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The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY

අංක 1714/4 - 2011 ජූලි 11 වැනි සඳුදා - 2011.07.11
No. 1714/4 - MONDAY JULY 11, 2011

(Published by Authority)

PART I : SECTION (I) — GENERAL

Government Notifications

L.D.-B. 3/2010.

STRATEGIC DEVELOPMENT PROJECTS ACT, No. 14 OF 2008

Order under subsection (4) of section 3

BY virtue of the powers vested in me by subsection (4) of section 3 of the Strategic Development Projects Act, No. 14 of 2008, I, Basil Rohana Rajapakse, Minister of Economic Development, do by this Order declare that,-

- (1) The Notification containing the relevant information of a Project to Construct a Luxury Hotel and Residential Units and/or Villas in the Administrative District of Hambantota, in the Southern Province, which was identified as a Strategic Development Project for the purpose of the aforesaid Act, was published in *Gazette Extraordinary* No. 1700/5 April 5, 2011.
- (2) The approval of the Cabinet of Ministers has been obtained in terms of subsection (3) of section 3 to declare the Project to Construct a Luxury Hotel and Residential Units and/or Villas in the Administrative District of Hambantota, in the Southern Province, as a Strategic Development Project.
- (3) The above Strategic Development Project shall be called and known as the "Project to Construct a Luxury Hotel and Residential Units and/or Villas in the Administrative District of Hambantota, in the Southern Province."
- (4) The aforesaid "Project to Construct a Luxury Hotel and Residential Units and/or Villas in the Administrative District of Hambantota, in the Southern Province" shall commence commercial operations on February 7, 2014 being a period of thirty six (36) months from February 7, 2011 being the date on which the project Agreement between the Board of Investment of Sri Lanka and the Project Company has been executed; and
- (5) The exemptions from the enactments specified in the Schedule to this Order shall commence to apply in respect of the "Project to Construct a Luxury Hotel and Residential Units and/or Villas in the Administrative District of Hambantota, in the Southern Province," subject to the limitations specified therein and shall be operative for the duration specified in this Schedule.

SCHEDULE

Exemption to be granted to the "Project to Construct a Luxury Hotel and Residential Units and/or Villas in the Hambantota, in the Southern Province"

1. The Inland Revenue Act, No. 10 of 2006.

- A ten (10) year corporate income tax holiday period under the Inland Revenue Act commencing from either the first (01st) Year in which the Company makes taxable profit or three (03) years after commencement of commercial operations, whichever falls first. Thereafter, there will be a partial exemption granted equivalent to the rate of six *per centum* (6%) which is half of the applicable tax rate for each year of assessment for a further period of fifteen (15) years immediately succeeding the last date of the tax exemption period. For avoidance of doubt, it is to be noted that the general tax regime then prevailing shall be applicable in relation to the Company implementing the project after the expiration of the twenty five (25) years as setout above.
- The dividends distributed to shareholders out of profits shall be exempted from income tax during the said ten (10) year tax exemption period and one (01) year thereafter.
- Five (05) year tax exemption from Paye Tax shall be applicable for a Maximum number of twenty (20) expatriate staff of the Company.
- The Company shall be exempted from the payment of Withholding Tax :-
 - (a) on interest on foreign loans taken for capital expenditure;
 - (b) on technical fees to consultants;
 - (c) on management fees, royalty payments and marketing fees.

Provided these payments are made to one of the following subsidiaries of Shangri-La Asia Limited.

- * Shangri-La International Hotel Management Ltd. — Hong Kong
- * Shangri-La International Hotel Management — BV
- * Shangri-La International Hotel Management (Pte) Ltd Singapore

Provided the fees will not exceed three *per centum* (3%) of gross operating revenues by way of basic management fees/royalties, marketing fees will not exceed one point five *per centum* 1.5% of gross operating revenue and at ten *per centum* (10%) of gross operating profits by way of incentive management fees.

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

The payment of Value Added Tax (VAT) on the importation of project related goods and the local purchases of project related goods and services during the project Construction period.

3. The Port and Airport Development Levy Act, No. 18 of 2011

Shall not be applicable during the project implementation construction period.

4. Customs Ordinance (Chapter 235) - Exemption from Customs Duty will be applicable to all capital goods imported in the name of the Company implementing the project during the construction period, in relation to items so imported solely for the purposes of the Project.

BASIL ROHANA RAJAPAKSE,
Minister of Economic Development.

Colombo,
11th July, 2011.

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