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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 by Sub section (4) of Section 3 of the Strategic Development Projects Act, No. 14 of 2008 as amended, I, Malik Samarawickrama, Minister of Development Strategies and International Trade, being the Minister in charge of the subject of Investment Promotion, further to the order published under Sub-section (4) of the Section 3 under *Gazette Extraordinary* No. 1996/26 dated 06th December, 2016, do by this order declare that,

Project Company name mentioned in Clause No. (3) of the order published in Sinhala under *Gazette Extraordinary* No. 1996/26 dated 06th December, 2016, is hereby amended by substituting the following:-

“CHEC Port City Colombo (Private) Limited”.

Second paragraph of Clause No. (1) (i) of Schedule I of the order published in Sinhala under *Gazette Extraordinary* No. 1996/26 dated 06th December, 2016, is hereby amended by substituting the following:-

“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, excluding the period between 06th March, 2015 and 12th August, 2016, the later date being the date on which the Tripartite Agreement between the Project Company, the Government of Sri Lanka and the Urban Development Authority was signed.”

Clause No. (2) of Schedule I of the order published in Sinhala under *Gazette Extraordinary* No. 1996/26 dated 06th December, 2016, is hereby amended by substituting the following:-

##### “(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 Project Company shall be liable for the payment of VAT as provided in the VAT Act, No. 14 of 2002 upon the completion of the Project Implementation Period.

Provided however, transfer or lease of any leasehold rights to the project company or by the project company to the prospective buyers in accordance with applicable law, shall be exempted from the payment of VAT.”

Clause No. (7) of schedule I of the order published in Sinhala under Gazette Extraordinary No. 1996/26 dated 06th December 2016, is hereby amended by substituting the following:-

**“(7) Nation Building Tax (NBT)**

The Project Company the contractor and the sub – contractors shall be exempted from the Nation Building Tax during the project Implementation Period of eight (08) years.

Provided further, transfer or lease of any leasehold rights to the Project Company or by the project company to the prospective buyers in accordance with applicable law, shall be exempted from the payment of NBT<sup>A</sup>.

Clause No. (3) of the order published in English under Gazette Extraordinary No. 1996/26 dated 06th December 2016, is hereby amended by substituting the following:-

“(3) The above stated Strategic Development Project shall be called and known as the Project for the development of Colombo Port City in two phases for the construction of wave protection breakwater, land reclamation, ground improvement, revetment, canals to connect seawater, artery roads, utilities and for transfer or lease of any leasehold right to the prospective buyers” and the project Company to undertake this project is CHEC Port City Colombo (Private) Limited”.

Clause No. (5) of the order published in English under Gazette Extraordinary No. 1996/26 dated 06th December 2016, is hereby amended by substituting the following:-

“(5) The Exemption from enactment specified in Schedule - I to this order shall be applicable to the project company.”

Clause No. (1) (i) of Schedule I of the order published in English under Gazette Extraordinary No. 1996/26 dated 06th December 2016, is hereby amended by substituting the following:-

**“(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 on the Project Company on the profit and income generated from the activities from the said Project shall not apply for a period of twenty five (25) years (“Tax Exemption Period”).

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, excluding the period between 06th March, 2015 and 12th August, 2016, the later date being the date on which the Tripartite Agreement between the Project Company, the Government of Sri Lanka and the Urban Development Authority was signed.

Provided that after the expiry of the aforesaid Tax Exemption Period 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,”

Clause No. (1) (iii) (b) of Schedule I of the order published in English under *Gazette Extraordinary* No. 1996/26 dated 06th December, 2016, is hereby amended by substituting the following:-

“(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;”

Clause No. (7) of Schedule I of the order published in English under *Gazette Extraordinary* No. 1996/26 dated 06th December 2016, instead is hereby amended by substituting the following:-

**“(7) Nation Building Tax (NBT)**

The Project Company, the contractor and the sub-contractors shall be exempted from the Nation Building Tax during the Project Implementation Period of eight (08) years.

Provided further, transfer or lease of any leasehold rights to the project company or by the project company to the prospective buyers in accordance with applicable law, shall be exempted from the payment of NBT”.

Clause No. (8) of Schedule I of the order published in English under *Gazette Extraordinary* No. 1996/26 dated 06th December, 2016, is hereby amended by substituting the following:-

**“(8) 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 contractor 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 persons 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 in connection with the Project.”

Clause No. (1) (i) of Schedule II of the order published in English under *Gazette Extraordinary* No. 1996/26 dated 06th December, 2016, is hereby amended by substituting the following:-

**“(1) 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 on the China Harbour Engineering Company Ltd. (“CHEC”) on the profit and income generated from the activities from the said Project shall not apply for a period of eight (08) years.

The said Tax Exemption Period of Eight (08) years shall commence from the year in which the China Harbour Engineering Company Ltd. (“CHEC”) commences the construction of the Project, but excluding

the period between 06th March, 2015 and 12th August, 2016, the later date being the date on which the Tripartite Agreement between the Project Company, the Government of Sri Lanka and the Urban Development Authority was signed.

Provided that after the expiry of the aforesaid Tax Exemption Period of Eight (08) years, income tax in respect of the profits and income of the China Harbour Engineering Company Ltd. ("CHEC") shall be payable in terms of the provisions of the Inland Revenue Act for the time being in force."

I declare the Notification published in *Gazette Extraordinary* No. 1998/30 dated 22.12.2016 shall hereby rescinded.

MALIK SAMARAWICKRAMA, M.P.,  
Minister of Development Strategies and International Trade.

Colombo,  
On this 30th Day of January, 2017.

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