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PART II

Statutory Notifications (S. R. O.)

GOVERNMENT OF PAKISTAN

PRIME MINISTER'S OFFICE

(Board of Investment)

NOTIFICATION

Islamabad, the 11th December, 2020

S. R. O. 1475(I)/2020.—In exercise of the powers conferred by section 40 of the Special Economic Zones Act, 2012 (XX of 2012), the BOI, in consultation with SEZ Authorities and with approval of the BOA, is pleased to make the following regulations, namely:—

1. **Short title and commencement.**—(1) These regulations may be called the Sole Enterprise Special Economic Zone, Regulations 2020.

(2) These regulations shall come into force at once.

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[6702(2020)/Ex. Gaz.]

2. **Definitions.**—(1) In these regulations, unless there is anything repugnant to the subject or context, —

- (a) “Act” means the Special Economic Zones Act, 2012 (XX of 2012);
- (b) “Audit Oversight Board” or “AOB” means Audit Oversight Board as established under Part-IXC of the Securities and Exchange Commission of Pakistan (SECP) Act, 1997;
- (c) “Big Four” means a chartered accountancy firm in Pakistan having affiliation and association with international professional firms namely KPMG, Ernst & Young, Deloitte or Price water house Coopers;
- (d) “equity” means the amount by which an SE’s assets exceed its liabilities;
- (e) “exports” means taking goods, or providing services, out of Pakistan, from SESEZ, by land, sea or air or by any other mode, whether physical or otherwise;
- (f) “investment threshold” means the minimum required investment criteria to be considered eligible for the status of an SESEZ;
- (g) “imports” means bringing goods or receiving services, in an SESEZ, once in commercial production from a place outside Pakistan by land, sea, air or by any other mode, whether physical or otherwise;
- (h) “local income” means salary or wages dispersed through banking channels to local employees, that are registered with Employees’ Old-Age Benefits Institution (EOBI), in a particular year;
- (i) “local” means a local domicile holder or as per NADRA record a permanent or temporary address holder of the district in which the SESEZ is being established;
- (j) “net foreign exchange earning” means the monetary value determined by subtracting the value of total imports, excluding capital goods as defined under the Customs Act, 1969 (IV of 1969), from the value of total exports, in a given year, duly verified by State Bank of Pakistan;
- (k) “Rules” means Special Economic Zones Rules 2013;
- (l) (1) “SEZ Secretariat” means Board of Investment as provided under section 8 of the Act read with Chapter-2 of the Rules;

- (m) "Social Economic Growth" means increase in local income.
 - (n) "Sole Enterprise" or "SE" means a Zone Enterprise that applies for the status of a Sole Enterprise Special Economic Zone (SESEZ) as per the procedure and criteria defined in the Act, Rules and the regulations;
 - (o) "Sole Enterprise Special Economic Zone" or "SESEZ" means a zone established and operated by a Sole Enterprise as per the criteria provided in the Act, Rules, the regulations and any amendments or updates thereof, as a developer and a zone enterprise;
 - (p) "vendor development program" means a vendor development programme as defined in sub-clause (ii) of clause (g) of regulation 4;
 - (q) "vendor" means any supplier of raw materials to the Sole Enterprise; and
 - (r) "year" means a tax year, that is a period of twelve months ending on the 30th day of June i.e. the financial year and is denoted by the calendar year in which the said date falls. For example, tax year 2020, covers a period from 1st July 2019 to 30th June 2020.
- (2) All other words and expressions used in these regulations but not defined here shall have same meaning as assigned thereto in the Act or the Rules.

3. Requirements stipulated in the Act and Rules.—(1) A Sole Enterprise may apply for the status of SESEZ, in accordance with the procedures defined in the Act, Rules, as a developer of the proposed SEZ.

(2) An application received under sub-regulation (1) shall be evaluated based on criteria defined for a zone application approval in Act and Rules, in addition to the policy parameters defined herein. Those applications that are complete in all respect and subject to satisfaction of the BOI, being secretariat of the Approvals Committee and Board of Approvals, shall be placed before the Approvals Committee or Board of Approvals for consideration on merit.

4. Policy parameters.—Unless otherwise decided by the BOA, the following policy parameters shall form part of the Sole Enterprise Special Economic Zone approval criteria, in addition to the already provided conditions under section 16 of the Act, namely:—

- (a) A Sole-Enterprise SEZ shall be made under any of the three modes as provided in section 4 of the Act, wherein the land shall be in the clear title of the Sole Enterprise;

- (b) At least thirty percent of the minimum investment threshold shall be financed by equity. In addition to the commitments required under the Act and Rules, an undertaking showing an ability to finance the thirty percent from equity shall be provided by the SE with the zone application. At the close of each year subsequent to the zone status award from BOA, the SESEZ shall be bound to provide annual report of its financial accounts prepared as per the IFRS and IAS standards adopted by Securities and Exchange Commission of Pakistan (SECP), and audited by one of the Big Four accounting firms or any other firm having valid satisfactory quality control review (QCR) rating by the Institute of Chartered Accountants of Pakistan (ICAP) and duly registered with the Audit Oversight Board (AOB);
- (c) zone development and sole enterprise construction may be commenced simultaneously. Investment must be made within twenty-four months (within six months commencement of zone development and sole enterprise construction and within next eighteen months commencement of commercial production by the sole enterprise shall be mandatory) from the date of award of SEZ status in line with section 16(1)(e) of the Act. Unless the quantum of fine and timeline is otherwise provided in the development agreement, the failure of meeting the above timelines relating to commencement of development, construction and commercial production of the SESEZ, a fine shall be imposed by the SEZ Secretariat on each month delay for a maximum period of six months, in the following manner:—
 - (i) a fine of 0.05% of the total project cost for each of the first three months delayed after the expiry of the initially given twenty-four months for development, construction and commercial operations; and if the situation is not remedied; and
 - (ii) a fine of 0.1% of the total project cost for each of the next three months delayed.
- (d) Wherein the SE fails to remedy the failure after six months' fine or delayed period, the SEZ status of the SESEZ shall automatically stand withdrawn.
- (e) The Sole Enterprise shall fulfil either of the following two conditions:—
 - (i) commit and undertake on judicial stamp paper to meet the investment threshold of a minimum of fifty million USD or

- equivalent in PKR to be considered eligible for the status of an SESEZ. The investment threshold shall not include the cost incurred on acquisition and development of land regardless of its status whether through purchase or lease; or
- (ii) commit and undertake on judicial stamp paper to export at least seventy-five million USD in the first five years starting from the date of commencement of commercial operations with no less than seven and a half million USD each year;
- (f) In case of failure in fulfilment of any or all of the above conditions given in clauses (a) to (e), the SEZ status of the SESEZ shall automatically stand withdrawn; whereas amount of benefit of customs duty and income tax exemption along with any other benefits availed by the SESEZ shall be quantified and charged in monetary terms by the respective government department with the same rate as if the SE were not having the status of SEZ under the Act;
- (g) for the purpose of job creation;—
 - (i) commit and undertake on judicial stamp paper to provide minimum fifty percent of total jobs to locals;
 - (ii) wherever there is a scope for vendor development, the Sole Enterprise shall prepare a vendor development plan and provide entrepreneurship development training to the local persons and facilitate setting up of service or manufacturing vendor enterprises;
 - (iii) Employees' Old-Age Benefits Institution (EOBI) registered employees shall be not less than two hundred; and
- (h) the SESEZ shall ensure a positive net foreign exchange earning for all years of its existence starting from the third year of the commencement of commercial operations or production.

5. **Relaxation of policy parameters.**—(1) Without prejudice to the conditions provided in the Act and Rules, in order to boost industrialization in an equitable, sustainable and balanced manner, the policy parameters given in regulation 4 shall be relaxed for—

- (a) designated areas such that the establishment of SESEZs in certain designated areas that are under-developed or ignored in favour of social and economic growth, list of such underdeveloped or ignored areas shall be notified by the BOA from time to time (Appendix-I); and

- (b) import substitution such that the establishment of SESEZs that aim at import substitution of products from the top five importing sectors, list of such sectors shall be notified by the BOA from time to time (Appendix-II).

(2) Subject to satisfaction of BOA, policy parameters for an SESEZ may be relaxed as per the following details: –

- (a) the investment threshold or export generation given in clause (e) of regulation 4 shall be relaxed up to fifty percent; and
- (b) commitment to job creation as in sub-clause (iii) of clause (g) of regulation 4 shall be relaxed up to one hundred and fifty employees with the condition that at least fifty percent of the line workers and fifteen percent of the supervisors or first-level management shall be the locals:

Provided, that in case of clause (b) of sub-regulation (1), import substitution, the parameter provided in clause (h) of regulation 4, net foreign exchange earning, shall also not apply.

6. **Certification.**— A Sole Enterprise Special Economic Zone fulfilling the policy parameters herein in addition to the already provided conditions under section 16 of the Act, may be notified by the Board of Approvals with simultaneous approval of the development agreement. A certified sole enterprise shall be given special permission to operate as a developer as prescribed in Act, and Rules and required for SEZ certification and a Zone Enterprise certification under Rules 50 and 51 of the Rules.

7. **Incentives.**— The SE of an SESEZ shall be entitled to avail all the benefits available to the developers and Zone Enterprises under the Act except the benefits available under section 36 of the Act.

8. **Cancellation of SESEZ status.**— Any violation of the Act or Rules, as prescribed therein for a developer or a Zone Enterprise, or any violation of the policy parameters as defined in these regulations, by an SE shall be considered sufficient grounds to suspend the SEZ status or DA of an SESEZ or both. The SEZ secretariat shall be responsible for evaluation and recommendation of a remedy as per the Act or Rules or both. In case that Sole Enterprise fails to remedy the violations in the prescribed time in a prescribed manner, SEZ secretariat shall recommend the case to BOA for decertification of the SESEZ and cancellation of its development agreement.

9. **Quarterly development progress reports.**— The Sole Enterprise shall be bound to furnish a detailed report of its development activities on quarterly basis to the respective SEZA and SEZ secretariat.

10. **Schedule of charges.**— The SEZ secretariat may levy, as provided under Rule 62(1) (b) of the Rules, applicable processing fee and any other charges as and when notified with the approval of the BOA.

11. **Cost of utilities.**— The cost of utilities for the private SESEZs, till zero point, shall be borne by the Sole Enterprise, whereas the case of other SESEZs shall be decided by the BOA.

12. **Special Provisions.**— SE, regardless of claiming and expiry of incentives available under the Act, shall be bound to adhere to all the rules, regulations, clarifications, directives etc. issued by the SEZ Secretariat from time to time.

[No. I (102)-2020-SEZ.]

ABDUL SAMIE,
Director SEZ.

Appendix-I

List of Designated Areas/ Districts

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|------------------------------|---------------------|------------------|
| 1. Punjab | | |
| 1. Rajanpur | 4. Bahawalpur | 7. Bhakkar |
| 2. Muzaffargarh | 5. D.G. Khan | |
| 3. Bahawalnagar | 6. Rahimyar Khan | |
| 2. Sindh | | |
| 1. Umerkot | 8. Khairpur | 14. Thatta |
| 2. Tharparkar | 9. Tando | 15. Shikarpur |
| 3. Dadu | Muhammad Khan | 16. Sujwal |
| 4. Ghotki | 10. Tando Allahyar | 17. Matiari |
| 5. Badin | 11. Qamber | 18. Jacobabad |
| 6. Kashmore | 12. Mirpurkhas | 19. Sanghar |
| 7. Jamshoro | 13. Nawabshah | |
| 3. Khyber Pakhtunkhwa | | |
| 1. Batagram | 5. Kohistan Upper & | 9. Tank |
| 2. Dir Upper & | Lower | 10. Buner |
| Lower | 6. Torghar | 11. Swat |
| 3. Hangu | 7. Lakki Marwat | 12. D.I. Khan |
| 4. Bannu | 8. Shangla | |
| 4. Balochistan | | |
| 1. Pishin | 11. Dera Bugti | 20. Lasbella |
| 2. Kila Abdullah | 12. Dera Murad | 21. Turbati/kech |
| 3. Chagai | Jamali | 22. Panjgur |
| 4. Zhob | 13. Jaffarabad | 23. Gwadar |
| 5. Loralai | 14. Jhalmagsi | 24. Noshki |
| 6. Kila Saifullah | 15. Kachhi/ Bolan | 25. Sherani |

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|-------------------------|---------------------|---------------------------------|
| 7. Musa Khail | 16. Kalat | 26. Washuk |
| 8. Barkhan | 17. Mustung | 27. Harnai |
| 9. Ziarat | 18. Khuzdar | 28. Sibbi |
| 10. Kohlu | 19. Kharan | 29. Awaran |
| 5. Special Areas | | |
| Azad Jammu & Kashmir | 2. Gilgit Baltistan | 3. Newly Merged Districts of KP |

Appendix-II

List of Top 5 Importing Sectors

1. Petroleum & Products
2. Machinery (non-electrical)
3. Chemicals
4. Electrical Goods
5. Iron, Steel & manufactures