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The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

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(Published by Authority)

PART I : SECTION (I) — GENERAL

Government Notifications

STRATEGIC DEVELOPMENT PROJECTS ACT, No. 14 OF 2008

Order under Sub-Section (4) of Section 3

BY virtue of the powers vested in me by Sub-section (4) of Section 3 of the Strategic Development Projects Act, No. 14 of 2008 as amended, I, Lakshman Yapa Abeywardena, Minister of Investment Promotions, being the Minister in Charge of the subjects of Investment, do by this Order declare that :

(1) The Notification which identified the Project for development, operation and mangement of a special Zone for heavy industries in Sampur Area and inter-alia sourcing and establishing other Board of Investment of Sri Lanka approved projects of which the envisaged Investment of United States Dollars Four Thousand Million (US\$ 4,000 Mn.) through its own investment and/or procure the investment by prospective investors and do the necessary physical and social infrastructure including educaion and health facilities, modern settlement with leisure and recreation facilities, constructed deep water jetty and stock file yard and other facilities such as internal roads, provision of power requirements, water supply, sewerage and water treatments conducive to attach and facilitate investment by the investors within the Heavy Industrial Zone at Sampur situated within the administrative District of Trincomalee in the Eastern Province, as a Strategic Development Project for the purposes of the aforesaid Act, was published in the *Gazette Extraoridnary* No. 1796/9 dated 06.02.2013.

(2) The approval of the Cabinet of Ministers has been obtained in terms of Sub-section (3) of Section 3 to declare that the Project for development, operation and management of a special Zone for heavy industries in Sampur Area and inter-alia sourcing and establishing other Board of Investment of Sri Lanka approved projects of which the envisaged investment of United States Dollars Four Thousand Million (US\$ 4,000 Mn.) through its own investment and/or procure the investment by prospective investors and do the necessary physical and social infrastructure including educaion and health facilities, modern settlement with leisure and recreation facilities, constructed deep water jetty and stock file yard and other facilities such as internal roads, provision of power requirements, water supply, sewerage and water treatments conducive to attach and facilitate investment by the investors within the Heavy Industrial Zone at Sampur situated within the administrative District of Trincomalee in the Eastern Province, as a Strategic Development Project ;

(3) The above Strategic Development Project shall be called and known as the "Project for development, operation and management of a special Zone for heavy industries in Sampur Area and inter-alia sourcing and establishing other Board of Investment of Sri Lanka approved projects of which the envisaged investment of United States Dollars Four Thousand



Million (US\$ 4,000 Mn.) through its own investment and/or procure the investment by prospective investors and do the necessary physical and social infrastructure including education and health facilities, modern settlement with leisure and recreation facilities, constructed deep water jetty and stock file yard and other facilities such as internal roads, provision of power requirements, water supply, sewerage and water treatments conducive to attract and facilitate investment by the investors within the Heavy Industrial Zone at Sampur situated within the administrative District of Trincomalee in the Eastern Province" and that the Project Company is Sri Lanka Gateway Industries (Private) Limited ;

(4) The aforesaid shall commence its commercial operations within Seven (07) years from the Effective date as stated and defined in the Project Agreement signed with the Board of Investment of Sri Lanka on 13th June, 2012 ; and

(5) The exemptions from the enactments specified in the Schedule to this Order shall apply to the Project Company subject to the limitations noted therein.

SCHEDULE

(a) The Inland Revenue Act No. 10 of 2006

- The provisions of the Inland Revenue Act, No. 10 of 2006 as amended relating to the imposition of income tax of the Project Company on the profits and income from the Project shall not apply for a period of Twenty Five (25) years ("Tax Exemption Period"). The tax on dividends distributed to shareholders out of profits shall be exempted from income tax during the said Tax Exemption Period and one (1) year thereafter.
- the said exemption period to commence from either the first year in which the Project Company makes taxable profit or Two (02) years after commencement of commercial operations, whichever falls first.
- The Project Company shall be exempted from the payment of Withholding Tax, on interest paid on foreign loans obtained for capital expenditure and on technical fees paid to consultants employed in the Project.
- Provided that after the expiration of the Tax Exemption Period referred to above, income tax in respect of the profits and income of the Project Company shall be payable in terms of the provisions of the Inland Revenue Act for the time being in force.
- The expatriate staff of the Project Company shall be exempted from the charge and payment of Pay As You Earn Tax (PAYE) subject to a restriction that this concession shall apply subject to the maximum number of Twenty (20) employees. This concession shall be applicable for a period of Five (05) years from the date of commencement of commercial operations.

(b) The Value Added Tax Act (VAT) No. 14 of 2002

- The importation of project related goods and the local purchases of project related goods and services including payments payable to contractors and Sub-contractors as approved by the Project Company during the Project Implementation/Construction Period shall be exempted from charge and payment of Value Added Tax (VAT) under Value Added Tax Act (VAT) No. 14 of 2002 as amended. The VAT exemption shall be applicable not only for direct supplies to the Project Company/Project but also supplies made by a Sub contractor to a contractor as approved by the Project Company for supplies to the Project Company/Project.
- The revenue from the services rendered by the Project Company shall be zero rated during the Project Implementation/Construction Period of the Project after completion of Phase 1 or for a period of Three (03) years from the effective date as stated in the Project Agreement whichever occurs first.
- After the completion of Phase I, Phase II and Phase III or a period of Seven (07) years from the Effective Date as per the Project Agreement whichever occurs sooner, the revenue from the services rendered by the Project Company, will be zero rated if the services provided fall within the provision of paragraphs (b) or (c) of Sub-section (1) of Section (7) of the VAT Act. Any other services, other than the services which are zero rated, will be liable to VAT at the normal rate.

SCHEDULE (Contd.)

(c) The Port an Airport Development Levy Act, No. 18 of 2011

- The Project Company shall be exempted from the payment of Ports and Airports Development Levy (PAL) on all items imported for implementing the Project during the Project Implementation /Construction Period as described and permitted in the Ports and Airports Development Levy Act, No. 18 of 2011 as amended.

(d) Nation Building Tax Act, No. 09 of 2009

Nation Building Tax Act, No. 09 of 2009 as amended shall not be applicable for a total period of Seven (07) years from the Effective Date as per the Project Agreement.

(e) Finance Act, No. 05 of 2005

Finance Act, No. 05 of 2005 as amended shall not be applicable only for the payment of construction Industry Guarantee Fund Levy during the Project Implementation/Construction period of Seven (07) years from the Effective Date as per the Project/Agreement.

(f) Customs Ordinance (Chapter 235)

All imports of project related capital and construction goods required for the Project, in the name of the Project Company or by the contractors and th Sub-contractors approved by the Project Company shall be exempted from Customs Duty as approved by the Board of Investment of Sri Lanka solely for the purpose of the Project during the Project Implementation Period of Seven (07) years from the Effective date as per the Project Agreement.

LAKSHMAN YAPA ABEYWARDENA, MP
Minister of Investment Promotions.

11th July, 2013.
Colombo.

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