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The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

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No. 1829/24 - MONDAY, SEPTEMBER 23, 2013

(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 Sections 3of the Strategic Development Projects Act, No. 14 of 2008 as amended, I, Lakshman Yapa Abeywardena, Minister of Investment Promotion being the Minister in charge of the subject of Investment Promotions, in consultation with the Minister whom the subject of Ministry of Finance do by this Order declare that :

1. The notification containing the relevant information of a Project to set up and operate an Intergrated Resort including minimum 400 room hotel with meeting and convention facilities, gaming activities, fine dining restaurants and other associated facilities at D. R. Wijewardena Mawatha, Colombo in the Western Province, which was identified as a Strategic Development Project for the purpose of aforesaid Act, was published in *Gazette Extraoridnary* No. 1819/29 dated 18th July 2013 :-

2. The approval of Cabinet of Ministers has been obtained in terms of Sub-section (3) of Section 3 to declare the project to set up and operate an Integrated Resort including minimum 400 room hotel with meeting and convention facilities, gaming activities, fine dinning restaurants and other associated facilities at D. R. Wijewardena Mawatha, Colombo in the Western Province as a Strategic Development Project ;

3. The above Strategic Development Project shall be called and known as a "Project to set up and operate an Integrated Resort including minimum 400 room hotel with meeting and convention facilities, gaming activities, fine dinning restarurants and other associated facilities at D. R. Wijewardena Mawatha, Colombo in the Western Province" and that the Project Company is known as Lake Leisure Holdings (Private) Limited ;

4. The aforesaid Project shall commence its commercial operations of the project within a period of Fourty Eight (48) months from the date of the Project Agreement signed with the Board of Investment of Sri Lanka on 27th June 2013 ; and

5. The exemption 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 as provided in the Schedule and shall be operative for the duration specified in this Schedule. The date on which the exemptions shall become operative shall be the 27th June 2013.



SCHEDULE

1. The Inland Revenue Act No. 10 of 2006

(i) Corporate Income Tax

The provisions of the Inland Revenue Act, No. 10 of 2006 as amended relating to the imposition of income tax shall not apply to the profit of the Company to be generated from the activities of the Project for a period of Ten (10) years reckoned from the year of assessment as may be determined by the Board.

The said tax exemption period will commence from the first year in which the Company makes taxable profit or Three (03) years after commencement of commercial operations, whichever falls first.

After the expiration of the aforesaid tax exemption period, the profits and income of the Company shall be charged at the rate of the lower of Six per centum (6%) or Fifty per centum (50%) of the prevailing tax rate for the hotel industry, for a period of Twelve (12) years immediately succeeding the last date of the tax exemption period.

(ii) Tax on Dividends

Dividends distributed to the shareholders out of the exempted profit of the Company will be exempted from the income tax during the said Ten (10) years tax exemption period and One (01) year thereafter.

(iii) Withholding Tax

The Company will be exempted from the payment of Withholding Tax on interest on foreign loans taken for capital expenditure and technical fees, management fees, royalty fees and marketing fees.

The Company will be exempted from the payment of Withholding Tax on management fees, royalty payments and marketing fees provided the fees do not exceed Three Per centum (3%) of gross operating revenues by way of basic management fees/royalties, marketing fees at One point Five per centum (1.5%) of gross operating revenue and Ten per centum (10%) of gross operating profits by way of incentive management fees.

(iv) Paye Tax

The expatriate staff of the Company will be exempted from payment of Pay As You Earn Tax (PAYE) subject to a restriction that this concession shall apply subject to the maximum number of 30 employees. This concession shall be applicable for a period of Five (05) years. The Company is required to gradually replace expatriate staff with local employees on a best-effort basis.

2. 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 during the project implementation period of Forty Eight (48) months will be exempted from charge and payment of VAT. The VAT exemption shall be applicable not only for direct supplies to the Company/Project but also supplies made by a sub-contractor to a contractor for supplies to the Company/Project as described and permitted in the VAT Act, as amended.

The Company shall be liable for the payment of VAT on value of supply as defined in the VAT Act no. 14 of 2002 as amended, on the commencement of commercial operations.

3. Betting and Gaming Levy Act No. 40 of 1988

The liability for the betting and gaming activities shall be as per the provisions of the Betting and Gaming Levy Act, No. 40 of 1988 as amended, such that the prevailing rate on the gross collections will apply (being the amounts collected from customers) excluding the customized cost of incentives/discounts and associated costs including taxes, in attracting the customers.

SCHEDULE (*Contd.*)

4. Port and Airport Development Levy Act, No. 18 of 2011

- The Company will be fully exempted from the payment and charge of Port and Airport Development Levy (PAL) on all items imported for implementing the Project (whether directly imported by the Company or sourced through contractors) as described and permitted in the PAL Act as amended, during the project implementation period, subjected to the same conditions referred to in item 6 below.

5. Finance Act, No. 05 of 2005

The contractor/contractors of the Company shall be exempted from Construction Industry Guarantee Fund Levy imposed under the Finance Act No. 5 of 2005 as amended, in relation to the Project.

6. Customs Duty on Importation of Project Related Items [Customs Ordinance (Chapter 235)]

Exemption from Customs Duty will be applicable to all project related items in capital nature and any other project related items as approved by the Board imported in the name of the Company implementing the Project in relation to items so imported solely for the purpose of the Project whether directly imported by the Company or sourced through the contractors or Sub-contractors to the contractors provided that the goods consigned in the name of the Company other than the items mentioned in the Negative List within the project implementation period of Forty Eight (48) months. The Items in the Negative List will be also exempted from the Custom Duty where such items are either not wholly produced in Sri Lanka or are unavailable in sufficient quality, quantity and time lines for Project completion.

LAKSHMAN YAPA ABEYWARDENA, MP
Minister of Investment Promotions.

Colombo.
23rd September, 2013.

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