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The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

අංක 2209/22 - 2021 ජනවාරි මස 05 වැනි අඟහරුවාදා - 2021.01.05
No. 2209/22 - TUESDAY, JANUARY 05, 2021

(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, Mahinda Rajapaksa, Minister of Finance, do by this Notification:

- (1) Identify as a Strategic Development Project for the purposes of the aforesaid Act, the project to set up a “Dedicated Pharmaceutical Manufacturing Zone” (hereinafter referred as “the zone”) in an area of 400 acres of land owned by the Board of Investment of Sri Lanka in Hambantota-Arabokka area in two stages of 200 acres each to facilitate investments made by foreign/local Pharmaceutical Manufacturers, as a project of national interest that is likely to bring economic and social benefits and also to change the landscape of the country. The Board of Investment of Sri Lanka will be the implementing agency under the supervision of the Ministry of Health and the State Ministry of Production, Supply and Regulation of Pharmaceuticals.
- (2) Declare that the infrastructure requirement of the first phase of the zone will be ready within eighteen months (18) months from the date of approval of the Cabinet of Ministers in terms of Section 3(3) of the Strategic Development Projects Act, No. 14 of 2008, as amended.
- (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 proposed exemptions set out in the Schedule below to this Notification shall apply to individual enterprises established within the zone, and will be customized for each said enterprise (hereinafter



referred as “the enterprise”) according to a pre-defined criteria developed based on parameters such as size of investment, type of the product to be manufactured, market orientation, type of patent rights, domestic value addition, manufacturing quality etc. Individual enterprises shall be eligible for selected incentives out of the incentives referred in the Schedule (a) to (e) based on the above criteria.

- (4) The incentives referred in the schedule will be reviewed every five (05) years with effect from the date of approval of the parliament for this zone under Section 3(5) of the Strategic Development Projects Act, No. 14 of 2008, as amended and submitted to the Cabinet for its approval followed by a fresh 3(4) Gazette Notification.
- (5) Granting of incentives for each enterprise will be decided by a committee comprised of Chairman and Director General of Board of Investment of Sri Lanka, Secretary or nominee of Ministry of Health, Secretary or nominee of State Ministry of Production, Supply and Regulation of Pharmaceuticals, Chairman of State Pharmaceutical Corporation, Chairman of State Pharmaceutical Manufacturing Corporation, Chairman of National Medicines Regulatory Authority, Chairman of Export Development Board and Chairman of Central Environmental Authority which will be stipulated in the individual agreement between the Board of Investment of Sri Lanka and the enterprise (hereinafter referred as “BOI Agreement”).

SCHEDULE

(a) Inland Revenue Act, No. 24 of 2017

(a) 1. Corporate Income Tax (CIT)

For income generated through exports

Minimum of five (05) years up to (ten) 10-years tax holiday shall be granted based on the aforesaid criteria. The said exemption period shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years reckoned from the date on which such enterprise commences commercial operations, whichever is earlier.

After the expiry of the aforesaid tax holiday period, the prevailing Corporate Income Tax rate applicable for exporters at that time shall be applicable in respect of the profits generated by the enterprise.

For income generated through import substitution

Minimum of five (05) years up to (ten) 10-years tax concession prevailing for exporters shall be granted based on the aforesaid criteria.

The said concession period shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years reckoned from the date on which such enterprise commences commercial operations, whichever is earlier.

After the expiry of the aforesaid tax concession period, the prevailing Corporate Income Tax rate applicable for manufacturers at that time shall be applicable in respect of the profits generated by the enterprise.

(a) 2. Income Tax on Employment

Upto a maximum number of twenty (20) expatriate employees of the enterprise shall be exempted from income tax arising from gains and profits from employment in the enterprise in the zone for a period of five (05) years.

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

The enterprise shall be exempted from the payment and charge of Value Added Tax (VAT) for importation/ local purchase of capital & construction related items, raw materials and production/process related consumables for both production for export and import substitution.

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

The enterprise shall be exempted from the payment and charge of Ports and Airports Development Levy ("PAL") for importation of capital & construction related items, raw materials and production/process related consumables for both production for export and import substitution.

(d) Customs Ordinance (Chapter 235)

The enterprise shall be exempted from the payment and charge of Customs Duty for import of capital & construction related items, raw materials and production/process related consumables (for the quantities imported for both production for export and import substitution) as approved by the Board of Investment of Sri Lanka excluding the items in the negative list published by the Ministry of Finance. However, any importation of items in the negative list shall be considered by the Board Directors of BOI, where such items are not available in sufficient quality, quantity and to conform to the time lines of the project completion.

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

The enterprise shall be exempted from the payment and charge of CESS under The Sri Lanka Export Development Act, No. 40 of 1979 for importation of capital & construction related items, raw materials and production/process related consumables for both production for export and import substitution.

MAHINDA RAJAPAKSA,
Minister of Finance.

Ministry of Finance,
Colombo 01,
January 05, 2021.

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