



SPECIAL SUPPLEMENT



COMMENTARY ON SPECIAL TECHNOLOGY ZONES AUTHORITY ORDINANCE, 2020

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INTRODUCTION

President of the Islamic Republic of Pakistan, on December 02, 2020, passed the “Special Technology Zones Authority Ordinance, 2020” (STZA Ordinance) to ensure the development of scientific and technological ecosystem through development of Zone to accelerate technology development in the country.

Purpose to make and promulgate the STZA Ordinance is to establish an “Authority” for provision of institutional and legislative support to Technology Sectors in Pakistan.

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OBJECTIVES

The objectives to promulgate the STZA Ordinance are as follows: -

- To provide institutional and legislative support for the technology sector with internationally competitive and export oriented structures and ecosystem;
- To attract foreign direct investment;
- To develop collaboration ecosystem;
- To connect academia, research and technology industry;
- To initiate innovation in production systems and products;
- To increase the standards and quality of technology goods and services;
- To increase productivity;
- To decrease the costs of production through high-tech interventions;
- To have intensive innovation and futuristic entrepreneurship;
- To enable job creation; and
- To commercialize technological knowledge, etc.

With the promulgation of the Ordinance, there shall stand establish an an Authority to be called as the Special Technology Zones Authority (The Authority). The Authority at first shall develop rules and regulations for approval of Zone(s) and licensing to Zone(s) enterprises and Zone(s) developers to carry out activities related to Zone(s).

For establishment of Zone(s), The Authority shall acquire / arrange land with purposes to develop and designate as “Zone” and to carry out its functions.

The Authority shall also be responsible to provide infrastructure facilities such as electricity, water, gas, roads, telecommunication services and other essential facilities necessary for efficient operations in a Zone(s); whereas the cost to provide infrastructure facilities shall be borne by the Zone(s) developers and Zone(s) enterprises.

INCENTIVES FOR ZONES

On execution of relevant agreement with the Authority, the Zone developers as well as Zone enterprises in a Zone shall be entitled to incentives as explained below and additional incentives subject to following conditions: -

1. such additional benefits may only be granted if the Authority finds these to be justified on the basis of an economic impact assessment.
2. such additional benefits, if granted conditionally, may be liable to be forfeited with retroactive effect if it is finally determined that a Zone developer or Zone enterprise has failed to comply with the conditions prescribed for the additional benefits in question; and
3. The Authority shall make economic impact assessment of the Zone within five years from the date of the agreement is signed and within the first year of operations of an enterprise.

INCENTIVES FOR ZONE DEVELOPERS AND ZONE ENTERPRISES

➤ INCENTIVES FOR ZONE DEVELOPERS

Zone enterprises would be exempt from all taxes on income accruable, all custom duties for the period of ten years, whereas general exemption from GST on import of plant and machinery etc.

Below are the extracts of the STZA Ordinance for complete understanding: -

- ✚ exemption from all taxes on income accruable in relation to the development and operations of the Zones for a period of ten years, starting from the date of signing of the development agreement;
- ✚ exemption from all custom duties and taxes for a period of ten years from the date of signing of the development agreement on capital goods including but not limited to materials, plant, machinery, hardware, equipment and software imported into Pakistan for consumption within Zones by the Authority and Zone developers; and

- ✚ exemption from general sales tax (GST) on goods and services on import of plant, machinery, equipment and raw-materials for consumption of these items within Zones by the Authority and Zone developers.

➤ **INCENTIVES FOR ZONE ENTERPRISES**

Zone enterprises would be exempt from income taxes, including withholding taxes, presumptive tax, custom duties, property tax, and from dividend income derived from Zone enterprises for the period of ten years, whereas general exemption from GST on import of plant and machinery etc. Below are the extracts of the STZA Ordinance for complete understanding: -

- ✚ exemption from all income taxes (withholding tax, presumptive tax) for a period of ten years from the date of issuance of license by the Authority;
- ✚ exemption from all custom duties and taxes for a period of ten years from the date of issuance of license by the Authority on capital goods including but not limited to materials, plant, machinery, hardware, equipment and software imported into Pakistan for consumption within Zones by the Authority and Zone enterprises;
- ✚ exemption from property tax for ten years from the date of issuance of license by the Authority;
- ✚ exemption from G.S.T on goods and services on import of plant, machinery, equipment and raw-materials for consumption of these items within Zones by the Authority as well as Zone enterprises; and
- ✚ tax exemption on dividend income and long-term capital gains from investments in a venture capital (VC) undertaking for a period of ten years from the date of issuance of license by the Authority.

STZA Ordinance extends to the whole of Pakistan and is applicable with immediate effect.

STRUCTURE, POWERS & FUNCTIONS OF THE AUTHORITY

Headquarters of the Society will be situated in Islamabad.

Board of Governors: -

Board of Governors of the Authority comprise of following officials: -

1. Prime Minister of Islamic Republic of Pakistan.
2. Federal Minister In-charge of the Division concerned.
3. Chairperson of the Authority.
4. not less than seven and not more than twenty-five ex-officio and Independent members, provided that not less than five Independent members shall be appointed from private sector from amongst persons of renowned integrity, expertise, experience and knowledge

Management: -

The Management of the Authority shall consist of chairperson and executive directors and any other officer of the Authority as approved by the Chairperson.

The Chairperson shall be appointed by the Prime Minister of Pakistan for a period of three years and shall be eligible for re-appointment for one more similar term.

The Chairperson shall be preferably from the private sector and shall be eligible for such remunerations as determined by the Prime Minister.

Functions: -

Authority shall: -

1. review national investment policies, laws and regulations that impact Zones and propose any amendments, modifications and relaxations therein to the Federal Government;
2. initiate and consider Zone investment proposals and categories for investment which may require specific treatments and interventions and recommend, where appropriate, additional incentives or relaxations of conditions or criteria to the Federal Government for approval;
3. be associated in the formulation of all policies that may have an impact on investment in technology sector in Pakistan, including inter-alia, economic, fiscal and trade policies;
4. coordinate with Ministries, departments, agencies and Provincial Governments with regard to policies and their implementation having impact on investment in technology sector;
5. develop or cause to be developed national special technology Zone strategy, national emerging technologies strategy, and national information and communication technology strategy;
6. identify and promote technology sector investment opportunities and their promotion in Pakistan and abroad;
7. develop and approve mechanisms and arrangements for management and operations of Zones including one-window facility for provision of all services and utilities, physical infrastructure, logistics infrastructure, human capital development and digital infrastructure for the Zone;
8. identify, create and upgrade technological and scientific clusters and industrial support systems within Zones including, but not limited to, inter-alia, research and development centres, skill development centres, training institutes, data centres, universities, hospitals, and other hard and soft infrastructure related to successful execution of Zones;
9. attract investment into Zones that include inter-alia foreign direct investments, venture capital funds, public sector investments, public private investments and private funds;

10. marketing and promotion of Zones by developing a marketing, image building and public relations strategy to generate interest in the potential and opportunities of the Pakistani market and publicize its activities;
11. make recommendations to Federal and Provincial government to provide and procure lands for the Zones;
12. identification and approval of locations for setting up Zones;
13. procure and acquire land or any infrastructure for the Zones;
14. appoint commissions, expert bodies and consultants to study various aspects of attracting investments in technology related businesses and improving the investment climate, procedures and other related matters;
15. develop studies, feasibility reports, experiments, public-private partnership frameworks, financial vehicles, technical research and surveys related to Zones;
16. develop or cause to be developed master plans for Zones and approve them;
17. act as one window for investors dealing with other relevant government entities on behalf of these investors;
18. issue letters of recommendation or invitation letters, which shall be deemed sufficient for the purpose of issuance of business and work permits or visas by relevant Authority;
19. collect, compile, analyse, maintain and distribute Zones related information, from time to time publish analytical reports, trends and insights;
20. promote a congenial environment for investment into Zones;
21. negotiate and finalize all such acts, deeds, initiatives, agreements for protection and promotion of technology related investments with other countries and represent Pakistan on regional and international level, that may be necessary or expedient for the purpose of successful planning, development, execution, implementation, management and maintenance of Zones;
22. liaise with private sector trade bodies and associations for their active participation in promotion of technology related investment;
23. approval, issuance and cancellation of licences of Zone enterprises and Zone developers,
24. allocation of land, space, lots within Zones developed by the Authority itself;

25. from time to time, determine and review the fees and charges for services provided by the Authority;
 26. perform any other function assigned to it by the Federal Government; and
 27. the Federal Government may, from time to time, assign more functions and issue guidelines to the Authority.
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DEFINITIONS

Authority

This means Special Technology Zones Authority established under STZA Ordinance.

Technology Sector

This means sectors identified, notified and approved by the Authority for the purpose of STZA Ordinance.

Zone

This include any defined geographical area notified by the Authority with any such name including, but not limited to special technology Zones, information technology parks, high-tech industrial area, software technology park, hardware technology park, technology export Zones, free technology Zones, science and technology park, information technology Zones, science and technology Zone, R&D Zone, opportunity Zone, innovation Zone, technology development Zone, knowledge parks, smart city, knowledge city, technology incubation Zone or any sector Zone which may require technological intervention such as biotech, chemical technologies, agri-tech, fin tech, robotics, nanotech etc. and other Zones with any combination or combinations of the aforesaid fields.

Zone Developers

“Zone Developers” means a public, private or a public-private legal entity, group of companies or consortium notified by the Authority as such;

Zone Enterprise

“Zone Enterprise” means any public, private, or public-private legal entity investing, operating, functioning within the Zone and notified as such by the Authority;

BOARD OF PARTNERS

- Mr. Sharif Uddin Khilji, FCA
- Mr. Saeed Akhtar Chughtai, FCA, FPFA, FCILT - UK, LLM (Energy) - UK, MBA (Oil) – UK –
- Mr. Zahid Mehmood, FCCA, FCA
- Mr. Muhammad Waheed Iqbal, FCA
- Mr. Rahat Gul, FCA

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