

### **Incentives in Special Economic Zones**

The SEZ incentive package, that is currently in vogue, is as follows:

- (i) Exemption from income tax for ten years for Zone Developers, Co-developers and Zone Enterprises, under clause (126E) of Part I of the 2<sup>nd</sup> Schedule to the Income Tax Ordinance, 2001 which is reproduced as below:

“Income derived by a zone enterprise as defined in the Special Economic Zones Act, 2012 (XX of 2012) for a period of ten years starting from the date the developer certifies that the zone enterprise has commenced commercial operation and for a period of ten years to a developer of zone starting from the date of signing of the development agreement in the special economic zone as announced by the Federal Government:

Provided that this clause shall also apply to a co-developer as defined in Special Economic Zone Rules, 2013 subject to the condition that a certificate has been furnished—

- (a) by the developer that he has not claimed exemption under this clause and has relinquished his claim in favour of the co-developer; and
- (b) by the Special Economic Zone Authority validating that the developer has not claimed exemption under this clause and has relinquished claim in favour of the co-developer.”
- (ii) One time exemption from all custom-duties and taxes on import of capital goods to Zone Developers, Co-developers and Zone Enterprises, vide PCT 9917(2) under Chapter 99, sub-chapter V of the First Schedule to the Customs Act 1969 which is reproduced as below:

“Capital goods, as defined in the preamble of Part-I of the Fifth Schedule to the Customs Act, and firefighting equipment, except the items listed under Chapter 87 of the Pakistan Customs Tariff, imported for setting up of a Special Economic Zone (SEZ) by zone developers and for installation in that zone by Zone Enterprises, on one-time basis as prescribed in the SEZ Act, 2012 and rules thereunder subject to such conditions, limitations and restrictions as the Federal Board of Revenue may impose from time to time. Co-developer as defined in Special Economic Zone Rules, 2013, shall also be entitled to avail the same incentives and exemptions for the same period as available to the Developer under the SEZ Act 2012, subject to condition that the Developer of the SEZ relinquishes its rights to the incentives and exemptions in favour of the Co-developer; provided further that the respective Special Economic Zone Authority duly endorses such reassignment, and ensures that such reassignment shall not be misused.”