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EXTRAORDINARY

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PART I : SECTION (I) — GENERAL

Government Notifications

STRATEGIC DEVELOPMENT PROJECTS ACT, No. 14 OF 2008

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 Promotion, do by this Notification -

(1) Identify as a Strategic Development Project for the purposes of the aforesaid Act, the Project for the development, construction equipping, commissioning, owning, managing, operating, selling, leasing and renting a luxury multi/mixed use "ICONIC" Integrated Resort consisting of multiple business including a luxury hotel, convention centre, entertainment and gaming facilities, international standards shopping mall, luxury condominiums, serviced apartments and office space ("the Integrated Resort") in two phases with an envisaged minimum investment of United States Dollars Six Hundred and Fifty Million (US\$ 650 Mn.) in Phase 1 and anticipated employment generation of Three Thousand (3,000), at capacity, on the leasehold and freehold land situated at Glennie Street and Justice Akbar Mawatha, Colombo 02. This project is of national interest as it will bring significant economic and social benefits to the country through substantial employment generation, the significant foreign exchange in flows skill upgrading through technology transfer and the strategic importance of the development of Colombo City and it will also change the landscape of the country. The Project Company is Waterfront Properties (Private) Limited ("Project Company") ;

(2) Declare that the date of commencement of the Project will be as stated in the Project Agreement between the Board of Investment and the Project Company ('Project Agreement'). The implementation and commencement of Commercial Operations of the Phase 1 of the Integrated Resort shall be within Sixty (60) months from the date stated in the said Project Agreement ;

The implementation and commencement of Commercial operations of the Phase II of the Integrated Resort, if undertaken, shall be within a further Thirty Six (36) months as stated in the said Project Agreement, with an additional United States Dollars Hundred Million (US\$ 100 Mn.) investment ;

(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 Integrated Resort being developed by the Project Company.



SCHEDULE

1. The Inland Revenue Act No. 10 of 2006

(i) Corporate Income Tax

The provisions of the Inland Revenue Act, No. 10 of 2006 relating to the imposition of income tax on the Project Company on the profit and income generated from the non-gaming activities from the Integrated Resort shall not apply for a period of Ten (10) years ("Tax Exemption Period").

The said Tax Exemption Period to commence from the first year in which the Project Company makes taxable profit or Three (03) years after commencement of commercial operations, whichever falls first.

After the expiration of the aforesaid Tax Exemption Period referred to above, the profits and income of the Project Company shall be charged at the rate of the lower of six per centum (6%) or fifty per centum (50%) of the prevailing tax rate for the hotel industry, for a period of Fifteen (15) years immediately succeeding the last date of the Tax Exemption Period. ("Tax Concessionary Period").

Provided that after the expiration of the aforesaid Tax Exemption Period and Tax Concessionary 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.

For the above purpose rental received by the Project Company as landlord whether fixed and/or variable (where applicable based on the activity level of the business of the tenant) of all tenants including and not limited to the rents received from the operators of the gaming activities shall be considered as nongaming activity.

In the event the Project Company engages in the business of gaming, the profits from this activity shall be liable for corporate tax at the applicable rate.

(ii) Tax on Dividends

Dividends distributed to the shareholders out of the exempted profit shall be exempted from the income tax during the said Tax Exemption Period and One year thereafter.

(iii) Withholding Tax

The Project Company shall be exempted from the deduction and payment of Withholding Tax on interest paid on foreign loans and debt obtained for capital expenditure and on technical fees.

The Project Company shall be exempted from the deduction and payment of Withholding Tax on management fees, royalty payments and marketing fees provided the fees with respect to each such category the following thresholds shall apply : (1) basic management fees/royalties are no more than three per centum (3%) of gross operating revenues (2) marketing fees are no more than one point five per centum (1.5%) of gross operating revenue and (3) incentive management fees are no more than ten per centum (10%) of gross operating profits.

(iv) PAYE Tax

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. The Project Company shall be required to gradually replace expatriate staff with local employees on best-effort basis.

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

The importation of project related goods and services and the local purchases of project related goods and services as approved by the Project Company during the Project Implementation Period of Sixty (60) months shall be exempted from charge and payment of Value Added Tax (VAT) under Value Added Tax Act No. 14 of 2002 as

SCHEDULE (Contd.)

amended. The VAT exemption shall be applicable not only for direct supplies to the Project Company/Integrated Resort but also for supplies made to a contractor or by a sub-contractor to a contractor.

The same concessions shall be applicable during the Implementation Period of a further Thirty Six (36) months for Phase 2.

The Project Company shall be liable for the payment of VAT on value of supply as defined in the VAT Act No. 14 of 2002 on the commencement of commercial operations notwithstanding the fact that during the Project Implementation Period and the implementation period of Phase 2, the Project Company/Integrated Resort will continue to enjoy the concessions available for the project related goods and services.

3. Port and Airport Development Levy (PAL) Act, No. 18 of 2011

The payment and charge of Port and Aviation Levy (PAL) shall be fully exempted on all items imported for implementing the Integrated Resort (whether directly imported by the Project Company or sourced through contractors or subcontractors) during the Project Implementation Period.

The Project Company, its contractors and subcontractors shall also be entitled to the same concessions during the implementation period of a further Thirty Six (36) months for Phase 2.

4. The Finance Act, No. 05 of 2005

Finance Act, No. 5 of 2005 as amended shall be exempted for the payment of Construction Industry Guarantee Fund Levy to the contractor/s and subcontractors of the Project Company.

Contractors and subcontractors of the Project Company shall also be entitled to the same concessions during the implementation period of a further Thirty Six (36) months for Phase 2.

6. Customs Duty on Importation of Project Related Items [Customs Ordinance (Chapter 235)]

All imports of project related items in capital nature and any other project related items required for the Integrated Resort, in the name of the Project Company or by the contractors and the sub-contractors approved by the Project Company other than the items mentioned in the negative list shall be exempted from the customs duty as approved by the Board of Investment of Sri Lanka solely for the purpose of the Integrated Resort during the Project Implementation Period. However items in the Negative List shall be considered if quantity and quality of such good are not available in the local market or are unavailable in sufficient quality, quantity and timelines for the completion of the Integrated Resort. 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 to itself the right to cause or permit to be caused the examination of any imports for purposes connected with this Agreement.

The same concessions shall be applicable during the implementation period of a further Thirty Six (36) months for Phase 2.

LAKSHMAN YAPA ABEYWARDENA, MP
Minister of Investment Promotions.

Colombo.
15th July, 2013.