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# The Gazette of the Democratic Socialist Republic of Sri Lanka EXTRAORDINARY

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## 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 Mahinda Rajapaksa, Minister of Finance, do by this Order declare that,

1. The Notification containing the relevant information of the Colombo International Financial Centre Mixed Development Project, to construct five vertical iconic towers at the Colombo Port City which was identified as a Strategic Development Project for the purpose of Subsection (2) of Section 3 of the aforesaid Act, was published in Gazette Extraordinary No. 2184/15 dated 15<sup>th</sup> July 2020.
2. The approval of the Cabinet of Ministers has been obtained on 26<sup>th</sup> October, 2020 in terms of Sub-Section (3) of Section 3 of the said Act to identify the Colombo International Financial Centre Mixed Development Project, to construct the first five vertical iconic towers at Colombo Port City, as a Strategic Development Project and for the granting of exemptions to such project, in terms of Sub section (2) of Section 3 of the aforesaid Act.
3. The name of the Strategic Development Project shall be “Colombo International Financial Centre (CIFC) Mixed Development Project” (“the Project”).
4. The Project shall be implemented in two (02) phases as follows:  
Phase I :  
Will consist of one international Grade A high rise-office tower, two high end residential towers and a retail podium.  
Phase II :  
Consists of two international Grade A high-rise office towers and a retail podium.



5. The Project shall commence its commercial operations within Ninety Six (96) months from the date of the Project Agreement entered into between the Board of Investment of Sri Lanka (BOI) and the Company to be incorporated in Sri Lanka for the purpose of undertaking the execution of the Project ("the Project Company"), as may be approved by the BOI. The Project Company shall complete Phase I of the Project within forty eight (48) months from the date of the aforesaid project agreement. The Project Company or a separate company to be incorporated in Sri Lanka for the purpose of undertaking the execution of Phase II of the Project, to be the assignee of the Project Company as approved by the BOI (permitted assignee), shall complete Phase II of the Project within a period of forty eight (48) months from the date of completion of Phase I ("Project Implementation Period").
6. As approved by the Cabinet of Ministers, the Project shall be exempted from the application of the provisions of the enactments specified in the Schedule to this order and shall apply to the Project Company and/or its permitted assignee, subject to the limitations specified and shall be operative for the duration, as specified in the Schedule hereto.

## **SCHEDULE**

### **(1) Inland Revenue Act, No.24 of 2017**

#### **Corporate Income Tax (CIT)**

##### **"Tax Exemption Period"**

Reckoned from the year of assessment, as may be determined by the Board of Investment of Sri Lanka, the provisions of the Inland Revenue Act, No. 24 of 2017 relating to imposition of income tax on the profits and income generated from:

- (i) Approved activities excluding the sale of apartments shall not apply for a period of fifteen (15) years
- (ii) Sale of apartments shall not apply for a period of six (06) years

The said Tax Exemption Period to the entire activities of the Project Company will commence from the year in which the Project Company makes taxable profit or three years after commencement of commercial operation of the Project, which falls first.

##### **"Concessionary period"**

After the expiry of the Tax Exemption Period, concessionary tax rate of seven per centum (7%) per annum or a rate equivalent to fifty per centum (50%) of the corporate tax rate applicable to the tourism sector shall be applicable on the profit and income generated from approved activities for ten (10) years, other than the sale of apartments.

For the profits and income generated from the sale of apartments, the prevailing corporate tax rate will be applicable after the expiry of six (06) year Tax Exemption Period.

For avoidance of doubt, after the expiration of the aforesaid Tax Exemption Period and the Concessionary Period, income tax in respect of the profit and the income of the Project Company shall be applicable in terms of the provisions of the Inland Revenue Act, No.24 of 2017 for the time being in force.

#### **Dividend Tax**

Dividends distributed to the shareholders out of the exempted profit will be exempted from the income tax during the said Tax Exemption Period of fifteen (15) years and one (01) year thereafter.

### **Withholding Tax**

The Project Company shall be exempted from the payment of Withholding Tax on the following;

- (a) on management fees and royalty payments provided however that total of such charges shall not exceed three per centum (3%) of the gross operating revenue;
- (b) on marketing fees, provided however the total of such fees shall not exceed one point five per centum (1.5%) of the gross operating revenue;
- (c) on incentive management fees, provided however the total of such fees shall not exceed ten per centum (10%) of the gross operating profit;
- (d) on interest of foreign loan, and debt taken for capital expenditure and on technical fee.

### **PAYE Tax / Personal Income Tax**

During the Project Implementation Period, up to a maximum number of thirty (30) expatriate staff at any given time shall be exempted from the Pay As You Earn Tax (PAYE)/ Personal Income Tax applicable.

Further, the Project Company shall be required to gradually replace expatriate staff with local employees on a best effort basis.

The following employee related commitments are also agreed to be employed by the Project Company:

- Unskilled labour requirement : to be sourced 75% locally
- Skilled labour requirement : to be sourced 65% locally
- White Collar workers : to be sourced 75% locally (White Collar workers to be paid in foreign currency, if the Project Company is permitted).

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

All imports of project related goods and services and local purchases of project related goods or services required for the implementation of the Project as approved by the Board of Investment of Sri Lanka, shall be fully exempted from the payment of Value Added Tax (VAT) under Value Added Tax Act, No. 14 of 2002 as amended, for a period of ninety six (96) months.

The VAT exemption shall be applicable not only for direct supplies to the Project Company/ Project but also supplies made by a sub-contractor to a contractor for supplies to the Project Company/ Project as prescribed and permitted in the Value Added Tax Act, No. 14 of 2002.

The Project Company shall be liable for the payment of VAT on value of supply as defined in the Value Added Tax Act, No. 14 of 2002 on the commencement of commercial operations.

### **(3) Customs Ordinance (Chapter 235)**

All imports of construction related items will be exempted from the customs duty as approved by the Board of Investment of Sri Lanka, for the purpose of the Project during the Project Implementation Period of ninety six (96) months. All imports of construction related items required for the Project, whether directly imported by the Project Company or sourced through contractors provided that the goods are consigned in the name of the Project Company

shall be exempted from Customs duty (as approved by the Board of Investment of Sri Lanka or the commission once the new law is passed) for the purpose of the project during the Project Implementation Period of ninety six (96) months.

The Items in the Negative List attached, will also not be allowed to be imported duty free, unless such items are either not wholly produced in Sri Lanka or are unavailable in sufficient quality, quantity and within time lines required for Project completion.

As such, in general, construction related goods could be imported through a contractor or sub-contractor in respect of the project within the Project Implementation Period of ninety six (96) months as provided above, only if the Project Company is named as the consignee of such goods. Hence, if such imports have been done along with any other imports, the Project Company shall be solely responsible to ensure that the concessions noted herein shall be available only for construction related goods of the Project Company, if so, for any reason this condition has been violated, taxes and levies payable under laws and regulations prevailing at the time shall apply to all goods that do not form part of construction related goods for the Project and such taxes shall become payable forthwith. It is noted that any personal effects imported by the Project Company for the private/personal use of any employee, consultant or any other of the Project Company shall not be treated as project related goods.

**(4) Ports and Airports Development Levy Act, No. 18 of 2011**

The payment and charge of Ports and Airports Development Levy (PAL) shall be fully exempted on all items, as approved by the Board of Investment of Sri Lanka for implementing the project, (whether directly imported by the Company or source through contractors) during the Project Implementation Period of ninety six (96) months.

**(5) Sri Lanka Export Development Act, No. 40 of 1979**

Import of project related items (as approved by the Board of Investment of Sri Lanka or the commission once the new law is passed) shall be exempted from the payment of CESS during the Project Implementation Period of ninety six (96) months.

**MAHINDA RAJAPAKSA, (M. P.)**  
Minister of Finance

Ministry of Finance,  
Colombo 01,  
March 23, 2021.

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