



## ROLE PLAYED BY THE ZANZIBAR INVESTMENT PROMOTION AUTHORITY IN FACILITATION OF INVESTMENTS IN ZANZIBAR

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The Zanzibar Investment Promotion Authority (ZIPA) is a one-stop center that facilitates investment and brings relevant government agencies under one roof to provide efficient and transparent services to investors by providing them with single place access to all documents and approvals that are statutorily needed to set up their investment projects in Zanzibar without undue delays. The center seeks to aid investors in overcoming all obstacles bureaucratic tendencies faced by investors in the establishment and implementation of investment projects. Services provided at ZIPA offices include;

- General information and necessary data to facilitate investment decision,
- Registration of companies,
- Tax Payer Identification Number,
- Project approval,
- Acquisition of land,
- Environmental issues,
- Building permits,
- Investment incentives,
- Work and residence permits,
- Opening of foreign and local accounts,
- Business permits and licenses.

### **Incentives offered by ZIPA**

In a bid to foster and promote investments, the Tanzania Investment Center offers a magnitude of incentives, these incentives to strategic investors. These incentives are granted to various categories of projects which include;

- Projects approved under the Free Economic Zone Regime,
- Projects approved under Free Port Regime,
- Projects approved outside Freeport and Free Economic Zones.

### **Projects approved under the Free Economic Zone Regime**

- 10 years corporate tax holiday and 25% tax and withholding tax holiday on the dividend to non-residents.
- 75% Duty and VAT Exemption on raw materials, machinery, equipment, and other inputs.
- Stamp Duty Exemption.



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- 100% investment deduction on capital expenditure within 20 years.
- Exemption from tax on dividend for ten years.
- Duty and Tax-Free Import of goods from domestic tariff area permissible.
- Duty-Free import of material for the construction of factory buildings.
- Duty-Free export of goods produced.
- Exemption of Income Tax on interest on borrowed capital.
- Exemption from payment of all taxes and levies imposed by local government authorities for goods and services produced in a Free Economic Zones.
- On-site customs inspection of goods in place of off-port inspection.

### **Projects approved under Free Port Regime**

- Exemption from payment of import duty, exercise duty, sales tax, (VAT), and any other import levy on all goods imported into the Freeport Zones.
- Exemption from any tax on all goods destined for re-export.
- Exemptions from local taxes against all goods produced in the Freeports that are exported.
- Exemption from payment of Corporate Tax for the first twenty years.
- No limit to the duration that goods may be stored in the Freeport Zones.
- 100% retention of all profits.
- 100% foreign ownership allowed.
- Free repatriation of profit.
- 20 % of total turnover allowed for sale to the local market and subject to the payment of all taxes.

### **Projects approved outside Freeport and Free Economic Zones**

- During the construction phase for an approved enterprise, or approved domestic enterprise, the enterprise shall be exempted 75 % from customs and import duties and other similar taxes on machinery, equipment, spare parts, raw materials, vehicles, and other goods necessary and exclusively required by that enterprise for the construction phase.
- Raw materials for the trial operations of an approved enterprise or approved domestic enterprise may be exempted from import duties.
- Provided the quantity of such raw materials does not exceed eighteen months' supply for one shift production operation.
- Five years tax holiday
- Strategic Investments

### **Application procedures and criteria for Strategic Investment**



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Any approved Investor may apply to the authority to be granted Strategic investment status. Upon application, the authority shall consider the application and may recommend to the Minister to grant Strategic Investment Status to the applicant. The Minister shall, after consultation with the relevant institution, decide on whether to grant or not Strategic Investment Status, and inform the applicant accordingly.

### **Criteria for Strategic Investment**

- Approved Investor may be granted Strategic Investment Status after he has:
- Investing assets equivalent to 100 USD or more and contributing at least 30% of this investment in form of equity;
- Employing at least One Thousand people; or
- Investing assets equivalent to 50 USD in the innovative investment or the disadvantageous regions in any of the following priority sectors:
  - Industrial manufacturing or assembling;
  - Upmarket tourism;
  - Agriculture and fisheries;
  - Real estate development;
  - Energy;
  - Infrastructure development; and
  - Information and Communication technology.

### **Benefits, Incentives, and Allowances for Strategic Investment**

An approved Investor who has been granted Strategic Investment status may, where appropriate, be granted the following benefits, incentives and allowances;

#### **During the implementation of the Approved Investment:**

- Exemption from all duties and taxes on importation and local purchases of construction goods and materials during the project construction;
- Exemption of income tax on interest on capital borrowed from foreign banks;
- Five years grace period on payment of Land Lease;
- Engagement of foreign contractors is allowed; and
- Five years grace period on payment of land lease for a marina in tourism investment;
- Benefits, Incentives, and Allowance during Operation of the Approved Investment

#### **During operation of the Approved Investment:**

- 50% exemption of the prevailing rate for Corporate Income Tax;



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- 50% exemption of Profit tax for repatriated Profit;
- 50% exemption of Accelerated Depreciation for five years;
- 50% exemption of income tax on interest on capital borrowed from foreign banks;
- 100% allowance on Research and Development expenditure;
- 100% percent retention of all profits after tax; and
- Full foreign ownership is allowed.

### **Further additional incentives are granted to the manufacturing sector which includes;**

- Exemption from payment of any tax on all goods produced for exports;
- Exemption from payment of trade levy for raw materials and industrial inputs purchased from Tanzania Mainland;
- Exemption from payment of Import Duty, Excise Duty and VAT on importation of heavy machines and equipment and payment of VAT on local purchase of heavy machinery or equipment required during production phase; and
- Additional five years allowance of fifty percent Accelerated Depreciation.

However, the Minister may withdraw the strategic investment Status to any approved investor who has been granted Strategic Investment Status in any case, if: the investor fails to comply with obligations imposed under this Act, or if they fail to fulfill the criteria and conditions of strategic investment; or performs any act which is prohibited under this Act.