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EXTRAORDINARY

අංක 2238/39 - 2021 ජූලි මස 30 වැනි සිකුරාදා - 2021.07.30

No. 2238/39 - FRIDAY, JULY 30, 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 (SDP Act), I, Mahinda Rajapaksa, Minister of Economic Policies and Plan Implementation, do by this Notification :

- (1) Identify as a Strategic Development Project for the purposes of the aforesaid Act, the Development and Operation of West Container Terminal- 1 (hereinafter referred to as “WCT-1”) project under the Colombo Port Expansion project with an envisaged investment of USD 650 million with the aim of consolidating Colombo Port’s position as a transshipment hub for the South Asian Region by providing sufficient container handling capacity and adequate depth for new-generation vessels. The project is proposed to be undertaken on a Build, Operate and Transfer (hereinafter referred to as BOT) basis for a period of thirty-five (35) years as a Private-Public-Partnership (PPP) with M/s Adani Ports and Special Economic Zone Limited, India, John Keells Holdings PLC and Sri Lanka Ports Authority.
- (2) Further, declare that the project will be implemented and commenced commercial operations in three (03) phases as follows:

Phase I

Construction of 600 m of the quay wall and terminal area including requisite infrastructure as specified in the BOT Agreement, which is to be completed and commenced operation within a period of thirty-six (36) months from the date of the BOT Agreement to be signed between the project company and the Sri Lanka Ports Authority.



Phase II

Completion of the full length of the quay wall of 1,400 m including requisite infrastructure as specified in the BOT Agreement, which is to be completed and commenced operation within forty-eight (48) months from the date of the BOT Agreement.

Phase III

Completion of the terminal as specified in the BOT Agreement, which is to be completed and commenced operation within sixty (60) months from the date of the BOT Agreement.

- (3) Declare that the envisaged investment of the project is US\$ 650 million and is expected to be financed on a Debt to Equity ratio of 70:30 and the entire portion of debt is expected to be financed by a foreign loan.
- (4) Specify that for the purposes of the aforesaid Project, in terms of the Strategic Development Projects Act, No. 14 of 2008 as amended, the exemptions set out in Schedule of this Notification shall apply to the Project Company and its contractors and sub-contractors as approved by the Board of Investment of Sri Lanka (hereinafter referred to as "BOI").

SCHEDULE

1. Inland Revenue Act, No. 24 of 2017

- (i) The provisions of the Inland Revenue Act, No. 24 of 2017 relating to the imposition of income tax on the Project Company on the profits and gains generated from the activities from the said Project shall not apply for a period of twenty-five (25) years ("Tax Exemption Period")

The said tax exemption period shall commence from the first year in which the Project Company makes taxable profits or two (02) years after commencement of commercial operations, whichever occurs earlier.

Provided that after the expiry of the aforesaid Tax Exemption Period income tax in respect of the profits, gains and income of the Project Company shall be payable in terms of the provisions of the Inland Revenue Act for the time being in force.

- (ii) Dividends distributed and received by shareholders out of the exempted profit, gains shall be exempted from the income tax during the said Tax Exemption Period of twenty-five (25) years and one (01) year thereafter.
- (iii) The Project Company shall be exempted from the payment of Withholding Tax on the following:
 - a. interest on foreign loans taken for the capital expenditure
 - b. technical fees to consultants employed in the project.
- (iv) The expatriate employees of the project company shall be exempted from the income tax arising from the gains and profits from employment in relation to the aforesaid project for a period of five (05) years subject to a maximum number of 20 expatriates.

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

All imports of project related goods required for the implementation of the project as approved by the BOI, shall be exempted from the payment of Value Added Tax (VAT) during the project implementation period of five (05) years from the date of the BOT Agreement.

VAT on local purchases of project related goods or services during the project implementation period shall be deferred.

Thereafter the payment of VAT will be zero rated if the services provided fall within a the provisions of paragraph (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 payment of VAT at the normal rate.

3. The Ports and Airports Development Levy Act, No. 18 of 2011

The Project Company shall be exempted from the charge and payment of Ports and Airports Development Levy (PAL), on the project related goods as approved by the BOI imported during the Project Implementation Period of five (05) years from the date of the BOT Agreement.

4. Sri Lanka Export Development Act, No. 40 of 1979

Import of project related items as approved by the BOI shall be exempted from the payment of CESS during the Project Implementation Period of five (05) years from the date of the BOT Agreement.

5. Customs Ordinance (Chapter 235)

All Imports of Project related Items (other than the items listed in the Negative List published by the Ministry of Finance) as approved by the BOI, shall be exempted from the payment of Customs Import Duty (CID), during the project implementation period of five (05) years from the date of the BOT Agreement.

However, any importation of items in the Negative List shall be considered by the BOI where such items are either not wholly produced in Sri Lanka or are not available in sufficient quality, quantity and time line for project completion.

MAHINDA RAJAPAKSA, M. P.
Minister of Economic Policies and Plan Implementation.

Ministry of Economic Policies and Plan Implementation,
July 30, 2021.

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