



All you need
to **KNOW**





I. LEGAL AND INSTITUTIONAL FRAMEWORK

MANDATE

Uganda Free Zones Authority (UFZA) is a body corporate that was established under the Free Zones Act, 2014. It is mandated to oversee the establishment, development, management, marketing, maintenance, supervision and control of Free Zones and other related matters.

VISION

To be Africa's leading facilitator of export-oriented investment and trade.

MISSION

To create a client-centric business environment that facilitates the establishment, management and regulation of Free Zones, to enhance export-oriented trade and industrialisation in Uganda.

CORE VALUES

Integrity: We adhere to high ethical principles and standards while doing the right thing at the right time for the right reason.

Innovation: We create and nurture opportunities that allow for technological advancement.

Teamwork: We complement individual skills to create a chain of desired results.

Client Satisfaction: We understand our clients' needs and consistently deliver on our promises.

Efficiency: Our clients are assured of a quick turn-around time on facilitation services.

2. DEFINITION OF A FREE ZONE

A Free Zone is a special designated area where goods introduced into the area are generally regarded, so far as import duties are concerned, as being outside the Customs territory and these include Export Processing Zones or Free Port Zones.

Free Zones are Customs controlled areas where raw materials, goods, plant and machinery may be landed, handled, manufactured or reconfigured for export without being subject to import and export duties.



3. PHYSICAL SETUP OF A TYPICAL FREE ZONE

- 1) Pre-built Factory Units
- 2) Warehouses and Storage Facilities
- 3) Office space
- 4) Utilities like water, electricity, and ICT
- 5) Road Infrastructure
- 6) Parking Yard
- 7) Police Post Area
- 8) Perimeter Wall or Fence
- 9) Commercial Centre with social facilities and amenities (optional).



4. RATIONALE FOR FREE ZONES

The Government's main Policy objective of establishing Free Zones was to promote investment in export-oriented manufacturing and processing: The specific benefits are:

Static Benefits

- a) Accelerate export-oriented manufacturing
- b) Boost Direct Domestic Investment (DDI) and attract Foreign Direct Investment (FDI) in Free Zones
- c) Generate employment opportunities
- d) Boost exports and Increase forex earnings

Dynamic Benefits

- e) Enhance technology transfer
- f) Create backward and forward linkages within the economy
- g) Accelerate economic growth.

5. TYPES OF LICENCES

Developers and Operators wishing to join the Free Zones program are classified into three categories depending on the nature of business they undertake.

- a) **Developer's Licence:** This is issued to investors who are investing in infrastructure development like construction of industrial buildings and Warehouses, development of internal roads, landscaping and fencing, as well as provisions of utilities like power, water, sewerage systems and telecommunication lines.
- b) **Operator's Licence:** This Licence is issued to a business enterprise authorising it to carry out any service or other industry including manufacturing or processing, commercial activities like breaking bulk, re-packaging, re-labelling and trading export-oriented services.
- c) **Manager's Licence:** This Licence is issued to a Business Enterprise which will undertake the Management of a Free Zone.

6. PRIORITY SECTORS

The Authority encourages the development of export-oriented industries which have potential for value addition, employment creation, innovation and skills development and technology transfer. They include, but not limited to:

- a) Agro-processing for the strategic commodities:
Coffee; Fish; Cotton, Textiles and Garments; Tea;
Floriculture; Fruits and Vegetables; Dairy, Beef; Cereals;
Pulses; and Oil Seeds.
- b) Oil, Gas and Mineral Development (mining, processing and assembly)
- c) Manufacturing (Light and Heavy industries).
This includes Packaging, Pharmaceuticals and Cosmetic Industries
- d) Commercial handicrafts
- e) Services.





7. MARKET ACCESS

Uganda has negotiated preferential market access to the following blocs:

- a) European Union
- b) USA
- c) Middle East and Asia
- d) Other African markets (COMESA, EAC and SADC).

8. INCENTIVES

The Government has provided for a comprehensive package of incentives for holders of Free Zone Developer, Operator or Manager Licenses which include:

Fiscal Incentives

- a) Exemption from taxes and duties on all Export Processing Zone imported inputs that are for the exclusive use in the development and production output of the business enterprise (raw materials, machinery and spare parts)
- b) Unrestricted remittance of profit after tax
- c) Tax holiday for 10 years on exportation of finished Consumer and Capital goods
- d) Exemption from tax on income from Agro-processing
- e) Exemption from capital gains tax on plant and machinery used in the Free Zones for 5 years and 1 day

- upon disposal
- f) Exemption from all taxes, levies and rates on exports from the Free Zones
 - g) Exemption on personal income of a person offering Technical Assistance under a Technical Assistance Agreement
 - h) VAT exemption on selected services and supplies
 - i) Exemption on income derived from the operation of aircrafts in domestic and international traffic or the leasing of aircrafts
 - j) A deduction of 50% off the cost base of the property is allowed on eligible property put into service for the first time outside a radius of 50km from the boundaries of Kampala.

Non- Fiscal Incentives

- a) Economies of Scale for the business entities resulting from well-planned Zoning and Clustering of the business activities in Free Zones
- b) Warehousing of domestic goods provided that the warehousing facilities of the Free Zone are under-utilized
- c) Onsite Customs inspection of buildings, premises, vehicles, vessels and aircrafts entering and leaving the Free Zone
- d) Enhanced Technology uptake
- e) Business facilitation and aftercare services in the acquisition of secondary licences, permits and approvals from other Government Agencies

9. ELIGIBILITY

Both local and foreign Business Enterprises are eligible to be licensed to invest in Free Zones provided they fulfill the following:

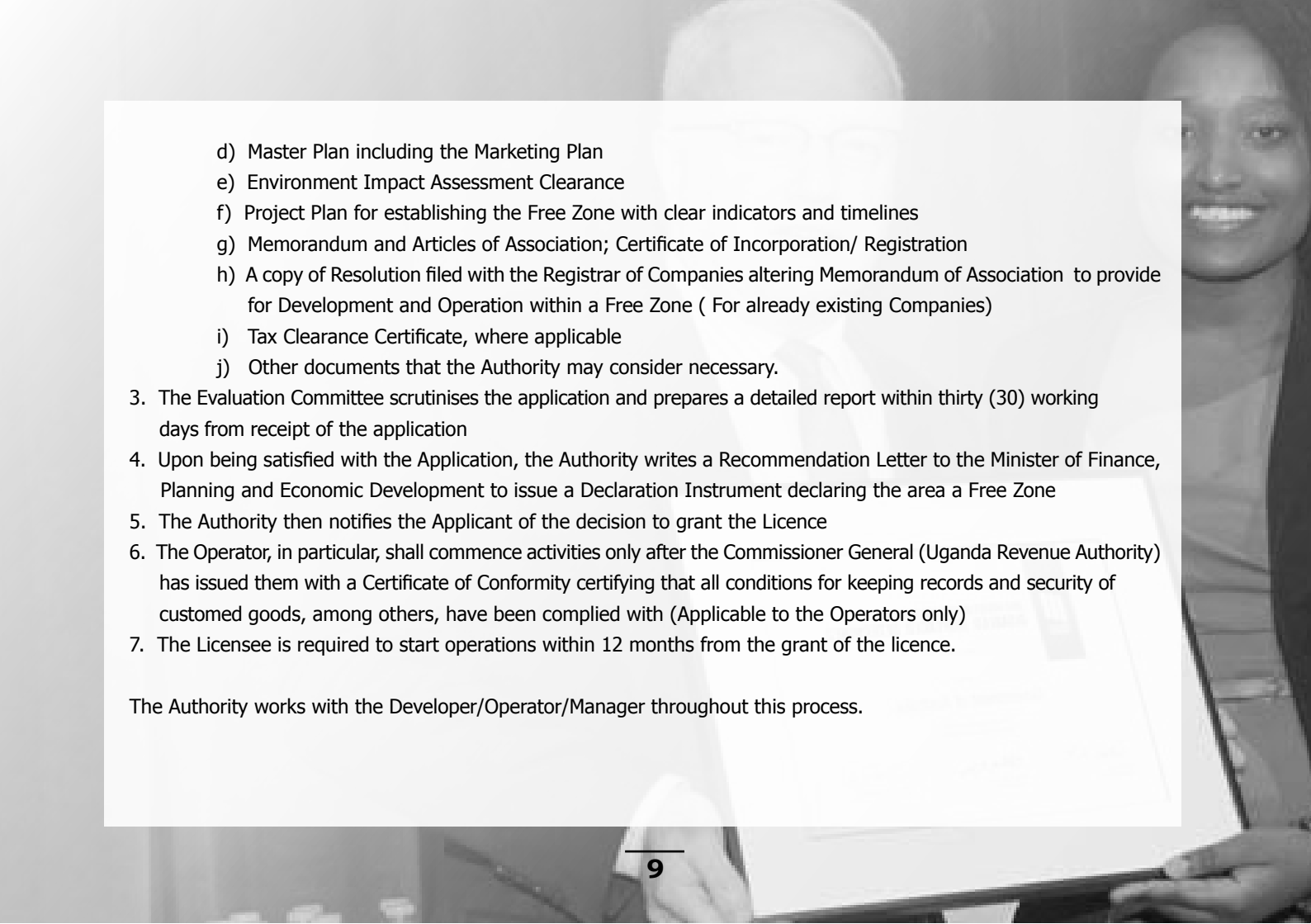
- a) The company must be registered or incorporated for the sole purpose of developing and operating a Free Zone in Uganda;
- b) The company must have an adequate equity base and access to capital to enable it develop a Free Zone or operate in a Free Zone; and
- c) The activities of the projects for which the Developer or Operator seeks the Free Zone's Licence must be commercially viable and must be based on a suitable and credible Business Plan.

10. LICENSING PROCEDURES

The following are the key steps to be followed in applying for a Developer, Operator or Manager's Licence in Free Zones:

1. The company must incorporate or register a company with Uganda Registration Services Bureau (URSB) for the sole purpose of developing and/or operating a Free Zone in Uganda
2. The Company then submits a duly filled Application Form accompanied by the following documents:
 - a) Proof of payment of Application fee
 - b) Agreement establishing a Free Zone where several Developers are establishing the Free Zone (This is applicable to Developers only)
 - c) Feasibility Study or Business Plan



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- d) Master Plan including the Marketing Plan
 - e) Environment Impact Assessment Clearance
 - f) Project Plan for establishing the Free Zone with clear indicators and timelines
 - g) Memorandum and Articles of Association; Certificate of Incorporation/ Registration
 - h) A copy of Resolution filed with the Registrar of Companies altering Memorandum of Association to provide for Development and Operation within a Free Zone (For already existing Companies)
 - i) Tax Clearance Certificate, where applicable
 - j) Other documents that the Authority may consider necessary.
3. The Evaluation Committee scrutinises the application and prepares a detailed report within thirty (30) working days from receipt of the application
 4. Upon being satisfied with the Application, the Authority writes a Recommendation Letter to the Minister of Finance, Planning and Economic Development to issue a Declaration Instrument declaring the area a Free Zone
 5. The Authority then notifies the Applicant of the decision to grant the Licence
 6. The Operator, in particular, shall commence activities only after the Commissioner General (Uganda Revenue Authority) has issued them with a Certificate of Conformity certifying that all conditions for keeping records and security of customed goods, among others, have been complied with (Applicable to the Operators only)
 7. The Licensee is required to start operations within 12 months from the grant of the licence.

The Authority works with the Developer/Operator/Manager throughout this process.



11. LOCATION

Uganda is land-linked and enjoys a geographical location at the heart of Sub-Saharan Africa. It is strategically positioned and easily accessible to neighbouring markets of Kenya in the east, South Sudan in the north, the Democratic Republic of Congo in the west, Rwanda and Tanzania in the south. Uganda lies astride the Equator, and as such enjoys one of the best climatic conditions in Africa.



12. THE ECONOMY



Uganda is an extremely resource rich country with great potential to develop into Africa's top investment destination in Free Zones. With a predictable investment environment, a fully liberalised economy, good market access, a strong natural resource base and a commitment

to the private sector by the government, the establishment of Free Zones will ultimately enhance economic growth and industrial development of the Country.

The country's has undertaken a deliberate decision to scale-up infrastructure investment in the energy and transport sectors to relieve key growth bottlenecks and facilitate business connectivity to domestic, regional, and global markets.

“ Uganda has experienced a threefold increase in per capita GDP over the past generation. And you have reduced extreme poverty to one-third of the population. This made Uganda one of the countries that has more than achieved the United Nations Millennium Development Goal of halving poverty by 2015. This is an African success story. ”

..... Christine Lagarde, Managing Director, International Monetary Fund (IMF) 27th January 2017.

13. WHY UGANDA?

Uganda is the ultimate investment destination for the following reasons:

- a) Open and predictable macro-economic environment
- b) Political stability



- c) Natural resource endowments
- d) Relatively large labour force, some of whom are highly skilled and enterprising
- e) Good climatic conditions favourable for agricultural production
- f) Access to the other regional markets including COMESA (400 Million) and SADC (215 Million) as well as preferential access to the EU, China and US markets
- g) Continuous development of infrastructure and other social services
- h) Commitment to Private Sector-led growth
- i) Security of investment and persons.



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