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The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

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PART I : SECTION (I) — GENERAL

Government Notifications

L.D.B. 4/78 III

THE BOARD OF INVESTMENT OF SRI LANKA, LAW No. 4 OF 1978

REGULATIONS made by the Minister of Enterprise Development and Investment Promotion under Section 24 of the Board of Investment of Sri Lanka Law, No. 4 of 1978.

ROHITHA BOGOLLAGAMA,
Minister of Enterprise Development
and Investment Promotion.

Colombo,
1st November, 2006.

Regulations

1. These Regulations may be cited as the Board of Investment of Sri Lanka Regulations, No. 2 of 2006.

2. The Board of Investment of Sri Lanka established by the Board of Investment of Sri Lanka Law, No. 4 of 1978 (hereinafter referred to as “the Board”) may, in addition to any thing contained in the provisions of any prevailing regulations made by the Board, where it considers it necessary so to do, incorporate in any agreement entered into with an enterprise under Section 17 of the said Law, any one or more of the provisions set out in the Schedule hereto.

3. From and after the date of the coming into operation of these regulations, no exemption or modification shall be granted by the Board under the Board of Investment of Sri Lanka Regulations, No. 3 of 2003 published in Gazette Extraordinary No. 1278/13 of March 6, 2003.

Provided that the Board, may, where it is satisfied that any application for approval for a project has been made prior to the date of the coming into operation of these regulations, extend such exemption or modification to any such project.

4. There shall be charged and levied in respect of all sales in Sri Lanka of finished products by an enterprise, custom duties in terms of Section 10 of the Customs Ordinance (Chapter 235), on all articles which being raw materials, semi-finished products or any other inputs which had been imported into Sri Lanka by the enterprise free of custom duty and which are used in the manufacture, production and processing of such finished products or of any component thereof, other than on garments where a sum of Sri Lanka Rupees Fifty (Rs. 50) per piece has been paid.

5. For the purpose of these regulations —

- (a) “agriculture” includes cultivation of plants of any description, animal husbandry and rearing and/or processing of fish, but excluding processing of black tea ;
- (b) “existing enterprise” means an enterprise other than a new enterprise including an enterprise which has entered into an Agreement with the Board under Section 17 of the said Law or otherwise ;
- (c) “export of services” include garment washing and finishing plants ; embroidery services ; textile dyeing and finishing plants, textile printing; testing of fabric ; computer aided designs for garment and other industries ; vacuum packing of garments ; ship repairing and ship breaking ; bunkering services ; air cargo services ; international passenger services ; repairing of containers ; production of films ; or any other service as may be determined by the Board ;
- (d) “export plantation sector” include tea, rubber, coconut, spices and other crops as may be determined by the Board ;
- (e) “information technology enabled services” include call centers or contact centers, transcription (data entry) centers, hosting centers, e-governance related projects or any other related activity as may be determined by the Board ;
- (f) “Inland Revenue Act” means the Inland Revenue Act, No. 38 of 2000 and shall include any Act which was enacted in its place ;
- (g) “new enterprise” means an entirely new enterprise and shall not involve the reconstitution of an existing business or the transfer of assets of any description from an enterprise within Sri Lanka ;
- (h) “non-traditional goods” include all goods other than black tea in bulk, crepe rubber, sheet rubber, scrap rubber, coconut oil, desiccated coconut (other than desiccated coconut manufactured using continuous scale automated process technology and marketed with a quality guarantee), copra, fresh coconuts, coconut fibre or such other commodity as may be determined by the Board ; and
- (i) “research and development” includes any systematic or intensive study carried out in the field of science or technology with the object of using the result of the study for the production or improvement of materials, devices, products, produce or process other than quality control of products or routine testing materials, devices, products or produce ; research in the social sciences or humanities ; routine data collection ; efficiency surveys or management studies ; and market research or sales promotion.

SCHEDULE

1. A provision to the effect that the provisions of the Inland Revenue Act, relating to the imposition, payment and recovery of income tax in respect of profits and income shall not apply in relation to a new enterprise having a minimum investment in such amount as is specified in Column I below in respect of any period specified in the corresponding entries in Column II below, where such enterprise engages in the production or manufacture of non -traditional goods for export including deemed/indirect exports of not less than eighty per centum (80%) of its output :

<i>Column I</i> <i>Minimum Investment</i>	<i>Column II</i> <i>Period of Exemption</i>
US\$ 250,000 (or its equivalent in Sri Lanka Rupees)	03 Years
US\$ 500,000 (or its equivalent in Sri Lanka Rupees)	05 Years
US\$ 1,000,000 (or its equivalent in Sri Lanka Rupees)	07 Years

The said exemption period shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years reckoned from the date on which such enterprise commences commercial operations, whichever is earlier.

On the expiry of the period of exemption granted above, such enterprise shall, for a further period of two (02) years, immediately succeeding the last date of that year in which the profits and income of the enterprise were so exempt from income tax as above, be charged, with income tax in respect of the profits and income of the enterprise, at the rate of ten per centum (10%) for each year of assessment. Thereafter the enterprise shall be charged with an income tax at the rate of fifteen per centum (15%) for every succeeding year of assessment.

2. A provision to the effect that the provisions of the Inland Revenue Act, relating to the imposition, payment and recovery of income tax in respect of profits and income shall not apply for a period of five (05) years in relation to a new enterprise having a minimum investment of United States Dollars Five Hundred Thousand (US\$ 500,000) or its equivalent in Sri Lanka Rupees, that engages in the export of services and receives not less than seventy per centum (70%) of its turnover in convertible foreign currency.

The said exemption period shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years reckoned from the date on which such enterprise commences commercial operations, whichever is earlier.

On the expiry of the period of exemption granted above, such enterprise shall, for a further period of two (02) years, immediately succeeding the last date of that year in which the profits and income of the enterprise were so exempt from income tax as above, be charged, with income tax in respect of the profits and income of the enterprise, at the rate of ten per centum (10%) for each year of assessment. Thereafter the enterprise shall be charged with an income tax at the rate of fifteen per centum (15%) for every succeeding year of assessment.

3. A provision to the effect that the provisions of the Inland Revenue Act, relating to the imposition, payment and recovery of income tax in respect of profits and income shall not apply for a period of five (05) years in relation to a new enterprise having a minimum investment of United States Dollars One Hundred and Fifty Thousand (US\$ 150,000) or its equivalent in Sri Lanka Rupees, that engages in the manufacture of industrial tools, equipment, components and machinery.

The said exemption period shall be reckoned from the year in which the enterprise commences to make profits or any year or assessment not later than two (02) years reckoned from the date on which such enterprise commences commercial operations, whichever is earlier.

On the expiry of the period of exemption granted above, such enterprise shall, for a further period of two (02) years, immediately succeeding the last date of that year in which the profits and income of the enterprise were so exempt from income tax as above, be charged, with income tax in respect of the profits and income of the enterprise, at the rate of ten per centum (10%) for each year of assessment. Thereafter the enterprise shall be charged with an income tax at the rate of twenty per centum (20%) for every succeeding year of assessment.

4. A provision to the effect that the provisions of the Inland Revenue Act, relating to the imposition, payment and recovery of income tax in respect of profits and income shall not apply for a period of five (05) years in relation to a new enterprise that engages in a small scale infrastructure project, having a minimum investment of -

- (a) United States Dollars Five Hundred Thousand (US\$ 500,000) or its equivalent in Sri Lanka Rupees, that engages in power generation ; or either in tourism and recreation ; or in tourism or recreation ; or either in construction and operation of warehouses including logistic and supply chain management and cold storage ; or in construction and operation of warehouses including logistic and supply chain management or cold storage ; or either in garbage collection and disposal ; or in garbage collection or disposal ; or in the construction of supper markets ; or in the construction and operation of hospitals ; or in water supply ; or in infrastructure required for film or cinema industry ; or
- (b) United States Dollars Five Hundred Thousand (US\$ 500,000) or its equivalent in Sri Lanka Rupees, that engages in the construction of houses comprising not less than twenty five (25) houses or housing units in not more than four (04) locations ; or
- (c) United States Dollars Five Hundred Thousand (US\$ 500,000) or its equivalent in Sri Lanka Rupees, that engages in any special project as approved either by the Cabinet of Ministers or by the Cabinet Sub-Committee on Investment Facilitation, as the case may be ; or
- (d) United States Dollars Five Million (US\$ 5,000,000/-) or its equivalent in Sri Lanka Rupees, that engages in any other infrastructure or construction activity as may be approved by the Board.

The said exemption period shall be reckoned from the year in the which the enterprise commences to make profits or any year or assessment nor later than two (02) years reckoned from the date on which such enterprise commences commercial operations, whichever is earlier.

On the expiry of the period of exemption granted above, such enterprise shall, for a further period of two (02) years, immediately succeeding the last date of that year in which the profits and income of the enterprise where so exempt from income tax as above, be charged, with income tax in respect of the profits and income of the enterprise, at the rate of ten per centum (10%) for each year of assessment. Thereafter the enterprise shall be charged with an income tax at the rate of twenty per centum (20%) for every succeeding year of assessment.

5. A provision to the effect that the provisions of the Inland Revenue Act, relating to the imposition, payment and recovery of income tax in respect of profits and income shall not apply in relation to a new enterprise or an existing enterprise that has entered into an Agreement with the Board under Section 17 of the said Law, having a minimum investment of United States Dollars One Hundred and Fifty Thousand (US\$ 150,000) or its equivalent in Sri Lanka Rupees shall, if such enterprise engages either in information technology and information technology enabled services ; or in information technology or information technology enabled services, as the case may be, be entitled to the periods of exemptions specified in Column II below, provided that –

- (a) in the case of a new enterprise, such enterprise shall employ such number of local persons, and
- (b) in the case of an existing enterprise that has entered into an Agreement with the Board in terms of Section 17 of the said Law, such an enterprise shall increase its number of local employees to such number of local persons over and above the existing employment,

as is specified in Column I as set out below and further such number shall include not less than fifteen (15) technically qualified local persons :

<i>Column I</i> <i>Number of Employees</i>	<i>Column II</i> <i>Period of Exemption</i>
Up to 250	05 Years
251 - 400	06 Years
401 - 600	07 Years
601 - 800	08 Years
801 - 1,000	10 Years
1,001 - 2,000 and above	12 Years

The said exemption period shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years reckoned from the date on which such enterprise commences commercial operations, whichever is earlier.

On the expiry of the period of exemption granted above, such enterprise shall, for a further period of two (02) years, immediately succeeding the last date of that year in which the profits and income of the enterprise were so exempt from income tax as above, be charged, with income tax in respect of the profits and income of the enterprise, at the rate of ten per centum (10%) for each year of assessment. Thereafter the enterprise shall be charged with an income tax at the rate of twenty per centum (20%) for every succeeding year of assessment.

Provided that an enterprise which is engaged in an export of services and receives not less than seventy per centum (70%) of its turnover in convertible foreign currency shall be charged with an income tax at the rate of fifteen per centum (15%) for every succeeding year of assessment.

6. A provision to the effect that the provisions of the Inland Revenue Act relating to the imposition, payment and recovery of income tax in respect of profits and income shall not apply in relation to a new enterprise or an existing enterprise that has entered into an Agreement with the Board under Section 17 of the said Law, having a minimum investment of United States Dollars One Hundred Fifty Thousand (US\$ 150,000) or its equivalent in Sri Lanka Rupees, that engages in a Business Process Outsourcing Industry and receives not less than seventy per centum (70%) of its turnover in convertible foreign currency be entitled to the periods of exemptions specified in Column II below, provided that -

- (a) in the case of a new enterprise, such enterprise shall employ such number of local persons, and
- (b) in the case of an existing enterprise that has entered into an Agreement with the Board in terms of Section 17 of the said Law, such an enterprise shall increase its number of local employees to such number of local persons over and above the existing employment,

as is specified in Column I as set out below :

<i>Column I</i> <i>Number of Employees</i>	<i>Column II</i> <i>Period of Exemption</i>
Up to 100	03 Years
101 - 250	05 Years
251 - 500	06 Years
501 - 1,000	08 Years
1,001 - 1,500	10 Years
1,501 - 2,000 and above	12 Years

The said exemption period shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years reckoned from the date on which such enterprise commences commercial operations, whichever is earlier.

On the expiry of the period of exemption granted above, such enterprise shall, for a further period of two (02) years, immediately succeeding the last date of that year in which the profits and income of the enterprise were so exempt from income tax as above, be charged, with income tax in respect of the profits and income of the enterprise, at the rate of ten per centum (10%) for each year of assessment. Thereafter the enterprise shall be charged with an income tax at the rate of fifteen per centum (15%) for every succeeding year of assessment.

7. A provision to the effect that the provisions of the Inland Revenue Act relating to the imposition, payment and recovery of income tax in respect of profits and income shall not apply in relation to a new enterprise having a minimum investment of United States Dollars One Hundred Thousand (US\$ 100,000) or its equivalent in Sri Lanka Rupees, that establishes in such areas as may be determined by the Board, a Training Institute consisting of, or undertakes to carry out training at, such number of units as are specified in Column II below, to engage in the training of such number of students per annum as is specified in the corresponding entries in Column I below, in respect of any period as is specified in the corresponding entries in Column III below :

<i>Column I</i>	<i>Column II</i>	<i>Column III</i>
<i>Number of Students to be Trained per annum</i>	<i>Number of Units Outside Colombo and Gampaha Districts</i>	<i>Period of Exemption</i>
250	-	05 Years
500	1	06 Years
750	2	07 Years
1,000	3	08 Years
1,250	4	09 Years
1,500	5	10 Years
1,750	6	11 Years
2,000	7	12 Years

The said exemption period shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years reckoned from the date on which such enterprise commences commercial operations, whichever is earlier.

On the expiry of the period of exemption granted above, such enterprise shall, for a further period of two (02) years, immediately succeeding the last date of that year in which the profits and income of the enterprise were so exempt from income tax as above, be charged, with income tax in respect of the profits and income of the enterprise, at the rate of ten per centum (10%) for each year of assessment. Thereafter the enterprise shall be charged with an income tax at the rate of twenty per centum (20%) for every succeeding year of assessment.

8. A provision to the effect that the provisions of the Inland Revenue Act relating to the imposition, payment and recovery of income tax in respect of profits and income shall not apply in relation to an existing enterprise having a minimum investment of United States Dollars One Hundred Thousand (US\$ 100,000) or its equivalent in Sri Lanka Rupees, that establishes or sets up an expansion unit or units to undertake training in such additional areas as may be determined by the Board, and engages in the training of such number of students per annum as are specified in Column I below by the establishment of such number of units as are specified in the corresponding entries in Column II below, in respect of any period as is specified in the corresponding entries in Column III below :

<i>Column I</i>	<i>Column II</i>	<i>Column III</i>
<i>Number of Students to be Trained per annum</i>	<i>Number of Units Outside Colombo and Gampaha Districts</i>	<i>Period of Exemption</i>
500	1	06 Years
750	2	07 Years
1,000	3	08 Years
1,250	4	09 Years
1,500	5	10 Years
1,750	6	11 Years
2,000	7	12 Years

The said exemption period shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years reckoned from the date on which such enterprise commences commercial operations, whichever is earlier.

On the expiry of the period of exemption granted above, such enterprise shall, for a further period of two (02) years, immediately succeeding the last date of that year in which the profits and income of the enterprise were so exempt from income tax as above, be charged, with income tax in respect of the profits and income of the enterprise, at the rate of ten per centum (10%) for each year of assessment. Thereafter the enterprise shall be charged with an income tax at the rate of twenty per centum (20%) for every succeeding year of assessment.

9. A provision to the effect that the provisions of the Inland Revenue Act relating to the imposition, payment and recovery of income tax in respect of profits and income shall not apply for a period of Three (03) years in relation to a new enterprise having a minimum investment of United States Dollars Two Hundred and Fifty Thousand (US\$ 250,000) or its equivalent in Sri Lanka Rupees, for the management of a business that establishes a regional operating headquarters, comprising two (02) or more off-shore companies established outside Sri Lanka for providing any two (02) or more of the following services :

- (a) Administration, business planning and co-ordination ;
- (b) Sourcing of raw materials and components ;
- (c) Research and development services ;
- (d) Technical support services ;
- (e) Financial and treasury management ; and
- (f) Marketing and sales promotion.

Provided that such enterprise shall receive not less than seventy per centum (70%) of its turnover from such off-shore companies in convertible foreign currency.

Profits and income of such enterprise shall include the dividends received from such off-shore companies.

The said exemption period shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years reckoned from the date on which such enterprise commences commercial operations, whichever is earlier.

On the expiry of the period of exemption granted above, such enterprise shall, for a further period of two (02) years, immediately succeeding the last date of that year in which the profits and income of the enterprise were so exempt from income tax as above, be charged, with income tax in respect of the profits and income of the enterprise, at the rate of ten per centum (10%) for each year of assessment. Thereafter the enterprise shall be charged with an income tax at the rate of fifteen per centum (15%) for every succeeding year of assessment.

10. A provision to the effect that the provisions of the Inland Revenue Act relating to the imposition, payment and recovery of income tax in respect of profits and income shall not apply for a period of five (05) years in relation to a new enterprise having a minimum investment of United States Dollars Five Million (US\$ 5,000,000) or its equivalent in Sri Lanka Rupees, which enterprise with the approval of the Board, engages in any industry or any other business activity, which is connected to advanced technology or which is of a pioneering nature.

The said exemption period shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years reckoned from the date on which such enterprise commences commercial operations, whichever is earlier.

On the expiry of the period of exemption granted above, such enterprise shall, for a further period of two (02) years, immediately succeeding the last date of that year in which the profits and income of the enterprise were so exempt from income tax as above, be charged, with income tax in respect of the profits and income of the enterprise, at the rate of ten per centum (10%) for each year of assessment. Thereafter the enterprise shall be charged with an income tax at the rate of twenty per centum (20%) for every succeeding year of assessment.

Provided that if such enterprise :

- (i) is engaged in an export oriented industry and exports not less than eighty per centum (80%) of its products ; or
- (ii) is engaged in an export of services and receives not less than seventy per centum (70%) of its turnover in convertible foreign currency,

such enterprise shall be charged with income tax at the rate of fifteen per centum (15%) for every succeeding year of assessment.

11. A provision to the effect that the provisions of the Inland Revenue Act relating to the imposition, payment and recovery of income tax in respect of profits and income shall not apply for a period of five (05) years in relation to a new enterprise having a minimum investment of United States Dollars One Hundred Thousand (US \$ 100,000) or its equivalent in Sri Lanka Rupees, that engages in research and development.

The said exemption period shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years reckoned from the date on which such enterprise commences commercial operations, whichever is earlier.

On the expiry of the period of exemption granted above, such enterprise shall, for any year of assessment, immediately succeeding the last date of that year in which the profits and income of the enterprise were so exempt from income tax as above, be charged, with income tax in respect of the profits and income of the enterprise, at the rate of fifteen per centum (15%) for every succeeding year of assessment.

12. A provision to the effect that the provisions of the Inland Revenue Act relating to the imposition, payment and recovery of income tax in respect of profits and income shall not apply for a period of five (05) years in relation to a new enterprise having a minimum investment of United States Dollars One Hundred and Fifty Thousand (US \$ 150,000) or its equivalent in Sri Lanka Rupees, that engages in either agriculture and agro-processing or in agriculture or agro-processing, as the case may be.

The said exemption period shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years reckoned from the date on which such enterprise commences commercial operations, whichever is earlier.

On the expiry of the period of exemption granted above, such enterprise shall, for any year of assessment, immediately succeeding the last date of that year in which the profits and income of the enterprise were so exempt from income tax as above, be charged, with income tax in respect of the profits and income of the enterprise, at the rate of –

- (a) fifteen per centum (15%) if such enterprise is export oriented and exports not less than seventy per centum (70%) of its products ; and
- (b) twenty per centum (20%) in all other cases

for every succeeding year of assessment.

13. A provision to the effect that the provisions of the Inland Revenue Act relating to the imposition, payment and recovery of income tax in respect of profits and income shall not apply for a period of five (05) years in relating to -

- (a) an existing enterprise which undertakes modernization of food and beverages processing units in the export plantation sector in order that such unit qualifies for Hazard Analysis Critical Control Point (HACCP) Certification or any other internationally recognized certification ; or
- (b) a new enterprise that engages in establishing food and beverages processing units in the export plantation sector in order to obtain Hazard Analysis Critical Control Point (HACCP) Certification or internationally recognized certification,

having a minimum investment of United States Dollar One Hundred and Fifty Thousand (US \$ 150,000) or its equivalent in Sri Lanka Rupees.

The said exemption period shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years reckoned from the date on which such enterprise commences commercial operations, which ever is earlier.

On the expiry of the period of exemption granted above, such enterprise shall, for any year of assessment, immediately succeeding the last date of that year in which the profits and income of the enterprise were so exempt from income tax as above, be charged, with income tax in respect of the profits and income of the enterprise, at the rate of fifteen per centum (15%) if such enterprise exports not less than eighty per centum (80%) of its products for every succeeding year of assessment.

14. A provision to the effect that the provisions of the Inland Revenue Act relating to the imposition, payment and recovery of income tax in respect of profits and income shall not apply for a period of five (05) years in relation to a new enterprise that engages in the business of an export trading house exporting the entirety of the locally procured manufactured products and re-exporting the entirety of the imported products ; or undertaking both activities, having an annual value of the turnover as set out in Column I below which corresponds to the percentages set out in Column II below : Provided that such enterprise shall establish or locate its warehouse within an Export Processing Zone of the Board or an approved Customs Bonded Warehouse located outside an Export Processing Zone :

<i>Column I</i>	<i>Column II</i>
<i>Annual Value of Turnover</i>	<i>Income Tax Liability</i>
US \$ 5 - 10 Million (or its equivalent in designated currency)	10%
US \$ 10 - 25 Million (or its equivalent in designated currency)	5%
Over US \$ 25 Million (or its equivalent in designated currency)	Exempt

The said exemption period shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years reckoned from the date on which such enterprise commences commercial operations, which ever is earlier.

On the expiry of the period of exemption granted above, such enterprise shall, for any year of assessment, immediately succeeding the last date of that year in which the profits and income of the enterprise were so exempt from income tax as above, be charged, with income tax in respect of the profits and income of the enterprise, at the rate of fifteen per centum (15%) for every succeeding year of assessment.

15. A provision to the effect that the provisions of the Inland Revenue Act relating to the imposition, payment and recovery of income tax in respect of profits and income shall not apply in relation to a new enterprise that is formed by the acquisition of assets of any existing enterprise engaged in a large scale project relating to -

- (a) petroleum and petroleum products ; or
- (b) power generation, transmission and distribution ; or
- (c) development of highways, sea ports, airports, railway, public transport and water services ; or
- (d) either in agriculture and agro processing services other than processing of black tea in bulk ; or in agriculture or agro processing services other than processing of black tea in bulk ; or
- (e) any other infrastructure project as may be approved by the Board

having a minimum investment in such amount as is specified in Column I below for such period as specified in the corresponding entries in Column II below :

<i>Column I</i> <i>Minimum Investment</i>	<i>Column II</i> <i>Period of Exemption</i>
US \$ 12,500,000 (or its equivalent in Sri Lanka Rupees)	05 Years
US \$ 25,000,000 (or its equivalent in Sri Lanka Rupees)	06 Years
Over US \$ 50,000,000 (or its equivalent in Sri Lanka Rupees)	08 Years

The said exemption period shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years reckoned from the date on which such enterprise commences commercial operations, which ever is earlier.

On the expiry of the period of exemption granted above, such enterprise shall, for any year of assessment, immediately succeeding the last date of that year in which the profits and income of the enterprise were so exempt from income tax as above, be charged, with income tax in respect of the profits and income of the enterprise, at the rate of fifteen per centum (15%) for every succeeding year of assessment.

16. A provision to the effect that the provisions of the Inland Revenue Act relating to the imposition, payment and recovery of income tax in respect of profits and income shall not apply in relation to a new enterprise that engages in a large scale project relating to -

- (a) power generation, transmission and distribution ; or
- (b) development of highways, sea ports, airports, railway, public transport and water services ; or
- (c) any other infrastructure project as may be approved by the Board ; or
- (d) large scale manufacturing or service industry project or any other business activity for export as may be approved by the Board,

having a minimum investment in such amount as is specified in Column I below for such period as specified in the corresponding entries in Column II below :

<i>Column I</i> <i>Minimum Investment</i>	<i>Column II</i> <i>Period of Exemption</i>
US \$ 12,500,000 (or its equivalent in Sri Lanka Rupees)	06 Years
US \$ 25,000,000 (or its equivalent in Sri Lanka Rupees)	08 Years
US \$ 50,000,000 (or its equivalent in Sri Lanka Rupees)	10 Years
US \$ 75,000,000 (or its equivalent in Sri Lanka Rupees)	12 Years
US \$ 100,000,000 (or its equivalent in Sri Lanka Rupees)	15 Years

The said exemption period shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years reckoned from the date on which such enterprise commences commercial operations, which ever is earlier.

On the expiry of the period of exemption granted above, such enterprise shall, for any year of assessment, immediately succeeding the last date of that year in which the profits and income of the enterprise were so exempt from income tax as above, be charged, with income tax in respect of the profits and income of the enterprise, at the rate of fifteen per centum (15%) for every succeeding year of assessment.

The provisions referred to above shall also be applicable to an existing enterprise that has entered into an Agreement with the Board under Section 17 of the said Law, and such enterprise makes an additional investment in an amount as is set out in Column I above for expansion of activities, shall be entitled to an additional tax exemption period calculated on the figures indicated in Column II above excluding the tax exemption period already enjoyed by the enterprise.

17. A provision to the effect that the provisions of the Inland Revenue Act relating to the imposition, payment and recovery of income tax in respect of profits and income shall not apply in relation to a new enterprise that engages in a large scale project relating to the establishment of Industrial Estates including the development and management of Industrial Estates or Special Economic Zones ; or both, having a minimum investment in such amount as is specified in Column I below for such period as specified in the corresponding entries in Column II below :

<i>Column I</i> <i>Minimum Investment</i>	<i>Column II</i> <i>Period of Exemption</i>
US \$ 500,000 (or its equivalent in Sri Lanka Rupees)	03 Years
US \$ 1,000,000 (or its equivalent in Sri Lanka Rupees)	05 Years
US \$ 5,000,000 (or its equivalent in Sri Lanka Rupees)	06 Years
US \$ 10,000,000 (or its equivalent in Sri Lanka Rupees)	07 Years
US \$ 15,000,000 (or its equivalent in Sri Lanka Rupees)	08 Years
US \$ 20,000,000 (or its equivalent in Sri Lanka Rupees)	09 Years
US \$ 25,000,000 (or its equivalent in Sri Lanka Rupees)	10 Years
US \$ 50,000,000 (or its equivalent in Sri Lanka Rupees)	12 Years
US \$ 75,000,000 (or its equivalent in Sri Lanka Rupees)	15 Years

The said exemption period shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years reckoned from the date on which such enterprise commences commercial operations, which ever is earlier.

On the expiry of the period of exemption granted above, such enterprise shall, for any year of assessment, immediately succeeding the last date of that year in which the profits and income of the enterprise were so exempt from income tax as above, be charged, with income tax in respect of the profits and income of the enterprise, at the rate of fifteen per centum (15%) for every succeeding year of assessment.

18. A provision to the effect that the provisions of the Inland Revenue Act relating to the imposition, payment and recovery of income tax in respect of profits and income shall not apply in relation to a new enterprise having a minimum investment in such amount as is specified in Column I below, for such period as is specified in the corresponding entries in Column II below, that engages in the production or manufacture for export of textile and fabric manufacturing, printing, dyeing, washing and finishing, provided that it exports (including deemed exports) not less than eighty per centum (80%) of its products :

<i>Column I</i> <i>Minimum Investment</i>	<i>Column II</i> <i>Period of Exemption</i>
US \$ 500,000 (or its equivalent in Sri Lanka Rupees)	05 Years
US \$ 1,000,000 (or its equivalent in Sri Lanka Rupees)	08 Years
US \$ 5,000,000 (or its equivalent in Sri Lanka Rupees)	10 Years
US \$ 7,500,000 (or its equivalent in Sri Lanka Rupees)	12 Years
US \$ 10,000,000 (or its equivalent in Sri Lanka Rupees)	15 Years

The said exemption period shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years reckoned from the date on which such enterprise commences commercial operations, whichever is earlier : Provided however, if the project is to be set up in a Textile Processing Zone the said exemption period shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than three (03) years reckoned from the date on which such enterprise commences commercial operations, whichever is earlier.

On the expiry of the period of exemption granted above, such enterprise shall, for a further period of two (02) years, immediately succeeding the last date of that year in which the profits and income of the enterprise were so exempt from income tax as above, be charged, with income tax in respect of the profits and income of the enterprise, at the rate of ten per centum (10%) for each year of assessment. Thereafter the enterprise shall be charged with an income tax at the rate of fifteen per centum (15%) for every succeeding year of assessment.

19. A provision to the effect that the provisions of the Inland Revenue Act relating to the imposition, payment and recovery of income tax in respect of profits and income shall not apply for a period of five (05) years in relation to a new enterprise having a minimum investment of United States Dollars One Hundred and Fifty Thousand (US \$ 150,000) or its equivalent in Sri Lanka Rupees, that establishes or sets up an export trading house for the rural sector exporting the entirety of the procured agricultural products, handicraft items, handloom and other locally manufactured products other than apparel or any other rural products : Provided that the collection centres are established or set up outside the Districts of Colombo and Gampaha.

The said exemption period shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years reckoned from the date on which such enterprise commences commercial operations, whichever is earlier.

On the expiry of the period of exemption granted above, such enterprise shall, for a further period of two (02) years, immediately succeeding the last date of that year in which the profits and income of the enterprise were so exempt from income tax as above, be charged, with income tax in respect of the profits and income of the enterprise, at the rate of ten per centum (10%) for each year of assessment. Thereafter the enterprise shall be charged with an income tax at the rate of fifteen per centum (15%) for every succeeding year of assessment.

20. The Board may enter into an agreement under Section 17 of the said Law with an existing non - Board approved enterprise which is engaged in a hotel industry of a three (03) Star or above category as may be approved by the Board and incorporate in such agreement the provisions of paragraphs (vi) and (vii) of Regulation 2 of Regulations No. 1 of 1978 and published in *Gazette Extraordinary* No. 8/2 of October 31, 1978 as amended with a minimum investment of United States Dollars Five Million (US \$ 5,000,000) or its equivalent in Sri Lanka Rupees where the majority of the issued share capital of such enterprise is owned by foreign investor/s, or with a minimum investment of United States Dollars One Million (US \$ 1,000,000) or its equivalent in Sri Lanka Rupees where the majority of the issued share capital of such enterprise is owned by local investor/s.

Provided that the inclusion of the above exemptions or modifications in an agreement, shall not in anyway prejudice the right of any enterprise, of enjoying any benefit or privilege accorded to it under the provisions of any other written law.