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# The Gazette of the Democratic Socialist Republic of Sri Lanka

## EXTRAORDINARY

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No. 1726/2 - MONDAY OCTOBER 03, 2011

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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, in consultation with the Minister whom the subject of Ministry of Power and Energy has been assigned, do by this Notification.

(1) Identify as a Strategic Development Project for the purposes of the aforesaid Act, the project for the establishment of Coal Based Power Station of 2 x 250 MW capacity, on Build Own Operate (BOO) basis set up a Coal Power Plant at Sampoor situated in the administrative District of Trincomalee in the Eastern Province. The Joint Venture Partners of this project are Ceylon Electricity Board (CEB) and National Thermal Power Corporation Limited (NTPCL). 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 Joint Venture Agreement ;

(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

(4) Declare that the Notification published in the *Gazette Extra Ordinary* No. 1,670/3 dated 06th September 2010 shall be hereby rescinded.

#### 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 Project Company implementing the project after the expiration of the twenty five (25) years as set out above. The Project Company shall be exempted from the payment of withholding tax, on interest paid on foreign loans obtained for capital expenditure, and on technical fees paid 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 eight (08) years tax exemption from PAYE tax shall be applicable for a maximum number of five (05) expatriate staff of the Project Company.

(b) *The 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 and services, including payments payable to contractors and sub contractos shall not be applicable during the implementation / construction period of five (05) years.

Further import of coal, raw material and spare parts shall be exempted from the VAT payment for a period of twenty five (25) years from the date of commencement of commercial operation.

(c) *The Port and Airport Development Levy Act, No. 18 of 2011*

Shall not be applicable during the project implementation / construction period of five (05) years.

Further import of coal, raw material and spare parts shall be exempted from the PAL payment for a period of twenty five (25) years from the date of commencement of commercial operation.

(d) *Nation Building Tax Act, No. 10 of 2011*

Shall not be applicable for the project implementation / construction period of five (05) years.

Further import of coal, raw material and spare parts shall be exempted from the NBT payment for a period of twenty five (25) years from the date of commencement of commercial operation.

(e) *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 of five (05) years.

(f) *Excise (Special Provision) Act, No. 13 of 1989.*

Import of coal, raw material and spare parts shall be exempted from the exercise duty payment for a period of twenty five (25) years from the date of commencement of commercial operation.

(g) *Economic Service Charge (ESC) Act No. 13 of 2006.*

Import of coal, raw material and spare parts shall be exempted from the ESC payment for a period of twenty five (25) years from the date of commencement of commercial operation.

*(h) Customs Ordinance (Chapter 235)*

Exemption from Customs Duty will be applicable to all project related items including equipment, fuel, construction machinery / materials (but excepting liquid fuel) excluding coal, raw material and spare parts, during the project implementation / construction period of five (05) years, as determined by the parties as may be necessary for the successful operation and maintenance of the project.

Further import of coal, raw material and spare parts shall be exempted from the customs duty for a period of twenty five (25) years from the date of commencement of the commercial operation.

BASIL ROHANA RAJAPAKSA, MP  
Minister of Economic Development.

Colombo,  
30th September, 2011.

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