

Sovereign Economic Zone (Northern Ireland) Act

CHAPTER XX [DRAFT]

A Bill to establish Northern Ireland as a Sovereign Economic Zone; to devolve comprehensive fiscal and customs powers to the Northern Ireland Assembly; to abolish taxation and customs duties within Northern Ireland; to disapply certain provisions of the European Union (Withdrawal Agreement) Act 2020; to amend the Northern Ireland Act 1998; and for connected purposes.

[XX XXXX 2025]

Presented By

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BE IT THEREFORE ENACTED by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:

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PART 1

PRELIMINARY

Section 1. Short title and commencement

(1) This Act may be cited as the Northern Ireland Sovereign Economic Zone Act.

(2) This Act comes into force on such day as the Secretary of State may by order made by statutory instrument appoint, and different days may be appointed for different purposes.

(3) An order under subsection (2) may contain such transitional, transitory or saving provision as the Secretary of State considers appropriate.

Section 2. Interpretation

(1) In this Act—

"the Assembly" means the Northern Ireland Assembly;

"authorised economic operator" means a person authorised under section 15 to conduct economic activities within the Zone;

"customs territory" means any territory in respect of which customs duties are imposed on goods entering or leaving the territory;

"the Department" means the Department of Finance in Northern Ireland or such other Northern Ireland department as may be designated by the Executive Committee;

"the Executive Committee" means the Executive Committee of the Northern Ireland Assembly;

"goods" includes all kinds of moveable property;

"Northern Ireland customs boundary" means the boundary between Northern Ireland and any other part of the United Kingdom or any other territory;

"prescribed" means prescribed by regulations made under this Act;

"the Secretary of State" means the Secretary of State for Northern Ireland;

"the Zone" means Northern Ireland in its capacity as a Sovereign Economic Zone under this Act.

(2) References in this Act to economic activities include manufacturing, processing, storage, distribution, financial services, digital services, professional services, and any other commercial activities.

PART 2

ESTABLISHMENT OF THE SOVEREIGN ECONOMIC ZONE

Section 3. Northern Ireland as Sovereign Economic Zone

- (1) Northern Ireland is hereby established as a Sovereign Economic Zone.
- (2) The Zone shall operate as a distinct fiscal and customs territory within the United Kingdom for the purposes of taxation and customs duties.
- (3) The Zone shall be governed by the fiscal, customs and regulatory provisions of this Act and regulations made thereunder.

Section 4. Territorial application

- (1) This Act applies to the geographical area of Northern Ireland as defined by the Northern Ireland Act 1998.
- (2) The Zone includes all ports, airports, and points of entry within Northern Ireland.
- (3) The Secretary of State may by order designate specific areas within Northern Ireland as enhanced economic development areas with additional regulatory freedoms.

PART 3

DEVOLUTION OF FISCAL POWERS

Section 5. Transfer of taxation powers

(1) The following matters shall be transferred matters for the purposes of the Northern Ireland Act 1998—

- (a) corporation tax;
- (b) income tax;
- (c) capital gains tax;
- (d) inheritance tax;
- (e) value added tax;
- (f) excise duties;
- (g) customs duties;
- (h) air passenger duty;
- (i) stamp duty land tax;
- (j) petroleum revenue tax;
- (k) insurance premium tax;
- (l) climate change levy;
- (m) landfill tax;
- (n) aggregates levy.

(2) Schedule 2 to the Northern Ireland Act 1998 is amended by inserting after paragraph 2—

"2A. Taxation in all its forms, including but not limited to direct taxation, indirect taxation, customs duties, and excise duties."

(3) Schedule 3 to the Northern Ireland Act 1998 is amended by omitting paragraph 2 (taxation).

Section 6. Abolition of taxation within the Zone

(1) No tax specified in section 5(1) shall be imposed, levied, collected or enforced within the Zone.

(2) Subsection (1) applies to—

- (a) individuals resident in the Zone;
- (b) companies incorporated or carrying on business in the Zone;
- (c) transactions occurring within the Zone;
- (d) goods imported into or exported from the Zone;
- (e) services provided within the Zone.

(3) The Treasury may by regulations provide for transitional arrangements for existing tax obligations.

Section 7. Alternative revenue mechanisms

(1) The Executive Committee may impose fees and charges for—

- (a) company registration and maintenance;
- (b) professional licensing;
- (c) financial services authorisation;
- (d) use of ports and airports;
- (e) regulatory compliance services;

(f) administrative services.

(2) Fees imposed under subsection (1) must be proportionate to the cost of providing the relevant service.

(3) Revenue raised under this section shall be paid into the Northern Ireland Consolidated Fund.

Section 7A. Revenue sustainability

(1) The Treasury shall continue to make block grant payments into the Northern Ireland Consolidated Fund until such time as the Executive Committee certifies that alternative revenue mechanisms under section 7 provide sufficient income to fund devolved services.

(2) Nothing in this Act prevents the Executive Committee from imposing levies of a general nature provided that—

(a) such levies are not calculated by reference to income, profits, gains or value of transactions; and

(b) such levies are applied uniformly and transparently.

(3) Levies imposed under subsection (2) shall not be treated as “taxation” for the purposes of this Act.

PART 4

CUSTOMS AND TRADE PROVISIONS

Section 8. Customs territory status

(1) The Zone shall be treated as outside the customs territory of the United Kingdom for the purposes of customs duties and import restrictions.

(2) Goods entering the Zone from any territory shall not be subject to customs duties or import restrictions.

(3) Goods moving from the Zone to other parts of the United Kingdom shall be deemed to be in free circulation and shall be treated for all purposes as if produced in the United Kingdom.

Section 9. Free movement of goods

(1) No customs duties, import duties, export duties, or charges having equivalent effect shall be imposed on goods entering, leaving, or transiting through the Zone.

(2) No quantitative restrictions or measures having equivalent effect shall be imposed on the import, export, or transit of goods through the Zone.

(3) The Secretary of State may by regulations specify procedures for the documentation and tracking of goods for statistical purposes only.

Section 10. Ports and airports

- (1) All ports and airports within the Zone are designated as free ports for the purposes of this Act.
- (2) The Department may designate additional areas within the Zone as customs-free areas.
- (3) No customs infrastructure shall be maintained at the boundary between the Zone and the rest of the United Kingdom.

PART 5

REGULATORY FRAMEWORK

Section 11. Business regulation

(1) The Executive Committee shall establish streamlined procedures for—

- (a) company incorporation;
- (b) business licensing;
- (c) planning permissions;
- (d) environmental approvals;
- (e) employment procedures.

(2) The objective of procedures under subsection (1) shall be to minimise regulatory burden whilst maintaining essential standards.

Section 12. Financial services

(1) The Executive Committee may establish a Northern Ireland Financial Services Authority with powers to—

- (a) authorise financial services providers;
- (b) regulate banking activities;
- (c) oversee investment services;
- (d) supervise insurance operations;
- (e) regulate digital assets and cryptocurrency operations.

(2) The Authority established under subsection (1) may operate regulatory sandboxes for innovative financial services.

Section 13. Professional services

- (1) The Executive Committee may establish simplified recognition procedures for professional qualifications obtained outside Northern Ireland.
- (2) Professional services providers authorised in any jurisdiction may provide services within the Zone subject to registration requirements only.

Section 14. Digital services

- (1) The Zone shall operate as a digital services hub with minimal data localisation requirements.
- (2) Cross-border data transfers from the Zone shall be unrestricted except where necessary for national security purposes.

PART 6

AUTHORISATION AND COMPLIANCE

Section 15. Authorised economic operators

(1) Persons wishing to conduct economic activities within the Zone must obtain authorisation from the Department.

(2) Authorisation shall be granted to applicants who demonstrate—

- (a) financial probity;
- (b) compliance with anti-money laundering requirements;
- (c) adherence to applicable regulatory standards.

(3) The Department may impose conditions on authorisations and may revoke authorisations in cases of non-compliance.

(4) Regulations may exempt micro-businesses or low-risk activities from the requirement to obtain authorisation under this section.

Section 16. Record keeping and reporting

(1) Authorised economic operators must maintain accurate records of their activities within the Zone.

(2) The Department may require periodic reporting from authorised economic operators for statistical and compliance purposes.

(3) Information provided under this section shall be treated as confidential except where disclosure is required by law.

Section 17. Anti-money laundering

- (1) All persons conducting financial activities within the Zone must comply with anti-money laundering regulations.
- (2) The Executive Committee shall establish enhanced due diligence requirements for high-risk transactions.
- (3) Suspicious activities must be reported to the appropriate authorities.

Section 17A. International standards

- (1) The Executive Committee and any authority established under this Act shall have regard to the recommendations of the Financial Action Task Force (FATF) in exercising their functions.
- (2) Regulations may adopt, modify or disapply United Kingdom legislation relating to money laundering, proceeds of crime and terrorist financing.

Section 17B. Data protection

- (1) The Executive Committee shall by regulations establish a framework for the protection of personal data.
- (2) In making regulations under subsection (1), the Executive Committee shall have regard to—
 - (a) the principles of data adequacy under international arrangements; and
 - (b) the desirability of facilitating cross-border data flows.

PART 7

DISAPPLICATIONS AND AMENDMENTS

Section 18. Disapplication of EU withdrawal arrangements

(1) The following provisions of the European Union (Withdrawal Agreement) Act 2020 shall not apply to the Zone—

- (a) section 7A (implementation of Protocol on Ireland/Northern Ireland);
- (b) section 7C (powers in connection with Protocol);
- (c) any regulations made under the above sections.

(2) Any obligations arising under the Protocol on Ireland/Northern Ireland in the EU-UK Withdrawal Agreement shall not apply to activities conducted within the Zone.

Section 18A. Non-justiciability of international obligations

(1) No court or tribunal may question the validity of, or hold unlawful, any provision of this Act or of regulations made under it on the grounds of inconsistency with—

- (a) any international agreement to which the United Kingdom is a party; or
- (b) any obligation arising under international law.

(2) For the avoidance of doubt, section 6 of the Human Rights Act 1998 does not apply so as to render unlawful any act done under or in pursuance of this Act.

Section 19. Amendment of Northern Ireland Act 1998

(1) Section 4 of the Northern Ireland Act 1998 (transferred matters) is amended by inserting after subsection (1)—

"(1A) Notwithstanding any other provision of this Act, matters relating to the operation of the Northern Ireland Sovereign Economic Zone as established by the Northern Ireland Sovereign Economic Zone Act 2025 are transferred matters."

(2) Section 6 of the Northern Ireland Act 1998 is amended by inserting after subsection (2)—

"(2A) The Assembly may make laws for Northern Ireland in relation to all aspects of fiscal policy, customs policy, and economic regulation within the Northern Ireland Sovereign Economic Zone."

Section 20. Disapplication of UK Internal Market Act 2020

(1) Parts 1 and 2 of the UK Internal Market Act 2020 (goods and services) shall not apply to the Zone.

(2) Goods originating in, or services provided from, the Zone shall be deemed to comply with Parts 1 and 2 of 17A International standards (new)

(1) The Executive Committee and any authority established under this Act shall have regard to the recommendations of the Financial Action Task Force (FATF) in exercising their functions.

(2) Regulations may adopt, modify or disapply United Kingdom legislation relating to money laundering, proceeds of crime and terrorist financing.

Section 21. HMRC powers

(1) The Commissioners for His Majesty's Revenue and Customs shall have no powers within the Zone in relation to matters covered by this Act.

(2) Officers of Revenue and Customs may not exercise functions within the Zone except with the consent of the Department and for purposes unrelated to taxation or customs duties.

PART 8

GOVERNANCE AND OVERSIGHT

Section 22. Zone Authority

(1) The Executive Committee shall establish a Zone Authority responsible for the day-to-day administration of the Zone.

(2) The Zone Authority shall have powers to—

- (a) grant and revoke authorisations;
- (b) monitor compliance;
- (c) collect fees and charges;
- (d) maintain statistical records;
- (e) coordinate with relevant authorities.
- (f) inspect premises and require the production of documents;
- (g) impose administrative penalties not exceeding such amount as may be prescribed by regulations;
- (h) suspend or revoke authorisations under section 15;
- (i) initiate civil proceedings for the recovery of penalties or enforcement of compliance;
- (j) cooperate with law-enforcement agencies of the United Kingdom.

Section 23. Annual reporting

(1) The Zone Authority shall prepare an annual report on the operation of the Zone.

(2) The report shall include—

- (a) statistical data on economic activity;
- (b) compliance and enforcement activities;
- (c) revenue collection;
- (d) recommendations for improvements.

(3) The report shall be laid before the Assembly and transmitted to the Secretary of State.

Section 24. Review provisions

1) The Secretary of State and the Executive Committee shall jointly review the operation of this Act annually for the first three years after commencement and every five years thereafter.

(2) The review shall consider—

- (a) the economic impact of the Zone;
- (b) compliance with the objectives of the Act;
- (c) any necessary amendments.

(3) A report of each review shall be laid before Parliament.

PART 9

SUPPLEMENTARY PROVISIONS

Section 25. Regulations

- (1) The Secretary of State may by regulations make provision for the commencement of this Act and for transitional or saving purposes only.
- (2) The Executive Committee may make regulations in relation to transferred matters for the purpose of operating the Zone.
- (3) Regulations made by the Executive Committee under subsection (2) shall be subject to the affirmative resolution procedure of the Assembly.

Section 26. Offences

- (1) A person commits an offence if they conduct economic activities within the Zone without authorisation under section 15.
- (2) A person commits an offence if they fail to comply with record-keeping requirements under section 16.
- (3) A person guilty of an offence under this section is liable—
 - (a) on summary conviction, to imprisonment for a term not exceeding twelve months or a fine not exceeding the statutory maximum, or both;
 - (b) on conviction on indictment, to imprisonment for a term not exceeding two years or a fine, or both.

Section 27 .Crown application

(1) This Act binds the Crown.

(2) Nothing in this Act affects His Majesty in his private capacity.

Section 28. Consequential amendments

(1) The Executive Committee may by regulations make such amendments to secondary legislation as appear to it necessary or expedient in consequence of this Act.

(2) No regulations under this section may amend or repeal any provision of primary legislation.

Section 29. Transitional provisions

Schedule 1 contains transitional provisions.

Section 30. Extent

This Act extends to Northern Ireland only, except for sections 18, 20, and 28 which extend to the United Kingdom.

SCHEDULE 1

TRANSITIONAL PROVISIONS

Existing tax obligations

1. Tax obligations arising before the commencement of this Act remain enforceable until satisfied or written off in accordance with Treasury regulations.

Employment obligations

2. Existing employment contracts remain valid and enforceable. The abolition of income tax does not affect contractual obligations expressed as gross or net amounts.

Customs procedures

3. Goods in customs procedures at commencement shall be dealt with under the law in force immediately before commencement until those procedures are completed.

Financial services authorisations

4. Existing financial services authorisations remain valid for twelve months after commencement or until replaced by authorisations under this Act, whichever occurs first.

Company obligations

5. Existing companies have twelve months from commencement to comply with new registration and reporting requirements under this Act.

Property rights

6. Nothing in this Act affects existing property rights or contractual obligations except as expressly provided.

Pensions and savings

7. Tax-relieved pension schemes and savings instruments established before commencement shall continue to operate in accordance with their terms until varied by regulations made by the Executive Committee.

Social security

8. Entitlements to social security benefits and cross-border coordination arrangements existing at commencement shall continue to apply until replaced by new arrangements under legislation of the Assembly.

Ongoing proceedings

9. Any proceedings, prosecutions or enforcement actions commenced before commencement shall continue as if this Act had not been passed.

EXPLANATORY NOTES

These notes are provided for the assistance of readers of the Bill. They do not form part of the Bill and have not been endorsed by Parliament.

Summary This Bill establishes Northern Ireland as a Sovereign Economic Zone with comprehensive fiscal autonomy. The key provisions abolish all forms of taxation and customs duties within Northern Ireland while devolving the relevant powers to the Northern Ireland Assembly. The Bill disapplies EU withdrawal arrangements and creates a new regulatory framework designed to attract international business and investment.

Financial Effects The Bill will eliminate tax revenues from Northern Ireland to the UK Treasury. The Executive Committee may raise revenue through fees and charges. The overall fiscal impact will depend on economic growth generated by the new regime and any compensating grant arrangements.

Human Rights Compatibility The provisions of this Bill are compatible with the European Convention on Human Rights.

Regulatory Impact A full regulatory impact assessment has been prepared and is available separately.