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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 as amended I, Basil Rohana Rajapaksa, Minister of Economic Development, being the Minister in charge of the subjects of Investment and Tourism, do by this Notification —

- (1) Identify as a Strategic Development Project for the purposes of the aforesaid Act, the Project to construct and operate a 475 roomed city hotel with 90 Serviced Apartments at No. 116, Galle Road, Colombo 03 in the Western province with a total investment of United States Dollars One Hundred Fifty Eight Million and Eight Hundred Ninety Thousand (US\$ 158,890,000) as a project of national interest that is likely to bring economic and social benefit and also to change the landscape of the Country, and further notify that Sinolanka Hotels and Spa (private) Limited (“Project Company”) entered into a Project Agreement with the Board of Investment of Sri Lanka on 19th July 2012 ;
- (2) Declare that the date of commencement of the project Shall be 19th July 2012 wherein the project Agreement between the Board of Investment and the Project Company has been executed. The implementation and commencement of commercial operations of the project shall be within Twenty Four (24) months from the date of the said project Agreement ;
- (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 exemptions set out in the Schedule to this Notification shall apply to the project company.

SCHEDULE

(a) The Inland Revenue Act, No. 10 of 2006.

- (i) The provisions of the Inland Revenue Act No. 10 of 2006 relating to the imposition of income tax of the Project Company on the profit from the project shall not apply for a period of ten (10) years (“Tax Exemption Period”). The tax on dividends distributed to shareholders out of profits shall be exempted from income tax during the said Tax Exemption Period and one year thereafter.
- (ii) The said exemption period to commence from the first year in which the Project Company makes taxable profit or three (03) years after commencement of commercial operations, whichever falls first.
- (iii) After the expiration of the aforesaid tax exemption period referred to above the profits and income of the Project Company shall be charged at the rate of the lower of six percentum (6%) or one half of the prevailing tax rate for the hotel industry, for a period of fifteen (15) years immediately succeeding the last date of the Tax Exemption Period (“Tax Concessionary Period”).

- (iv) Provided that after the expiration of the aforesaid Tax Exemption Period and Tax Concessionary Period referred to above, income tax in respect of the profits 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.
- (v) The expatriate staff of the Company shall be exempted from the charge and payment of Pay As You Earn Tax (PAYE) subject to a restriction that this concession shall apply subject to the maximum number of 20 employees. This concession shall be applicable for a period of five years from the date of commencement of commercial operations. The Project Company shall be required to gradually replace expatriate staff with local employees on a best efforts basis.
- (vi) The Project Company shall be exempt from the payment of Withholding Tax on the following :

- (a) on interest on foreign loans taken for capital expenditure.
- (b) on technical fees to consultants.
- (c) on management fees, royalty payments and marketing fees, provided these payments are made to any subsidiary or associate of Hyatt Hotel Corporation, USA including :

Hyatt International South West Asia Ltd
 Hyatt International Corporation
 Hyatt Chain Services Ltd
 International Reservation Ltd
 HGP Travel Ltd,

Provided management and royalty fees does not exceed 3% of gross operating revenue, marketing fees does not exceed 1.5% gross operating revenue and incentive management fees does not exceed 10% gross operating profits.

- (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 during the Project Implementation Period be fully 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 approved by the Project Company as described and permitted in the VAT Act.

The Company shall be liable for the payment of VAT on value of supply as defined in the VAT Act No. 14 of 2002 on the Commencement of commercial operations.

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

The Company shall be exempted from the payment of Ports and Airports 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 Airports Development Levy Act as amended, during the Project Implementation Period.

- (d) Customs Ordinance (Chapter 235)

All imports of project related items required for the Project, whether directly imported by the Project Company or sourced through contractors provided that the goods are consigned in the name of the Company shall be exempted from customs duty as approved by the Board of Investment of Sri Lanka for the purpose of the Project during the implementation period.

Colombo,
 On this 14th day of August 2012.

08-832

BASIL ROHANA RAJAPAKSA, M.P.
 Minister of Economic Development.