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EXTRAORDINARY

අංක 1819/29 - 2013 ජූලි මස 18 වැනි බ්‍රහස්පතින්දා - 2013.07.18

No. 1819/29 - THURSDAY, JULY 18, 2013

(Published by Authority)

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, in consultation with the Minister whom the subject of Ministry of Finance, has been assigned do by this Notification -

(1) Identify as a Strategic Development Project for the purposes of the aforesaid Act, the Project to set up and operate an Integrated Resort including a minimum 400 room hotel with meeting and convention facilities, gaming activities, fine dining restaurants and other associated facilities at D. R. Wijewardena Mawatha, Colombo in the Western Province with a total investment of United States Dollars Three Hundred and Fifty Million (US\$ 350,000,000) and anticipated generation of employment for approximately, 2,600 local employees as a project of National Interest that is likely to bring economic and social benefit and also to change the landscape of the Country, and further notify that Lake Leisure Holdings (Private) Limited ("Project Company") entered into a Project Agreement with the Board of Investment of Sri Lanka on Twenty Seventh (27th) day of June Two Thousand and Thirteen (2013) ;

(2) Declare that the date of commencement of the Project shall be the date on which Project Agreement between the Board of Investment and the Project Company has been executed. The implementation and commencement of Commercial Operations of the project shall be within Fourty Eight (48) months from the date of the said Project Agreement ;

(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.

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 as amended relating to the imposition of income tax shall not apply to the profit of the Company to be generated from the activities of the Project for a period of Ten (10) years reckoned from the year of assessment as may be determined by the Board.



The said tax exemption period will commence from the first year in which the 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, the profits and income of the 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 Twelve (12) years immediately succeeding the last date of the tax exemption period.

(ii) Tax on Dividends

Dividends distributed to the shareholders out of the exempted profit of the Company will be exempted from the income tax during the said Ten (10) years tax exemption period and One (01) year thereafter.

(iii) Withholding Tax

The Company will be exempted from the payment of Withholding Tax on interest on foreign loans taken for capital expenditure and technical fees, management fees, royalty fees and marketing fees.

The Company will be exempted from the payment of Withholding Tax on management fees, royalty payments and marketing fees provided the fees do not exceed Three Per centum (3%) of gross operating revenues by way of basic management fees/royalties, marketing fees at One point Five per centum (1.5%) of gross operating revenue and Ten per centum (10%) of gross operating profits by way of incentive management fees.

(iv) Paye Tax

The expatriate staff of the Company will be exempted from payment of Pay As You Earn Tax (PAYE) subject to a restriction that this concession shall apply subject to the maximum number of 30 employees. This concession shall be applicable for a period of Five (05) years. The Company is required to gradually replace expatriate staff with local employees on a best-effort basis.

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

The payment of Value Added Tax (VAT) on the imputation of Project related goods and the local purchases of project related goods during the project implementation period of Forty Eight (48) months will be exempted from charge and payment of VAT. The VAT exemption shall be applicable not only for direct supplies to the Company/Project but also supplies made by a sub-contractor to a contractor for supplies to the Company/Project as described and permitted in the VAT Act, as amended.

The Company shall be liable for the payment of VAT on value of supply as defined in the VAT Act no. 14 of 2002 as amended, on the commencement of commercial operations.

3. Betting and Gaming Levy Act No. 40 of 1988

The liability for the betting and gaming activities shall be as per the provisions of the Betting and Gaming Levy Act, No. 40 of 1988 as amended, such that the prevailing rate on the gross collections (being the amounts collected from customers) excluding the customized cost of incentives/discounts and associated costs including taxes, in attracting the customers.

4. Port and Airport Development Levy Act, No. 18 of 2011

- The Company will be fully exempted from the payment and charge of Port and Airport Development Levy (PAL) on all items imported for implementing the Project (whether directly imported by the Company or sourced through contractors) as described and permitted in the PAL Act as amended, during the project implementation period, subjected to the same conditions referred to in item "6" below.

SCHEDULE (*Contd.*)

5. Finance Act, No. 05 of 2005

The contractor/contractors of the Company shall be exempted from Construction Industry Guarantee Fund Levy imposed under the Finance Act No. 5 of 2005 as amended, in relation to the Project.

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

Exemption from Customs Duty will be applicable to all project related items in capital nature and any other project related items as approved by the Board imported in the name of the Company implementing the Project in relation to items so imported solely for the purpose of the Project whether directly imported by the Company or sourced through the contractors or Sub-contractors to the contractors provided that the goods consigned in the name of the Company other than the items mentioned in the Negative List within the project implementation period of Forty Eight (48) months. 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.

LAKSHMAN YAPA ABEYWARDENA, MP
Minister of Investment Promotions.

Colombo.
18th July, 2013.

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