



Tonga

INDUSTRIAL DEVELOPMENT INCENTIVES (AMENDMENT) REGULATIONS 1990

GS 11 of 1990

INDUSTRIAL DEVELOPMENT INCENTIVES ACT 1978

[31st August 1990]

IN EXERCISE of the powers conferred by section 19(1) of the Industrial Development Incentives Act 1978, as amended, the Minister of Labour, Commerce and Industries, with the consent of His Majesty in Council, makes the following regulations:

1.

- (1) These Regulations may be cited as the Industrial Development Incentives (Amendment) Regulations 1990, and shall come into effect as from 1 September 1990.
- (2) The Industrial Development Incentive Regulations 1977 are in these regulations referred to as the Principal Regulations.

2. Regulation 5(1) of the Principal Regulations is amended by deleting paragraphs (c), (d) and (e) thereof and replaced with the following:

“(c) The following persons who shall be ex-officio members of the Committee:

- (i) Secretary for Finance;

- (ii) Director of Planning;
- (iii) Managing Director, Tonga Development Bank;
- (iv) Director of Agriculture, Fisheries and Forests; and
- (v) General Manager, Bank of Tonga.”

3. Regulation 5(3) of the Principal Regulations is amended by deleting the word “two” and replaced with the word “three”.

4. Regulation 7 of the Principal Regulations is deleted and replaced with the following:

“7

(1) The Committee shall scrutinise all applications for licensing of industrial enterprises and make appropriate recommendations to the Minister inter alia on —

- (a) approval to the establishment or expansion of the industrial enterprise as the case may be;
- (b) approval to the products of manufacture and/or creation of prime facilities; and
- (c) the incentives that may be granted in each case.

(2)

(a) In recommending the duration of the tax holiday, the Committee shall give due consideration to —

- (i) the industries located in the outer islands;
- (ii) processing of agricultural and marine products;
- (iii) export oriented industries; and
- (iv) investment of a substantial nature

(b) The maximum duration of the tax holiday that may be recommended by the Committee shall be —

- (i) traditional industries in Tongatapu (such as service industries, furniture and joinery industries, small tourist facilities) 5 years
- (ii) approved industries located on outer islands 7 years
- (iii) export oriented industries ...10 years
- (vi) processing of agricultural and marine products ...10 years

- (v) import substitute industries with a capital investment of over two million pa'angas ...10 years
 - (vi) industries and tourist prime facilities with a capital investment of over five million pa'angas 15 years
- (3)
- (a) In considering applications to set up export farming enterprises, the Committee shall examine and give due consideration to enterprises which build houses for storage or packing of products for export on the agricultural allotment in which the applicant has a legal title.
 - (b) The grant of incentives to export fanning and export fishing enterprises shall be conditional on achieving a specified minimum level of export every year. Such minimum level shall be commensurate with the level of investment.
 - (c) For recommending the importation of vehicles free of duty, the Committee shall examine whether the applicant has taken sufficient measures to procure export orders.
- (4) In regard to investment applications from foreign entrepreneurs for establishment of industrial enterprises in the Kingdom of expansion thereof either as joint ventures or otherwise, the Committee shall, inter alia, determine whether such investments bring positive, substantial and continuing benefits to the people of Tonga with reference to any of the following characteristics or criteria before making recommendations to the Minister:
- (i) Requiring substantial amounts of risk capital;
 - (ii) Processing local resources;
 - (iii) Substantial contribution to local value, to the extent such value can be determined;
 - (iv) Bringing access to managerial and marketing skills, modern technology and technical expertise;
 - (v) Labour intensive, with a medium to high labour to capital ratio.
 - (vi) Having export potential as would augment the country's foreign exchange earnings;
 - (vii) Import substitution resulting in conservation and saving of foreign exchange;
 - (viii) A reasonable level of local equity participation;
 - (ix) Having a multiplier effect providing base for the establishment and growth of ancillary industries;

- (x) Likely to bring complementary benefits to other manufacturers or producers in Tonga; and
- (xi) Any other criteria, which in the Committee's view, are relevant to approval and Licensing of such enterprise".

5. The Schedule (Regulation 8(1)) is amended by inserting the words "within six months of the issue of Development Licence" under Section 12 after the words "to the Ministry in duplicate".

Made this 31st day of August, 1990.

(BARON VAEA)
Hon. Minister for Labour, Commerce & Industries