

LAWS OF BRUNEI

CHAPTER 255
FREE TRADE ZONES

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CHAPTER 255

FREE TRADE ZONES

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FREE TRADE ZONES ACT

An Act to provide for the establishment of free trade zones in Brunei Darussalam and for matters connected therewith and incidental thereto

Commencement: 1st January 2015

PART 1

PRELIMINARY

Citation

1. This Act may be cited as the Free Trade Zones Act.

Interpretation

2. In this Act, unless the context otherwise requires —

“activity” includes commercial activity and industrial activity and related operation;

“aircraft” means any kind of craft which may be used for the conveyance of passengers and goods by air;

“Authority” means person or body of persons appointed under section 3;

“customs area” means any area other than a free trade zone;

“customs duty” has the same meaning as in section 2 of the Customs Order, 2006 (S 39/2006);

“dutiable goods” has the same meaning as in section 2 of the Customs Order, 2006 (S 39/2006) and Excise Order, 2006 (S 40/2006);

“excise duty” has the same meaning as in section 2 of the Excise Order, 2006 (S 40/2006);

“free trade zone” means any area so declared to be free trade zone under section 4;

“goods” include animals, plants and all kinds of movable property;

“manufacture” with its grammatical variations and cognate expressions, means the conversion process of organic or inorganic material into a new product by manual or mechanical means and includes the assembly of parts into a piece of machinery or other products, but does not include the installation of machinery or equipment for the purpose of construction and such conversion process is subject to the Authority’s absolute discretion in determining that the result of any manufacture is not a new product or article;

“Minister” means the Minister of Finance and Economy;

“officer of customs” has the same meaning as in section 2 of the Customs Order, 2006 (S 39/2006);

“value” in relation to imported goods, means the value of goods for the purpose of levying *ad valorem* customs duty and includes freight, insurance, and all other costs, charges and expenses except any customs duties incidental to purchase and delivery of such goods at the place where payment of duty was made;

“vehicle” means any vehicle other than an aircraft or a vessel;

“vessel” includes any ship, boat or any other description of vessel used in navigation.

PART 2

ADMINISTRATION

Appointment of Authority

3. (1) The Minister may, with the approval of His Majesty the Sultan and Yang Di-Pertuan, appoint a person or body of persons as the Authority responsible to administer, maintain and operate any free trade zone which has been declared under section 4.

(2) The Minister may, in writing, delegate to an authorised person any of his powers or duties under this Act, except the powers under section 36.

PART 3

FREE TRADE ZONE

Declaration of free trade zones

4. Subject to the provisions of any other written law, the Minister may, with the approval of His Majesty the Sultan and Yang Di-Pertuan, by notification published in the *Gazette*, declare any area in Brunei Darussalam to be a free trade zone and every such notification shall define the limits of the free trade zone.

Exemption from duty

5. Goods brought into a free trade zone for any purpose permitted under this Act or any regulations made thereunder shall be exempted from customs duty and excise duty.

PART 4

OPERATION PERMITTED WITHIN FREE TRADE ZONE

Control in free trade zone

6. Any officer of customs shall have the right to carry out inspection at any time of the goods stored in a free trade zone.

Dealing with or disposal of goods in free trade zone

7. (1) Goods of any description, except such as are specifically and absolutely prohibited by any written law, may be brought into a free trade zone.

(2) Goods in a free trade zone may —

(a) be removed from the free trade zone, destroyed or sent into a customs area or into another free trade zone in the original package or otherwise;

(b) unless otherwise directed by the Authority, be stored, sold, exhibited, broken up, repacked, assembled, distributed, sorted, graded, cleaned, mixed or otherwise manipulated, or be manufactured in accordance with the provisions of this Act:

Provided that when any goods of a class dutiable on entry into a customs area whether in their original condition or after manufacture or as part or ingredient of any goods manufactured in a free trade zone are sent from a free trade zone into the customs area, the goods shall be subject to the provisions of the Customs Order, 2006 (S 39/2006), Excise Order, 2006 (S 40/2006) and any regulations made thereunder.

(3) Goods, except such as are prescribed under subsection (4), which have been brought into a free trade zone from a customs area are deemed to be exported for the purpose of drawback under the provisions of the Customs Order, 2006 (S 39/2006).

(4) Subsection (2)(b) does not apply to such goods as may be prescribed from time to time by the Minister by notification published in the *Gazette*, except that such prescribed goods may be stored in a free trade zone for the purpose of transshipment or survey and repacking before removal into customs area:

Provided that such survey and repacking shall not be carried out except with the prior permission of an officer of customs and shall be subject to such conditions as he may think fit to impose.

Manipulation or manufacture

8. (1) No manipulation or manufacture shall be carried out in a free trade zone without the approval of the Minister and the approval shall be published in the *Gazette*.

(2) Any person who contravenes subsection (1) is guilty of an offence and liable on conviction to a fine of not less than twenty times of the customs duty or \$100,000, whichever is the greater amount, and for any subsequent offence to imprisonment for a term not exceeding 2 years or both:

Provided that when the value of the goods cannot be ascertained the penalty may amount to a fine not exceeding \$100,000.

Manipulation or manufacture in free trade zone

9. (1) Any person who intends to assemble, mix or otherwise manipulate any goods or carry out such manufacture as is approved under section 8 for entry into a customs area, where either the manufactured goods or the materials used in the manufacture thereof are dutiable, he shall give the Authority notice in writing of his intention and obtain its approval to do so.

The approval shall be granted or withheld as the Authority in its discretion shall think fit:

Provided that, if approval is granted, the manipulation or manufacture shall be carried out under the supervision of an officer of customs.

(2) Any manipulation or manufacture approved under this section shall be subject to any regulations made under this Act and conditions as the Authority may think fit to impose:

Provided that the Authority may, in its discretion, give such allowance for recoverable and irrecoverable waste, but if recoverable waste is sent into a customs area, it shall be dutiable in its condition, quantity and weight at the time of entry.

Calculation of duty

10. (1) The rate of customs duty and valuation, if any, applicable to any goods subject to customs duty shall be —

(a) in the case of goods lawfully brought into or manufactured in a free trade zone —

- (i) if there has been no manipulation or manufacture effecting a change in tariff classification, the rate and valuation in force on the day on which the goods are sent into a customs area;
- (ii) if the goods are used in the manufacture of any product which is not of a class dutiable on entry into a customs area, the rate and valuation in force on the day on which the goods are removed for manufacture; and
- (iii) if the goods are manufactured from materials which are not subject to customs duty, the rate and valuation in force on the day on which the entry of the manufactured goods into a customs area is authorised by the proper officer of customs;

(b) in the case of uncustomed goods, the rate and valuation in force on the day on which the goods became uncustomed goods, if known, or the rate and valuation in force on the day of seizure, whichever is the higher.

(2) The rate of exchange to be used for determining the equivalent in Brunei Darussalam currency of any foreign currency shall be the current selling rate in Brunei Darussalam as last notified before the time the goods are removed for the purpose of manufacture or entry into customs area.

(3) The valuation applicable to any goods subject to customs duty and excise duty shall be ascertained in accordance with the Customs Order, 2006 (S 39/2006) and Excise Order, 2006 (S 40/2006) respectively.

PART 5

FUNCTIONS AND POWERS OF AUTHORITY

Authority to provide facilities

11. (1) The Authority shall provide and maintain in the free trade zone such facilities for the proper and efficient functioning of the free trade zone.

(2) The Minister may give to the Authority such necessary directions to ensure compliance with the provisions of this Act and for the purpose of protecting the revenue, and the Authority shall comply with those directions.

(3) The Authority shall permit customs offices to be established in a free trade zone and shall provide adequate facilities for officer of customs whose duties require their presence within or at the perimeter of the zone.

(4) The Authority shall provide adequate enclosures to segregate the free trade zone from customs area for the protection of the revenue, together with suitable provisions for the movements of persons, conveyances, vessels and goods into and from the free trade zone.

Authority may permit erection of private buildings etc.

12. (1) The Authority may permit any person to erect such buildings and other structures within the free trade zone as may be required:

Provided that such permission shall not constitute a vested right as against the Authority or the Government.

(2) Such permission shall not be granted on conditions that conflict with the proper use of the free trade zone.

(3) The Authority may lease to or allow any person to take, hold or enjoy movable and immovable property of every description in a free trade zone upon such conditions and for such period as the Authority may determine.

Exclusion or removal of goods

13. (1) Notwithstanding the other provisions of this Act or any regulations made thereunder, the Authority may at any time in its discretion order the exclusion or removal from a free trade zone of any goods or the discontinuance of any activity or service in a free trade zone, which in the opinion of the Authority is dangerous or prejudicial to the public interest, health or safety.

(2) Any person aggrieved by such an order may appeal to the Minister within 14 days of the service of the order under subsection (1), and the decision of the Minister is final.

(3) An order made under subsection (1) for the exclusion or removal of goods from a free trade zone shall, notwithstanding an appeal to the Minister, be complied with immediately, but an order as to the discontinuance of activity or service shall not take effect, if an appeal has been made to the Minister, until the determination of the appeal in favour of the Authority.

PART 6

FINANCIAL PROVISIONS

Annual report and account

14. (1) The Authority shall, within 6 months from the end of its financial year, forward to the Minister —

(a) a copy of the audited financial statements; and

(b) a report on the working of the Authority throughout that financial year.

(2) The Minister shall, upon receiving the financial statements and report, present them to His Majesty the Sultan and Yang Di-Pertuan.

Accounts and records of transactions

15. (1) Any person engaged in any activity or service in a free trade zone shall keep proper accounts and records of such transactions and affairs in such form and manner and for such period as may be determined by the Authority.

(2) Such person shall submit such accounts and records of transactions to the Authority upon its request.

(3) A person who contravenes subsection (1) or (2) is guilty of an offence.

Rates and charges

16. (1) Subject to the provisions of this Act, the Authority may impose such rates and charges as it may prescribe for the use of premises or property belonging to or vested in the Authority and for any services rendered or facilities provided by the Authority.

(2) The Authority may enter into an agreement in respect of any of the matters referred to in subsection (1) instead of imposing the rates or charges prescribed for them.

PART 7

SEARCH, SEIZURE AND ARREST

Search with warrant

17. Whenever it appears to any Magistrate on information and after such inquiry as necessary, that there is reasonable cause to believe that in any building, place, vehicle, vessel or aircraft in a free trade zone, there are goods concealed or deposited or there are activities conducted or there are services provided therein in respect of which an offence under this Act or any other written law or any regulations made thereunder had been committed, such Magistrate may issue a warrant authorising an officer of customs, named therein, with or without assistance —

(a) to remove by force any obstruction to entry or search of the building, place, vehicle, vessel or aircraft or seize and remove such goods as he is empowered to effect;

(b) to enter the building, place, vehicle, vessel or aircraft and thereto search for and seize any goods in respect of which there is reason to believe that the offence aforesaid has been committed, and any document or other thing which may reasonably be believed to have a bearing on the case;

(c) to detain any person found in the building, place, vehicle, vessel or aircraft until the building, place, vehicle, vessel or aircraft has been searched; and

(d) to arrest any person being in the building, place, vehicle, vessel or aircraft or in possession of such goods found, or whom such officer may reasonably suspect to have concealed or deposited such goods or conducted such activity or provided such service.

General power to stop and search

18. (1) Any officer of customs may, within a free trade zone, stop and search any vehicle, vessel or aircraft and anything contained therein for the purpose of ascertaining whether any goods contained therein may form the subject of an offence against this Act or any other written law.

(2) The person in charge or in control of any vehicle, vessel or aircraft shall, if required to do so by the officer of customs, stop his vehicle, vessel or aircraft or move the same to another place for examination, and shall not proceed until permission to do so has been given by the officer of customs.

(3) An officer of customs may, within a free trade zone, examine any goods which are being taken into or removed from a free trade zone and for the purpose of such examination bring the goods to the office of customs and may open any container, package or receptacle.

Search of persons

19. Any person —

(a) landing or about to land, or having recently landed in a free trade zone, from any vessel or aircraft, whether for the purpose of landing or otherwise;

(b) entering or having recently entered a free trade zone by road, or leaving or about to leave a free trade zone in any vessel or aircraft, or by road,

shall, if so requested by any officer of customs, either permit his person, goods and baggage to be searched by the officer or together with such goods and baggage accompany the officer and there permit his person, goods and baggage to be searched by the officer:

Provided that —

- (i) any person requesting that his person be searched in the presence of a senior officer of customs shall not be searched except in the presence of and under the supervision of the officer, and the person may be detained until the arrival of the officer or be taken into any office of such authority where the officer may be found;
- (ii) the goods and baggage of any person who requests to be present when they are searched and so present himself within a reasonable time, shall not be searched except in his presence; and
- (iii) no female shall be searched except by another female with strict regard to decency.

Powers of arrest and search

20. (1) Any officer of customs may, within a free trade zone, arrest without a warrant and search, or cause to be searched, a person found committing or attempting to commit, or employing or aiding any other person to commit, or abetting the commission of an offence against this Act or any regulations made thereunder:

Provided that no female shall be searched except by another female.

(2) A person arrested under subsection (1) shall forthwith and without any unreasonable delay be handed over to a police officer.

Seizure

21. (1) All goods in a free trade zone in respect of which —

- (a) there has been, or there is a reasonable cause to believe that there has been committed an offence against any breach of this Act or any other written law; or

(b) any contravention of any condition subject to which any licence, permit, approval or authorisation has been granted under any such written law,

together with any container, receptacle, baggage, package, vehicle, vessel or aircraft in which the goods may be found or which is used in connection with such offence, breach or contravention, and any document or other thing which may be reasonably believed to have bearing on the case, may be seized by any officer of customs.

(2) All such goods, container, receptacle, baggage, package, vehicle, vessel and aircraft and anything contained therein shall, as soon as is practicable, be delivered into the care of an officer of customs whose duty it is to receive the same.

(3) Whenever any goods, container, receptacle, package, baggage, vehicle, vessel or aircraft and anything found therein is seized under this Act, the officer effecting the seizure shall forthwith take reasonable steps to give to the owner thereof notice in writing or otherwise of such seizure to him personally or by post at his last known place of residence:

Provided that such notice shall not be required to be given where such seizure is made on the person or in the presence of the offender or the owner of such goods, container, receptacle, package, baggage or vehicle or his agent, and, in the case of a vessel or an aircraft in the presence of the master or pilot, as the case may be.

Return or disposal of movable property

22. (1) Where any movable property has been seized under this Act, a senior officer of customs may, at his discretion —

(a) temporarily return the movable property to the owner or to the person from whose possession, custody or control it was seized, or to such other person as the officer may consider to be entitled thereto, subject to such conditions as may be imposed and, and in any case, subject to sufficient security being furnished to the satisfaction of the officer that the movable property shall be surrendered to such demand and that the conditions, if any, shall be complied with;

(b) return the movable property to the owner or to the person from whose possession, custody or control it was seized, or to such person as the officer may consider to be entitled thereto, with liberty

for the person to whom the movable property is so returned to dispose of the property, such return being subject to security being furnished to the satisfaction of the officer in an amount not less than the amount which, in the opinion of the officer, represents —

- (i) the open market value of such property on the date on which it is so returned; and
- (ii) any tax or duty payable in respect thereof under any written law,

for the payment of the amount so secured to the competent authority in the event of the court making an order for the forfeiture of such amount under section 23; or

(c) sell or destroy the movable property, as appropriate in the circumstances, where it is a living creature, or where, in the opinion of the officer, it is a perishable or dangerous nature or likely to speedily deteriorate in quantity or value, and where it is sold, he shall hold the proceeds of sale pending the result of any prosecution or claim and in relation to such proceeds of sale to abide by the outcome of such prosecution or claim.

(2) Any person who —

(a) fails to surrender on demand to the senior officer of customs the movable property temporarily returned to him under subsection (1)(a); or

(b) fails to comply with or contravenes any condition imposed under subsection (1)(a),

is guilty of an offence and liable on conviction to a fine of \$40,000, imprisonment for a term not exceeding 2 years or both.

(3) The Minister may, either generally or in any particular or class of cases, give such direction to the Authority as he may deem necessary or expedient with regard to the exercise of the powers conferred on the senior officer of customs under subsection (1).

Goods liable to forfeiture

23. (1) All goods liable to seizure under this Act are liable to forfeiture.

(2) An order for the forfeiture or for the release of anything liable to forfeiture under this Act shall be made by the court before which the prosecution with regard thereto has been held, and an order for the forfeiture of the goods shall be made if it is proved to the satisfaction of the court that an offence against this Act or any regulations made thereunder has been committed and that the goods were the subject matter of or were used in the commission of that offence notwithstanding that no person may have been convicted of such offence.

(3) The court may order the forfeiture of —

(a) in the case of goods returned under section 22(1)(b) and subsequently disposed of by the owner or by the person to whom it was returned, the amount secured under that paragraph;

(b) in the case of goods sold pursuant to section 22(1)(c), the amount realised by such sale,

if it is proved to the satisfaction of the court that an offence against this Act and the regulations made thereunder has been committed and that the movable property in respect of which that amount was secured or realised by its sale, as the case may be, was the subject matter of or, was used in the commission of, the offence notwithstanding that no person may have been convicted of such offence.

(4) All things forfeited shall be delivered to an officer of customs and shall be disposed of in accordance with the directions of the Authority.

Goods seized in respect of which there is no prosecution

24. (1) In the absence of a prosecution being proceeded with in respect of any goods seized under this Act, such goods shall be taken and deemed to be forfeited at the expiration of one calendar month from the date of seizure unless a claim thereto is made before that date in the manner hereinafter set forth.

(2) A person asserting that he is the owner of such goods and that the goods are not liable to forfeiture may personally or by his agent authorised in writing give notice to a senior officer of customs that he claims the goods.

(3) On receipt of such notice the senior officer of customs may direct that the goods be released or may, by information submitted in such form as

the Minister may determine, refer the matter to the appropriate court that has jurisdiction in terms of the value claimed for the court's decision.

(4) Where the matter is referred to a court that has jurisdiction on the matter, the court may issue a summons to appear in court against the person asserting that he is the owner of the goods and the person from whom they were seized, and upon their appearance or in default of the same, and upon proof that due service or diligent attempted service has been effected, the court may proceed to hear the matter and, if there is a finding of the court that an offence against this Act has been committed and that such goods were the subject matter, or were used in the commission, of such offence, the court shall make an order for the forfeiture of such goods, or may in the absence of such proof, order their release.

Goods seized may be delivered to owner or other person

25. The Authority may order any goods seized under this Act, whether forfeited, or taken and deemed to be forfeited, to be delivered to the owner or other person entitled thereto, upon such conditions as the Authority may deem fit.

PART 8

OFFENCES AND PENALTIES

Offences by bodies of persons and by servants and agents

26. (1) Where an offence against this Act or any regulations made thereunder has been committed by a company, firm, society or other body of persons, any person who at the time of the commission of the offence was a director, manager, secretary or other similar officer of the company, society or other body of persons, a partner or manager of the firm, or such other person purporting to act in such capacity or such person having charge or control of the company, firm, society or other body of persons is deemed to be guilty of that offence, unless he proves that the offence was committed without his consent or connivance and that he has exercised all such diligence to prevent the commission of the offence as he ought to have exercised, having regard to the nature of his functions in that capacity and to all the circumstances.

(2) Where a person is liable under this Act or any regulations made thereunder to any punishment, penalty or forfeiture for any act, omission,

neglect or default he is liable to the same punishment, penalty or forfeiture for every such act, omission, neglect or default of any clerk, servant or agent, or of the clerk or servant of the agent; provided that the act, omission, neglect or default was committed by the clerk or servant in the course of his employment, or by such servant in the course of his employment, or by such agent when acting on behalf of such person, or by the servant of such agent when acting in the course of his employment in such circumstances that had the act, omission, neglect or default been committed by the agent, his principal would have been liable under this section.

Penalty for offences not otherwise provided for

27. Every failure to comply with, and every act done or attempted to be done contrary to the provisions of this Act or any regulations made thereunder is an offence and in respect of such offence for which no penalty is expressly provided, the offender is guilty of an offence and liable on conviction to a fine of \$1,500 and for every subsequent offence to a fine of \$3,000, imprisonment for a term not exceeding 18 months or both.

Liability under other written law

28. Nothing in this Act shall prevent a person from being prosecuted under any other written law for any act, omission, neglect or default which constitutes an offence under this Act or any regulations made thereunder, or from being liable under such other written law to any punishment or penalty higher or otherwise than that provided by this Act or any regulations made thereunder.

Entry into and remaining in free trade zone

29. (1) Notwithstanding the other provisions of this Act or any other written law, no person shall enter or remain within a free trade zone without the permission of the Authority.

(2) Every person who enters or remains within a free trade zone shall comply with such conditions imposed by the Authority as it deems fit.

(3) A person who contravenes subsection (1) or (2) is guilty of an offence.

PART 9

TRIALS AND PROCEEDINGS

Who may prosecute

30. No prosecution in respect of any offence against this Act shall be instituted except by or with the written consent of the Public Prosecutor.

Burden of proof

31. If in any prosecution in respect of any goods seized for non-compliance with the provisions of this Act or any regulations made thereunder, or for any other cause of forfeiture, or for the recovery of any penalty or penalties under this Act, any dispute arises as to whether the goods have been lawfully brought into a free trade zone or lawfully landed, or lawfully manipulated or manufactured in a free trade zone, or whether the goods have been lawfully used or consumed, then and in every such case the burden of proof shall lie on the defendant in such prosecution.

PART 10

GENERAL

Appeals against decisions of Authority

32. Where it is provided in this Act or any regulations made thereunder that decision on any matter rests with the Authority, then unless it is specifically provided that such decision is at the discretion of the Authority, any person aggrieved by such decision may appeal to the Minister whose decision is final.

Protection of Government from liability

33. The Government or the Authority, as the case may be, is not liable to make good any loss sustained in respect of any goods by fire, theft, damage or any other cause while such goods are in any customs warehouse or in the lawful custody or control of any officer of customs or an employee of the Authority unless such loss is caused by the wilful neglect, or default of an officer of customs or of a person employed by the Authority.

Public servants

34. The members of the Authority and the employees thereof when exercising their functions or carrying out their duties under this Act are deemed to be public servants for the purpose of the Penal Code (Chapter 22).

Power of revocation

35. The Minister may by order published in the *Gazette* revoke any declaration or order made under this Act in respect of any free trade zone:

Provided that any order of revocation made under this section, if it has the effect of abolishing any free trade zone so declared, shall allow sufficient time for the persons in the free trade zone directly affected by such order to make arrangements for the disposal of their goods.

Regulations

36. (1) The Minister may, with the approval of His Majesty the Sultan and Yang Di-Pertuan, make regulations which are necessary or expedient for giving effect to and carrying out the provisions of this Act, including the prescription of fees and of any other thing required to be or which may be prescribed under this Act, and for the due administration thereof.

(2) Such regulations may include such incidental, consequential and supplementary provisions as the Minister considers necessary or expedient.