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The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

අංක 1747/4 - 2012 පෙබරවාරි 28 වැනි අඟහරුවාදා - 2012.02.28

No. 1747/4 - TUESDAY FEBRUARY 28, 2012

(Published by Authority)

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 by Sub-Section (4) of Section 3 of the Strategic Development Projects Act, No. 14 of 2008 as amended, I, Basil Rohana Rajapaksa, Minister of Economic Development, do by this Order declare that-

(1) The notification which identified the project for the establishment of a Coal Based Power Station of 2 x 250 MW capacity, on Build Own Operate (BOO) basis at Sampoor situated within the administrative District of Trincomalee as a Strategic Development Project for the purpose of the aforesaid Act, was published in *Gazette Extraordinary* No. 1726/2 dated 03rd October, 2011 ;

(2) The approval of Cabinet of Ministers has been obtained in terms of Sub-section (3) of Section 3 of the aforesaid Act to declare the project to establish a Coal Based Power Station of 2x250 MW capacity, on Build Own Operate (BOO) basis at Sampoor situated within the Administrative District of Trincomalee be a Strategic Development Project ;

(3) The above Strategic Development Project shall be called and known as a "Project to establish a Coal Based Power Station of 2x250 MW capacity, on Build Own Operate (BOO) basis at Sampoor" situated within the administrative District of Trincomalee in the Eastern Province and the Project Company is Trincomalee Power Company Limited;

(4) The aforesaid Project shall commence its commercial operations within a period of sixty (60) months from the effective date as stated in the Joint Venture Agreement Between Ceylon Electricity Board (CEB) and National Thermal Power Corporation (NTPC) Limited, India ;

(5) The exemptions from the enactments specified in the Schedule to this order shall apply to the Project Company subject to the limitations specified therein and shall be operative for the duration specified in this Schedule and upon the expiration of the said exemptions, the prevailing taxes shall become applicable.

SCHEDULE

(*a*) *The Inland Revenue Act, No. 10 of 2006*

A twenty five (25) year corporate income tax holiday period under the Inland Revenue Act commencing from either the first year in which the Company makes taxable profit or two (2) years after commencement of commercial operations, whichever falls first. For avoidance of doubt, it is to be noted that the general tax regime then prevailing shall be applicable in relation to the Project Company implementing the project after the expiration of the twenty five (25) years as setout above. The Project Company shall be exempted from the payment of withholding tax, on interest paid on foreign loans obtained for capital expenditure, and on technical fees paid to consultants employed in the project.

The tax on dividend distributed to shareholders out of profits shall be exempted from income tax during the said twenty five (25) years tax exemption period and one (01) year thereafter.

A five (05) years tax exemption from PAYE tax shall be applicable for a maximum number of eight (08) expatriate staff of the Project Company.

(*b*) *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, including payments payable to contractors and sub contractors approved by the Project Company shall not be applicable during the implementation / construction period of five (05) years.

Further import of coal, raw material and spare parts shall be exempted from the VAT payment for a period of twenty five (25) years from the date of commencement of commercial operation.

(*c*) *The Port and Airport Development Levy Act, No. 18 of 2011*

Shall not be applicable during the project implementation / construction period of five (05) years.

Further import of coal, raw material and spare parts shall be exempted from the PAL payment for a period of twenty five (25) years from the date of commencement of commercial operation.

(*d*) *Nation Building Tax Act, No. 10 of 2011*

Shall not be applicable for the project implementation / construction period of five (05) years.

Further import of coal, raw material and spare parts shall be exempted from the NBT payment for a period of twenty five (25) years from the date of commencement of commercial operation.

(*e*) *Finance Act, No. 5 of 2005*

Shall not be applicable for the payment of construction industry Guarantee Fund Levy during the project implementation / construction period of five (05) years.

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

Import of coal, raw material and spare parts shall be exempted from the excise duty payment for a period of twenty five (25) years from the date of commencement of commercial operation.

(*g*) *Economic Service Charge (ESC) Act No. 13 of 2006.*

Import of coal, raw material and spare parts shall be exempted from the ESC payment for a period of twenty five (25) years from the date of commencement of commercial operation.

(*h*) *Customs Ordinance (Chapter 235)*

Exemption from Customs Duty will be applicable to all project related items including equipment, fuel, construction machinery / materials (but excepting liquid fuel) excluding coal, raw material and spare parts, during the project implementation / construction period of five (05) years, as determined by the parties as may be necessary for the successful operation and maintenance of the project.

Further import of coal, raw material and spare parts shall be exempted from the customs duty for a period of twenty five (25) years from the date of commencement of the commercial operation.

Basil Rohana Rajapaksa, MP
Minister of Economic Development.

Colombo,
27th February, 2012.

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