

LEGAL ALERT

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Myanmar introduces draft Industrial Zone Law to govern the development of the industrial sector

The development of the industrial sector is the core of economic development of any country as they produce and supply various products that provides the basic needs of the citizens. On top of that the industrial sector also provides the necessary machinery and spare parts for factories, improve export industries, import-substitute products and create new employment opportunities.

At present, there are 29 industrial zones and one special economic zone (“**SEZ**”), Thilawa, located in the Yangon region. While the SEZs (Thilawa, Kyauk Phyu and Dawei) are governed by the separate Special Economic Zone Law (“**SEZ Law**”), there is no specific law governing the industrial zones in Myanmar.

In 2019, Pyidaung Su Hluttaw issued the draft Industrial Zone Law to provide much needed legislation to govern the sector and help to draw in much needed foreign investments into the country. While the legislation is still in draft form, it is hoped that it will be enacted by the end of 2019.

Under the law, industrial zone means a land designated by the Union Government as an industrial zone by way of issuing a notification and all industrial zones, including new and old zones, will be monitored by the Regional Industrial Zones Development and Management Committee (“**Regional Committee**”). The Regional Committee will submit the necessary policies, development programme, reporting and business prospects to the Industries and Industrial Zone Development Central Committee (“**Central Committee**”) for approval. The Central Committee will then set up the required policies and guidelines while the ministry in charge will be the Ministry of Industry.

Permitted uses in the Industrial Zone

Investors have the right to conduct the following investments in the industrial zone in accordance with set conditions:

- manufacturing of finished products, related products, packaging products and value-added products;
- transporting and delivering of raw materials and finished products, business relating to road maintenance and upgrade;
- other services link with manufacturing; and
- domestic and overseas trading of products produced by the investment in accordance with the stipulations.

Establishing the Industrial Zone

The Regional Committee can submit a proposal for the establishment of a new industrial zone to the Central Committee. With the approval of the Union Government, the Central Committee may establish a new industrial zone, based on the following:

- whether the area is designated by the Union Government for regional development;
- whether the area has sufficient land to conduct industries and investments and whether the master plan for zone development including infrastructure can be implemented;

- whether there is an international gateway, such as port and airport, or international cross-border transportation that easily connects to the domestic market;
- whether there is sufficient raw materials, resources and primary products;
- whether there is any skilled labour, semi-skilled and mid-skilled labour; and
- whether training can be arranged to obtain skilled labour.

Development of Industrial Zone

The developer can submit the investment proposal to the Central Committee through the Regional Committee. In order for the industrial zone to be developed according to the law, the following structure and ratio of the land shall be complied with at the time of establishing the industrial zone:

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|-------------------------------------|------------|
| Industrial Area | 60% to 70% |
| Commercial Area | 1% to 5% |
| Public Utilities and Assistant Area | 20% to 25% |
| Green Belt | 9% to 10% |

In relation to the size, type and level of industrial zone, the Regional Committee shall submit a proposal pursuant to the industrial policy and obtain approval from the Central Committee. Once the agreement has been executed with the Regional Committee, the developer can implement the industrial zone, sub-lease the land to investors and begin construction of the infrastructure. Regarding to fees for land rental and land use, Regional Committee will need to submit and obtain the approval from the Central Committee. Both developer and investor are required to comply with existing environmental laws and relevant laws concerning environmental management. With regards to existing industrial zones that are established before the issuance of the law, the Union Government will designate the types and levels of existing industrial zones and announce as industrial zone.

Incentives for Industrial Zones

Both the developer and investor of an industrial zone are entitled to the same income tax benefits under the Myanmar Investment Law (“**MIL**”). The MIL allows for the exemption from income tax for three, five or seven years depending on whether the investment is in an underdeveloped, moderately developed or developed zone. The designation of the zones are subjected to change depending on the development in the respective regions. Furthermore, reliefs which are permitted as a specific matter under the Union Taxation Law will also be considered as incentives for developers and investors.

Moreover, the Central Committee provides special incentives period, by issuing notification, for the following investments;

- establishment of Industrial Zone as Less Developed Zone and investments therein;
- investments which creates plenty of job opportunities in a region that does not have a lot of opportunities;
- investments for valued-added export agriculture and primary products;
- investments for manufacturing of good quality farm equipment; and
- investments for valued-added export business and creative products manufacturing.



Similar to MIL and SEZ law, the Industrial Zone Law allows the developer and investor the right to use the land for the initial period of 50 years and further two consecutive period of 10 years. However, investors who possess plots within the industrial zone but is not operating a business, will need to apply for business plan within six months from the date of the enactment of the law. If the business plan cannot be implemented within two years, the Regional Committee will repose the land by giving 50% of the land value which is designated by Regional Committee to other investors.

In conclusion, the enactment of a specific Industrial Zone Law governing the construction of new industrial zones, upgrading existing zones, passing specific rules and regulations and providing incentives allows for more foreign and local investors to invest in the industrial zones. The enactment will bring about more employment opportunities, help to develop the economic sector and protect investors from unnecessary barriers when conducting their business. Moreover, the law provides for benefits and exemptions for investors and will draw much needed investment for the industrial sector and the country in general.

If you have any questions or require any additional information, please contact [Thuzar Tin](#) or the ZICO Law Myanmar partner you usually deal with.

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