

Kyauk Phyu Special Economic Zone (KPSEZ)

1. General Information

Kyauk Phyu Special Economic Zone (KPSEZ) is one of the planned zones included in the master plan designed for the development of the eight special economic zones of the Union of Myanmar called “Study on SEZ Development Program in the Union of Myanmar” which was drawn by Japan Engineering Consulting Firm Association (ECFA) under the guidance of Ministry of National Planning and Economic Development of the Union of Myanmar in 1997.

The Office of the President of the Union of Myanmar approved to carry out the implementation and location of KPSEZ and designated the KPSEZ Management Committee in December 2011. In this regard, a regional master plan was prepared covering the whole Kyauk Phyu sub-region, Yanbye sub-region and Manaung sub-region. Kyauk Phyu sub-region was planned for the establishment of industries based SEZ while Yanbye sub-region and Manaung sub-region were targeted for the establishment of agricultural based SEZ and eco-tourism based SEZ respectively. KPSEZ became a part of the regional master plan. This regional master was approved at the Pyidaungsu Government Meeting No. 19/2015.

Also the Pyidaungsu Hluttaw also agreed the implementation and location of KPSEZ on 29th December 2015. In order to develop the planned activities of KPSEZ the foreign competent investors were invited to propose for the tender process. The Government of the Republic of the Union of Myanmar issued Request for Proposals for the submission of Expression of Interest (EoI) on 29th September 2014 and China International Trust and Investment Corporation (CITIC Consortium) won the tender of Deep Sea Port Project and Industrial Park Project. Then the Bid Evaluation and Awarding Committee of Myanmar recognized the CITIC Consortium as the awarded bidder of the Projects by notification dated 30th December 2015.

For the purpose of speedy development of economy of the State by establishing and implementing special economic zones, the Central Body and Central Working Body relating to Myanmar Special Economic Zones were reformed on 12th August 2016 with the Notification No. 59/2016 of the Office of the President of the Union of Myanmar. Likewise, regarding the establishment of KPSEZ, the KPSEZ Management Committee was also reformed for carrying out its duties on 12th October 2016 with Notification No.1/2016 of the Central Body.

(i) The quantity of Zones in KPSEZ

In KPSEZ, all types of zones depending on their main activities such as export processing zones, free trade zones, free ports, science and technology parks etc. will be established in accordance with the provisions described in 2014 Myanmar Special Economic Zone Law. At present, the activities are not started yet.

(ii) The names of projects in KPSEZ

There are 3 projects to be implemented in KPSEZ namely Deep Sea Port Project, Industrial Park Project and Residential Park Project.

(iii) The area size and location of KPSEZ

Total area of KPSEZ is intended to cover 4289 acres including 1446 acres of an industrial park, 1235 acres of a residential park and 608 acres of a deep sea port in Kyauk Phyu region.

KPSEZ is situated in Kyauk Phyu Township, Kyauk Phyu District in Rakhine State, at the west coast of Myanmar and a key area for both the national economic development and Rakhine State Development.

2. Investment Incentives in KPSEZ

In accordance with the provisions described in 2014 Myanmar Special Economic Zone Law, all essential investment incentives and rights will be provided to those who participated in KPSEZ as developers and investors.

In **Chapter VIII, Section 29**, it was described the wide range of permitted types of investment business for the investors and these include;

- (a) Manufacturing finished products from raw materials, processing goods warehousing, transportation and providing services;
- (b) Transporting and importing raw materials, packaging materials, machinery instruments and equipment, and fuel oils to be used in the investment business from the domestic or overseas to the Special Economic Zone;
- (c) Trading the manufactured products from the investment business to the domestic and overseas in accordance with the stipulations;
- (d) Establishing and operating the offices for investment business and overseas service works at the stipulated place in the Special Economic Zone with the permission of the Management Committee;
- (e) Carrying out other economic business which are not prohibited by the State, with the permission of the Management Committee.

The opportunity of tax exemption and reliefs will be provided to the investor in accordance with **Section 32** as follows;

- (a) for investment business in the Free Zone or the Free Zone business, there shall be income tax exemption for the first seven years from the commencement of the commercial operation;
- (b) for investment business in the Promotion Zone or other business in the boundary of the Special Economic Zone, there shall be income tax exemption for the first five years from the commencement of the commercial operation;

- (c) for the investment business within the Free Zone and the Promotion Zone, there shall be fifty percent relief on the income tax rate stipulated under the existing law for the second five years;
- (d) for the investment business within the Free Zone and the Promotion Zone there shall be fifty percent relief of the income tax rate stipulated by the existing law for the third five years on the profit which is obtained from the business if it is reinvested within one year in the business as a reserve fund.

For all developers, provisions for the development of business, duties and exemption were described in **Chapter IX**. As per **Section 38**, essential ways to carry out development business was described as follows:

- (a) it may be carried out as a developer by the private, or by the government, or by incorporation of private and the government;
- (b) Establishment of the Special Economic Zone may be carried out as a developer by a one hundred per cent citizen investment, or one hundred per cent foreigner investment, or a joint venture investment of the citizen and the foreigner or intergovernmental investment.

According to **Section 39**, sub-leasing of land and making maintenance opportunities will be provided for developer as follows:

- (a) may, after entering into a leasing contract with the relevant Management Committee, carry out the implementation of business in the Special Economic Zone, sub-leasing the land to the investors and making maintenance in the Special Economic Zone under the supervision of the Management Committee;
- (b) may, if it is the Union Government, or Divisional or State Government, carry out the activities such as construction, management and maintenance in the Special Economic Zone, whether directly or by contracting out the work to other organizations in transparency
- (c) may carry out the infrastructures in the Special Economic Zone by himself or by contracting out to other organizations;
- (d) may develop by forming specific organizations to construct any of the infrastructures with the agreement of the Central Body, in developing infrastructures related to the Special Economic Zone which are located outside the Special Economic Zone. These organizations shall have separate accounts. The developer of the related infrastructure may be entitled to the privileges of the developer of the Special Economic Zone. The development of related infrastructures such as road, railway, bridge and water supply which will take

longer time to recoup the costs of investment may be granted more privileges with the agreement of the Central Body.

Also the entitlement of income tax exemptions and reliefs will be provided as per **Section 40** for the developers:

- (a) income tax exemption for the first eight years from the Commencement of business operation;
- (b) fifty per cent relief of the income tax rate stipulated by the Existing law for the second five years;
- (c) fifty per cent relief of the income tax rate stipulated by the Existing law for the third five years on the profit which is obtained from the business if it is reinvested within one year in the business as a reserve fund.

As described in **Section 42**, the opportunity concerned with sub-leasing the land and building in SEZ will be provided for the developer as follows:

If the developer who carries out the business operation by himself in the Special Economic Zone, he may sublease the land and Buildings in the Special Economic Zone to the investors during the Permitted period or during the period of land lease to operate the Business by the Management Committee.

3. Important Incentives in SEZ

In **Chapter X** of Myanmar SEZ Law, the exemption and reliefs on import taxation were provided for developer and investor. According to **Section 44** the following guarantees were provided:

- (a) for the developer, the exemptions of customs duties and other relevant taxation on the import of the construction materials for the infrastructures and own offices, machine instruments, machinery, motor vehicles for work and work materials;
- (b) for the investor of the Free Zone, the exemptions of customs duties and other relevant taxation for the import of raw materials for production, machinery instrument and necessary spare parts for production; construction materials and motor vehicles for building factory, warehouse and own office;
- (c) for the investor of the Free Zone, the exemptions of customs duties and other relevant taxation on the import of trading goods, consignment goods, motor vehicles and other materials which are essential for the business for free-tax wholesale trading, export trading and services of provision and transportation;
- (d) for the investor of the Promotion Zone, the exemptions of

Customs duties and other relevant taxation for five years from the business commencement on the import of equipment and Instrument not for sales and their required spare parts, the construction materials for factory, warehouse and own office, the motor vehicles and other materials which are essential for the business, and fifty percent relief of the custom duties and other taxation for the consecutive five years

According to **Section 45 and Sub-Section (b)**, If the customs and other taxation upon the importation of raw materials and other goods for production, the investor of the Promotion Zone may apply to refund of the customs duties and other taxation paid at the time of importing those materials for the finished or semi-finished goods produced by the materials imported are exported abroad or into the Free Zone.

According to **Section 48**, the developer and the investor of the Special Economic Zone shall be permitted to manage to retrieve the losses for five years after the year of losses incurred.

Relating to commercial tax and value added tax, in accordance with provisions of **Section 49**, the important opportunities for the developer and investor depends on types of zones will be offered as follows:

- (a) The investor of the Free Zones may be given exemption of the Commercial tax or valued-added tax;
- (b) The investor of the Promotion Zone may be given exemption and relief of the commercial tax and value-added tax during the period of relief provided in this Law. After the end of the period of relief, the commercial tax and value-added tax shall be paid in accordance with the relevant law;
- (c) The investor may apply for the exemption of commercial tax or value-added tax for manufactured goods which will be exported;
- (d) The investor of the Free Zone may apply the exemption for import tax or value-added tax for the goods imported from the local or Promotion Zone to the Free Zone.

Regarding **Section 50**, except for goods which are prohibited and restricted by the Union Government, the goods exported directly or indirectly or re-exported from the Special Economic Zone are entitled to exemption of taxes and other assessments.

As per **Section 51**, the developers and investors may apply the exemption of income tax for the dividends distributed to each shareholders based on the profits accrued locally for which tax has been paid.

Finally **Section 52**, stated that the actual expenses of conducting local training by the investor of the Free Zone to the skilled worker or semi-skilled worker or the staff of the management sector and providing the business research and development are deductible from the taxable income.

4. The Progress of SEZ

Negotiation process on transaction documents and EIA/SIA, GT Surveys are underway.

5. The Photograph of SEZ

Nil