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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, do by this Notification, in consultation with the Minister whom the subject of Ports and Highways has been assigned –

- (1) Identify as a Strategic Development Project for the purposes of the aforesaid Act, the project for the development of the South Container Terminal under the Colombo Port Expansion, on Build Operate and Transfer (BOT) basis. The shareholders of this project are China Merchant Holdings (International) Co. Ltd., Aitken Spence PLC Consortium and the Sri Lanka Ports Authority. The project Company is Colombo International Container Terminals Ltd. The total investment of the project is to be around US\$ 500 Mn., and such project is in the national interest and is of economic and social benefit to the Country ;
- (2) Declare that the date of commencement of the aforesaid project will be the Effective Date as stated in the Build Operate and Transfer Agreement (BOT) ; and
- (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 and to subcontractors approved by the Project Company.

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 set out 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 (VAT) Act, 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 deferred. 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,
30th April 2011.

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