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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, 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, the project to construct, build and operate a Mixed Utility Complex including a luxury hotel at Fort, Colombo 01 in the Western Province with a total investment of United States Dollars One Hundred Forty Million (US\$ 1,40,000,000) 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 WelcomHotels Lanka (Private) Limited (“Project Company”) entered into a Project Agreement with the Board of Investment of Sri Lanka on 4th May, 2012 ;
- (2) Declare that the said site of Fort, Colombo 01 containing in extent Five Acres Three Roods and Eighteen decimal Seven Perches (5A., 3R., 18.7P.) was leased and demised unto the Project Company for a period of ninety nine (99) years by virtue of indenture of lease dated 4th May, 2012, and that the Project Company has deposited into the account of the Deputy Secretary to the Treasury (Urban Development Fund) an upfront Lease Premium of United States Dollars Seventy Three Million and Five Hundred Thousand (US\$ 73,500,000) which shall form part of the aforementioned total investment of United States Dollars One Hundred Forty Million (US\$ 140,000,000) ;
- (3) Further declare that the date of implementation of the Project shall be 4th May, 2012 wherein the project agreement between the Board of Investment and the Project Company has been executed, and commencement of commercial operations of the project shall be within sixty (60) months from the date of approval of the Mixed Use Project as a Strategic Development Project under the said Strategic Development Projects Act, No. 14 of 2008 as amended, by a resolution passed by the Parliament granting the concessions/exemptions referred to in the Schedule hereto ;
- (4) 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

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

- (i) The provisions of the Inland Revenue Act, No. 10 of 2006 relating to the imposition of Income Tax of the Project Company on the profit from the project shall not apply for a period of ten (10) 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 year thereafter.
- (ii) The said 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.
- (iii) After the expiration of the aforesaid tax exemption period referred to in sub-clause (i) above the profits and income of the Project Company shall be charged at the rate of the lower of six percentum (6%) or fifty percentum (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")
- (iv) 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.
- (v) The expatriate staff of the 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 20 employees. This concession shall be applicable for a period of five years from the date of commencement of commercial operations. The Project Company shall be required to gradually replace expatriate staff with local employees on a best efforts basis.
- (vi) The recipient shall be fully exempt from the charge of income tax under any provision of the Inland Revenue Act and the Project Company shall be exempt from the payment of Withholding Tax on the following :
 - (a) interest on foreign loans taken for capital expenditure ;
 - (b) technical fees to consultants ;
 - (c) management fees up to 3% on gross revenue ;
 - (d) royalty fees up to 1.5% on gross revenue ;
 - (e) marketing fees up to 1.5% on gross revenue ;
 - (f) incentive management fees up to 10% on gross operating profit ;
 - (g) charges towards reservations made through the Central Reservation System of ITC Limited/other service providers of the Company. The charges prevailing as on the date of this Agreement for such reservations are in the range of United States Dollars 5-6 per reservation.

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

The importation of project related goods and the Local purchases of project related goods and services during the Mixed Use Project Implementation period shall be fully exempted from charge and payment of Value Added Tax (VAT). The VAT exemption shall be applicable not only for direct suppliers to the Company/Project but also for supplies made by a sub contractor to a contractor as approved by the Project Company for suppliers to the Company/Project.

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.

(c) The Port and Airport Development Levy 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 project (whether directly imported by the Project Company or sourced through contractors) during the Mixed Use Project implementation period.

(d) Finance Act, No. 5 of 2005

The Company shall be exempted from the construction industry guarantee fund levy imposed in relation to the Mixed Use Project.

(e) Customs Ordinance (Chapter 235)

Exemption from Customs Duty will be applicable to all imports of project related items required for the Mixed Use Project, whether directly imported by the Project Company or sourced through contractors provided that the goods are consigned in the name of the Company shall be exempted from customs duty as approved by the Board of Investment of Sri Lanka for the purpose of the Mixed Use Project during the implementation period.

BASIL ROHANA RAJAPAKSA, MP,
Minister of Economic Development.

Colombo,
on this 29th day of June 2012.

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