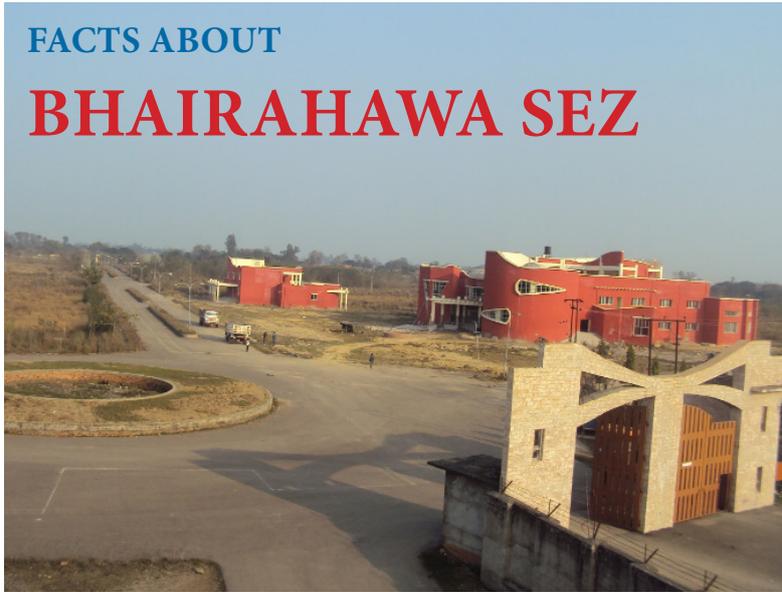


# SPECIAL ECONOMIC ZONE

## Basic Features of SEZ Authority Act - 2016

- The SEZ Act has envisioned the establishment of SEZ Authority to construct or maintain physical infrastructure in the SEZ; monitor and regulate industries established in the SEZ; and provide one stop service.
- Private Sector is allowed to establish, operate and manage the special economic zone
- Existing industries operating outside SEZ can't be relocate in the SEZ.
- A license is needed to establish an Industry in the SEZ and the Authority has to give such license within 30 days of the submission of application. If the license is denied, the Authority has to respond within 7 days with a valid cause.
- The maximum validity period of the license is 30 years. And, can be renewed for another 10 years, if the industry is found utilizing more than 30 percent of its capacity.
- After obtaining the license to establish industry inside SEZ, license holder/investor has to sign a memorandum of understanding with the Authority about the rent of required land, building and services, date of establishment and operation of industry, export quantity of product, matter of technology transfer and other related issues.
- Industry established in SEZ must export 75% of total production or service. If it failed to do so, it will not be entitled to receive facilities and incentives provided by the Act.
- Industry established in SEZ will receive a rebate on the rent of land or building which are taken on lease for three years as per the following:
  - a. 50 percent in first year
  - b. 40 percent in second year and
  - c. 25 percent in third year
- Industry established in SEZ will get full income tax exemption for the first 5 years. Thereafter, industry using upto 60 percent of domestic raw materials is entitled to receive 50 percent exemption for the next 10 years while the others will get 50 percent exemption for the next 5 years only.
- Furthermore, industry established in Hilly or Himalaya Region SEZ will get full income tax exemption for the first 10 years, while for the next 10 years it will get 50 percent exemption only.
- In the first 5 years, industry will get 100 percent tax exemption facility on dividend. While, thereafter, it is entitled to receive 50 percent exemption for the next 3 years only.
- Industry is entitled to get zero value added tax (VAT) facility, when (a) it exports products or services; and (b) when it sells its products and raw materials to other industries established in the SEZ.
- Industry is entitled to receive customs duty concession and other facilities under the bank guarantee of government for importing raw materials and auxiliary raw materials, packing materials and others, plant, machinery equipment, tools and spare parts and upto three vehicles depending upon a nature and size of the industry.
- Any importer which sells its goods to the industry established at the SEZ is entitled to receive customs duty refund.

- If any outside industry sells its finished goods to the industries established at the SEZ, such sale will be deemed as export and is entitled to receive customs duty concession and other facilities.
- Industry established at the SEZ may sell its finished goods at the local market, 25% of its total production, after a full repayment of customs duty concession it had received while importing raw materials to produce such goods.
- Foreign investor, who has invested in foreign currency in the SEZ, is entitled to repatriate amount he/she receives from a sale of partial or full share; dividend; and principal and interest on foreign loan in foreign currency as mentioned in the MoU with the Authority.
- A one window unit will be established in the SEZ to cater all relevant services and provide facilities to industry established in the SEZ.
- A six-month non-tourist visa will be provided to the prospective investor of the SEZ to conduct a research or a feasibility study. Likewise, foreign investors or their dependents and foreign staffs or their dependents will be granted a commercial visa until they have their investment in the SEZ. Residential visa will be granted to those who invest more than 10 million USD in the SEZ.
- Industry established in the SEZ will receive other facilities like bonded warehouse facility as per the MoU, sub-contracting among industries within the SEZ, depreciation at accelerated rate, among others.
- Industry with permission from the Authority can hire foreign employee, only in a technical field with highly special skill- which is not available in the local market. The Authority can give such permission for seven years period to highly skilled technical employee or five years period for technician.
- A foreign employee can repatriate up to 60 percent of its net income from Nepal.
- Strikes and protests are strictly prohibited within the SEZ.
- Investor can sell or transfer his/her share of the industry established in the SEZ to a new investor. Permission of the Authority is needed, if more than 50 percent of such share is being transferred or sold. Liability of fulfilling commitments made in the initial MoU with the Authority will thus transfer to a new investor.
- Industry has to submit the income expenditure annual report to the Authority within three-months period after the end of each fiscal year.
- 1st SEZ established in Nepal and inaugurated on November 18, 2014.
- The SEZ office inaugurated in 16th February, 2017 to start the services from the branch office.
- Lies in Rupandehi District in Western Development Region near Nepal-India border and is about 280 km from Kathmandu.
- Established in an area of 38.6 ha. of land and has a total of 69 plots out of which 62 plots have been occupied by Nepalese investors.
- The total investment is about NRs 5 billion for which Nepalese business houses like Golchha Organization, Lohiya Group, Jagadamba Group, MC Group, VOITH, Sarawagi Group, Siddhartha Group, among others are establishing industries.
- Rental charge is fixed at Rs. 20 per square meter and an entity must have fixed capital worth Rs. 20 million to set up an industry.



## FACTS ABOUT

# BHAIRAHAWA SEZ

## CONTACT

### SPECIAL ECONOMIC ZONE AUTHORITY

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