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The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY

අංක 1832/22 - 2013 ඔක්තෝබර් මස 17 වැනි බ්‍රහස්පතින්දා - 2013.10.17
No. 1832/22 - THURSDAY, OCTOBER 17, 2013

(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 Promotion, in consultation with the Minister whom the subject of the Ministry of Finance and Planning, do by this Order declared that, -

1. The Notification which identified the Project to set up a refinery to import raw sugar for refining and sale in the local market and export in the Free-Port Area of the Hambantota Port in the Southern Province, as a Strategic Development Project for the purposes of the aforesaid Act, was published in the *Gazette Extraordinary* No. 1804/13 dated 2nd April 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 to set up a refinery to import raw sugar for refining and sale in the local market and export in the Free-Port Area of the Hambantota Port in the Southern province, as a Strategic Development Project;

3. The above Strategic Development Project shall be called and known as the “Project to set up a refinery to import raw sugar for refining and sale in the local market and export in the Free-Port Area of the Hambantota Port in the Southern province” and that the Project Company is Lanka Sugar Refinery Company (Private) Limited;

4. The aforesaid “Project to set up a refinery to import raw sugar for refining and sale in the local and export markets in the Free-Port Area of the Hambantota Port in the Southern province” shall commence commercial operations within Seven (07) years from the date of the Project Agreement signed with the Board of Investment of Sri Lanka on 7th February 2013;

5. Further,

- (i) In the event of stocks of refined sugar under the project are released to the domestic market, the relevant taxes in force on the importation of sugar should be made applicable to such stocks; and
- (ii) A regulatory mechanism shall be developed in consultation with the relevant authorities to monitor the business operations of the company such as raw sugar imports, refined sugar exports and release of refined sugar stocks to the domestic market.



6. The exemptions from the enactments specified in the Schedule to this Order shall apply to the Project Company subject to the limitations specified therein and shall be operative for the duration specified in this Schedule;

SCHEDULE

1. Under the Strategic Development Projects Act No. 14 of 2008 as amended

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

A ten (10) year corporate income tax holiday period under the Inland Revenue Act commencing from either the first year in which the Project Company makes taxable profit or two (2) years after commencement of commercial operations, whichever falls first. For avoidance of doubt, it is to be noted that the general tax regime applicable tax for export then prevailing shall be applicable in relation to the Project Company implementing the project after the expiration of the ten (10) years as set out above.

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.

The tax on dividend distributed to shareholders out of profits shall be exempted from income tax during the said ten (10) years tax exemption period and one (01) year thereafter.

The PAYE tax shall be exempted for a maximum number of twenty (20) expatriate staff of the Project Company for a period of five (05) years from the date of commencement of commercial operation. The Project Company shall be required to gradually replace expatriate staff with local employees on best-effort basis as this exemption will cease to be operative five (05) years after commencement of commercial operation.

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

Shall not be applicable on the importation of project related capital and construction goods and the local purchases of project related capital goods during the project implementation period of seven (07) years.

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

Shall not be applicable on the importation of project related capital and construction goods and the local purchases of project related capital goods during the project implementation period of seven (07) years.

(d) Nation Building Tax Act No. 10 of 2011

Shall not be applicable on the importation of project related capital and construction goods and the local purchases of project related capital goods during the project implementation period of seven (07) years.

(e) Customs Ordinance (Chapter 235)

- (i) Exemption from Customs Duty will be applicable to all capital goods imported in the name of the Project Company implementing the project in relation to items so imported solely for the purpose of the Project other than the items mentioned in the Negative List. However the items in the Negative List will be also exempted from the Custom duty where such items are either not wholly produced in Sri Lanka or are unavailable in sufficient quality, quantity and time lines for project completion.

- (ii) All imports/local purchases of project related capital goods required for the Project shall be exempt from the payment of customs duty, provided that, the goods are consigned in the name of the Project Company and are imported for the purpose of the implementation of the Project, the fulfillment of both of the foregoing conditions being subject to verification by the Board if the Board so deems fit. Provided that this exemption shall not apply to any personal effects imported by the Project Company for the private and personal use of any person in the Project Company, and provided that the Board reserves the right to itself to cause or permit to be caused the examination of any imports for purposes connected with this Agreement.

2. Finance Act No. 12 of 2012

Section 18A and 18C of the Finance Act No. 12 of 2012 as amended by Act No. 12 of 2013 (Part IV under Commercial Hub Operation Provisions).

(a) Exchange Control Act and Regulations

The provisions of Parts I, IA, II, III, IV, V and VI of the Exchange Control Act shall not apply to or in relation to the Project of the Project Company.

(b) Imports and Exports (Control) Act No. 1 of 1969

All imports of Project related capital and construction goods shall be exempted from customs duty as approved by the Board for the purpose of the Project and be free from import restrictions under the imports and Exports (Control) Act No. 1 of 1969 as amended during the implementation period of the project referred to in clause (7).

(c) Special Commodity Levy Act, No. 48 of 2007

The Project Company shall be exempted from Special Commodity Levy on import of raw material at the point of import.

Lakshman Yapa Abeywardena, M. P.,
Minister of Investment Promotion.

Colombo,
On this 15th day of October 2013.