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EXTRAORDINARY

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PART I : SECTION (I) — GENERAL

Government Notifications

STRATEGIC DEVELOPMENT PROJECTS ACT, No. 14 OF 2008 AS AMENDED

Notification Under Section 3(2)

BY virtue of the powers vested in me in terms of Section 3(2) of the Strategic Development Projects Act, No. 14 of 2008 as amended, I, Lakshman Yapa Abeywardena, Minister of Investment Promotions, do by this Notification:—

- (1) Identify as a Strategic Development Project for the purposes of the aforesaid Act, the project for Development, operation and management of a special zone for heavy industries inter-alia sourcing and establishing other Board of Investment of Sri Lanka approved projects at Sampor area of Trincomalee. The total envisaged investment through its own investment and/or procure the investment by prospective investors including construction of deep water jetty and stock pile yard will be United States Dollars Four Thousand Million (US\$ 4,000 Mn.). The necessary physical and social infrastructure including educational and health facilities, modern settlement with leisure and recreation facilities, 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 prospective investors also will be undertaken within the Zone. So that, this project is of the national interest and brings economic and social benefit to the Country and also change the landscape of the Country. The Project Company is Sri Lanka Gateway Industries (Private) Limited and the Project Agreement was signed between the Board of Investment of Sri Lanka and the Project Company on 13th June 2012;
- (2) Declare that the date of commencement of the aforesaid project, will be the Effective Date as stated in the Project Agreement which is signed on 13th June 2012 between the Board of Investment of the Sri Lanka and the Project Company ; and
- (3) Specify that for the purposes of the aforesaid project, in terms of the Strategic Development Projects Act, No. 14 of 2008 as amended, the exemptions set out in the Schedule to this Notification shall apply to the Project Company, whilst only (b), (c), (d), (e), and (f) of the exemptions set out in the Schedule of this Notification shall apply to its contractors and sub contractors approved by the Project Company.

SCHEDULE

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

- (i) 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 (01) year thereafter ;

- (ii) The said exemption period to commence from either the first year in which the Project Company makes taxable profit or from two (02) years after commencement of commercial operations, whichever falls first ;
- (iii) 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 ;
- (iv) Provided that after the expiration of the aforesaid Tax Exemption Period, income tax in respect of the profits and the income of the Project Company shall be payable in terms of the provisions of the Inland Revenue Act for the time being in force.
- (v) The expatriate staff of the Project Company shall be exempted from the charge and payment of **Pay As You Earn (PAYE)** Tax subject to restriction that this concession shall apply maximum number of Twenty (20) employees. This concession shall be applicable for a period of five(5) years from the date of commencement of commercial operations.

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

- (i) 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, No. 14 of 2002 as amended. The VAT exemption shall be applicable not only for direct suppliers to the Project Company/Project but also for supplies made by a sub-contractor to a contractor as approved by the Project Company for supplies to the Project Company/Project ;
- (ii) 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 I or for a period of Three (03) years from the Effective date as per the Project Agreement whichever occurs first ;
- (iii) 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 subsection (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.

(c) The Ports and Airports Development Levy Act, No. 18 of 2011 :

The payments and charges of Port and Aviation Levy (PAL) shall be exempted on all items imported for implementing the project during the project Implementation/Construction period under Ports and Airports Development Levy Act, No. 18 of 2011 as amended.

(d) Nation Building Tax Act, No. 9 of 2009 :

Nation Building Tax Act, No. 9 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) The Finance Act, No. 5 of 2005 :

Finance Act, No. 5 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 the sub-contractors approved by the Project Company shall be exempted from the customs duty as approved by the Board 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 (M.P.),
Minister of Investment Promotions.

Colombo,
06th February 2013.

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