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EXTRAORDINARY

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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 Finance, do by this Notification:

- (1) Identify as a Strategic Development Project for the purposes of the aforesaid Act, the project to set up a “Dedicated Textile Manufacturing Zone” (hereinafter referred to as “the zone”) in an area of up to 400 acres of land to be owned by the Board of Investment of Sri Lanka (hereinafter referred to as BOI) in Eravur, Batticaloa District to facilitate investments made by foreign/local textile manufacturers, as a project of national interest to bring economic and social benefits and also to change the landscape of the Country. The BOI will be the implementing agency facilitated by the Ministry in charge of the subject of Industries in providing the requisite infrastructure.
- (2) Declare that the infrastructure requirement of the zone will be ready within twenty-four (24) months from the date of approval of the Cabinet of Ministers in terms of Section 3 (3) of the Strategic Development Projects Act, No.14 of 2008, as amended (hereinafter referred to as “SDP Act”).
- (3) Specify that for the purposes of the aforesaid project, in terms of the SDP Act, the proposed exemptions set out in the Schedule below to this Notification shall apply to individual enterprises identified by the BOI as falling within the purview of the Strategic Development Project identified herein and established within the zone, and will be customized for each said enterprise (hereinafter referred to as “the enterprise”) based on parameters such as size of investment, type of the product to be manufactured, market orientation, domestic value addition, etc. Individual enterprises shall be eligible for selected incentives out of the incentives referred in the item numbers (1) to (5) of the schedule based on the above parameters.



- (4) The incentives referred in the schedule shall be reviewed every five (05) years with effect from the date of approval of the Parliament for this zone under 3(5) of the SDP Act, as amended and submitted to the Cabinet for its approval followed by way of a 3(4) gazette notification.
- (5) BOI shall grant incentives for each enterprise which will be stipulated in the individual agreement between the BOI and the enterprise (hereinafter referred to as “BOI Agreement”).

SCHEDULE

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

(a) **Exemption from Corporate Income Tax (CIT)**

Following Corporate Income Tax Exemptions/Concessions will be granted for the total income generated by the enterprise;

<i>Investment (US\$ Mn)</i>	<i>Minimum Employment (Nos.)</i>	<i>No. of Years</i>	
		<i>Tax Holiday</i>	<i>50% of concessionary CIT rate applicable for exporters at that time</i>
Greater than or equal to 10 and less than 15 ($\geq 10 < 15$)	150	5	2
Greater than or equal to 15 and less than 20 ($\geq 15 < 20$)	200	7	2
Greater than or equal to 20 and less than 25 ($\geq 20 < 25$)	300	8	3
Greater than or equal to 25 and less than 30 ($\geq 25 < 30$)	350	9	4
Greater than or equal to 30 (≥ 30)	400	10	5

The said exemption period shall be reckoned after one and half years (18 months) from the date in which the enterprise executes the agreement with BOI.

After the expiry of the aforesaid tax holiday and concessionary period, for the income generated through;

- (i) Exports including deemed exports, the concessionary Corporate Income Tax (CIT) rate applicable for exporters at that time shall be applicable.
- (ii). Import substitution via other sales to local market, the CIT rate applicable for manufacturers at that time shall be applicable.

(b) **Income Tax on Employment**

Up to a maximum number of ten (10) expatriate employees of the enterprise shall be exempted from income tax arising from gains and profits from employment in the enterprise in the zone for a period of five (05) years.

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

The enterprise shall be exempted from the payment and charge of Value Added Tax (VAT) under the Value Added Tax Act, No. 14 of 2002 and its amendments for the following:

i. Construction related items

On all imports including purchases from bonded areas (Customs or BOI) or supply from any registered person, who is registered with the VAT administration system (E.g. Simplified Value Added Tax-SVAT) administrated by the Commissioner General of Inland Revenue to the enterprise during the project implementation period;

ii. Capital goods (plant, machinery, equipment) for the use of both production for export, including deemed exports, and import substitution via sales to local market

On all Imports including purchases from bonded areas (Customs or BOI) and supply from any registered person, who is registered with the VAT administration system (E.g. SVAT) administrated by the Commissioner General of Inland Revenue to the enterprise; and

iii. Raw materials and production/process related consumables for both production for export including deemed exports and import substitution via sales to local market

On all Imports including purchases from bonded areas (Customs or BOI) and supply from any registered person, who is registered with the VAT administration system (E.g. SVAT) administrated by the Commissioner General of Inland Revenue to the enterprise.

Accordingly, VAT shall not be charged for import substitution via sales of finished goods to the local market by the enterprise.

(3) **Ports and Airports Development Levy Act, No. 18 of 2011**

The enterprise shall be exempted from the payment and charge of Ports and Airports Development Levy (PAL) under the Ports and Airports Development Levy Act, No. 18 of 2011 and its amendments;

i. On all imports of construction related items including purchases from bonded areas (Customs or BOI) during project implementation period;

ii. On all imports of capital goods (plant, machinery, equipment) including purchases from bonded areas (Customs or BOI) for the use of both production for export including deemed exports and import substitution via sales to local market; and

iii. On all imports including purchases from bonded areas (Customs or BOI) of raw materials and production/process related consumables for both production for export including deemed exports and import substitution via sales to local market.

Accordingly, PAL shall not be charged for import substitution via sales of finished goods to the local market by the enterprise.

(4) Customs Ordinance (Chapter 235)

The enterprise shall be exempted from the payment and charge of Customs Import Duty (CID) under the Customs Ordinance (Chapter 235):

- i. On all imports of construction related items including purchases from bonded areas (Customs or BOI) during project implementation period;
- ii. On all imports of capital goods (plant, machinery, equipment) including purchases from bonded areas (Customs or BOI) for the use of both production for export including deemed exports and import substitution via sales to local market; and
- iii. On all imports of raw materials and production/process related consumables including purchases from bonded areas (Customs or BOI) for both production for export including deemed exports and import substitution via sales to local market as approved by the BOI excluding the items in the negative list published by the Ministry of Finance.

However, any importation of items in the negative list shall be considered by the Board of Directors of BOI, where such items are not available in sufficient quality, quantity and to conform to the time lines of the project completion.

Accordingly, CID shall not be charged for import substitution via sales of finished goods to the local market by the enterprise.

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

The enterprise shall be exempted from the payments and charges of Commodity Export Subsidy Scheme- (CESS) under the Sri Lanka Export Development Act, No. 40 of 1979 and its amendments:

- i. On all imports of construction related items including purchases from bonded areas (Customs or BOI) during project Implementation period;
- ii. On all imports of capital goods (plant, machinery, equipment) including purchases from bonded areas (Customs or BOI) for the use of both production for export including deemed exports and import substitution via sales to local market; and
- iii. On all imports of raw materials and production/process related consumables including purchases from bonded areas (Customs or BOI) for both production for export including deemed exports and import substitution via sales to local market.

Accordingly, CESS shall not be charged for import substitution via sales of finished goods to the local market by the enterprise.

MAHINDA RAJAPAKSA, M.P.
Minister of Finance.

Ministry of Finance,
Colombo 01,
April 20, 2021.

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