

ANNEX 19

LAW NO. 4 OF 1993 CONCERNING THE FREE ZONES

In the name of the people
The Chairman of the Presidential Council:
after perusal of the Constitution of the Republic of Yemen,
The constitutional Announcement issued on 22 November 1992,
The Republican Resolution No. (49) of the year 1991 establishing the
Free Zones Public Authority,
And having obtained the approval of the House of Representatives and
the Presidential Council

We have issued the following law:-

CHAPTER I NOMENCLATURE AND DEFINITIONS

Article 1

- a This law shall be known as "The Free Zones Law"
- b For the purposes of the implementation of this law, the words and expressions set out below shall have the meanings set out opposite each of them, unless the context indicates otherwise.

The Republic:

The Republic of Yemen.

The Council of Ministers:

The Council of Ministers of the Republic of Yemen.

The Free Zone:

Any zone in the territories of the Republic announced and established as a free zone in accordance with the provisions of this law. The plural will be Free Zones.

The Authority:

The Public Authority for the Free Zones established by virtue of Republican Decision no. 49 of 1991.

The Board:

The Board of Management of the Authority.

The Chairman of the Authority:

The Chairman of the Board of Management of the Authority who is its executive chairman.

The Customs Area:

Any place in the Republic outside the limit of the Free Zones

The Project:

Any activity licensed within the Free Zone as provided in Article 8 of this law

Goods:

Any material or natural, agricultural, animal or manufactured product

The Tariff Schedule:

The schedule of tariffs and duties referred to in Article 20 of this law.

The Implementing Regulations:

The Implementing regulations of this law.

The Competent Authority:

Every natural or legal person bestowed with legal authority to decide any question or questions specified for it in connection with the application of this law.

CHAPTER 2 **ESTABLISHMENT OF THE FREE ZONES**

Article 2

There shall be established by virtue of the provisions of this law a Free Zone comprising the city of Aden. The Free Zone system will be applied to it in stages. The Council of Ministers will define the geographical limits of the free zone areas and the sites on which enforcement shall take place and the date of such announcement by a resolution to be published in the Official Gazette.

Article 3

Other Free Zones shall be established in the territory of the Republic by resolution of the Prime Minister after having obtained consent of the Council of Ministers based upon a proposal made by the Council.

The establishment resolution shall define the sites of such free zone areas, their extent and the purposes for which they are established.

CHAPTER 3

MANAGEMENT OF THE FREE ZONES

Article 4

- a The Authority is responsible for the management, exploitation and development of the Free Zones in the Republic.

It is a public body, having a legal personality coming under the Council of Ministers. It shall enjoy financial and administrative independence. It shall carry out the implementation of this law and be directly subject to the supervision of the Prime Minister.

- b The Board of Management of the Authority shall be formed by a Republican Resolution in response to a proposal of the Council of Ministers.
- c The Authority shall have an annual independent budget prepared and implemented in accordance with the provisions in force in establishments in the private sector without being bound by the provisions concerning the preparation and implementation of budgets of public sector establishments and authorities. The necessary legal requirements concerning it shall be fulfilled. Its financial sources shall consist of the following:-
- i credits made available to the Authority by the State;
 - ii the Authority's own revenues from its activities and services for third parties;
 - iii aid and donations received by the Authority and approved by the Prime Minister;
 - iv loans granted according to constitutional procedures;
 - v any other sources approved by the Council of Ministers.

CHAPTER 4**ACTIVITIES WHICH ARE LICENSED AND PROHIBITED IN
THE FREE ZONE**

Article 8

Without prejudice to the provisions of Article 9 of this law, it is permitted to carry on the following activities in the Free Zone:

- a establish and carry out industrial projects and any operations concerning assembly, preparation and replacement of manufactured products and quasi-manufactured products;
- b bring in national and foreign goods, store, use and consume them and in the same way remove them to outside the Free Zone;
- c have the goods in the Free Zone undergo all operations of grading, cleaning, blending, mixing, wrapping, packaging, repackaging, breaking up, splitting, collecting or altering their state or condition, as well as maintenance and other operations required by the conditions of trade and market forces;
- d all financial, banking, insurance and commercial activities and services;
- e construct hotels and tourist facilities and sporting facilities and clubs;
- f perform all building and construction activities, the repair and maintenance of ships, aircraft and other forms of transport;
- g supply ships and aircraft and other forms of transport with fuel, oil, foodstuffs, drinks, tobacco, and all other materials necessary for their operations;
- h any other professions or skills and other activities which operations in the Free Zone require.

Article 9

The entry and circulation of the following goods is not permitted:

- a defective and rotting goods and waste matter harmful to the environment and not consumable by men or animals;

- b radioactive materials except for those which it is permissible to bring in for industrial and medicinal purposes and for scientific research by permission from the competent authority;
- c all kinds of drugs and their derivatives with the exception of what is used in the manufacture of medicines and pharmaceutical preparations and this shall be in accordance with certificates issued by the Ministry of Public Health according to the laws in force;
- d weapons, military supplies and explosives of every kind;
- e goods which originate in or are exported by states subject to boycott decisions issued by the Council of Ministers;
- f goods which are contrary to the instructions of Islam and public morals;
- g goods which are in contravention of the laws for the protection of commercial, industrial, literary or technical property.

Article 10

The following activities and transactions are prohibited:

- a the practice of any liberal profession or skill within the Free Zone without a prior licence from the Authority;
- b the use of a licence for a specific project for the purposes of carrying out another project;
- c the assignment by the owner of a licensed project to another party without prior consent from the Authority;
- d any transactions or activities contrary to the special regulations to protect the environment.

CHAPTER 5**PRIVILEGES AND GUARANTEES****Article 11**

Goods brought into the Free Zone, goods manufactured there and goods exported therefrom outside the local market shall not be subject to the taxes and duties on imports, exports and production in force in the Republic. Likewise, they shall not be subject to the customs

procedures and import and export rules which are in force in the Republic by law.

Article 12

All projects working in the Free Zone shall be exempted from taxes on industrial and commercial profits and the taxes on income in force in the Republic. This shall be for a period of 15 years from the date of grant of the licence to the project and the Authority may extend the period of exemption for a further period not exceeding 10 years on the basis of the proposal of the Board and after obtaining the consent of the Council of Ministers.

Article 13

The wages, salaries and benefits of employees working in the projects in the Free Zone who are not Yemenis shall not be subject to the taxes on income in force in the Republic.

Article 14

The financial transactions which are carried out within the Free Zones, and similarly with third parties outside the Republic, shall not be subject to the rules and regulations for monetary supervision in force in the Republic.

Article 15

Projects shall have the right to transfer their capital and profits outside the Free Zone. Similarly, non-Yemeni employees shall have the right to transfer their wages and allowances etc. outside the Free Zone.

Article 16

- a projects operating in the Free Zone may not be nationalised or confiscated.
- b the property of these projects may not be restrained, frozen or impounded save by a judicial order.

Article 17

Without prejudice to the right of owners of projects to use non-Yemeni employees and workers, they shall:

- a give priority to Yemeni workers for carrying out duties in their projects in accordance with employment specifications;

- b refrain from using subjects of states which are subject to the boycott decisions issued by the Council of Ministers.

Article 18

A project may be entirely foreign owned and will enjoy all privileges and guarantees granted by this law.

CHAPTER 6**TARIFFS AND DUTIES****Article 19**

The Board will issue regulations fixing fees for the licences which the Authority issues to the owners of projects.

Article 20

The Board shall prepare a schedule of tariffs and duties payable to the Authority or any other body. This shall be for the facilities and services which the Authority or other bodies extend to the owners of projects. The schedule of tariffs shall be issued by a resolution of the Prime Minister and published in the Official Gazette.

Article 21

The Implementing Regulations will set out the principles and dates for payment of the tariffs and duties set out in the schedule of tariffs as well as the penalties for delay or non-payment.

CHAPTER 7**SETTLEMENT OF DISPUTES****Article 22**

Unless the parties in dispute otherwise decide, disputes concerning investment activity in the Free Zone which arise between projects or any project and the Authority or any other party shall be referred to the arbitration tribunal or the competent court for hearing and decision in accordance with the provisions of this law.

Article 23

- a if the parties decide to settle the dispute by arbitration, an arbitration tribunal composed of a president and two members

representing the two parties to the dispute chosen by the two parties in the dispute shall consider the dispute.

- b the two members of the tribunal shall choose the president of the tribunal by agreement. This shall be done during a period of not longer than 30 days from the date on which they are chosen by the two disputing parties. If the two members have not agreed on this and have not agreed during the same period to appoint a local body to choose the president of the tribunal, the president of the tribunal shall at that time be appointed by the Chairman of the Authority and the President of the Chamber of Commerce and Industry at the request of one of the parties in dispute.
- c the arbitration tribunal shall consider the dispute referred to it and decide thereon in accordance with the principles of the law of arbitration in force unless the tribunal fixes other arbitration rules which will have effect.

Article 24

A special first instance court shall be set up in the Free Zone in accordance with the law in force concerning judicial authority.

Article 25

- a the competent court shall decide disputes concerning the activities of projects established in the Free Zone and labour disputes connected with such projects.
- b a party to the dispute may appeal against the decision of the competent court. This shall be in accordance with the procedures and principles for appeal laid down by law.

CHAPTER 8

OFFENCES CONTRAVENTIONS AND PENALTIES

Article 26

It shall be smuggling to take goods from the Free Zone to the Customs Area or vice versa without paying the taxes, customs fees and other taxes and fees laid down in the laws which are in force or without completing the legal transactions which apply to the bringing in and taking out of goods in accordance with the laws in force in the Republic.

Article 27

Without prejudice to any greater penalty in any other law in force in the Republic, any person who brings into the Free Zone or circulates therein any of the prohibited goods referred to in Article 9 of this law shall be punishable with imprisonment for a period not exceeding one year or a fine of not less than the convertible foreign currency equal to 50% of the official price of the value of the goods on arrival at the port of consignment and the goods which are the subject matter of this contravention shall be confiscated.

Article 28

- a Any person who is intent on carrying out other activities in contravention of the conditions of the licence which he bears shall be punished with a fine not exceeding the convertible foreign currency sum which at the official exchange rate is equal to YR50,000, together with withdrawal of the licence in a final manner or for a period of not less than one year. The same shall apply to any person who assigns the licence either in whole or in part to another person without prior written consent from the Authority to such assignment.
- b Every person who practises a liberal profession or skill within the Free Zone without a prior licence from the Authority and without paying the fees prescribed for such licence shall be punished with a fine of not less than the convertible foreign currency equivalent at the official rate of YR50,000, and the perpetrator of the offence may be prevented from obtaining the licence either in a final or temporary fashion.

Article 29

The Chairman of the Authority or his deputy authorised by him in writing may reach a compromise settlement with the perpetrators of offences against this law in accordance with the guide to compromise settlements issued by the board.

Article 30

The penalties laid down in the other laws in force in the Republic shall be applied to the offence of smuggling and the other offences under this law.

Article 31

The Authority may sell by auction the goods which a judicial order provides shall be confiscated or goods which are restrained for any

reason set out in the Implementing Regulations. The proceeds of sale shall revert to the state after the deduction of 25% of the net sale sum for the Authority.

CHAPTER 9

GENERAL AND FINAL PROVISIONS

Article 32

There shall be transferred to the Authority those duties and powers concerning the activity of projects in the Free Zone which are attributable up to the time of issue of this law to other competent authorities. These projects shall enjoy all the guarantees and privileges which this law grants from the date on which the said duties and functions are transferred.

Article 33

The provisions of the laws, orders, decisions and regulations in force in the Republic shall apply in the Free Zones to the extent that they do not conflict with the provisions of this law.

Article 34

The Chairman of the Authority, in co-operation with the competent authorities, may set up consultative working groups composed of representatives of the bodies concerned and other specialist personalities with relevant expertise on either a permanent or temporary basis. The functions of these groups shall be limited to expressing opinions and giving advice on those questions which the Chairman of the Authority refers to them.

Article 35

The provisions of the social insurance law in force in the Republic shall apply to Yemeni workers and employees on projects, unless the owners of projects impose upon them a more favourable insurance regime.

Article 36

The Authority shall seek to prepare training opportunities for Yemenis working in the Free Zone by instituting appropriate programmes and courses for them with the object of raising their technical and professional capabilities.

Article 37

The Council of Ministers will lay down the Implementing Regulations for this law.

Article 38

Law No. 11 of 1990 concerning the Free Zones and any other legal provisions conflicting with this law are repealed.

Article 39

This law shall have effect from its date of issue and be published in the Official Gazette.

Issued at the Presidency of the Republic, Sana'a

9 Shawwal 1413 corresponding to 1 April 1993

General Ali Abdullah Salih
Chairman, Presidential Council