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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, I, Mahinda Rajapaksa, Minister of Economic Policies and Plan Implementation, do by this Notification:-

- (1) A four lane elevated highway from New Kelani Bridge to Athurugiriya via Rajagiriya (hereinafter referred to as "the Project") has been identified as a Strategic Development Project for the purposes of the Strategic Development Projects Act, No. 14 of 2008, as amended (hereinafter referred to as "SDP Act"), to construct and operate by China Harbour Engineering Company Ltd. (CHEC) with an envisaged investment of USD 821.6 million. The project will be implemented with 100 percent foreign funding under Design-Build-Finance - Operate-Maintain and Handover (DBFOMH) basis and the CHEC NKBA Elevated Highway (Pvt.) Limited (hereinafter referred to as "Project Company") will build, operate and maintain the project. The Project Construction Period is three (03) years from the effective date of the related Concession Agreement and the project operational and maintenance period is fifteen (15) years after the construction period (altogether eighteen (18) years). Upon completion of the project operational and maintenance period, the Project Company shall hand over the Project to the Ministry of Highways.



- (2) CHEC, the Bidder, is registered in China, founded in 1980, with its business headquartered in Dong Zhi Men Wai, Beijing, China. CHEC is an Engineering Company that specializes in infrastructure development such as marine engineering, roads and bridges, dredging and reclamation, railways and airports. CHEC is also the contractor that will carry out engineering, procurement and construction of the Project. CHEC for the purpose of implementation of this project will establish a special purpose company to be duly incorporated under the Laws of Sri Lanka through its parents or an affiliate 100 percent owned by CHEC.
- (3) This Project is one of the largest foreign investments in the road sector with a committed investment of USD 821.60 million and is expected to be financed, with an equity contribution of USD 246.50 million, loan of USD 575.10 million, to be made during the construction period of the Project.
- (4) It is declared that the Project shall be granted exemptions in terms of the SDP Act subject to the Project fulfilling the following terms and conditions;
- A minimum investment of USD 821.60 million shall be invested in the Project during the three (03) years construction period commencing from the effective date set out in the related Concession Agreement.
 - Hand over the Project to the Ministry of Highways after the construction, operation and maintenance period of eighteen (18) years.
- (5) The Project shall be implemented as per the specifications agreed between the Project Company and the Ministry of Highways. The Ministry of Highways shall do the toll collection.
- (6) For the purposes of the aforesaid Project, the exemptions set out in the Schedule to this Notification shall apply, in terms of the SDP Act.

SCHEDULE

1. **Inland Revenue Act, No. 24 of 2017**

(a) Corporate Income Tax

The profit and income generated by the Project to be exempted from Corporate Income Tax under the Inland Revenue Act, No. 24 of 2017 during the Construction Period of three (03) years and the Operation and Maintenance Period of fifteen (15) years, after the Construction Period.

(b) Tax on Dividends

Tax on dividends for the shareholders of the Project Company in relation to the distribution of dividend income shall be exempted during the Operation and Maintenance Period of fifteen (15) years and one (01) year thereafter.

(c) Tax on Payment of Interest on foreign loans, fees to consultants, Management fees and royalty

The Project Company shall be exempted from the payment of Withholding Tax (WHT) on the following ;

- On the interest of foreign loans taken for capital expenditure;
- On fees paid to consultants (upto forty (40) consultants in the Construction Period of three (03)

years and upto twenty (20) consultants in the maintenance period of fifteen (15) years after the Construction Period); and

- iii. On Management Fees and Royalty Payments (not exceeding five (05) percent of the total project cost during Construction Period of three (03) years and not exceeding two (02) percent of the total project cost during the Maintenance Period of fifteen (15) years after the Construction Period.

(d) Capital Gains Tax

The shareholder of the Project Company and the Project Company shall be exempted from the payment of Capital Gains Tax during the Construction Period of three (03) years and the Operation and Maintenance Period of fifteen (15) years after the Construction Period.

(e) Income Tax on Employment

The expatriate employees (technical and managerial experts) of the Project Company shall be exempted from the payment of income tax arising from the gains and profits from employment in relation to the Project, as set out below;

- i. for a period of three (03) years from the date of commencement of construction (subject to a maximum number of forty (40) expatriate employees).
- ii. for a period of fifteen (15) years after the Construction Period (subject to a maximum number of twenty (20) expatriate employees).

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

All imports of project related goods as approved by the Board of Investment of Sri Lanka (hereinafter referred to as "BOI") and services required for the implementation of the Project, shall be exempted from the payment of Value Added Tax(VAT) during the Construction Period of three (03) years and the Operation and Maintenance Period of fifteen (15) years after the Construction Period. VAT on local purchases of project related goods as approved by the BOI and services required for the implementation of the Project, shall be deferred during the Construction Period of three (03) years and the Operation and Maintenance Period of fifteen (15) years after the Construction Period.

Further, the semi-annuity service payment by the Government of Sri Lanka to the Project Company including interest income receivable under the Concession Agreement shall be exempted from the payment of VAT during the Operation and Maintenance Period of fifteen (15) years after the Construction Period.

3. The Ports and Airports Development Levy Act, No. 18 of 2011

The Project Company shall be exempted from the charge and payment of Ports and Airports Development Levy (PAL), on all imported project related goods as approved by the BOI (whether directly imported by the Project Company or sourced through any contractor (s) or sub-contractor (s) provided the goods are consigned in the name of the Project Company during the Construction Period of three (03) years and the Operation and Maintenance Period of fifteen (15) years or total of eighteen (18) years from the date of commencement of construction.

4. Excise (Special Provision) Act, No.13 of 1989

Import of project related items as approved by the BOI, by the Project Company, its contractor (s) and its sub-contractor (s) provided the goods are consigned in the name of the Project Company shall be exempted from the charge and payment of Excise Duty during the Construction Period of three (03) years and the Operation and Maintenance Period of fifteen (15) years after the Construction Period.

5. Sri Lanka Export Development Act, No. 40 of 1979

Import of project related items as approved by the BOI by the Project Company, its contractor (s) and its sub-contractor (s) provided the goods are consigned in the name of the Project Company shall be exempted from the charge and payment of CESS during the Construction Period of three (03) years and the Operation and Maintenance Period of fifteen (15) years after the Construction Period.

6. Customs Ordinance (Chapter 235)

All imports of Project related items whether directly imported by the Project Company or sourced through any contractor (s) or sub-contractor (s) provided the goods are consigned in the name of the Project Company (other than the items listed in the Negative List published by the Ministry of Finance) as approved by the BOI, shall be exempted from Customs Import Duty (CID), during the Construction Period of three (03) years and the Operation and Maintenance Period of fifteen (15) years after the Construction Period.

However, any importation of items in the Negative List shall be considered by the BOI where such items are either not wholly produced in Sri Lanka or are not available in sufficient quality, quantity and considering the time line for Project completion.

Further, to expedite the implementation of the project, the same concessions shall apply for any imports related to clause 2 through clause 6 in the Schedule, the period between the date of signing the related Concession Agreement and the Effective Date.

MAHINDA RAJAPAKSA, M.P.,
Minister of Economic Policies and Plan Implementation

Ministry of Economic Policies and Plan Implementation,
15th, November, 2021.