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The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

අංක 1872/9 - 2014 ජූලි මස 22 වැනි අඟහරුවාදා - 2014.07.22

No. 1872/9 - TUESDAY JULY 22, 2014

(Published by Authority)

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, 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 Notification.

1. Identify as a Strategic Development Project for the purposes of the aforesaid Act, a project to undertake Re-Development and Mixed Development Project (“Project”) on a land in extent eight (08) Acres located at Slave Island, Colombo 02 (“said area”) in the Western Province with an envisaged investment of United States Dollars Four Hundred and Twenty Nine decimal Five Million (US\$ 429.5 Mn) which includes foreign direct investment of United States Dollars One Hundred and Thirty Million (US \$ 130 Mn). The Re-Development of the said area will bring significant change in the landscape of Colombo city through higher standard of living associated with better quality of life to the habitants whilst the establishment of the Mixed Development Project will importantly contribute to the economic development of the Country:

- (i) through the inflow of foreign exchange inflows and strategic importance of the establishment of re-development and mixed development project with a total investment of United States Dollars Four Hundred and Twenty Nine decimal Five Million (US\$ 429.5 Mn) which includes foreign direct investment of United States Dollars One Hundred and Thirty Million (US \$ 130 Mn) within the Project Implementation Period of Eight (08) years from date of the Agreement signed between the Board of Investment of Sri Lanka and the Project Company;
- (ii) this Project being a pioneer concept for urban renewal enabling the Urban Development Authority to acquire private lands in under developed/underserved areas of Colombo City and provide a better housing/ commercial area with amenities to the habitants on a part of the said area. This approach ensures the habitants to continue to enjoy the locational advantages and to improve their quality of life and living standards;
- (iii) through the construction of residential and commercial buildings including luxury apartments and commercial spaces create avenue for development of a world class project that will transform the urban landscape and uplift the profile of the entire area.; and
- (iv) through potential employment generation and consequent income earning opportunities for the people of Sri Lanka.



2. The Project Company is M/s. One-Colombo Project (Private) Limited ("Project Company"). The date of commencement of implementation and commercial operations of the Project shall be within Eight (08) years from the date of the Project Agreement signed between the Board of Investment of Sri Lanka and the Project Company.

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 this Notification shall apply to the Project Company.

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 Six (06) years for the income generated through sale of apartments.

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 six (06) 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 Project Company 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 that 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, and
- (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 Fifteen (15) employees. Subject to such ceiling, this exemption is available for expatriate staff for a period of five (05) years from the date of the Project Agreement signed between the Board of Investment of Sri Lanka and the Project Company. Provided however, no single employee shall 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

All imports of project related goods and local purchases of project related goods or services required for the implementation of the project as approved by the Board of Investment of Sri Lanka, shall be exempted from the payment of Value Added Tax (VAT), during the project implementation period of Eight (08) years. 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 Eight (08) years. 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 conditions referred to in item No.(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 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 consigned in the name of the Project Company other than the items mentioned in the Negative List within the project implementation period of Eight (08) years. The Items in the Negative List will also be exempted from the Customs Duty provided such items are either not wholly produced in Sri Lanka or are unavailable in sufficient quality, quantity and time lines for the completion of the Project.

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 Eight (08) years 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, 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 exemption or concession in view of or consequent to such association.

LAKSHMAN YAPA ABEYWARDENA, MP,
Minister of Investment Promotion.

Colombo,
21st July 2014.

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