

# Understanding Myanmar's Industrial Zone Regulations



## Introduction

Myanmar's Union Parliament introduced the Industrial Zone Law ("Law") on 26 May 2020. Before this legislation, Myanmar lacked a dedicated legal framework for governing industrial zones. The Law is designed to foster the growth of long-term industrial enterprises and effectively manage these industrial zones. To further enhance the investment climate and align with the country's broader economic goals, the Industrial Zone Rules ("**Rules**") were issued by the Ministry of Industry (under the State Administration Council) on 2 April 2024. These complementary legislations aim to attract local and foreign investments, create job opportunities, and drive sustainable economic development by establishing well-regulated industrial zones.

## Industrial Zones in Myanmar

The Law defines an industrial zone as a designated area established by a government notification. Zones are classified based on size (large, medium, small), considering factors like product type, export potential, and resource usage. Zones are also categorized by their intended purpose: export-oriented, import substitution, or specific industries like textiles, food production, or high-tech. Classification considers factors like land use compatibility, environmental regulations, infrastructure, and connections to special economic zones. Zones are graded (Level A, B, C) based on how well they meet established criteria, with Level A being the highest level of fulfilment.

## Governing Bodies

The Law mandates the formation of committees: The **Central Committee** designs industrial zone policies, reviews Regional Committee proposals, approves taxes and fees, coordinates projects, ensures necessary infrastructure, and monitors compliance. **Regional Committees** oversee industrial zones in their respective areas, review new zone proposals, manage infrastructure and resources, handle enterprise relocation and investment applications, set land lease terms, manage funds, enforce regulations, provide worker training, and set land prices and fines. **Management Committees** create and implement development plans, manage land use, oversee investment projects, recommend foreign worker appointments, handle residency and travel for foreign personnel, ensure environmental compliance, designate land for essential facilities, establish the Industrial Zone Management Office, and recommend actions against unauthorized activities.

## Establishment of Industrial Zones

The Nay Pyi Taw Council, State/Regional Government, or developer must submit a proposal form to the Regional Committee. The Regional Committee reviews the proposal and forwards it, with comments, to the Central Committee if it meets the requirements. The Central Committee then reviews the proposal within 60 days and sends it to the Government for final approval.

The Government designates and declares industrial zones based on proposals from the Central Committee, ensuring land is used solely for permitted industrial purposes. The Regional Committee directs relevant departments to inspect and verify the industrial zone boundary upon approval. It then develops short, medium, and long-term plans for the zone, ensuring compliance with the Myanmar Sustainable Development Plan and environmental regulations.

For proposals from Nay Pyi Taw Council or State/Regional Governments, the Regional Committee will invite Expressions of Interest (EOI) from developers. Following this, an official tender process will be conducted for local and foreign investors. The winning bidder will then implement the project.

The Regional Committee will determine the land lease term for developers' proposals and ensure land rent payment. The selected developer will implement the project. Developers will be selected through transparent tendering procedures prioritizing state and citizen benefits. If the Government rejects the proposal, the Regional Committee will notify the relevant parties.

The Central Committee reviews the Regional Committee's proposals for new industrial zones. With the Government's approval, zones can be established based on factors such as regional development plans, sufficient land availability, infrastructure, access to international gateways such as ports and airports or easy transportation to borders and domestic markets, availability of industrial raw materials and resources, and the presence of a skilled workforce.

## Developer and Investor Compliance

The developer must first secure approval from the Central Committee via the Regional Committee for any investment proposal. They are responsible for implementing industrial zone enterprises, subleasing land to investors, and building infrastructure according to the agreed stipulations. Maintenance of the industrial zone must be managed under the supervision of the Management Committee.

Each construction project within the industrial zone must be completed within the proposed timeframe. If a project is incomplete, the developer must provide a sufficient reason to the Central Committee; failure to do so may result in the revocation of the license. Developers may either build the infrastructure or delegate this task to other organizations.

The developer must obtain permission from the relevant government departments for infrastructure services extending beyond the industrial zone. Compliance with laws concerning environmental conservation, occupational safety and health, and fire safety is mandatory. The developer must pay land use and enterprise license fees to the Regional Committee, either in a lump sum or through instalments as specified in the enterprise contract. The developer must operate per the Customs Law and procedures related to the Customs Bonded Warehouse System.

Investors are authorized to operate various enterprises within the industrial zone,

including manufacturing finished goods, related products, packaging, and value-added products. They may also engage in the transportation and distribution of raw materials and finished goods, as well as road maintenance and upgrades. Additionally, investors can provide other related services and trade their products domestically and internationally in compliance with relevant stipulations.

To obtain an investment enterprise license, investors must apply to the Regional Committee through the Management Committee, following the rules, regulations, and by-laws issued under the Law. Each construction project within the industrial zone must be completed within the proposed timeframe. If a project is delayed, the investor must provide a sufficient reason to the Regional Committee; failure to do so may result in the revocation of the license.

Investors must register with the relevant departments according to existing laws and operate their enterprises in compliance with these stipulations. They must report the status of their investment enterprises to the Management Committee, manage raw materials and substandard products per relevant laws, and ensure workers' benefits such as salaries, overtime pay, and occupational safety and health are provided according to legal provisions.

Compliance with the Environmental Conservation Law is mandatory, and investors must avoid negatively impacting occupational safety and health. Before starting, closing, or liquidating an enterprise, investors must notify the relevant

departments and the Management Committee and proceed according to regulations. When transferring shares of an enterprise, company, or organization, investors must also inform the relevant departments and the Management Committee and adhere to existing laws. Additionally, investors must submit the appointment status of local and foreign staff to the Management Committee.

## Land Use Right

Investors or developers seeking to establish a new industrial zone must apply for land use rights to the Central Farmland Management Body through the relevant Nay Pyi Taw Council, State, or Regional Farmland Management Body if the land is classified as farmland. Suppose the land is classified as vacant, fallow, or virgin. In that case, they must apply to the Central Committee of Vacant, Fallow, and Virgin Land through the relevant Nay Pyi Taw Council, State, or Regional Vacant, Fallow, and Virgin Land Committee. This process enables them to obtain the right to use the land for industrial purposes, depending on the land type.

They must use the land per the prescribed conditions, submit a project plan and timeline within six months of land designation, and get approval from the Regional Committee. If the project is incomplete within the prescribed period, a 10% annual fine on the land value is imposed until completion. Failure to pay the fine results in the revocation of the land use right. The Regional Committee will review the proposal, ensure that the area and boundaries are approved by the

Government, and oversee the zone's land allocation: 60-70% for industrial activities, 1-5% for commercial purposes, 20-25% for public utilities, and 9-10% for green spaces. They must also obtain approvals for building permits, engineering certifications, environmental assessments, and safety opinions. Furthermore, they must lease or sell the land or transfer land use rights and buildings within the permitted period as per regulations, with approval from the Regional Committee via the relevant Management Committee.

Any residential buildings, farm gardens, or plantations on the proposed site must be relocated and compensated according to legal requirements. Investors or developers must not alter the natural topography or elevation without the Management Committee's approval. They must immediately report any discovered natural mineral resources, antiques, or treasures to the Management Committee. If permission is granted by the Nay Pyi Taw Council or the relevant regional Government, they may continue operations. If not, they must relocate to an area designated by the Regional Committee. The Regional Committee shall submit competitive land rental and use fees comparable to those in neighboring countries to the Central Committee for approval.

## Permitted and Prohibited Investment Activities

Permitted activities include value-added production of agricultural and livestock products, high-tech and raw-to-finish

manufacturing, and production based on natural resources and labour. Activities approved under the Myanmar Investment Law, such as commercial infrastructure development, warehousing and logistics, research and development services, health services, training-related services, consulting, environmental protection, waste treatment, and small to medium enterprises, are also allowed. Additional activities approved by the Regional Committee are permissible.

Certain investment activities are prohibited in industrial zones, including those impacting national defense and security, manufacturing and distributing narcotic drugs and psychotropic substances, handling toxic chemicals banned internationally or by the World Health Organization, and manufacturing non-compliant waste recycling products. Residential construction, hotels, guest houses, and entertainment venues like karaoke shops, picnics, theatres, and nightclubs are prohibited. Other activities restricted by the Regional Committee are similarly prohibited.

## **Taxation and Incentives**

Investors must deduct and pay income tax on payments to non-resident foreigners and local and foreign staff salaries per the Income Tax Law. Developers and investors can temporarily import heavy machinery and equipment for initial construction per the Sea Customs Act, with recommendations from the Regional Committee and coordination with the Ministry of Commerce. Special privileges may be granted to enterprises in underdeveloped areas, those creating significant job opportunities, adding value to

agricultural products and engaging in value-added exports or innovative investments.

## **Energy Efficiency and Environmental Conservation**

Operators in an industrial zone must follow guidelines for efficient energy use, including preventing and fixing energy losses, reusing waste heat, and improving energy efficiency in various processes. They should integrate energy management systems, replace inefficient machinery, use modern technologies, and maintain energy consumption and production records. Energy-intensive industries must also comply with existing laws and regulations.

Furthermore, environmental conservation in industrial zones must comply with existing laws governing the establishment and operation of industrial enterprises. Developers are responsible for creating necessary systems and infrastructure for waste conservation, treatment, and safe disposal within the new industrial zone. Investors must implement Pollution Control Management and Energy Management per procedures set by the relevant Ministries. The Regional Committee will oversee annual environmental conservation projects within the established industrial zone. Investors must cover the waste storage, treatment, and safe disposal costs through the industrial zone's collective system, as determined by the Management Committee, based on the amount of waste generated. Those unable to use the collective system must establish their waste management systems for storage, treatment, and disposal within the specified timeframe.

## Hiring Foreign Skilled Workers and Experts

Investors seeking to hire foreign skilled workers must complete Form (E) and submit it to the Management Committee with the required documents. The Management Committee verifies the need for foreign expertise, ensuring that similar skills are unavailable locally. The application for foreign workers will be denied if local experts are available. The Management Committee will also recommend appointing foreign experts with certification from established academic councils, ensuring that foreign talent is brought in only when necessary and meets required standards.

## Dispute Resolution and Penalties

These regulations outline a structured approach to dispute resolution, starting with the Management Committee and escalating to the Regional Committee if necessary. Unresolved disputes are addressed under existing laws. Any person conducting business in the industrial zone who fails to comply with regulations will receive a written warning and a fine. Continued violations may result in a business suspension of one to three years. A person dissatisfied with such a penalty may appeal to the relevant Committees, whose final decision will be conclusive.

Furthermore, the Law specifies the following penalties: Any investor or developer who fails to use permitted land according to prescribed conditions, significantly modifies

the natural topography or land elevation without permission, or improperly transfers land use rights or buildings to others will face a fine ranging from 5 to 10 million kyats upon conviction. Those who occupy and use land or operate enterprises after revoking their land use permit will face imprisonment for up to six months and a fine upon conviction. Individuals who infringe upon, construct a building, or build a road within the industrial zone without permission will face imprisonment for up to three years and a fine upon conviction.

Anyone who disposes of waste unsystematically, blocks sewers illegally, stores raw materials and fuel improperly, parks vehicles indiscriminately, or piles up items on roads within the industrial zone, or fails to contribute to the prescribed fund, neglects environmental cleanup, or disturbs the activities of licensed investors will be fined between 500,000 and 2 million kyats upon conviction. Any investor who operates industries outside the permitted enterprises or fails to clean up and dispose of hazardous waste not managed by the collective system will face a fine of 5 million kyats and may also be imprisoned for up to six months upon conviction. Any investor who dishonestly misrepresents or conceals documents of foreign skilled workers and experts when submitting them to the relevant departments will face a fine of 2 to 5 million kyats upon conviction.

The Industrial Zone Law and Rules offer a structured framework for developing industrial zones that facilitates the transition from an agriculture-based economy to a more diversified one. These regulations are

designed to boost industrial growth, attract investments, and build a robust infrastructure capable of absorbing surplus labour from the agricultural sector. By establishing industrial zones, Myanmar aims to balance economic development, decrease reliance on agriculture, and enhance job creation across various sectors.

*The information provided here is for information purposes only and is not intended to constitute legal advice. Legal advice should be obtained from qualified legal counsel for all specific situations.*