

1. ABOUT UGANDA FREE ZONES AUTHORITY (UFZA)

Uganda Free Zones Authority (UFZA) is a Government Agency established by the Free Zones Act, 2014, for the purpose of creating opportunities for export-oriented investment and job creation.

UFZA's mandate is to oversee the establishment, development, management, marketing, maintenance, supervision and control of Free Zones in Uganda and to provide for any other related matters.

2. DEFINITION OF A FREE ZONE

Free Zones are gazetted geographical areas exempted from customs duties and taxes applicable on importation of inputs which are not locally available and exportation of outputs to aid the production of export competitive goods and services. They are typically outside of the customs territory and, therefore, they compensate for the immobility of land as a factor of production, rendering them into an important part of global capitalism and a key ingredient of international business.

They are special purpose vehicles for export-led industrial policy and gate ways to foreign markets, benefiting from reduced costs of doing business due to advantages of agglomeration, clustering, co-location. They also benefit from fiscal and physical incentives which the global trading system accords them.

3. SERVICES OFFERED BY UFZA

UFZA is committed to create an enabling environment for export-oriented investment. The specific services offered by UFZA are:

- 1) Regulating the Free Zones ecosystem in line with the Free Zones Act, 2014, the relevant provisions of the East African Community Customs Union Protocols and international best practices for Special Economic Zones;
- 2) Developing customised industrial infrastructure and production facilities to required international standards to attract export-led manufacturing and processing;
- 3) Providing information on opportunities for export-oriented investment in Free Zones;
- 4) Offering business facilitation and dedicated aftercare services in the acquisition of secondary licences, permits and approvals from other Government Ministries, Departments & Agencies;
- 5) Providing advisory services to the Government of Uganda on Free Zones development and related matters;
- 6) Developing appropriate policies and guidelines for Free Zones; and

- 7) Monitoring and evaluating activities, performance and development of Free Zones.

4. TYPES OF LICENCES IN FREE ZONES

Investors wishing to join the Free Zones Scheme can apply for any of the following licences depending on the nature of business they want to undertake.

- a) **Developers:** These are issued with a Developer's Licence. This Licence facilitates 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) **Operators:** These are issued with an Operator's Licence. The Licence facilitates the business enterprise to carry out any commercial activities which may include manufacturing and processing, breaking bulk, re-packaging and re-labelling.
- c) **Managers:** These are issued with a Manager's Licence. The Licence enables the Business Enterprise to undertake the Management of a Free Zone.

5. 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** - Horticulture, Food processing (Dairy, Meat/beef products, Fish, Coffee, edible oils, fertiliser, Tea, Cocoa, Maize, Cotton, Sesame, Hides & Skins, Cassava, etc);
- b) **Manufacturing** e.g. Textiles & Apparels, Medical devices, Pharmaceutical products, Leather products, Electrical & electronic goods, Chemical Products, Paper and printing products);
- c) **Mineral Beneficiation** – refining for high value products e.g. Gold; Silver, Diamonds, etc; and
- d) **Business support services** - Transport & Logistics, Clearing & Forwarding, Cold storage, Warehousing & Storage.

6. MARKETS ACCESS – MARKET PRESENCE

Uganda has negotiated preferential market access to the following trading blocs and territories:

- a) African Continental Free Trade Area (AfCFTA) – Other African markets
- b) Common Market for Eastern and Southern Africa (COMESA)
- c) European Union
- d) Asia
- e) Middle East
- f) North America

7. INCENTIVES

The fiscal and non-fiscal incentives accorded to licensed Free Zones are intended to contribute to lowering the cost of doing business and improving Uganda's competitiveness in the world market. The Government has provided for a package of incentives for Free Zone Developers, Operators or Managers which include:

Fiscal Incentives

- a) Import Duty is exempt on plant and machinery, raw materials, intermediate goods, construction materials, office equipment and supplies, and transport equipment in Free Zones;
- b) 10-Year tax holiday on income for a Developer (US\$ 50M foreigner, US\$10M EAC citizen);
- c) 10-Year tax holiday on income of an Operator (US\$10M foreigner, US\$ 300,000 domestic);
- d) Income is exempt from the exportation of finished consumer and capital goods for 10 years and exports at least 80% of output;
- e) VAT is exempt for supply of feasibility studies, design, construction, construction materials, services and locally produced inputs & machinery & equipment to an operator of a Free Zone;
- f) Excise Duty is exempt for construction materials for factory or warehouse;
- g) No stamp duty payable on legal instruments executed by Developers and Operators in Free zones e.g. debenture, mortgage for any loan;
- h) Exemption on personal income of a person offering Technical Assistance under a Technical Assistance Agreement.

Non-Fiscal Incentives

- a) Business facilitation and dedicated aftercare services in the acquisition of Secondary Licences, Permits and Approvals from other Government Ministries, Departments & Agencies;
- b) Logistical flexibility. Goods may be transferred from the Port of entry directly to the Free Zone and Customs clearance done on site;
- c) Serviced physical infrastructure facilities within the Zones (Public Zones);
- d) Green channel Port clearance; and
- e) Centralized Customs inspection of buildings, premises, vehicles, vessels entering and leaving the Free Zone.

8. LICENSING PROCEDURES

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



The Authority handholds the Developer/Operator/Manager throughout this process.

9. CONTACTS

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No. 1



Progress of construction works at Entebbe International Airport Free Zone, within the precincts of Entebbe International Airport

No.2



A Free Port Zone undertaking the storage, transportation and transshipment of fuel to compliment Uganda's oil exports