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EXTRAORDINARY

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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 in terms of Sub-section (4) of Section 3 of the Strategic Development Projects Act, No. 14 of 2008 as amended, I, Lakshman Yapa Abeywardena, being the Minister in charge of the subject of Investment Promotion, in consultation with the Minister in charge of the subject of Finance, do by this Order declare that :-

(1) The notification containing the relevant information of a project to undertake Mixed Development Project with an Apartment Complex at No. 418, 420 and 422, R. A. De Mel Mawatha, Colombo 03 in the Western Province (the "Project"), which was identified as a Strategic Development Project for the purpose of aforesaid Act, was published in Gazette Extraordinary No. 1846/52 dated 24th January 2014.

(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 undertake Mixed Development Project with an Apartment Complex at No. 418, 420 and 422, R. A. De Mel Mawatha, Colombo 03 in the Western Province" and that the Project Company is known as Avic International Hotels (Lanka) Limited.

(4) The aforesaid Project shall commence its commercial operations within sixty (60) months from the date stated in the Project Agreement with the Board of Investment of Sri Lanka.

(5) The exemption from the enactments specified in the Schedule to this order shall apply to the Project Company subject to the limitations specified therein and shall be operative for the duration specified in this Schedule hereto.



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 relating to the imposition of income tax shall not apply for a period of ten (10) years to the profit of the Project other than the sale of apartments and only a tax exemption period of 6 years for the income generated through sale of apartments.

The tax holiday period for the income generated through the sale of apartments under the same conditions specified above will be only six (06) years as decided by the Board.

The said tax exemption period shall commence from the year in which the Project Company makes its taxable profits or six (06) years after commencement of construction of the Project, whichever occurs earlier.

After the expiry of the tax holiday period, on the profit generated from activities other than the sale of apartments, fifty per cent (50%) of Corporate Tax shall be applicable for fifteen (15) years.

For avoidance of doubt, after the expiration of the aforesaid tax exemption period and the concessionary period, income tax in respect of the profit and income of the enterprise shall be applicable in terms of the provisions of the Inland Revenue Act for the time being in force.

(ii) ***Tax on Dividends***

Dividends distributed to the shareholders out of the exempted profit shall be exempted from the income tax during the said tax exemption period of Ten (10) years or Six (06) years as the case may be and one (01) year thereafter.

(iii) ***Withholding Tax***

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

- (a) on interest on foreign loans taken for capital expenditure and on technical fees paid to consultants ;
- (b) on management fees and royalty payments provided however the total of such charges does not exceed three per centum (3%) of the gross operating revenue ;
- (c) 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 ;
- (d) 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 payment of Pay As You Earn Tax (PAYE) subject to a restriction that this concession shall apply to a maximum number of twenty (20) employees at any given time. Subject to such ceiling, this exemption is available for expatriate project implementation staff during the Project Implementation Period of five (05) years and for expatriate Project operational staff for a period of five (05) years from the date of commencement of commercial operations of the Project. Provided however, no single employee could be given this exemption for a period in excess of five (05) years. Further, the Project Company is required to gradually replace expatriate staff with local staff, on a best-efforts basis.

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

The payment of Value Added Tax (VAT) on the importation of Project related goods and the local purchase of the project related goods or services as approved by the Board of Investment of Sri Lanka required for the implementation of the project, shall be exempted from the payment of VAT, during the project implementation period of Sixty (60) months. Any contractor or a sub-contractor who supplies to such contractor, to the Project, will be entitled to the deferment as permitted in the VAT Act.

The Company shall be liable for the payment of VAT as provided in the VAT Act, No. 14 of 2002 from the commencement of commercial operations.

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

The Company shall be exempted from the payment and charge of Ports and Airports Development Levy (PAL) on the project related goods as approved by the Board of Investment of Sri Lanka imported during the Project Implementation Period of Sixty (60) Months. This exemption shall be applicable on direct imports by the Project Company for the Project or on imports by a contractor or sub-contractor for the purposes of the Project, so long as the consignee of such goods is the Project Company, subject to the same conditions referred to the item (5) below.

(4) Construction Industry Guarantee Fund Levy

The Project Company/Contractors shall be exempted from Construction Industry Guarantee Fund Levy imposed under the Finance Act, No. 5 of 2005 in relation to the project.

(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 Company implementing the Project in relation to items so imported solely for the purpose of the Project whether directly imported by the Company or sourced through the contractors or sub-contractors to the contractors provided that the goods consigned in the name of the Company other than the items mentioned in the Negative List within the project implementation period of Sixty (60) Months. The Items in the Negative List will be also exempted from the Customs Duty 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 of Sixty (60) Months 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 so, 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 in view of or consequent to such association.

LAKSHMAN YAPA ABEYWARDENA, MP
Minister of Investment Promotion.

Colombo,
16th June, 2014.

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