

**ACT NO. 11 OF 2004**

**I ASSENT**

**{AMANI ABEID KARUME}  
PRESIDENT OF ZANZIBAR  
AND  
CHAIRMAN OF THE REVOLUTIONARY COUNCIL**

....., 2004

**AN ACT TO ESTABLISH THE ZANZIBAR INVESTMENT  
PROMOTION AUTHORITY AS A GOVERNMENT FOCAL POINT  
FOR THE PROMOTION AND FACILITATION OF INVESTMENT IN  
ZANZIBAR AND OTHER MATTERS CONNECTED THEREWITH**

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**ENACTED by the House of Representatives of Zanzibar.**

**PART I  
PRELIMINARY PROVISIONS**

Short title and Commencement.      1. This Act may be cited as the Zanzibar Investment Promotion and Protection Act, 2004 and shall come into operation on such a date as the Minister may, by notice in the Government Gazette, appoint.

Interpretation.

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

“Authority” means the Zanzibar Investment Promotion Authority established under section 3 of this Act;

“approved” in relation to any investment, foreign currency, period, sum or amount means any enterprise, currency, period, sum or amount specified in the relevant certificate issued by the Authority;

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

“approved domestic enterprise” means an investment made in Zanzibar which more than 50% of its shares are owned by a Zanzibari;

“Board” means the Board of Directors of the Authority established under section 6 of this Act;

“certificate” means a certificate issued to an investor pursuant to subsection (1) or (2) of section 12 of this Act;

“construction period” means the period allowed by the Authority where applicable, for the enterprise to complete construction upon receiving building permit from the Authority.

“construction phase” means the period allowed by the Authority in constructing part of the project according to the investment programme submitted and approved by the Authority.

“executive director” means the Executive Director of the Authority appointed under section 9(1) of this Act

and shall, where appropriate include any officer lawfully authorized to act on that behalf.

“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:

- (a) in case of an individual, is not a Tanzanian;
- (b) in case of a body corporate is:
  - (i) incorporated outside Zanzibar; or
  - (ii) is 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;

“free economic zones” means Amaan Industrial Park, Fumba and Micheweni Free Economic Zones Area and any other site hereinafter designed as such by the President;

“freeport zones” means the Free port Zones as established under the provisions of section 26 of this Act.

“Government” means Revolutionary Government of Zanzibar;

“investor” means a person whether natural or body corporate who seeks to make, is making or has made an investment.

“investment” shall comprise the contribution of local or foreign capital by an investor or body corporate 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.

“Minister” means the Minister for the time being responsible for investment matters;

“parastatal” means a public corporation owned by the Government or a company in which more than fifty per centum of the issued share capital is beneficially owned by the Government;

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

“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.

“Trial Operations” means for manufacturing enterprise where applicable, a period whereby the investor utilize to make initial trial production, and for the non-manufacturing enterprise, is the initial start – up period as approved by the Authority.

“Zanzibari” means:

- (a) any individual defined to be a Zanzibari by Zanzibar Act No. 5 of 1985 of Zanzibar; or
- (b) a company incorporated in Zanzibar in accordance with the Company Decree, Cap. 153 respect of which the Authority is satisfied that the majority of the issued share capital is beneficially owned by Zanzibaris.

**PART II**  
**THE ZANZIBAR INVESTMENT PROMOTION AUTHORITY**

Establishment of the Authority.

3.(1) There is hereby established an Authority to be known as the Zanzibar Investment Promotion Authority which shall be an Autonomous Government Organ.

(2) The Authority shall be a body corporate with perpetual succession with a common seal and shall be capable in its name of:

- (a) suing and being sued;
- (b) borrowing and lending money;
- (c) taking, purchasing, or otherwise acquiring, holding, charging and disposing of movable and immovable property;
- (d) doing or performing all such other things or acts necessary for proper performance of its functions under this Act, which may lawfully be done by a body corporate.

Functions of the Authority

4.(1) The Authority shall be the focal point for promotion and facilitation of investments in Zanzibar.

(2) The Authority shall maintain liaisons between investor, Government and other authorities concerned with investment.

(3) The Authority shall be responsible for administration, control and management of Freeport and Free Economic Zones.

(4) 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 powers.

(5) Without prejudice to the functions specified under sub-section (2), (3) and (4) of this section the Authority shall perform other specific functions as set out in the Second Schedule to this Act.

Powers of the authority.

5.(1) Without prejudice to the generality of the functions conferred under section 4 of this Act, the Authority shall have powers to make rules as may be required for the purpose of ensuring the promotion and protection of investments in Zanzibar and the administration of Free Economic Zones and Free Port Zones and in particular rules to:

- (a) determine application procedures and criteria for approved enterprise and approved domestic enterprise status;
- (b) determine procedures for providing the benefits accruing to approved enterprise and approved domestic enterprises;
- (c) ensure orderly development of Free Economic Zones and Free Port Zones in Zanzibar;
- (d) determine the form of, and issue the certificates or licences to be issued under this Act, the time

periods within which the Authority shall take a decision on whether or not to issue a certificate or licence and the procedures for amendment and revocation of such certificates or licences; and

- (e) determine rents, charges, dues or fees for any facilities provided by the Authority or for the grant to any person of a licence, permit or certificate;

(2) All rules made under this section shall be approved by the Minister and published in the Gazette.

Establishment of Board of Directors.

6.(1) There shall be a Board of Directors constituted of not less than five and not more than seven members.

(2) The Board shall consist of the following:

- (a) The Chairperson who shall be appointed by the President;
- (b) The Executive Director of the Authority who shall be an ex-officio;
- (c) Not more than five other members appointed by the Minister at least two of whom shall be representatives of the private sector.

(3) All members other than the Executive Director shall hold office for terms of no more than three years, and shall be eligible for re-appointment

(4) The members appointed under sub-section (2) of this section, shall be from among persons of standing experience and knowledge in financial, economic, legal, business or industrial entrepreneurship.

(5) The Board shall appoint a suitable and qualified person to be a Secretary to the Board.

Meeting of the Board.

7.(1) The Board shall have powers to determine its own procedures of the meeting.

(2) The Board shall meet at least once every three months.

(3) The quorum at any meeting of the Board shall be more than half of its members.

Powers and Functions of the Board.

8. The Board shall in discharge of its functions have power 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) determine, subject to the approval of the Minister, the terms and conditions of service, salaries and other allowances including any other fringe benefits for the employees of the Authority;
- (d) set action plans objectives and appropriate work targets for each investment department and monitor its progress in achieving them on a continuous basis;
- (e) determine the 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) establish staff and financial regulations.

Staff of the authority.

9.(1) The Authority shall be headed by an Executive Director, who shall be appointed by the President and be responsible for its day to day operations.

(2) Subject to the powers of Minister and of 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.

(3) In appointing the Executive Director, regard shall be had to the need to appoint a person with adequate knowledge of and experience in economics or business administration or management or international relations or industrial entrepreneurship or legal affairs.

(4) Subject to recommendations of the Board and approval of the Minister with respect to:

- (a) the organizational structure;
- (b) the manning levels; and
- (c) the appointment of senior officials of the Authority;

the Executive Director may recruit such other officers and staff as is necessary for the efficient discharge of the Authority's responsibilities and functions.

Budget and accounts of the authority.

- 10.(1) The Authority shall have its own general fund.
- (2) There shall be paid into the general fund:
  - (a) a subvention from the Government.
  - (b) all such sums of money as may be paid as fees under this Act; and
  - (c) all such sums of money as may be received by the Authority for its operations from any other sources.
- (3) There shall be paid out of the fund all such sums of money required to defray the expenditure incurred by the Authority in the exercise, discharge and performance of its objectives and functions under this Act.
- (4) The annual budget of the Authority shall be subject to approval by the Minister and any funds generated in the general fund in excess of the amounts deemed appropriate by the Minister shall be paid into the Consolidated Fund.
- (5) 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 within six months of the end of each financial year.
- (6) The annual statement of accounts of the Authority shall be audited in accordance with the provisions of the Establishment of the Auditor-General Act No. 11 of 2003.

**PART III**  
**TREATMENT OF INVESTORS**

Treatment of  
investors

11.(1) For the purpose of this Act the establishment and carrying out of any business activity or the taxation of the income, or any other aspect, of any business activity, an approved enterprise shall be in no different position than an approved domestic enterprise, except as may be otherwise provided by this Act.

(2) The Minister may, by notice in the Gazette specify any small-scale business or category of small-scale business to be of a type that is engaged primarily in the provision of services or the production of goods which can be provided or produced solely by Zanzibaris, and, with effect from the date of such notice, no foreign national or body corporate shall become engaged in or be permitted to become engaged in any business so specified or falling within any category of business so specified.

(3) The restriction shall not apply to any existing approved enterprise which is already permitted or licensed to engage in such business..

(4) Any law relating to natural resources or any license or other authorization granted under such a law conferring rights for the exploitation of such resources may provide for the granting or enjoyment of such rights to or by Zanzibaris on terms more favourable than those applicable to foreign nationals.

**PART IV**  
**ISSUANCE OF CERTIFICATES TO APPROVED**  
**ENTERPRISES AND APPROVED DOMESTIC**  
**ENTERPRISES**

Application  
for certificates.

12.(1) A foreign national who has invested or proposes to invest in Zanzibar shall apply to the Authority for a certificate that the enterprise in which the assets are invested or proposed to be invested is designated an approved enterprise for the purposes of this Act.

(2) A Zanzibari individual or company or a non-Zanzibari Tanzanian individual who has invested or proposes to invest in Zanzibar may apply to the Authority for a certificate that the enterprise in which it has invested or proposes to invest is designated an approved domestic enterprise for the purpose of this Act.

(3) The Authority shall consider every application made under sub-sections (1) and (2) of 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 section 5 to be an eligibility criteria for an approved enterprise or for an approved domestic enterprise;
- (b) the investment or proposed investment meets such further criteria as the Authority may also have determined under section 5, may issue a certificate to the applicant.

(4) The Authority shall take a decision on whether or not to issue a certificate and inform the applicant of its decision within the period prescribed in regulations made under section 37 of this Act.

(5) Investors who have a certificate of an approved enterprise or approved domestic enterprise issued pursuant to the Investment Protection Act No. 2 of 1986, Freeport Act No. 9 of 1998 and Zanzibar Free Economic Zones Authority No. 17 of 1992 shall be entitled to the grant of a certificate under this Act.

Contents of the certificate.

13. Every certificate issued in respect of an application made under subsection (1) or (2) of section 12 of this Act shall contain:

- (a) the name of the holder;
- (b) the name and description of the enterprise;
- (c) in the case of subsection (1) of section 12, the amount of the foreign assets invested or to be invested by the holder of the certificate in the enterprise and a statement of the period within which the foreign assets are to be invested;
- (d) in the case of subsection (2) of section 12, the amount invested or to be invested by the holder of the certificate in the enterprise and a statement of the period within which the applicant's investment in the approved domestic enterprise is to be made;
- (e) a statement showing the date of issue of the certificate; and
- (f) such other matters as may be necessary or desirable for the purpose of this Act.

Cancellation and suspension of certificates by authority.

14.(1) The Authority may cancel a certificate it has issued pursuant to section 12 if the said certificate was obtained by fraud, or by deliberate or negligent submission of false or misleading facts or statements.

(2) Where an approved enterprise or approved domestic enterprise:

- (a) applies any benefit conferred by or under this Act for purposes other than those for which the benefit was conferred; or
- (b) fails without reasonable cause to commence operations within the time stipulated in the certificate; or
- (c) fails to comply with any of the obligations imposed under this Act,

the Authority may:

- (i) cancel the certificate;
- (ii) suspend the certificate for such period as it may determine; or
- (iii) decide that all fees, taxes, duties and other charges which would have been paid or payable by the approved enterprise or approved domestic enterprise had it not been certified as an approved enterprise or approved domestic enterprise under this Act shall be paid within such time as the Authority may determine.

Provided that the Authority shall give notice of at least one month to the holder of the certificate to show cause why the certificate should not be cancelled or suspended as the case may be.

(3) Where the Authority cancels a certificate it had issued pursuant to section 11, the holder of the certificate and the enterprises in respect of which the certificate is granted shall cease to be entitled to the benefits and incentives under Part V of this Act including revocation of lease agreement.

(4) For the purpose of this sub-section the lease agreement means lease of land shed, warehouses, buildings and related properties moveable or immovable.

(5) Where the Authority suspends a certificate issued by it pursuant to section 12, the holder of the certificate and the enterprise in respect of which the certificate is granted shall during the period of suspension cease to be entitled to the benefits and incentives under Part V of this Act.

Automatic  
revocation  
of certificate.

15. Subject to the provisions of section 16 (g), where a certificate is issued under this Act in respect of an approved enterprise or an approved domestic enterprise, the approved investment shall be made within the approved period and if not so invested within that period the certificate shall be deemed to have been revoked.

Amendment of  
Certificate.

16. The Authority may amend a certificate granted under Section 12 of this Act:

(a) in any case in which it is satisfied that some other foreign national has succeeded to the interest in the enterprise of the holder of the certificate by substituting for the name of the holder, the name of his successor:

Provided that the Authority shall not substitute the name of any person who has acquired the interest of the holder by the expenditure directly or indirectly of assets other than foreign assets;

- (b) in any case in which it is satisfied that some other Tanzanian has succeeded to the interest of the holder of a certificate relating to an approved domestic enterprise by substituting for the name of the holder, the name of his successor;
- (c) in any case where an interest in the enterprise passes to any other person on the death of the holder;
- (d) in any case where the name of the enterprise is altered by substituting the name as so altered;
- (e) in any case in which, in relation to an approved investment by a foreign national, new foreign assets are invested or are to be invested in the enterprise by the holder or in any case in which, in relation to an approved domestic enterprise, new investment in the said enterprise is made or is to be made by the holder, or the holder has withdrawn or has been paid, in accordance with this Act, any part of his investment, by varying the approved amount in accordance therewith;
- (f) in any case where the investment consists of the acquisition of share or stock of a body corporate and new shares or stock are acquired otherwise than by the investment of assets which are not foreign assets by amending the number or amount and the description thereof;
- (g) on application by the investor, by extending the period during which foreign or other assets are to be invested.



**PART V**  
**BENEFITS AND INCENTIVES FOR HOLDERS OF**  
**CERTIFICATES**

Facilitation of  
issuance of  
licenses, permits  
etc.

17. Where an investor is granted a certificate by the Authority under section 12 of this Act, the Authority shall, where the investor so requests, facilitate the smooth transaction of all matters in connection with the issuance of the sectoral and other licenses for the specific type of business, and the issuance of visas, work permits and other necessary formalities.

Non-citizen  
employment.

18.(1) An investor who has been granted a certificate under section 12 may, employ non-citizens in what the Authority determines to be key positions for the duration of the certificate.

(2) With the exception of the right granted under subsection (1) of this section, every investor shall in respect of employment give priority to Zanzibaris.

Acquisition of  
land.

19.(1) Where an investor is granted a certificate by the Authority under section 12 of this Act, in respect of an enterprise that requires the acquisition of land, other than designated land in Freeport and Free Economic Zones, the Authority shall make recommendations to the Minister responsible for land on the appropriate land and lease terms and conditions and the Minister responsible for land shall take such recommendations into account in granting the lease.

(2) No rent for land shall be payable by an approved enterprise or approved domestic enterprise during the construction period:

Provided that such construction shall not take more than thirty months from the commencement of construction, unless the Minister responsible for land agrees otherwise.

(3) An investor shall pay to any occupier of land for which the investor is granted a lease pursuant to this section full and prompt compensation for any improvement made on or benefits arising from that land by such occupier in accordance with the Land Tenure Act, 1992.

Tax incentives.

20.(1) An approved enterprise or an approved domestic enterprise, shall be entitled on application to the Authority to any tax incentives and allowances prescribed by law and outlined in the certificate to that enterprise.

(2) For the purpose of promoting investment the Authority may determine and negotiate specific incentive package in addition to incentive provided under the First Schedule to this Act.

## **PART VI**

### **BENEFITS AND GUARANTEES FOR ALL INVESTORS**

Funds transfer rights.

21. Notwithstanding the provisions of any other law for the time being in force, a foreign national who has invested in Zanzibar may transfer out of Zanzibar in convertible foreign currency at the prevailing official rate of exchange:

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

Protection  
against  
compulsory  
acquisition.

22.(1) No approved enterprise, approved domestic enterprise or any property belonging to any investor shall be compulsorily taken possession of, and no interest in or right over such enterprise or property shall be compulsorily acquired except in accordance with the provisions concerning and the payment of reasonable, full and adequate payment of compensation contained in article 17 of the Zanzibar Constitution.

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

- (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.

Dispute  
settlement.

23.(1) Where the investor is not satisfied with the compensation granted, or whereas a dispute arises between an investor and Authority in respect of approved enterprise or domestic approved enterprise all effort shall be made through mutual discussion to reach amicable settlement.

(2) Any dispute between an investor and the Authority in respect of enterprise which is not settled through negotiation may be submitted to arbitration in accordance with the following methods:

- (a) in accordance with the 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, or

(b) in accordance with other national or international machinery for settlement of international dispute.

(3) Nothing in this section shall be construed as precluding the holder and the Authority from agreeing that any particular dispute shall not, as provided in the certificate, be referred to international arbitration, but be heard and finally determined by any competent court in Zanzibar.

**PART VII**  
**DECLARATION OF FREEPORT AND FREE ECONOMIC ZONES**

Establishment of Free economic zones.                      24. There shall be established Free Economic Zones within Fumba Area, Amaan Industrial Park in Unguja and Micheweni Area in Pemba and their demarcations shall be determined by order of the President.

Purposes of free Economic Zones.                      25.(1) The Free Economic Zones shall provide investors with a wide scope of operation, create favorable operating conditions and guarantee them stable business sites.

(2) Investors may establish, with their own investment or in joint ventures with the Government, all projects that have positive significance for international economic co-operation and technical exchanges including industry and manufacture involving high technology, as well as other business of common interest to investors and the Government.

Power of President To declare other Free Economic Zones.                      26.(1) Without prejudice to the provisions of section 24 of this Act, the President may, by order published in the Gazette, declare any other area of Unguja or Pemba to be a Free Economic Zone Area for the purposes of this Act and may define the demarcations thereof and assign names thereto.

(2) The Minister may make regulations relating to any matter in the Free Economic Zone whose administration requires to be provided by regulation.

Declaration of Freeport Zones.

27.(1) There shall be established Freeport Zone within Maruhubi Area in Unguja and their demarcations shall be determined by order of the President.

(2) The Minister may make regulation relating to any matter in the Freeport whose administration requires to be provided by regulations.

(3) The President may, by order published in the Gazette, declare any part of Zanzibar to be Freeport Zone for the purposes of this Act.

Customs Area.

28. The Freeport and Free Economic Zones Areas declared under this Act shall be regarded as Custom Area whereas Customs Laws and Regulations shall not apply thereto.

## **PART VIII** **MISCELLANEOUS**

Bank accounts.

29.(1) An investor shall :

- (a) open resident account in local currency with any bank in Zanzibar.
- (b) where applicable open a foreign currency account and with any bank in Zanzibar through which all foreign currency transactions shall be conducted.

(2) All moneys intended for investment in Zanzibar shall be deposited in a bank referred to sub-section (1) of this section.

(3) It shall be the duty of each and every investor to abide by the Laws of Zanzibar and not to engage himself in activities that are prejudicial to the economic interests of Tanzania in general and Zanzibar in particular.

Books of Account  
Of the investor. 30. Every investor shall ensure that books of account, annual accounts, annual budget forecast, operational cost results and all matters related to accounts are kept in a proper and acceptable form.

Inspection of  
books of  
Accounts. 31.(1) The investor shall not deny the Government or its authorized agent when so requested, to have access to and to inspect and verify the income outlay accounts of the enterprise and such other things that may be directly related to such accounts.

(2) The Government in the exercise of its powers under sub-section (1) of this section shall ensure strict confidentiality of the findings thereto.

Secrecy. 32. Notwithstanding the provisions of any other Act for the time being in force, the information furnished by the certificate holder shall remain confidential to the Authority and no staff or official of the Authority shall reveal the information to any authority, person or even court of law unless there is an order of the court or the Minister.

Appeal to the  
Minister. 33.(1) Any investor aggrieved by any direction given by the Authority to such investor or by a decision of the Authority

- (a) refusing to grant a license; or
- (b) imposing limitations, restrictions on a license; or
- (c) canceling or suspending a license;

may appeal to the Minister against such direction or decision as the case may be, within thirty days from the

date of which the decision was communicated to such investor.

(2) The Minister may, if he considers it in the public interest to do so, set aside the Authority's decision.

Abandoned Investments.

34.(1) Notwithstanding the provisions of any other law in force, where the Authority is of the opinion that the assets of approved or domestic enterprise is *bona vacantia* with no intention of repossession, the Authority may appoint a receiver to take custody of the same.

(2) The receiver so appointed under this section shall perform the functions of a receiver as specified under the Companies Decree Cap 153 of 1953.

Vesting of assets etc.

35.(1) All property, except any such property as the Minister may determine otherwise which immediately before the commencement of this Act was vested in ZIPA, ZAFREZA and Zanzibar Freeport Authority, for the use of the investment departments for the purposes of giving effect to the laws relating to investments, shall on the date of commencement of this Act vests in the Authority subject to all interest, liabilities, charges, obligations and trusts affecting the property.

(2) Except as otherwise provided in sub-section (1) of this section in relation to property, all contracts, debts, engagements and liabilities of the repealed institutions shall remain vested in the Authority and maybe enforced by or against the Authority

Transfer of staff and their rights.

36.(1) The Minister may, by Order effective on the effective date, designate staff of the Zanzibar Free Economic Zone Authority, Zanzibar Free port Authority and Investment Promotion Agency to be transferred to the Authority.

(2) Nothing in this section shall operate so as to prevent any employee of the Zanzibar Free Economic Zone Authority, Zanzibar Free port Authority and Investment Promotion Agency from resigning or being dismissed.

(3) The terms and conditions of employment of any employee transferred from the Zanzibar Free Economic Zone Authority, Zanzibar Free port Authority and Investment Promotion Agency to the Authority shall not be less favourable than those enjoyed by that employee immediately prior to the date on which the transfer was made.

(4) Where an employee of the Zanzibar Free Economic Zone Authority, Zanzibar Free port Authority and Investment Promotion Agency is not transferred to the Authority his services with the Zanzibar Free Economic Zone Authority, Zanzibar Free port Authority and Investment Promotion Agency shall be terminated and such employee shall be referred back to the Civil Service Department for other assignment.

Investor to  
Comply with  
Environmental  
law.

37. All investments made under the provision of this Act shall comply with the provisions of the Environmental Managements For Sustainable Developments Act No. 2 of 1996.

Regulations by  
the Minister.

38.(1) The Minister may make regulations, not inconsistent with this Act, prescribing all matters that are required or permitted to be prescribed, or necessary or convenient to be prescribed for carrying out or giving effect to this Act.

(2) The Minister may, by order published in the Gazette amend, vary or replace the schedule.



Repeals  
and savings.

39.(1)(a) The Investment Protection Act No. 2 of 1986.

(b) The Zanzibar Free Economic Zones Act No. 16 of 1992.

(c) The Zanzibar Free Economic Zones Authority Act No. 17 of 1992.

(d) The Zanzibar Free Port Authority No. 9 of 1998.

(2) Notwithstanding the repeal under sub section (1) anything done under the said Acts which are in force on the effective date, shall be deemed to have been made under the provisions of this Act.

(3) Notwithstanding the repeal under sub section (1) all rules and regulations made under the repealed Acts shall remain to be in force until new rules and regulations are made under this Act.

**PASSED** in the House of Representatives on the ..... day of ....., 2004.

**KHAMIS JUMA CHANDE**  
**CLERK OF THE HOUSE OF REPRESENTATIVES**

**FIRST SCHEDULE**  
**(Made Under Section 20)**

**INCENTIVES FOR INVESTORS**

1. Without prejudice to the incentives provided under section 20, investors investing in Free Economic Zones may also be granted the following tax incentives;
  - (a) 10 – Year Corporate Tax Holiday and 25% Tax for the subsequent ten years.
  - (b) 10 – year withholding tax holiday on dividend to non-residents.
  - (c) Duty and VAT Exemption on raw materials, machinery, equipment and other inputs.
  - (d) Stamp duty Exemption.
  - (e) 100% investment deduction on capital expenditure within 20 years.
  - (f) Exemption from tax on dividend for ten years.
  - (g) Duty and Tax Free Import of goods from domestic tariff area permissible.
  - (h) Duty Free import of material for construction of factory buildings.

- (i) Duty Free export of goods produced.
  - (j) Exemption of Income Tax on interest on borrowed capital.
  - (k) Exemption from payment of all taxes and levies imposed by local government authorities for goods and services produced in a Free Economic Zones.
  - (l) On site customs inspection of goods in lieu of off-port inspection.
2. Without prejudice to the incentives provided under section 20, investors investing in Freeport Zones may also be granted the following tax incentives.
- (a) Exemption from payment of import duty, exercise duty, sales tax, (VAT) and any other import levy on all goods imported into the Freeport Zones.
  - (b) Exemption from any tax on all goods destined for re-exports.
  - (c) Exemptions from local taxes against all goods produced in the Freeport that are exported.
  - (d) Exemption from payment of corporate tax for the first twenty (20) years.
  - (e) No limit to the durations that goods may be stored in the Freeport Zones.

- (f) Hundred percent (100%) retention of all profits.
  - (g) Hundred percent (100%) foreign ownership allowed.
  - (h) Free repatriation of profit.
  - (i) Twenty percent (20 %) of total turn over allowed for sale to the local market and subject to the payment of all taxes.
3. Without prejudice to the incentives provided under section 20, investors investing outside Freeport and Free Economic Zones may also be granted the following tax incentives.
- (a) During the construction phase for an approved enterprise, or approved domestic enterprise, the enterprise shall be exempted from customs and import duties and other similar taxes on machinery, equipment, spare parts, raw materials, vehicles and other goods necessary and exclusively required by that enterprise for the construction phase.
  - (b) Raw materials for the trial operations of an approved enterprise or approved domestic enterprise may be exempted from import duties.
  - (c) Provided the quantity of such raw materials does not exceed eighteen months' supply for one shift production operation.
  - (d) Five year tax holiday.

**SECOND SCHEDULE**  
**(Made Under Section 4 (5))**

**OTHER SPECIFIC FUNCTIONS OF THE AUTHORITY**

1. The Authority shall be responsible for the administration of Free Economic Zones established under this Act and in that connection shall have power to exercise the following functions:
  - (a) to draw up development plans for the Free Economic Zones and organize their implementation;
  - (b) to examine and approve the investment projects of investors in the Free Economic Zones;
  - (c) to handle registration of industrial and commercial enterprises and land allotment in the Free Economic Zones;
  - (d) to co-ordinate working relations among the banking, insurance, taxation, customs, frontier inspection, postal and telecommunications and other organizations in the Free Economic Zones;
  - (e) to issue relevant licenses; and
  - (f) to determine entry of personnel into the Free Economic Zones.

2. The Authority shall be responsible for the administration of Freeport Zones established under this Act and in that connection have powers to:
- (a) control and manage the Freeport Zones.
  - (b) promote and facilitate transit trade in which goods imported in transit or for trans-shipment shall be secured.
  - (c) provide facilities relating to Freeport activities, including infrastructure, storage and ancillary facilities to the licensees in the Freeport Zones.
  - (d) construct, operate and maintain warehouses and equipment within the Freeport Zones.
  - (e) allocate areas, spaces, warehouses and any other facility or structure which may be available in the Freeport Zones on such terms as the Authority may deem fit.
  - (f) act as warehousemen and to store transit and trans-shipment goods.
  - (g) issue licenses to operate in the Freeport Zones.
  - (h) determine entry of personnel into the Freeport Zones.

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