

Freezones Bahrain Logistics Zone

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1. What law established this zone?

The Bahrain Logistics Zone is the first boutique logistics park in the region which was launched in 2008 and is strategically located adjacent to Khalifa Bin Salman Port, which is a state-of-the-art port in Bahrain, towards the North.

2. What are the main internal regulations governing this free zone?

The main internal regulations are managed and governed by the Ports and Maritime Affairs, at the Transportation and Telecommunications Ministry.

3. Does this free zone has reciprocal arrangements with other free zones?

No the Bahrain Logistics Zone does not have reciprocal arrangements with other free zones.

4. What key areas of local legislation must a business operating in this free zone still comply with? What are the most important examples of how this affects operations?

The key areas of Bahrain Legislation which businesses operating in this Free Zone must comply with are:

- Bahrain Maritime Code.
Ship Registration Law.
Bahrain Ministerial Decision No. 6/2001 with regards to the promulgation of registration of the ships as well as the determination of safety conditions.
GCC Safety Regulations for Non-conventional ships.
Bahrain Ministerial Decision No. 14/2016 concerning approved classification societies.
Bahrain Ministerial Decision No. 20/2016 concerning the Implementation of Conventions related to marine navigation.
Bahrain Ministerial Decision No. 9/2017 concerning the licensing for Marine Services.
Bahrain's Labour Law, Bahrain Law No. 36/2012.
Bahrain Ministerial Decision No. 5/2019 with regards to Approved Classification Societies and Marine Surveyors.
Bahrain Ministerial Decision No. 6/2019 with regards to Regulating the Licensing of Marine Pilots and Tugs Masters.

The above list is not exhaustive, but any laws which are not covered by the internal regulations of the Free Zone must be complied with.

5. What key agencies do businesses operating in this free zone need to register with or be aware of?

The agencies a business operating in this Free Zone needs to register with mainly depends on the type of activity carried out by the company.

Some agencies include:

- Ports and Maritime Affairs.
Foreign Affairs Ministry.
Bahrain Chamber of Commerce.
The Supreme Council of Environment.
Industry and Commerce Ministry.

This list is not exhaustive.

6. How does a company set up in this Free Zone?

These are the steps generally involved:

- a) Apply for Serviced/Land Facilities
 - -Prerequisites Review is needed to check eligibility to ensure that the company meets them.
 - -Complete the Application Form, which includes:
 - 1. Financial information (Audited financial statement- three years).
 - 2. All company information, including a business plan or annual report to demonstrate competence. Additionally, the description of operations and activities with a list of clients.
 - -The application is submitted with all additional supporting documents.

-The BLZ Selection Committee generally responds with the decision in two weeks.

- b) Check the eligibility of the company.
- c) Selection of the nature of business.
- d) Evaluation.
- e) Selection Criteria.
- f) Application decision.

7. What features go companies set up in this Free Zone have?

Like most other Free Zones, Bahrain Logistics Zone offers various incentives which attract foreign and local investors like:

- 100% of foreign company ownership.
- 0% Corporate Tax.
- Bonded and non-bonded activities permitted.
- Access to training support and government financial grants.
- Access to bilingual and highly educated Bahraini workforce.
- Dedicated support team.
- Highly competitive costs.
- Most efficient and fastest access to Saudi Arabia.
- 100% repatriation of profits, capital and dividends.
- Around the clock processing of shipments.

8. What can companies set up in this Free Zone do?

These are the activities a company in BLZ can carry out:

- a) Regional Distribution and Contract Logistics.
- b) Freight Forwarding Services.
- c) Courier and Express Services.
- d) E-commerce and Fulfillment Operations.
- e) Repacking, packaging, labelling, palletizing etc.

9. What can companies set up in this Free Zone not do?

Generally, any activity which does not conflict with the applicable laws in Bahrain is not permitted in the Free Zone.

10. What types of business are allowed to operate in this Free Zone?

These are the activities a company in BLZ can carry out:

- a) Regional Distribution and Contract Logistics.
- b) Freight Forwarding Services.
- c) Courier and Express Services.
- d) E-commerce and Fulfillment Operations.
- e) Repacking, packaging, labelling, palletizing etc.

11. What inheritance laws apply in this free zone?

The inheritance law, in Bahrain is Sharia law for Muslim and Bahrain Law No. 11/1971 regarding Inheritance and Settlement of Estates of Non-Muslim Aliens.

12. What taxation applies?

BLZ offers 0% Corporate Tax.

13. What accounting and auditing rules do businesses operating in this free zone need to adhere to?

The company undertakes to maintain regular accounts of all the activities carried out by it, approved by an accounts auditor who is licensed to conduct the profession of auditing and accounting.

14. Where do businesses operating in the free zone generally locate their bank accounts?

Working companies are required to open a local bank account.

15. Are there any specific rules governing when the moveable property is removed from the free zone area or transferred into the free zone area from another jurisdiction?

Activities are generally confined to the Zone. Operation in other zones may require the assistance of local agent or distributor.

16. Are any specific licenses required to operate as a specific type of company in this free zone?

The users of Zones cannot conduct business except after obtaining a License. The licenses are issued by an integrated online commercial registration portal called the Sijilat. Sijilat's operations are handled by the Industry, Commerce and Tourism Ministry. This portal basically allows investors to obtain their commercial registrations for their proposed business in Bahrain.

17. Is there any specific ongoing regulation or monitoring firms operating as particular types of companies by this free zone authority?

The main internal regulations are managed and governed by the Ports and Maritime Affairs, at the Transportation and Telecommunications Ministry.

18. How are disputes settled in this free zone?

Generally, the contract mentions the dispute resolution mechanism to be followed in a situation where a dispute arises. In the absence of this, the courts in Bahrain assist in resolving disputes. There is a dual court system in Bahrain:

- a) Civil Courts: This consists of a Supreme Court and subordinate summary courts. These Summary courts are in all communities which encompass separate courts for each civil and criminal matters. The highest appellate court is the Supreme Court of Appeal, which also decides on the regulations and laws and its constitutionality.
- b) Sharia Courts: Sharia courts primarily deal with person status matters, which include inheritance. The Sharia Court of First Instance is in all communities. The Court of Appeal is in Manama. Any case which goes beyond this Court of Appeal is taken to the Supreme Court of Appeal (Civil System).

19. How are disputes between onshore companies and companies in this free zone settled?

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- a) Civil Courts: This consists of a Supreme Court and subordinate summary courts. These Summary courts are in all communities which encompass separate courts for each civil and criminal matters. The highest appellate court is the Supreme Court of Appeal, which also decides on the regulations and laws and its constitutionality.
- b) Sharia Courts: Sharia courts primarily deal with person status matter, which includes inheritance. The Sharia Court of First Instance is in all the communities. The Court of Appeal is in Manama. Any case which goes beyond this Court of Appeal is taken to the Supreme Court of Appeal (Civil System).

20. What are the main rights and duties of an employer and employee working in this free zone?

Bahrain Law No. 36/2012 issuing Bahrain's Labour Law provides a comprehensive framework for employment in Bahrain. This law encompasses the protection of various types of employees irrespective of the nature of employment like local, expatriate, full time or part-time. Certain employee rights are highlighted in the Labour Law and include 30 days of annual leave, maximum thresholds etc. Additionally, there is a prohibition on discrimination between employees based on ethnicity, religion, language and belief etc. When an employment contract is signed, the employer has an expectation of sincerity, due diligence from the employee towards complying with the terms of the employment agreement, failing which the employer may initiate legal proceedings as agreed in the contract (and vice versa).

21. How are employment disputes between employers and employees working in this free zone settled?

In addition to Bahrain's Labour Law, unless a separate mechanism has been agreed on in the employment contract, the labour dispute resolution is addressed before a designated body which is the labour court. Additionally, the Labour and Social Development Ministry may also be approached to settle or initiate any dispute.

22. What entry qualifications and permits are required for staff working in this free zone, and how are employees registered with the authorities?

The employment contract must be in writing (Arabic), and two copies maintained, one of which will be the employer's and the other, the employee's. Where the contract is not in Arabic, under Article 19 of Bahrain Law No. 36/2012, the Arabic version of the employment contract must be accompanied. There are situations where there is the absence of a written contract between the employer and the employee, and in these cases, the employee may establish their rights with evidence.

23. How are staff working within this Free Zone registered with the authorities?

A foreign employer may not engage the employees in Bahrain if they have not been registered with the Industry, Commerce and Tourism Ministry under its Commercial Registry. Employers also have to be registered with the Labour Market Regulatory Authority (LMRA) and after registration, work permits will be granted.

A Ports and Maritime Authority Work Permit also needs to be applied for all sites at the Zone which is controlled by the Ports and Maritime Authority.

24. What rules govern the remuneration and minimum benefits of staff working in this Free Zone?

Bahrain Law No. 36/2012 issuing the Bahraini Labour Law provides a comprehensive framework for employment in Bahrain and it also governs the remuneration and minimum benefits of staff working in this Free Zone.

25. What rules govern the working time and leave of staff working in this Free Zone?

Bahrain Law No. 36/2012 issuing the Bahraini Labour Law provides a comprehensive framework for employment in Bahrain and also governs the leave and working time of staff working in this Free Zone.

26. What are the main features of a property lease in this free zone and what are the key restrictions when leasing a property?

An application form has to be completed and submitted for relevant clearances and it is essential a reference to it is made in the Lease Agreement for covered storage areas in warehouses. All the commercial terms must be agreed on and adhered to. It is essential to get a pre-contract clearance depending on the activity which will be carried out on the premises. The Lease Agreement has to be signed, attested and duly registered.

27. Is it possible to apply for a building permit in this free zone? How is this done, and what steps are required?

No regulations could be located.

28. What environmental requirements must construction companies building in this free zone consider, e.g. form of building, landscaping or building height?

No regulations could be located.

29. What are the key restrictions when leasing a property in this Free Zone?

Essentially, a company must be registered in this Free Zone to lease property here. On meeting the prerequisites of incorporating a company in this zone and obtaining the permit or license, the company may apply for a Lease Agreement, through several clearances.

30. What are the rules governing the use of utilities in this free zone?

No rules could be located.

31. How do retail premises establish themselves in this Free Zone?

Retail Premises do not establish themselves in this Free Zone as the purpose of the free zone is maritime and port activities.

32. Is it possible for hotels and retail establishments to operate in this free zone- how do they establish themselves?

Generally, hotels and retail establishments do not operate in this Free Zone.

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Biography

George S. Kuruvilla is a Partner at Fotis International Law Firm's UAE operations. He heads the firm's regional Corporate and Commercial Practice. With years of experience in the UAE, George caters to the legal requirements of well reputed domestic and international companies. Fotis houses dedicated team of lawyers specializing in different practice areas and industries. George is a qualified attorney from India and has contributed bespoke articles on several key areas including Indian laws and regulations and US laws in addition to taxation and corporate law.