer to seek relief through arbitration, a developer aggrieved by any decision of the BOA, BOI or by the imposition of sanction by the SEZ Authority or by the suspension or cancellation of its development agreement may appeal before the High Court of the relevant Province.

23. SEZ Committees:- (1) The BOA shall charter an SEZ Committee for each SEZ as per the applicable zone regulations.

(2) The membership of a SEZ committee shall consist of representatives from the developer, BOI, provincial investment promotion agency, SEZ Authority and concerned district Government. The developer shall appoint the chairperson of the committee.

(3) Each SEZ committee shall have responsibilities to administer and enforce SEZ benefits and rules as well as provide facilitation between the SEZ, its enterprises and the government with responsibilities including to-

(a) examine and approve SEZ entry applications in accordance with zone admissions criteria;

(b) provide for certification of zone enterprises;

(c) conduct oversight of enterprises;

(d) enforce the building code of the SEZ;

(e) coordinate between the developer and government entities and utility providers during construction;

(f) assist Zone enterprises in obtaining approvals and registrations;

(g) serve as the point of contact between the zone enterprise and utility providers; and

(h) facilitate between enterprises and government regulators and tax authorities.

(4) SEZ Committees shall execute their responsibilities according to their standard operating procedure in accordance with zone regulations.

24. Admission of zone enterprises.- (1) Enterprises shall be admitted into a SEZ by the developer in accordance with applicable zone admission criteria, the zone regulations and the terms of the development agreement.

(2) Any enterprise which is refused admission into a SEZ by a developer may appeal to the SEZ Authority of the relevant Province, which shall have the power to direct the relevant developer to allow admission to the enterprise in question in accordance with the applicable zone regulations and development agreement.

25. Sanctions against zone enterprises.- (1) The BOA shall issue zone regulations which provide for sanctions against zone enterprises and the manner in which such sanctions may be imposed.

(2) The BOA may, with respect to particular SEZs, delegate its authority under sub-section (1) to SEZ Authorities.

(3) The SEZ Authority may if it is satisfied that it is necessary to do so to secure the proper management of any zone enterprise, issue directions to zone enterprises generally or to any zone enterprise in particular to carry out such changes as are necessary to rectify the situation and the zone enterprise shall be bound to comply with such directions.

(4) The SEZ Authority may only expel a zone enterprise from a SEZ if it finds that-

- (i) the zone enterprise is in violation of its obligations; and
- (ii) the zone enterprise has failed to rectify such violation despite notice.

(5) The SEZ Authority may appoint interim administrator or take such interim measures for a period of not more than one month if it is satisfied that it is necessary to do so-

- (i) in the public interest; or
- (ii) to prevent any of the affairs of any SEZ being conducted in a manner, detrimental to the interests of stakeholders, developers, zone enterprises or persons whose interests are likely to be affected or in a manner prejudicial to the interests of the SEZ.

(6) The action taken by the SEZ Authority in accordance with sub-section (5) shall be referred to BOA within seven days for ratification by BOA, The BOA shall decide the matter and issue the guidelines and instructions about operations of zone enterprise within fifteen days.

26 Land regime.- (1) The Provincial Government of each Province or any concerned authority shall nominate, for each SEZ, a sub-registrar who shall be the exclusive authority with which all documents relating to that SEZ shall be liable to be registered under this Act, zone regulations and any other applicable law.

(2) Notwithstanding any other law in force, a developer may not sell, sub-lease or otherwise transfer any rights with respect to any immovable property within a SEZ except through a duly registered instrument.

27. Public utilities and transportation links.-(1) Unless provided otherwise in a particular development agreement, it shall be the responsibility of-

- (i) the Federal and Provincial Governments to ensure the provision of gas, electricity and other utilities at the designated zero point of each SEZ;

- (ii) the Federal and Provincial Governments to ensure adequate road access to the SEZ; and
- (iii) each developer to ensure, within a particular SEZ, the supply of gas and electricity to all zone enterprises as well as the availability of all other public utilities required for such areas as envisaged in the development agreement.

(2) Unless provided otherwise in a particular development agreement and notwithstanding anything to the contrary contained in the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997), each developer shall have the right to set up a captive electric power generation plant or install a hydel power generator of sufficient size to cater to the expected demand for electricity within a particular SEZ and to sell and distribute only the excess electricity so generated within and outside that particular SEZ in accordance with the applicable regulations.

28. Applicable operating administrative procedures .- (1) The BOA, the BOI and the SEZ Authorities shall promote the adoption of simplified administrative procedures for SEZs and zone enterprises with the relevant Federal and Provincial authorities and agencies. Such procedures shall in particular facilitate the-

- (i) issuance of licenses, permits and other approvals to zone enterprises required for their business activities;
- (ii) satisfaction of customs and other export or import requirements by zone enterprises;
- (iii) fulfilment of tax obligations by Zone Enterprises; and
- (iv) authorisation of electronic communications and Modes of e-governance

(2) Procedures under sub-section (1) shall endeavour to-

- (i). substitute notifications and registrations for license, permit and other approval requirements; and
- (ii) authorise approvals on a no objection basis within a specified period.

29. Assistance by the BOI and SEZ Authorities.- (1) The BOI shall act as a liaison and facilitating agency between:-

- (i) all Federal Ministries, authorities and agencies; and
 - (ii) SEZ Authorities, developers and zone enterprises.
- (2) The BOI shall act as a one stop shop in its responsibilities under sub-section (1).
- (3) The SEZ Authorities shall act as a liaison and facilitating agency between,-
- (i) all departments, authorities and agencies of the relevant Province, including all local government and municipal authorities and agencies; and
 - (ii) developers and zone enterprises.
- (4) To the extent practicable, SEZ Authorities in the Provinces or in any other area shall seek to enter into administrative arrangements with tax, customs, labour and other authorities under which SEZ authorities may exercise certain administrative functions on behalf of such authorities, which arrangements may include a secondment of officials with decision-making power from such authorities to SEZ Authorities.
- (5) All Federal and Provincial Ministries and departments, authorities and other agencies shall fully co-operate with the BOI and SEZ Authorities in facilitating the activities of developers and zone enterprises and carry out the requisite functions within the time frame stipulated under the regulatory framework prescribed by BOA for the implementation of this Act.

30. Labour laws.- All labour and employment laws of Pakistan shall be applicable to SEZ in the same manner as they are to all territories within Pakistan.

31. Employment of key persons.-Notwithstanding anything contained in any other law, the BOA may issue special rules for the employment by zone enterprises of key managerial and technical persons who are not citizens of Pakistan, relating to the terms and conditions of their contracts as well as with respect to the issuance of visas, temporary residence permits and temporary work permits for such key persons and their dependents provided further that such rules shall only be issued after consultation with-

- (i) the Ministry of Interior;
- (ii) the Ministry of Foreign Affairs; and
- (iii) such other Ministry or Department as the BOA may direct.

32. Security.- (1) Each Province or any concerned authority shall be responsible for providing security for the protection of SEZs.

2) Pending the creation of a special police force, each Province or any concerned authority shall designate special police units responsible for the protection of SEZs within that area.

33. ¹[Omitted]

34. Incentives for SEZs.- (1) On execution of development agreements, the developer of a particular SEZ as well as all zone enterprises in that SEZ shall be entitled to benefits set out in section 36 and 37 respectively.

(2) Within the objective of promoting hi-tech industries or particular regions, the BOA may grant additional benefits to a particular category of SEZs, zone enterprise, regions or sectors provided that-

- (i) such additional benefits may only be granted if the BOA finds them to be justified on the basis of an economic impact assessment;
- (i) such additional benefits, if granted conditionally, may be liable to be forfeited with retroactive effect if it is finally determined that a developer or zone enterprise has failed to comply with the conditions prescribed for the additional benefits in question; and
- (ii) The BOA shall make the economic impact assessment of a SEZ within five years from the date the agreement is signed and within the first year of the operation of an enterprise.

(3) Any additional benefits granted by the BOA-

- (i) shall be deemed to be included in the relevant Developer Agreement; and
- (ii) shall become effective on such conditions as the BOA may stipulate.

(4) Nothing in this Act shall be construed to limit the authority of any Federal, Provincial or Local Government authority to grant such additional benefits to developers and zone enterprises as are within the scope of their respective statutory powers.

¹ Omitted through Special Economic Zones (Amendments) Ordinance, 2015

35. Protection of benefits- (1) All incentives under this Act shall be additional to all incentives, benefits and protections which may be applicable to developers and zone enterprises under generally applicable legislation and international agreements of Pakistan.

(2) These benefits shall not be withdrawn prematurely, and any change therein shall be to the advantage of the developer of the SEZ or the enterprise.

36. Benefits for developers.- Unless otherwise provided in a development agreement, developers shall be entitled to the following benefits, 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; and¹
- (b) exemption from all taxes on income accruable in relation to the development and operation of the SEZ for a period of five years, starting from the date of signing of the development agreement².

37. Benefits for zone enterprises.- All zone enterprises shall be entitled to the following benefits, 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; and³
- (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”⁴.

¹ Substituted through Special Economic Zones (Amendment) Ordinance, 2015

² for the word “Exemption” occurring in the beginning, the word “exemption” and for the word “ten” the word “five” substituted through Special Economic Zones (Amendment) Ordinance, 2015

³ Section 37, Clause (a) substituted through Special Economic Zones (Amendment) Ordinance, 2015

⁴ Section 37, Clause (b) substituted through Special Economic Zones (Amendment) Ordinance, 2015

38. Jurisdiction of court.- Without prejudice to the provisions of section 39,-

- (a) the High Court of the Province in which a SEZ is located shall have exclusive original civil jurisdiction with respect to all disputes between the developer of that SEZ and any governmental authority or agency, to the extent that such dispute arises out of, or relates to, a developer agreement; and
- (b) the district court of the district within whose boundaries a SEZ is located shall have exclusive original civil jurisdiction with respect to-
 - (i) all disputes between the developer of that SEZ and a zone enterprise located within that SEZ; and
 - (ii) all disputes between two or more zone enterprises located within that same SEZ.

39. Alternative dispute resolution procedures.- (1) Development agreements may provide for the resolution of disputes through arbitration between developers and any Federal, Provincial or Local Governmental authority or agency arising out of, or relating to, such development agreement.

(2) Development agreements may authorize developers to pursue and defend the rights of zone enterprises within a particular special economic zone through arbitration.

(3) Zone regulations may provide for the resolution of disputes between zone enterprises in the same SEZ or between zone enterprises and developers through arbitration and mediation in accordance with procedures approved by the BOA for this purpose.

40. Rules and regulations for implementation of this Act.-The BOI, in consultation with SEZ Authorities and with approval of the BOA, may make rules and regulations as deemed necessary for implementation and to carry out purposes of this Act.

KARAMAT HUSSAIN NIAZI,
Secretary,