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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 (SDP Act), I, Prasanna Ranathunga, being the Minister in charge of the subject of Minister of Industrial Export & Investment Promotion, in consultation with the Minister in charge of Finance, do by this Notification.

- (1) Identify as a Strategic Development Project for the purposes of the aforesaid Act, the Project to set up the Colombo International Financial Center (CIFC) Mixed Development Project with five vertical Iconic Towers at Port City premises in Colombo in an approximately seventeen (17) Acres (6.8 Ha) to be subleased from CHEC Port City Colombo (Pvt) Ltd with a total investment of United States Dollars One Thousand and One Million (US\$ 1,001 Mn.)

The project will be implemented in two (02) phases as follows :

The Phase 01

Consists of one international Grade A high-rise office tower, two high end residential towers and a retail podium with an investment of US \$ 440 Mn in a total allocated site area of approximately 7 acres.

The Phase 02

Consists of two international Grade A high-rise office tower and a retail podium with an investment of US\$ 561 Mn i in a total allocated site area of approximately 10 acres.



- (2) The CIFIC, being an iconic, smart and sophisticated financial and business hub, will bring significant economic and social benefit to the country ; that would cater to the potential investors who wish to set up their business in Colombo Port City.
- * Being the first Land Mark, vertical development project in the Colombo Port City, CIFIC would transform the landscape of the city of Colombo, keeping the momentum for Port City Development and promote FDI inflows to the country.
 - * The CIFIC mixed-use development project will build and bring international Standard ‘Grade A’ commercial office, premium retail shops and luxury residential dwelling units to meet business needs which will help to emerge Colombo City as a competitive business hub.
 - * This project with an envisaged investment of US \$ 1,001 Mn, will be a catalyst to promote and attract global giant firms in legal, corporate finance, investment banking, Tourism, Logistics and ICT sectors, which will help to increase the foreign exchange reserves of the country while transferring technical know-how and build the capacity of the local knowledge.
 - * The CIFIC will generate approximately 2500 employment opportunities during the construction period and over 15,000 direct and indirect employment opportunities once the project commences on operation.
- (3) There shall be a Project Implementation Period of eight years from the date of the Project Agreement signed between the Board of Investment of Sri Lanka and the project company, which is to be incorporated prior to signing the Agreement. The project implementation/construction shall commence within one year of the said agreement and shall commence commercial operation within the eight year “Project Implementation Period”.
- (4) 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 the Schedule I of this Notification shall apply to the Project Company.

SCHEDULE I

(1) **Corporate Income Tax**

“Tax Exemption period”

Reckoned from the year of assessment, as may be determined by the Board of Investment of Sri Lanka, the provisions of the Inland Revenue Act, No. 24 of 2017 relating to imposition of Income tax on the profits and income generated from :

- (i) approved activities excluding the sale of Apartments shall not apply for a period of fifteen (15) years
- (ii) sale of apartments shall not apply for a period of six (06) years

The said tax exemption period to the entire activities of the company will commence from the year in which the company makes taxable profit or three years after commencement of commercial operation of the project, which falls first.

“Concessionary period”

After the expiry of the tax holiday period, concessionary tax rate of seven per cent (7%) per annum or a rate equivalent to the fifty per cent (50%) of the corporate tax rate applicable to the Tourism Sector shall be applicable on the profit and income generated from approved activities for ten (10) years, other than the sale of Apartments.

For the profits and income generated from the sale of apartments, the prevailing corporate tax will be applicable after the expiry of six (06) year tax holiday period.

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 the income of the project company shall be applicable in terms of the provisions of the Inland Revenue Act for the time being in force.

(2) Dividend Tax

Dividends distributed to the shareholders out of the exempted profit will be exempted from the income tax during the said Tax Exemption Period of fifteen (15) years and one (01) year thereafter.

(3) Withholding Tax

The Project Company shall be exempted from the payment of Withholding Tax on the following :

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

(4) PAYE Tax/Personal Income Tax

During the project implementation period, up to a maximum number of thirty (30) expatriates staff at any given time shall be exempted from the payment of Pay As You Earn Tax (PAYE) / Personal Income Tax Applicable.

Further, the project company shall be required to gradually replace expatriate staff with local employees on a best effort basis.

The following employee related commitments are also agreed to be employed by the project company :

Unskilled labour requirement	:	to be sourced 75% locally
Skilled labour requirement	:	to be sourced 65% locally
White Collar workers	:	to be sourced 75% locally (White Collar workers to be paid in foreign currency, if the project company is permitted

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

All imports of project related goods and services 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 fully exempted from the payment of Value Added Tax (VAT) under Value Added Tax Act, No. 14 of 2002 as amended, for a period of eight (8) years.

The VAT exemption shall be applicable not only for direct supplies to the Company/project but also supplies made by a sub-contractor to a contractor for supplies to the Company/project as prescribed and permitted in the VAT Act.

The company shall be liable for the payment of VAT on value of supply as defined in the Value Added Tax Act, No. 14 of 2002 on the commencement of commercial operations.

(6) Customs Duty on importation of construction Related Items

All imports of construction related items, will be exempted from the customs duty as approved by the Board of Investment of Sri Lanka, for the purpose of the Project during the project implementation period of eight (8) years. All imports of construction related items required for the project. whether directly imported by the project

company or sourced through contractors provided that the goods are consigned in the name of the project company shall be exempted from Customs duty (**as approved by the BOI or the commission once the new law is passed**) for the purpose of the project during the project implementation period of eight (8) years.

The items in the **Negative List** attached, will also not be allowed to be imported duty free, unless such items are either not wholly produced in Sri Lanka or are unavailable in sufficient quality, quantity and within time lines required for Project completion.

As such, in general, construction related goods could be imported through a contractor or sub-contractor in respect of the project within the project implementation period of eight (8) 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 for construction 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 construction 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.

(7) **Ports and Airports Development Levy (PAL)**

The payment and charge of Ports and Airports Development Levy (PAL), shall be fully exempted on all items, as approved by the Board of Investment of Sri Lanka for implementing the project, (whether directly imported by the company or source through contractors) during the project implementation period of eight (8) years.

(8) **Sri Lanka Export Development Act, No. 40 of 1979**

Import of project related items (as approved by the BOI or the commission once the new law is passed) - shall be exempted from the payment of CESS during the project implementation period.

PRASANNA RANATHUNGA,
Minister of Industrial Export Investment Promotion.

Colombo,
15th July, 2020.

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