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The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

අංක 1718/31 - 2011 අගෝස්තු 12 වැනි සිකුරාදා - 2011.08.12

No. 1718/31 - FRIDAY, AUGUST 12, 2011

(Published by Authority)

PART I : SECTION (I) — GENERAL

Government Notifications

STRATEGIC DEVELOPMENT PROJECTS ACT, No. 14 OF 2008

Order Under Sub-Section (4) of Section 3

BY virtue of the powers vested in me by Sub-section (4) of Section 3 of the Strategic Development Projects Act, No. 14 of 2008 as amended, I, Basil Rohana Rajapaksa, Minister of Economic Development, in consultation with the Minister whom the subject of Ports and Highways has been assigned, do by this Order declared that ;—

- (1) The notification which identified the project for the development of the South Container Terminal under the Colombo Port Expansion, on Build Operate and Transfer (BOT) basis, as a Strategic Development Project for the purposes of the aforesaid Act, was published in the *Gazette Extraordinary* No. 1703/45 dated 29th April, 2011;
- (2) The approval of the Cabinet of Ministers has been obtained in terms of Sub-section (3) of Section 3 to declare that the Project for the development of the South Container Terminal under the Colombo Port Expansion, on Build Operate and Transfer (BOT) basis, be a Strategic Development Project ;
- (3) The above Strategic Development Project shall be called and known as the “Project for the Development of the South Container Terminal under the Colombo Port Expansion, on Build Operate and Transfer (BOT) basis” and that the Project Company is Colombo International Container Terminals Limited.
- (4) The aforesaid Project shall implement and commence commercial operations of the Project at the site.—
 - (a) Stage I of the Project within a period of thirty one (31) months from the effective date as defined in Section 5.5 of the BOT Agreement ; and
 - (b) Stage II of the Project within a period of sixty (60) months from the effective date as defined in Section 5.5 of the BOT Agreement ; and
- (5) The exemptions from the enactments specified in the Schedule to this Order shall apply to the Project Company and to the Sub Contractors approved by the Project Company. Upon the expiration of the said exemptions, the then prevailing taxes shall become applicable.

SCHEDULE

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

A twenty five (25) year corporate income tax holiday period under the Inland Revenue Act, commencing from either the first year in which the Company makes taxable profit or two (2) years after commencement

of commercial operations, whichever falls first. 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 setout above. The company shall be exempted from the payment of withholding tax, on interest of foreign loans taken for capital expenditure and on technical fees to consultants employed in the project.

The tax on dividend distributed to shareholders out of profits shall be exempted from income tax during the said twenty five (25) years tax exemption period and one (01) year thereafter.

A five (05) years tax exemption from PAYE tax shall be applicable for a maximum number of twenty (20) expatriate staff of the Project Company.

(b) 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 implementation/construction period of the project or five (05) years whichever is less from the date of the agreement will be differed. Thereafter the payment of VAT will be zero rated if the services provided fall within the provisions 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 Port and Airport Development Levy Act, No. 18 of 2011

Shall not be applicable during the project implementation/construction period.

(d) Nation Building Tax Act, No. 10 of 2011

Shall not be applicable for a total period of seven (07) years effective from the Effective Date of the commencement implementation/construction of the project as stated in the Build Operate and Transfer Agreement (BOT).

(e) The Finance Act, No. 5 of 2005.

Shall not be applicable for the payment of construction Industry Guarantee Fund Levy during the project implementation/construction period.

(f) 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 in relation to items so imported solely for the purpose of the Project other than the items mentioned in the Negative List. However items in the Negative List will be considered if quantity and quality of such goods are not available in the local market.

BASIL ROHANA RAJAPAKSA, MP,
Minister of Economic Development.

Colombo,
10th August, 2011.

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