

N. B.— The amended notification of this will be published on 06th July, 2021 under No. 2235/15.



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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 in terms of Section 3(4) 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 Pharmaceutical Manufacturing Zone” (hereinafter referred to as “the zone”) in an area of 400 acres of land owned by the Board of Investment of Sri Lanka (hereinafter referred to as “BOI”) in Hambantota-Arabokka area in two stages of 200 acres each to facilitate investments made by foreign/local Pharmaceutical Manufacturers, as a project of national interest to bring economic and social benefits and also to change the landscape of the Country. BOI will be the implementing agency in coordination with the Ministry in charge of the subject of Health and Ministry in charge of the subject of Production, Supply and Regulation of Pharmaceuticals.
- (2) Declare that the infrastructure requirement of the first phase of the zone will be ready within eighteen (18) 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”) according to pre-defined criteria



developed based on parameters such as the size of the investment, type of the product to be manufactured, market orientation, type of patent rights, domestic value addition, manufacturing quality etc. Individual enterprises shall be eligible for selected incentives out of the incentives referred in Schedule (a) to (f) based on the above criteria.

- (4) The incentives referred in the Schedule will be reviewed every five (05) years with effect from the date of approval of the parliament for this zone under Section 3(5) of the SDP Act, as amended and submitted to the Cabinet of Ministers for its approval followed by a new Gazette Notification under Section 3(4).
- (5) Granting of incentives for each enterprise will be decided by a Committee comprised of the Secretary or nominee to the Ministry in charge of the subject of Health, the Secretary or nominee to the Ministry in charge of the subject of Production, Supply and Regulation of Pharmaceuticals, Director General of BOI, General Manager of State Pharmaceutical Corporation, General Manager of State Pharmaceutical Manufacturing Corporation, Chief Executive Officer of National Medicines Regulatory Authority, Director General of Export Development Board and Director General of Central Environmental Authority 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)

- (a).1 For income generated through exports (including deemed exports) minimum of five (05) years up to the maximum of ten (10) years tax holiday will be granted based on the aforesaid criteria.

The said exemption period shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years reckoned from the date on which such enterprise commences commercial operations, whichever falls first.

After the expiry of the aforesaid tax holiday period, the prevailing CIT rate applicable for exporters at that time shall be applicable in respect of the profits generated by the enterprise.

- (a).2 For income generated through import substitution *via* sales to the local market.

The prevailing concessionary CIT rate applicable for exporters at that time shall be granted for a minimum of five (05) years up to a maximum of ten (10) years period based on the aforesaid pre-defined criteria.

The said concession period shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years reckoned from the date on which such enterprise commences commercial operations, whichever falls first.

After the expiry of the aforesaid tax holiday period, the prevailing Corporate Income Tax rate applicable for manufacturers at that time shall be applicable in respect of the profits generated by the enterprise.

(b) Income Tax on Employment

Up to a maximum number of twenty (20) 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 payment and charge of 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 19, 2021.

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