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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, I, Basil Rohana Rajapaksa, Minister of Economic Development, being the Minister in charge of the subjects of Investment and Tourism, do by this Notification-

- (1) Identify as a Strategic Development Project for the purposes of the aforesaid Act, a Project to build a Luxury Hotel and Residential Units / Villas in Hambantota in the Southern Province, at a total investment of around US\$ 109 Mn., having spent around US\$ 3. 5 Mn. to purchase a private land, being a project of that national interest is likely to bring economic and social benefits to the country and also change the landscape of the country ; The project company is Shangri- La Investments Lanka (Private) Limited.
- (2) Declare that the date of commencement of the project shall be 7th February 2011 wherein the Project Agreement between the Board of Investment and the Company implementing the project - Shangri - La Investments Lanka (Private) Limited has been executed, The project construction period shall be Thirty six (36) months from the date of the commencement of the project. The date of commencement of commercial operation shall be thirty six (36) months from the said date of the commencement of the project ;
- (3) Specify that for the purposes of the aforesaid project in terms of the Strategic Development Projects Act, 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 ;

- A ten (10) year corporate income tax holiday period under the Inland Revenue Act commencing from either the first (01st) year in which the Company makes taxable profit or three (03) years after commencement of commercial operations, whichever falls first, Thereafter, there will be a partial exemption granted equivalent to the rate of six *per centum* (6%) which is half of the applicable tax rate for each year of assessment for a further period of fifteen

(15) years immediately succeeding the last date of the tax exemption period. For avoidance of doubt, it is to be noted that the general tax regime then prevailing shall be applicable in relation to the Company implementing the project after the expiration of the twenty five (25) years as set out above.

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

- A five (05) year tax exemption from PAYE Tax shall be applicable for a Maximum number of twenty (20) expatriate staff of the Company.

- The Company shall be exempted from the payment of Withholding Tax :

(a) on interest on foreign loans taken for capital expenditure ;

(b) on technical fees to consultants;

(c) on management fees, royalty payments and marketing fees. Provided these payments are made to one of the following subsidiaries of Shangri-La Asia Limited ;

* Shangri-La International Hotel Management Ltd - Hong Kong

* Shangri-La International Hotel Management - BV

* Shangri-La International Hotel Management (Pte) Ltd. Singapore

Provided the fees will not exceed three *per centum* (3%) of gross operating revenues by way of basic management fees/ royalties, marketing fees will not exceed one point five *per centum* (1.5%) of gross operating revenue and at ten *per centum* (10%) of gross operating profits by way of incentive management fees.

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

The payment of Value Added Tax (VAT) on the importation of project related goods and the local purchases of project related goods and services during the project Construction period.

3. The Finance Act, No. 11 of 2002 - The Company shall be exempted from the payment of Port and Aviation Levy (PAL) during the project Construction period.

4. Customs Ordinance (Chapter 235) - Exemption from Customs Duty will be applicable to all capital goods imported in the name of the Company implementing the project during the construction period, in relation to items so imported solely for the purposes of the Project.

BASIL ROHANA RAJAPAKSA, MP,
Minister of Economic Development.

Colombo,
5th April 2011.

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