

LAW OF THE REPUBLIC OF TAJIKISTAN ON FREE ECONOMIC ZONES

This Law determines organizational, legal, economic basis for the creation, management, operation and liquidation of free economic zones in the Republic of Tajikistan and adjust the procedure and usage conditions of a special legal status in business (entrepreneurial) and investment operations in free economic zones.

CHAPTER 1: GENERAL PROVISIONS

Article 1: Key Concepts

The following basic concepts used in this Law:

- **Free economic zone (FEZ)** – a separate (limited) part of the territory of the Republic of Tajikistan with the exact defined the borders where privileged economic conditions and a special legal regime shall be created for the implementation of business and investment activities.

A special legal regime of the free economic zone – a set of legal norms establishing special conditions for taxation, currency circulation, customs, labor relations and other conditions in the territory of the free economic zone;

The infrastructure of a free economic zone – a set of elements aiming to secure the favorable environment for the production operations and economic activities in the territory of the free economic zone, including fences, buildings, facilities of town and country planning and engineering, environment protection and social facilities;...

Authorized state authority on free economic zones – a Government body for the establishment, management, operation and liquidation of free economic zones in the Republic of Tajikistan authorized by the Government of the Republic of Tajikistan

Administration of the free economic zone – an organization having the status of a Government agency/State institution and dealing with management of the free economic zone;

The budget of the administration of the free economic zone – funds used to establish and manage the costs of the free economic zone and to provide achieving its goals and objectives;

Fund of development of FEZ – a set the funds intended for the financing of the establishment and maintenance of infrastructure development of the FEZ and to provide temporary financial assistance to business entities, registered in the FEZ;

FEZ Supervisory Board – expert and coordinating body of FEZ functions;

Subjects of FEZ – individual entrepreneurs and organizations regardless of their legal form but registered under the laws of the Republic of Tajikistan and concluded an agreement on the activities/functions with the administration of the FEZ on the territory of the FEZ

Certificate of the subject/ entity of the FEZ - a document confirming the right to operate and use a special legal regime in the FEZ.

Article 2 Legislation of the Republic of Tajikistan on FEZ

Legislation of the Republic of Tajikistan on free economic zones based on the Constitution of the Republic of Tajikistan and includes this Law and other standard legal acts of the Republic of Tajikistan, as well as International legal acts recognized by Tajikistan.

Article 3: Objectives of FEZ in the Republic of Tajikistan

The free economic zones (FEZ) in the Republic of Tajikistan shall be created with purpose of:

- Development of economic and social potential of the country, its certain regions and territories;
- provision of an enabling environment for investment in the real sector of economy;
- preservation of existing and creation of new workspaces;
- attraction of modern technology and innovation;
- development and creation of modern transportation, industrial and social infrastructure;
- improving the quality of the management, supporting production efficiency and improve the quality of production and goods (making them a competitive) in the world market; developing the export oriented production;
- increase the export potential and the development of enterprises aimed at import substitution;
- saturation of the domestic consumer market;
- promotion of foreign and regional economic relations;
- development of new territories and urban development;
- Preservation and efficient use of renewable and non-renewable natural resources.

Article 4 Activities in FEZ

1. Free economic zones are established on the territory of the Republic of Tajikistan can carry out the activities that are not prohibited by the legislation of the Republic of Tajikistan. The list of priority areas and prohibited activities is determined in the Policy of the free economic zones.
2. Entities of free economic zones are entitled to the implementation of several types of activities.

Article 5 Types of free economic zones

1. Free economic zones, depending on the nature of the activities can be of specific types and also can combine several functional (complex) types of FEZ. Free economic zone may consist of several separate sites under a single management.

2. The following types of FEZ are created:
 - Industrial (industrial production);
 - Trade and commerce;
 - Service;
 - Innovation, research, promotional.
3. Free Industrial Economic Zone (industrial production) is the type of area aiming on the development and promotion of the industrial sector. These types of zones are created by conversion of certain existing enterprises and economic entities to a special legal regime of the free economic zone. Restructuring, reconstruction, modernization, conversion of enterprises (change the line of business, assign a new function) are stimulated in these types of zones to attract investment in priority industries and innovative areas, and implementation of advanced technologies.
4. Trade and commercial type of Free Economic Zone is for processing, sorting, packaging, labeling and storage of the imported goods in this zone for their subsequent import into the customs territory or export from the customs territory of the Republic of Tajikistan. This type of FEZ is created in airports, railway stations, highways docks, in border settlements and other compartment of terrain (limited areas) of the Republic of Tajikistan, through which there are regular international transport of goods.
5. Free Economic Zone providing service is a free economic zone where the enterprises and organizations provide services in catering, tourist, health improvement and spa, consulting, engineering, intermediary, credit and financial, audit, insurance and other services.
6. Innovation, research and implementation type of FEZ on the territory of which is allowed the research activities, scientific, educational, research and development companies and organizations that provide education, training, research, development, pilot production in the field of modern advanced production technology, products, and effective new technical inventions (know-how).
7. Creating innovative research, development and implementation zones on particular parts of the territory of the Republic of Tajikistan is allowed concentration of the science and education, scientific research, production, innovation, training centers and industrial parks.

Article 6: Validity of free economic zones

Free economic zones in the Republic of Tajikistan shall be created up to 50 years depending on the nature of the functional type of free economic zone is implementing at the present time or planned in the future on its territory and depending on the specific goals and objectives of a FEZ

Article 7 Prolongation of terms of FEZ

Extending the terms of the FEZ will be by the decision of the Government of the Republic of Tajikistan on a reasoned proposal of the authorized state body on FEZ that will be making not later than two years before the deadline. The extended period of activity of the free economic zone shall not exceed the period of the creation of a free economic zone.

CHAPTER 2: PROCEDURE FOR CREATING FEZ

Article 8 Procedure for submission of proposals for the creation of FEZ

1. The local authorities of the administrative territory where is planned an establishment of a FEZ shall submit the proposals with all necessary documents to the authorized state body on free economic zones. The authorized state body on free economic zones shall make proposals to the Government of the Republic of Tajikistan in accordance with the requirements of this Law.

2. The following documents are required for creating a free economic zone:

- Plan of the territory and description of the boundaries of the free economic zone;
- A draft regulation on the free economic zone;
- Feasibility study for the establishment of a free economic zone;
- Justification of financial efficiency of creating a free economic zone.

Article 9: Creation of FEZ

1. The Government of the Republic of Tajikistan makes a decision on creation of the free economic zones (FEZ).

2. The Government of the Republic of Tajikistan submits a draft regulations and plan of the territory of the free economic zone to the Majlisi Oli of the Republic of Tajikistan for consideration (approval).

3. Majlisi Oli of the Republic of Tajikistan approves Regulations on free economic zone and its territorial boundaries.

4. The Government of the Republic of Tajikistan determines the sources funding of expenditures for the establishment and operation of FEZ, including the maintenance of administration of the FEZ

during the creation and construction of primary infrastructure of the FEZ.

Article 10 Procedure for granting and termination of the status of subjects/entities FEZ

1. Procedure for consideration of the application and the status of subjects of free economic zone is based on the Regulations of the free economic zone.

2. Owners of real estate located within the territorial boundaries of the FEZ preserve the right to use the land for the specified objects in accordance with the laws of the Republic of Tajikistan before creating a free economic zone.

3. Owners of real estate indicated in this article are given the opportunity within three transition years to choose the legal regime of the free economic zone and get the status of a free economic zone or stay in their normal activities under the tax and customs legislation of the Republic of Tajikistan.

4. The FEZ Administration issues a Certificate on entity of the FEZ to the registered entities of the FEZ. Form of the Certificate shall be approved by the authorized state body on FEZ.

5. Unauthorized recall of the status of FEZ entity is performed by the administration of the FEZ in the case of termination of the individual entrepreneur or the elimination of the legal entity in accordance with the laws of the Republic of Tajikistan.

6. In cases of violation of the legislation of the Republic of Tajikistan and non-compliance with the terms of the contract on the activities on the territory of the FEZ by the entity of the FEZ the administration of the FEZ has the right to make a decision to revoke the status of the FEZ entity.

7. A Free Economic Zone administration after granting a status of FEZ entity to legal entities and individual entrepreneurs, as well as after the termination of the entity status of FEZ informs the authorized state body on FEZ, tax and customs authorities within three working days.

8. Information on granting and revocation of the FEZ entity status are entered in the book of records of FEZ entities.

Article 11 Consolidated Centre for providing service to FEZ entities

1. In a free economic zone a single (Consolidated) service center creates for providing service to entities of FEZ

2. The functioning of Government officials in a single (Consolidated) service center is determined by the Government of the Republic of Tajikistan.

Article 12 The State guarantees to FEZ entities

1. The State guarantees the protection the rights of subjects/entities of FEZ on the territory of FEZ determined by the legislation of the Republic of Tajikistan,

2. The entities of FEZ are covered by a system of state guarantees for the protection of property, investments and using of land provided by the legislation of the Republic of Tajikistan,.

3. Property of the subjects/entities of free economic zone can be subject to nationalization, requisition or confiscation only in cases provided by legislation of the Republic of Tajikistan.

4. The subjects of free economic zone are allowed to transfer abroad their profits and other sums in foreign currency obtained legally, as a result of their activities in the free economic zone.

5. The State guarantees the full and unconditional protection of the rights and legitimate interests of subjects/entities of FEZ even after the elimination of free economic zone in accordance with the current legislation (under the existing law) of the Republic of Tajikistan.

6. In the case of premature liquidation of free economic zone the right to continued operation are guaranteed to the entities of free economic zone in accordance with registration and the terms, corresponding to the moment of gaining the status of free economic zone subject/entity.

7. Losses, lost profits and moral damage caused to the subjects/entities of free economic zone as a result of undue interference of state bodies or officials in their activities shall be reimbursed through the courts

8. The State shall not be liable under obligations of subjects/entities of free economic zone, as well as entities of free economic zone shall not be liable for the obligations of the state.

CHAPTER 3: FREE ECONOMIC ZONES MANAGEMENT

Article 13 Co-ordination and monitoring the activities of free economic zones

1. Coordination and oversight activities of the administration of the free economic zone shall be authorized state body on free economic zones.

2. The authorized state body on free economic zones is determined by the Government of the Republic of Tajikistan.

3. The authorized state body on free economic zones and the administration of free economic zones constitute a single, centralized system of management of free economic zones.

4. Development of a unified the state policy in establishment and operation of the free economic zones of is assigned to authorized state body on free economic zones.

Article 14: Administration of Free Economic Zone

1. On the free economic zone territories the governance functions are carried out by the administration of free economic zone within the competence defined by this Law, the Policy of the free economic zone, the Charter and other laws and deeds regulating the operation of free economic zones.

2. Free Economic Zone administration is established by the Government of the Republic of Tajikistan.

3. The procedure for activities of the free economic zone administration is defined by the Policy of the Free Economic Zone.

4. Free Economic Zone administration is accountable to the Government of the Republic of Tajikistan and the State body assigned to free economic zones.

5. Forming a common administration for management of multiple free economic zones is permitted.

6. The head of the Free Economic Zone administration manages the activities of the Free Economic Zone administration.

7. The head of administration of the free economic zone shall be appointed and dismissed by the Government of the Republic of Tajikistan by proposal of an authorized state body of free economic zones.

Article 15 Power of FEZ Administration

1. A Free Economic Zone has the following powers:

- developing and implementing of strategies and programs for the development of free economic zone;
- ensure the integrity and efficient functioning of a free economic zone;
- creating of information and analytical database of the forecast for effective development of economic free zone;
- creating the necessary conditions to attract investments;
- granting the entity status of the free economic zone, accounting and reporting on constituent entities free economic zone;
- representing of interests of a free economic zone in the Government;
- Publishing of information about the availability of land and public property on the territory of the free economic zone in mass media.
- land parceling and control of it using by the subjects/entities of free economic zone;
- allocation and control of the budget for establishment and development of the FEZ infrastructure and environment protection
- implementation of functions as a state customer for the preparation of land planning
- documentation within the boundaries of the free economic zone and the establishment of industrial, engineering, transport and social infrastructure of the free economic zone;
- –issuance of construction permits, establishing and providing of technical terms of accession to engineering and technical support networks;
- management of state property located on the territory of the free economic zone in the manner determined by the Policy of the free economic zone;
- –participate in the development of economic and social development program of the administrative and territorial units;
- collecting established by the legislation of the Republic of Tajikistan, statistical information on the subjects of free economic zone;
- creating the FEZ Development Fund with consultation of the authorized state body on FEZ;
- establishment, operation and control of the structures of production, transport and utilities of the free economic zone, including the design and construction of buildings and facilities for production, storage, transport and other official purposes;
- control of the entities of FEZ in compliance with the provisions this Law, the provisions of the FEZ agreements on activities in the FEZ and the legislation on the protection of the environment;
- promotion of the activities of state bodies of the Republic of Tajikistan in the free economic zone;
- submitting proposals in consultation with the authorized state authority on free economic zones in the Republic of Tajikistan government to change the territorial boundaries of free economic zone and on the development of regulations governing the operation of free economic zones;
- ensuring the development of a free trade zone by attracting investors, funds, domestic and foreign companies in the form of soft loans, loans and grants in

- consultation with the authorized state body on free economic zones and the state authorized body in the field of finance;
- establish cooperation and join international organizations dealing with development and functioning of free economic zones;
 - Exercise other powers stipulated by the legislation of the Republic of Tajikistan.
2. Decisions of FEZ administration (taken within its competence) are obligatory for execution in its territory.

Article 16 The budget of the administration of the free economic zone

1. The budget of administration of the FEZ is based on the funds allocated by the Government of the Republic of Tajikistan, internal means (fees, commissions and income from rendering services to the entities of free economic zone) and other sources not prohibited by the legislation of the Republic of Tajikistan.

2. The FEZ administration Budget for the financial year shall be drawn by the FEZ administration and approved by the authorized state body on FEZ in coordination with the state authorized finance body.

Article 17 The Supervisory Board of the free economic zone

1. The FEZ Supervisory Board is an expert and coordinating body of FEZ and includes the representatives of the authorized state body on FEZ, local authorities within the administrative territory where are creates FEZ, customs and tax authorities, business associations and representatives of the FEZ subjects/entities.

2. The formation, functions, duties and goals of the FEZ Supervisory Board are determined by the Government of the Republic of Tajikistan.

Article 18 FEZ Development Funds

1. Republican Fund for the development of FEZ established by the Government of the Republic of Tajikistan and administered by the Board of the Fund.

2. The sources of generating of the Republican Fund for the development of FEZ and its expenditure sectors are determined by the Policy of the Fund.

3. FEZ Administration in consultation with the authorized state body on FEZ can establish FEZ Development Fund according to the FEZ Policy.

4. The sources and expenditure sectors of the FEZ Development Fund are determined by the FEZ administration in consultation with the authorized state body on FEZ.

Article 19 Specifics of customs regulation in the free economic zone

1. Free Economic Zone is the part of the customs territory of the Republic of Tajikistan. Goods placed on the FEZ territory for the purpose of exemption from customs duties and taxes, as well as prohibitions and restrictions of economic nature, established by normative legal acts of the Republic of Tajikistan shall be considered as being outside the customs territory of the Republic of Tajikistan.

2. Import of foreign and domestic goods into the FEZ territory is carried out without any customs duties and taxes, and also without applying prohibitions and the economic restrictions established in accordance with normative legal acts of the Republic of Tajikistan.

3. Import of industrial and construction equipment and other necessary goods for infrastructure into the FEZ territory by the entities and FEZ administration shall be free from customs duties and taxes. A list of these products is approved by the Government of the Republic of Tajikistan.

4. At export of goods from the FEZ territory to outside of Republic of Tajikistan shall not be charged taxes and customs duties, with the exception of charges for customs clearance, and not subject to prohibitions and restrictions of economic nature.

5. Collection of customs, taxes and measures related to the prohibitions and restrictions of economic nature, established in accordance with normative legal acts of the Republic of Tajikistan shall be applied in accordance with the terms of the declared customs regime at exportation of goods from the territory of FEZ to another customs territory of the Republic of Tajikistan.

6. Determination of the country of origin in respect of goods manufactured in the FEZ and imported into it shall be in accordance with the laws of the Republic of Tajikistan and international legal acts recognized by Tajikistan.

7. The procedure of customs clearance and registration of goods in the territory of the FEZ defined by the legislation of the Republic of Tajikistan.

Article 20: Specifics of tax in the free economic zone

1. The tax treatment of the FEZ shall determine the procedures and conditions for the preferential taxation of subjects in its territory.

2. On the territory of the FEZ business activities regardless of ownership shall be exempt from all taxes stipulated by the Tax Code of the Republic of Tajikistan, except for the social tax and the tax on personal income.

3. Social tax and the tax on personal income in the free economic zone shall be calculated and paid off on their own in accordance with the Tax Code of the Republic of Tajikistan.

4. The tax on personal income for foreign specialists, non-residents of the Republic of Tajikistan shall be paid in the manner prescribed by the Tax Code of the Republic of Tajikistan.

5. The complete and timely payment of social tax and the tax on personal income is controlled by the tax authority.

6. Profits earned by foreign investors, and the wages of foreign workers gotten in a foreign currency can be freely exported by them, and not liable for taxation.

7. Tax privileges apply only to the part of the activities of the entities, which are carried out on the territory of the FEZ. Taxation of activities outside the territory of the FEZ is carried out on a general basis in accordance with the tax legislation of the Republic of Tajikistan.

8. Entities in the FEZ are taxpayers and independently maintain records of financial and economic activity.

9. The objects of taxation on the territory of the FEZ that do not belong to the FEZ entities shall be taxable in accordance with the laws of the Republic of Tajikistan.

Article 21 The financial and currency regulation in the free economic zone

1 The FEZ entities are maintained accounting records and financial statements in accordance with the laws of the Republic of Tajikistan. Specifics of accounting and financial reporting related to the functioning of the FEZ entities shall be determined by the authorized state body on FEZ together with the state authorized finance body.

2. On the FEZ territory shall be free circulation of convertible currency of foreign countries on an equal basis with the national currency of the Republic of Tajikistan in accordance with the legislation of the Republic of Tajikistan

Article 22 Activities of banks and non-bank credit institutions

1. On the FEZ territory the activities of banks and non-bank credit organizations shall be in accordance with the laws of the Republic of Tajikistan.

2 The establishment and operation of banks and non-bank credit organizations on the territory of free economic zones is determined by the laws of the Republic of Tajikistan.

Article 23 Insurance

Insurance in the free economic zone shall be in accordance with the legislation of the Republic of Tajikistan

Article 24 The employment relationships in the free economic zone

1. Labor relations in the free economic zone are regulated by the legislation of the Republic of Tajikistan, collective agreements and individual employment contracts.

2. Collective agreements and individual employment contracts shall not aggravate the situation of employees of these enterprises and organizations in comparison with conditions provided by the legislation of the Republic of Tajikistan, as well as international legal acts recognized by Tajikistan.

3. Foreign citizens and stateless persons, including foreign workers, engineering and management personnel shall be involved to perform skilled work in the FEZ according to the requirements of the normative legal acts of the Republic of Tajikistan

Article 25 Environmental safety and environmental protection

Environmental safety and environmental protection relations in the territory of the FEZ are regulated by the legislation of the Republic of Tajikistan, as well as International legal acts recognized by Tajikistan.

Article 26 Land use regulations

1. Free Economic Zone administration uses land within the territorial boundaries on the basis of the provisions of this Law and other regulatory legal acts the Republic of Tajikistan regulating land relations.

2. The procedure for granting land in the territorial boundaries of the free economic zone to the entities of free economic zone is defined by the Policy on the free economic zone.

Article 27 Inspections of free economic zone subjects/entities activities

Inspections of the free economic zone shall be done by the regulatory authorities in accordance with the laws of the Republic of Tajikistan and with notification of the authorized state body on free economic zones.

Article 28 Licensing of entities of free economic zones

Licensing of activities of subjects/entities of FEZ shall be carried out according to the laws of the Republic of Tajikistan.

Article 29 Simplified visa regulations

The simplified regulations for entry, exit and stay visas determined by the Government of the Republic of Tajikistan are applied for foreign citizens and stateless persons operating or employed in the free economic zone.

CHAPTER 5 FINAL PROVISIONS

Article 30 Settlement of Disputes

Disputes between the subjects/entities of free economic zone and the State Bodies of the Republic of Tajikistan, physical or legal persons on the issues related to their activities in the territory of free economic zone shall be considered by the court.

Article 31 Liquidation of the free economic zone

1. Liquidation the free economic zone carried out according to this Law by the decision of the Government of the Republic of Tajikistan.

2. The basis for liquidation of the FEZ is the expiration of the functioning time of FEZ determined by the FEZ Policy.

3. Early elimination of the FEZ is possible by the proposal of the authorized state body on FEZ and the local government authority in whose territory is a free economic zone.

4. Early elimination of the free economic zone is allowed in the following cases:
– if, within seven years from the date of the creation of the FEZ is not registered with any subject of FEZ and no agreement on operations in the FEZ or all earlier agreements are terminated;

– if, in the FEZ entities do not operate for seven years in succession

5. Liquidation of FEZ entails the deprivation of rights and duties of the subject of FEZ under this Law. Liquidation of FEZ does not entail any legal consequences in relation to the activities of individual entrepreneurs and organizations, regardless of their organizational and legal forms, operating on the territory of the former FEZ or liquidated in accordance with the legislation of the Republic of Tajikistan.

6. In the case of liquidation of a FEZ the subjects/entities of FEZ may continue their activities on the territory of the Republic of Tajikistan on a common basis without additional registration or re-registration.

Article 32 Responsibility for violation of this Law

Individuals and legal entities shall be liable for violation of this Law in accordance with the laws of the Republic of Tajikistan.

Article 33 On Invalidation of the Law of the Republic of Tajikistan "On free economic zones in the Republic of Tajikistan"

The Law of the Republic of Tajikistan, dated 17 May 2004 "On free economic zones in the Republic of Tajikistan" (Akhbori Majlisi Oli of the Republic of Tajikistan, 2004 № 5, p. 335).

Article 34 Procedure for the entry into force this Law

This Law shall enter into force after its official publication.

President

The Republic of Tajikistan Emomali Rahmon

Dushanbe, 25 March 2011

№ 700