

LAW OF THE REPUBLIC OF TAJIKISTAN ON FREE ECONOMIC ZONES

The present law defines the organizational, legal, economic principles of establishment, management, operation and termination of free economic zones on the territory of the Republic of Tajikistan and regulates the terms and conditions of the special legal regime in business and investment in free economic zones.

CHAPTER 1. GENERAL PROVISION

Article 1. Main concepts

The following main concepts are used in this Law:

- Free Economic Zone - a separate (limited) section of the territory of the Republic of Tajikistan with exactly defined boundaries, where favorable economic conditions and special legal regime shall be created for exercising business and investment activities;
- a special legal regime of free economic zone – a set of legal provisions that establish special conditions of taxation, currency circulation, the customs regime, labor and other conditions in the free economic zone;
- the infrastructure of a free economic zone - a set of elements designed to provide conditions for the production and economic activity in free economic zone which include fencing, buildings, engineering, environmental protection and social facilities;
- authorized state body on free economic zone – a state body authorized by the Government of the Republic of Tajikistan to deal with issues related to the creation, management, functioning and termination of free economic zones in the Republic of Tajikistan;
- the administration of free economic zones - an organization, which has the status of state agency and is responsible for the management of free economic zone;
- budget of free economic zones administration - funds used for the establishment and operating expenses of free economic zone and to ensure achievement of its goals and solving problems;
- free economic zones development fund - a complex of funds intended to finance the establishment and ensure infrastructure development of free economic zones, and also to provide temporary financial assistance to business entities, registered in the free economic zones;
- supervisory Board of free economic zones - an expert and coordinating body of free economic zones;
- subjects of a free economic zone - individual business entities and organizations, regardless of their legal organizational form that are registered under the laws of the Republic of Tajikistan and concluded agreement with the administration of free economic zone on operation in the free economic zone;
- certificate of the subject of a free economic zone - a document confirming the right to operate and use a special legal regime in a free economic zone.

Article 2. Legislation of the Republic of Tajikistan on free economic zone

Tajik legislation on free economic zones is based on the Constitution of the Republic of Tajikistan and consists of this Law and other regulations of the Republic of Tajikistan, as well as international legal acts recognized by the Republic of Tajikistan.

Article 3. The objectives of creating free economic zones in the Republic of Tajikistan

Free economic zones in the Republic of Tajikistan shall be established to:

- build economic and social capacity of the country, its individual regions and territories;
- ensure favorable environment for the attraction of investments in real economy;
- maintain existing and create new jobs;
- attract modern technology and innovation;
- develop and establish modern transportation, industrial and social infrastructure;
- improve management, ensure efficiency production, as well as production quality improvement for competitive goods in the world market;
- increase the export potential and development of industries aimed at import substitution;
- saturate the domestic consumer market;
- strengthen foreign economic and regional relations;
- develop new territories and urban development;
- rationally and efficiently use renewable and non-renewable natural resources.

Article 4. Activities in free economic zones

1. All activities not prohibited by the legislation of the Republic of Tajikistan may be exercised in the free economic zones established in the territory Republic of Tajikistan. The list priority areas and prohibited type of activities are determined in the provision on free economic zones.

2. The subjects of free economic zones shall be entitled to exercise several types of activities.

Article 5. Types of Free Economic Zones

1. Depending on the nature of activities, free economic zones are divided into specific types and can combine several functional (complex) types of free economic zones. Free economic zone may consist of several individual sites under a single administration.

2. The following types of free economic zones are created:

- industrial (manufacturing industrial products);
- trade and commercial;
- service provision;
- innovation, research, promotional.

3. Industrial (manufacturing industrial products) free economic zone is a type of zone, which aims at developing and promotion of the industrial sector. Such types of zones are created by converting some existing enterprises and businesses to a special legal regime of free economic zone. Restructuring, reconstruction, modernization and conversion of enterprises are encouraged

in these types of zones to attract investment in priority industries and innovative areas and to introduce advanced technologies.

4. Trade and commercial free economic zone is a free economic zone with the territory used for processing, sorting, packaging, labeling and storage of goods imported to the zone for their further import into the customs territory or removal from the customs territory of the Republic of Tajikistan. Trade and commercial free economic zones are created at the airports, railway stations, docking stations, highways, on border crossings and in other limited areas of the territory Republic of Tajikistan, through which regular international transportation of goods is carried out.

5. The service type free economic zone is a free economic zone with enterprises and organizations in its territory providing catering, tourist, recreational and health, consulting, engineering, brokering, investment, auditing, insurance and other services.

6. Innovation, scientific research and promotional type of free economic zone is a zone where the research, scientific, educational, experimental design institutes and organizations are allowed to provide education, training, research, and development, pilot production of technologically advanced products, goods, and effective technical inventions (know-how).

7. Establishing innovative research, development zones is allowed in some parts of the territory of the Republic Tajikistan provided the scientific and educational, research, production, innovation, training centers and industrial parks are concentrated in such zones.

Article 6. Period of free economic zones operation

Free economic zones in the Republic of Tajikistan are established for up to 50 years depending on the nature, function type of free economic zone, ongoing or planned future activities on its territory and subject to specific goals and objectives of establishing a free economic zone.

Article 7. Extension of free economic zone operation

Extension of free economic zone operation is achieved by the decision of the Government of the Republic of Tajikistan based on the motivated proposal of the authorized state body on free economic zones, submitted by no less than two years before the deadline. Extended operation of free economic zone shall not exceed the period of a free economic zone operation.

CHAPTER 2. ESTABLISHMENT OF FREE ECONOMIC ZONES

Article 8. Procedure for submission of proposals for establishment of free economic zones.

1. Proposals for the establishment of free economic zones with necessary documents shall be made by local bodies of state power in the administrative territory of which a free economic zone is planned to be established in the form of application to the authorized state body on free economic zones. In accordance with the requirements of this Law, the authorized state body on free economic zones shall make proposals for consideration of the Government of the Republic of Tajikistan.

2. The following documents are submitted for the establishment of a free economic zone:

- site plan and description of the boundaries of free economic zone;
- draft provision on free economic zone;
- feasibility study on the establishment of free economic zone;
- justification of cost-effectiveness for the establishment of a free economic zone.

Article 9. Establishment of free economic zones

1. The decision to establish free economic zones shall be made by Government of the Republic of Tajikistan.

2. The Government of the Republic of Tajikistan shall submit the draft provision and the site plan of the free economic zone for the approval of the Majlisi Namoyandagon of the Republic of Tajikistan.

3. Majlisi Namoyandagon Tajikistan approves the provision of a free economic zone and its territorial boundaries.

4. The Government of the Republic of Tajikistan identifies the sources of financing the cost of establishing and operation of free economic zones, including maintenance of the administration of the free economic zone for the time period of establishment and construction of primary infrastructure of a free economic zone.

Article 10. Procedures for granting and termination of the status of free economic zone subjects

1. Procedure for the application's review and granting the status of subjects of a free economic zone is based on the provision of a free economic zone.

2. The owners of property located in territorial boundaries of free economic zone shall retain the right to use land until establishment of free economic zone for the purpose of indicated facilities in accordance with the legislation Republic of Tajikistan.

3. The owners of real estate mentioned in this article shall be provided with the opportunity to choose the legal regime of free economic zone within three years of transition and obtain the status of the subject of a free economic zone, or continue in their usual activities under the tax and customs legislation of the Republic of Tajikistan.

4. The administration of free economic zone issues a certificate of the subject of a free economic zone to the registered subject of a free economic zone. The form of certificate shall be approved by the authorized state body on free economic zones.

5. In accordance with the legislation of the Republic of Tajikistan, unauthorized withdrawal of the status of the subject of free economic zone is performed by the administration of free economic zones in event of termination of the activity of individual entrepreneur and liquidation of legal entity.

6. In cases of violation of the legislation of the Republic of Tajikistan by the subject of a free economic zone and failure to carry out the provisions of agreement on the activities in the territory of free economic zone, based on the provision of a free economic zone, the administration of free economic zone may decide to withdraw status of the subject of a free economic zone.

7. After provision of the status of subject of a free economic zone to legal entities and individual entrepreneurs as well as after termination of the status of the subject of a free economic zone, the administration of free economic zones within three working days shall inform the authorized state body of free economic zones, tax and customs authorities.

8. The information on award and withdrawal of the status of the subject free economic zone is entered into the record book of subjects of free economic zone.

Article 11. Single service center for the subjects of free economic zone

1. A single service center is established in the free economic zone for the subjects of free economic zone.

2. The functional responsibilities of the representatives of state bodies in the single service center shall be determined by the Government Republic of Tajikistan.

Article 12. The state guarantees to the subjects of free economic zone

1. The State guarantees protection of certain rights of subjects of a free economic zone specified by the legislation of the Republic of Tajikistan.

2. The system of state guarantees for the protection of property, investment and the use of land provided by the law Republic of Tajikistan shall be extended on the subjects of a free economic zone.

3. The property of subjects of a free economic zone shall be subject to nationalization, requisition or confiscation only in cases stipulated by the legislation of the Republic of Tajikistan.

4. The subjects of free economic zone are allowed to transfer overseas income and other amounts in foreign currency obtained legally as a result of their activities in free economic zone.

5. The state guarantees full and unconditional protection of the rights and legal interests of the subjects of a free economic zone even after termination of the free economic zone in accordance with current legislation of the Republic of Tajikistan.

6. In case of early termination of free economic zone, the subjects of a free economic zone shall be guaranteed the right to continue activity according to the registration and conditions corresponding the time of obtaining the status of the subject of a free economic zone.

7. Losses, lost profits and moral damage caused to subjects of a free economic zone because of an unreasonable interference of bodies or state officials in their activities shall be compensated through the court.

8. The state is not liable for the obligations of subjects of free economic zone, also the subjects of free agents economic zone shall not be deemed liable for the state obligations.

CHAPTER 3. MANAGEMENT OF FREE ECONOMIC ZONES

Article 13. Coordination and oversight of free economic zones

1. Coordination and oversight of the activity of free economic zone administration shall be carried out by the authorized state body on free economic zones.

2. The authorized state body for free economic zones shall be established by the Government of the Republic Tajikistan.

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

4. Development of a single state policy for the establishment and operation of free economic zones shall be assigned to an authorized state body on free economic zones.

Article 14. Administration of free economic zone

1. The administration of free economic zone carries out public administration function on the territory of free economic zones within the competence defined in this Law, provisions on free economic zone, the charter and other regulatory and legal documents that regulate the activity of free economic zones.

2. The administration of free economic zones is established by the Government of the Republic of Tajikistan.

3. The work of free economic zone administration is defined by the provision on the free economic zone.

4. The administration of free economic zone is accountable to the Government of the Republic of Tajikistan and the authorized state body on free economic zones.

5. A general administration can be arranged for the management several free economic zones.

6. Management of the activity of free economic zone is performed by the head of administration of the free economic zone.

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

Article 15. The Powers of the Administration of Free Economic Zone

1. The administration of free economic zone has the following powers:

- development and implementation of development strategies and programs of free economic zone;

- ensuring the integrity and efficient operation free economic zone;

- creation of information and analytical base for forecasting effective development of a free economic zone;

- creation of necessary conditions for investment attraction;

- granting the status of subject of a free economic zone, accounting and reporting on subjects of free economic zone;

- representation of interests of free economic zone in the bodies of state power;

- publication in the media the information on the availability of land plots and state property in the territory of free economic zone;

- allotment and supervision over the land use by the subjects of a free economic zone;

- allocation and control over expenditure of funds for the establishment and development of free economic zone infrastructure, environment protection;
 - acting as a state contractor for preparation of documentation for land planning in the boundaries of free economic zone and the establishment of industrial, engineering, transport, social infrastructure of a free economic zone;
 - issuance of building permits, organizing and securing technical conditions for the connection to the engineering networks;
 - management of state property, located on the territory of free economic zones in the order determined by the provision of free economic zone;
 - participate in the development of economic and social development programs of relevant administrative and territorial units;
 - collection of statistical information established by the law of the Republic of Tajikistan from the subjects of a free economic zone;
 - establishment of free economic zone's development fund by agreement with the state body on free economic zones;
 - creation, maintenance and supervision of industrial, municipal and transport structures operation of a free economic zone, including designing and construction of buildings and production, storage, transport and other service facilities;
 - monitoring of the subjects of free economic zones on compliance with the provisions of this law, the provisions on free economic zone, agreements on the activity in the free economic zone and environment protection legislation;
 - promotion of the activity of public authorities of the Republic Tajikistan in the free economic zone;
 - making proposals in coordination with the authorized state body on free economic zones in the Government of Tajikistan on the change of territorial boundaries of free economic zones and on the development of regulatory and legal documents regulating the activity of free economic zones;
 - ensuring development of a free economic zone by attracting investors, domestic and foreign organizations funds in the form of soft loans, credits and grants in consultation with the authorized state body on free economic zones and the state authorized body on finance;
 - establish cooperation and accession to international organizations involved in the development and operation of free economic zones;
 - exercise other powers stipulated by legislation of the Republic of Tajikistan.
2. Decisions of the administration of free economic zones made within its competence are deemed binding on its territory.

Article 16. Budget of the administration of free economic zones

1. The budget of the administration of free economic zone is formed of funds allocated by the government of the Republic of Tajikistan, internal proceeds (charges, fees and income from services provided by the subjects of a free economic zone) and other sources not prohibited by the laws of the Republic of Tajikistan.
2. The budget of the administration of free economic zones for the fiscal year is prepared by the administration of free economic zone and approved by the authorized state body on free economic zones in coordination with state authorized body on finance.

Article 17. Supervisory Board of Free Economic Zones

1. The Supervisory Board of free economic zones is an expert and coordinating body for operation of free economic zones and shall include representatives of the authorized state body on free economic zones, local bodies of state power, the administrative territory of which is used for establishment of free economic zones, representatives of the customs and tax authorities, business - associations and representatives of the subjects of free economic zones.

2. Procedure of formation, activities, functions and tasks the Supervisory Board of free economic zones are determined by the Government of the Republic of Tajikistan.

Article 18. Development funds of free economic zones

1. Republican fund for the development of free economic zones, which is administered by the Board of the Fund, shall be created by the Government of the Republic of Tajikistan.

2. The sources of formation and areas of spending the republican development fund of free economic zones shall be determined by the provision on Fund.

3. The administration of free economic zone may establish the development fund of free economic zone in coordination with authorized state body on free economic zones according to the provision on free economic zone.

4. The sources of and areas of spending development fund of free economic zone are defined by the administration of free economic zone in consultation with the authorized state body on free economic zones.

CHAPTER 4. SPECIAL LEGAL REGIME IN THE FREE ECONOMIC ZONE

Article 19. Peculiarities of customs control in a free economic zone

1. Free economic zone is part of the customs territory of the Republic of Tajikistan. The goods stationed in the territory of free economic zones shall be exempt from customs duties, taxes and prohibitions and economic restrictions, established by regulations of the Republic of Tajikistan are deemed as being outside the customs territory of the Republic Tajikistan.

2. Foreign and domestic goods imported into the territory of free economic zones shall be exempt from customs duties and taxes, and without application of prohibitions and economic restrictions, established in accordance with regulations of the Republic of Tajikistan.

3. Industrial and construction equipment and other necessary goods imported into the territory of free economic zones necessary for the creation of infrastructure and administration by the subjects of free economic zone shall be exempt from customs duties and taxes. A list of these products shall be approved by the Government Republic of Tajikistan.

4. The goods exported from the territory of free economic zone outside the Republic of Tajikistan shall be exempted from taxes and customs duties, except charges for customs clearance and prohibitions and restrictions of economic nature shall not be applied.

5. The goods moved from the territory of free economic zones to another part of the customs territory of the Republic of Tajikistan shall be charged customs duties, taxes and measures

related to prohibitions and economic restrictions established in accordance with regulations of the Republic of Tajikistan shall be taken under the terms of declared customs regime.

6. Identification of the country of origin in respect of goods produced in the free economic zone and imported into it shall be carried out in accordance with the laws of the Republic of Tajikistan and international regulatory documents recognized by Tajikistan.

7. Customs clearance and registration of goods in the territory free economic zone is defined by the legislation of the Republic of Tajikistan.

Article 20. Peculiarities of taxation in free economic zone

1. The tax regime of a free economic zone sets the terms and conditions of the preferential tax treatment of the entities in its territory.

2. The business activity, regardless of ownership shall be exempt from all taxes stipulated by the Tax Code of the Republic of Tajikistan in the free economic zone, except for social security tax and physical person income tax.

3. The social security tax and physical person's income tax in a free economic zone is calculated and paid independently according to the Tax Code of the Republic of Tajikistan.

4. Physical person's income tax for foreign specialists - residents of the Republic of Tajikistan is paid according to procedure stipulated by the Tax Code of the Republic of Tajikistan.

5. Control of the full and timely payment of social tax and physical person income taxes shall be exercised by the tax authority.

6. The profit earned by foreign investors and salary of foreign employees received in foreign currency can be easily taken abroad, and shall not be taxed when taken abroad.

7. Tax incentives are applied only to that part of subjects' activity, which is implemented in the free economic zone. Taxation of the activities outside the free economic zone shall be carried out on general grounds in accordance with the laws of the Republic of Tajikistan.

8. The subjects of free economic zone are taxpayers and maintain independent accounting of financial and economic activity.

9. The objects of taxation in free economic zone not belonging to the subjects of a free economic zone shall be taxed in accordance with the laws of the Republic of Tajikistan.

Article 21. Financial and foreign exchange controls in the free economic zone

1. The subjects of free economic zone maintain accounting and financial statements in accordance with the laws of the Republic of Tajikistan. Peculiarities of the accounting and financial statements associated with the operation of subjects of free economic zone are defined by the state authority on free economic zones together with the state competent authority on finance.

2. Free circulation of hard foreign currency equally with the national currency of the Republic of Tajikistan is ensured in free economic zone according to the procedure stipulated by legislation of the Republic of Tajikistan.

Article 22. The activities of banks and non-credit organizations

1. The bank and credit organizations operate in the territory of free economic zones in accordance with laws of the Republic of Tajikistan.

2. The procedures for establishment and operation of banks and credit organizations in the territory of free economic zones are determined by the laws of the Republic of Tajikistan.

Article 23. Insurance activities

Insurance activity in the free economic zone is exercised out in accordance with the laws of the Republic of Tajikistan.

Article 24. Labor relations in free economic zone

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

2. Collective agreements and individual employment contract shall not worsen the situation of workers of these enterprises and organizations compared with the conditions stipulated by the legislation of the Republic Tajikistan, as well as international legal acts recognized by Tajikistan.

3. Foreign nationals and individuals without citizenship, including foreign employees, engineering and management personnel shall be engaged to perform works of relevant qualifications in free economic zone, considering the requirements of regulations of the Republic of Tajikistan.

Article 25. Environmental safety and environmental protection

The relations in the area of environmental safety and protection in the territory of free economic zone are governed by the laws of the Republic of Tajikistan, as well as international legal documents recognized by Tajikistan.

Article 26. Land tenure procedures

1. The administration of free economic zone uses the land in the territorial boundaries based on the provisions of this Law and other regulations of the Republic Tajikistan that regulate land relations.

2. The procedure of provision of land plots in the territorial boundaries of free economic zone is governed by the provision of free economic zone.

Article 27. Monitoring the activity of the subjects of free economic zone

The work of subjects of free economic zones shall be monitored by controlling authorities in accordance with legislation of the Republic of Tajikistan and notification of the authorized state body on free economic zones.

Article 28. Licensing the activity of the subjects of free economic zones

Licensing the activity of the subjects of free economic zones shall be carried out in accordance with the laws of the Republic Tajikistan.

Article 29. Simplified visa regime

A simplified regime for entry, exit, and residence shall be applied for foreign citizens and individuals without citizenship employed in the free economic zone defined by the Government of the Republic of Tajikistan.

CHAPTER 5. FINAL PROVISIONS

Article 30. Settlement of disputes

Disputes between the subjects of a free economic zone and public authorities of the Republic of Tajikistan, physical or legal entities on matters related to their activities on the free economic zone shall be considered by the court.

Article 31. Termination of a free economic zone

1. Termination of a free economic zone shall be carried out in accordance with this Law by the decision of the Government of the Republic Tajikistan.

2. The reason for termination of the free economic zone is expiration of the term of operation of a free economic zone, set by the provision on the free economic zone.

3. Early termination of free economic zones is possible by the proposals which can be made by an authorized state body of free economic zones and local bodies of state power in the territory of which a free economic zone is established.

4. Early termination of a free economic zone is allowed in the following cases:

- If no subject of a free economic zone is registered within seven years from the date of establishment of a free economic zone and no agreement is signed on the activities to be carried out in a free economic zone, or in case if all prior agreements are cancelled;

- If the subjects of a free economic zone do not operate in free economic zone for seven years in a row.

5. Termination of a free economic zone entails depriving the subject of a free economic zone of its rights and obligations stipulated in this Law. Termination of a free trade zone does not entail any legal consequences for individual entrepreneurs, organizations, irrespective of the organizational - legal form, operating on the territory of the former free economic zone or terminated according to the laws of the Republic of Tajikistan.

6. In the event of termination of free economic zone the subjects of free economic zones may continue their work in the Republic of Tajikistan on a general basis without additional registration or re-registration.

Article 32. Liability for violation of this Law

Physical and legal entities shall be prosecuted for violation of this Law in accordance with the legislation of the Republic of Tajikistan.

Article 33. On the repeal of the Law of the Republic Tajikistan “On free economic zones in the Republic of Tajikistan”

Repeal the Law of the Republic of Tajikistan dated May 17, 2004 “On free economic zones in the Republic of Tajikistan” (Newsletter of *Majlisi Oli* of the Republic of Tajikistan 2004, № 5, Article 335).

Article 34. Entry of this Law into force

This Law shall enter into force upon its official publication.

President of the Republic of Tajikistan

Dushanbe

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Emomali Rahmon