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The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

අංක 1847/37 - 2014 ජනවාරි මස 30 වැනි බ්‍රහස්පතින්දා - 2014.01.30
No. 1847/37 -THURSDAY, JANUARY 30, 2014

(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 Section 3 of 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 do by this Order declare that :-

1. The notification containing the relevant information of a Project to set up and operate an Integrated Super Luxury Tourist Resort which consists 400 rooms including high end shopping malls, high quality residencies and office spaces/ service spaces with associated facilities at D. R. Wijewardena Mawatha, Colombo 10. in the District of Colombo, Western Province (the 'Project'), which was identified as a Strategic Development Project for the purpose of aforesaid Act, was published in *Gazette Extraordinary* No. 1841/4 dated 17th December 2013 ;

2. The approval of Cabinet of Ministers has been obtained in terms of Sub-section (3) of Section 3 to declare the project as a Strategic Development Project and such project attracts strategic importance and in the national interest and attracts highest priority in Economic Development as per the Development Strategy of the Government.

3. The above Strategic Development Project shall be called and known as a "Project to set up on operate an Integrated Super Luxury Tourist Resort which consists 400 rooms including high end shopping malls, high quality residencies and office spaces/service spaces with associated facilities at D. R. Wijewardena Mawatha, Colombo 10. in the District of 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 within a period of Forty Eight (48) months from the date as stated in the Project Agreement with the Board of Investment of Sri Lanka.

5. The exemptions from the enactments specified in the Schedule to this order shall apply to the Project Company for the duration specified in the Schedule hereto on the basis that the following conditions shall be complied with :-

- (i) The Foreign Direct Investment of the Project shall be United States Dollars Three Hundred and Fifty Million (US\$ 350Mn.) which shall be made within Forty Eight (48) months from the date of the Project Agreement signed between the Board of Investment of Sri Lanka and the Project Company ; and
- (ii) Account/s shall be maintained by the Project Company in relation to foreign exchange transactions associated with the Project, to ensure effective monitoring.

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, on the imposition of income tax shall not apply on the profit of the Project Company that are generated from the activities of the Project including sale, lease, rent proceeds of apartments, office and services space, room charges and rental income from all tenants, 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 either the first year in which the Project Company makes taxable profit or Three (03) years from the date of commencement of Commercial Operations of the Project, whichever occurs earlier. Commencing immediately after the expiration of the aforesaid Tax Exemption Period, there will be a Partial Tax Exemption Period of Twelve (12) years relating to the profits and income of the Project Company that are generated from the activities of the Project, during which time a tax rate of Six per centum (6%) of fifty per centum (50%) of the Income Tax rate prevailing at the time for the hotel industry, whichever is lower, shall apply.

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

In the event the Project Company expands activities beyond the scope of the Project covered in terms of relevant statutes, profits from such activities shall be liable for corporate income tax in terms of the Inland Revenue Act, as modified proportionately in line with the profitability in terms of volume of business turnover.

(ii) *Tax on Dividends*

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

(iii) *Withholding Tax*

The Project Company will be exempted from having to deduct and pay Withholding Tax with regard to the following :

- on interest on foreign loans and debt taken for capital expenditure and on technical fees ;
- on management fees and royalty payments and provided however the total of such charges does not exceed three per centum (3%) of the gross operating revenue ;
- on marketing fees provided however the total of such fees does not exceed one point five per centum (1.5%) of the gross operating revenue ; and
- on incentive management fees provided however the total of such fees does not exceed ten per centum (10%) of the gross operating profit.

(iv) *PAYE Tax*

The expatriate staff of the Project Company shall be exempted from the charge and of payment 'Pay As You Earn Tax' (PAYE Tax) subject to a restriction that this concession shall apply subject to the maximum number of thirty (30) employees. This concession shall be applicable for a period of five (5) 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.

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

The importation of project related goods and any local purchase of project related goods as approved by the Board of Investment of Sri Lanka or services required for the Project Implementation period of Forty Eight (48) months shall be exempted from the payment of VAT. Any contractor or a subcontractor who supplies to such contractor, to the Project, will be entitled to the deferment as permitted in the VAT Act.

Subject to the above, the Project Company shall be liable to pay VAT as provided in the VAT Act No. 14 of 2002 as amended, on the value of supply as therein defined, from the commencement of commercial operations.

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

Confined to project related goods imported for the Project as approved by the Board of Investment of Sri Lanka, the Project Company shall be exempted from the payment of Ports and Airports Development Levy (PAL) on the importation of project related goods during the Project Implementations Period of Forty Eight (48) months. This exemption shall be applicable on direct imports by the Project Company for the Project or on imports by a contractor or subcontractor for the purpose of the Project, so long as the consignee of such goods is the Project Company, subject to the same conditions referred to in Item 5 below.

(4) The Finance Act, No. 5 of 2005

The contractor/s of the Project 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 during the Project Implementation Period.

(5) 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 of Investment of Sri Lanka imported in the name of the Project Company implementing the Project in relation to items so imported solely for the purpose of the Project whether directly imported by the Project Company or sourced through the contractors or sub-contractors to the contractors provided that the goods are consigned in the name of the Project Company other than the items mentioned in the Negative List within the Project Implementation Period. The Items in the Negative List will be exempted from Customs Duty only where such items are either not wholly produced in Sri Lanka or are unavailable in sufficient quality, quantity and time lines for Project completion.

As such, in general, project related goods could be imported through a contractor or a sub-contractor in respect of the project within the Project Implementation Period as provided above, only if the Project Company is named as the consignee of such goods. Hence, if such imports have been done along with any other imports, the Project Company shall be solely responsible to ensure that the concessions noted herein shall be available only to project related goods of the Project Company. If for any reason this condition has been violated, taxes and levies payable under laws and regulations prevailing at the time shall apply to all goods that do not form part of project related goods for the project and such taxes shall become payable forthwith. It is noted that any personal effects imported by the Project Company for the private/personal use of any employee, consultant or any other of the Project Company shall not be treated as project related goods. It is further noted that in view of the exemptions/concessions granted to the Project Company under the Strategic Development Projects Act, No. 14 of 2008, no tenant or any other party associating with the project or the project company will be granted any exemptions or concessions under this Act, in view of or consequent to such association.

LAKSHMAN YAPA ABEYWARDENA, MP
Minister of Investment Promotion.

Colombo,
30th January, 2014.

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