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The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

අංක 1513/17 - 2007 සැප්තැම්බර් 05 වැනි බදාදා - 2007.09.05  
No. 1513/17 - WEDNESDAY, SEPTEMBER 05, 2007

(Published by Authority)

**PART I : SECTION (I) — GENERAL**

**Government Notifications**

L.D.B. 4/78.

**BOARD OF INVESTMENT OF SRI LANKA LAW, No. 4 OF 1978**

REGULATIONS made by the Minister of Enterprise Development and Investment Promotion under Section 24 of the Board of Investment of Sri Lanka Law, No. 4 of 1978.

Dr. SARATH LEELANANDA BANDARA AMUNUGAMA,  
Minister of Enterprise Development and  
Investment Promotion.

Colombo,  
31st August, 2007.

**Regulations**

1. These Regulations may be cited as the Board of Investment of Sri Lanka Regulations No. 1 of 2007.
2. (1) The Board of Investment of Sri Lanka (hereinafter referred to as “the Board”) established under the Board of Investment of Sri Lanka Law, No. 4 of 1978 may enter into an agreement under Section 17 of the aforesaid Law with—
  - (a) any existing enterprise engaged in the business of providing telecommunication services having obtained the concurrence of the Minister in charge of the subject of Finance ; or
  - (b) any existing enterprise engaged in any other business activity as approved by the Minister in charge of the subject of Finance,

Provided such enterprise makes an additional investment of an amount of not less than United States Dollars Twenty Million (US \$ 20,000,000) or its equivalent in Sri Lanka Rupees, within such period as may be specified by the Board.

(2) Section 10 of the Customs Ordinance shall not apply in respect of any goods, wares or merchandise as is determined by the Board in relation to an enterprise as specified in regulation 2,-

(a) if the goods, wares or merchandise are imported into Sri Lanka for the purpose of such enterprise ; or

(b) if the goods, wares or merchandise are exported from Sri Lanka by such enterprise :

Provided that an enterprise which enters into an agreement as specified above shall not be eligible for any further exemptions in respect of the profits and income of the enterprise under the aforesaid Law.

(3) Entering into an Agreement with the Board under the provisions of this regulation shall not prejudice the right of an enterprise to enjoy any benefit or privilege accorded to it under any other written law :

Provided that such benefit or privilege is not in conflict with the provisions of such Agreement.

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L.D.B.4/78.

### **BOARD OF INVESTMENT OF SRI LANKA LAW, No. 4 OF 1978**

REGULATIONS made by the Minister of Enterprise Development and Investment Promotion under Section 24 of the Board of Investment of Sri Lanka Law, No. 4 of 1978.

Dr. SARATH LEELANANDA BANDARA AMUNUGAMA,  
Minister of Enterprise Development and  
Investment Promotion.

Colombo,  
31st August, 2007.

### **Regulations**

1. These Regulations may be cited as the Board of Investment of Sri Lanka Regulations, No. 2 of 2007.

2. The Board of Investment of Sri Lanka established by the Board of Investment of Sri Lanka Law, No. 4 of 1978 (hereinafter referred to as "the Board") may, in addition to anything contained in the provisions of any prevailing regulations made by the Board, where it considers it necessary so to do, incorporate in any agreement entered into with an enterprise under Section 17 of the said Law, anyone or more of the provisions hereinafter set out in this regulation.

3. The provisions of part "A" of this regulation shall apply exclusively to an enterprise that establishes an undertaking specified therein in the Eastern Province or Northern Province. The provisions of part "B" of this regulations shall apply to an enterprise that establishes an industry specified therein in any Province other than the Eastern Province and Northern Province.

4. The minimum investment specified in this regulation shall be made in the construction of any building or in the purchase of any plant, machinery and equipment for the purpose of any enterprise.

5. Custom duties in terms of Section 10 of the Customs Ordinance (Chapter 235) shall be charged and levied on the sale of all finished products by any enterprise in Sri Lanka, calculated on all articles (*i.e.* raw materials, semi-finished products or any other inputs) used in the manufacture, production or processing of such finished products or on a component thereof which had been imported into Sri Lanka by the enterprise free of custom duty.

6. For the purposes of these regulations :-

“existing enterprise” means an enterprise which has entered into an Agreement with the Board under Section 17 of the said Law but shall not include a new enterprise ;

“Inland Revenue Act” means the Inland Revenue Act, No. 10 of 2006 ;

“new enterprise” means an entirely new enterprise and shall not be deemed to refer to the reconstitution of an existing business or the transfer of assets of any description from an enterprise already existing within Sri Lanka ;

“manufacture of goods” include manufacture, production or processing of food and beverages, textile and apparel products, wood products, paper and paper products, rubber and plastic products, fishing boats and fishing gear or any other similar commodity as may be determined by the Board ; and

“sick industry” means any existing enterprise which has not made any profit in relation to its transactions for any year of assessment continuously for a period of two (02) years immediately preceding the last year of assessment from the date of the application to the Board or which has not been in operation for a at least six (06) months prior to the date of the application.

#### PART “A”

##### PROVISIONS APPLICABLE TO ENTERPRISES SITUATED WITHIN THE EASTERN PROVINCE OR THE NORTHERN PROVINCE

1. The provisions of the Inland Revenue Act relating to the imposition, payment and recovery of income tax in respect of profits and income shall not apply for a period of fifteen (15) years in relation to a new enterprise which is an undertaking for the manufacture of goods (other than textile and apparel products) with a minimum investment of Rupees forty million (Rs. 40,000,000) and which provides employment for not less than fifty (50) local persons within a period as may be specified by the Board : Provided that, where such enterprise engages in the manufacture of textile and apparel products, the minimum employment provided for local persons shall be not less than one hundred (100) persons.

The said period of exemption 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 year is earlier.

2. The provisions of the Inland Revenue Act relating to the imposition, payment and recovery of income tax in respect of profits and income shall not apply for a period of fifteen (15) years in relation to a new enterprise which engages in any industry related to Tourism and Recreation or in the construction and operation of a Hotel or Hotels with a minimum investment of Rupees forty million (Rs. 40,000,000) and which provides employment for not less than twenty-five (25) local persons within a period as may be specified by the Board.

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

3. The provisions of the Inland Revenue Act relating to the imposition, payment and recovery of income tax in respect of profits and income shall not apply for a period of fifteen (15) years in relation to a new enterprise which engages in the operation of a Rice Mill for the grinding of rice and the making of rice based products or which engages in the grinding of rice or the making of rice based products, an Ice Manufacturing Plant or Cold Room with a minimum investment of Rupees fifteen million (Rs. 15,000,000) and which provides employment for not less than twenty (20) local persons within a period as may be specified by the Board.

The said period of exemption 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 year is earlier.

4. The Provisions of the Inland Revenue Act relating to the imposition, payment and recovery of income tax in respect of profits and income shall not apply for a period of twenty (20) years in relation to a new enterprise which engages in the areas of dairy farming and livestock development, cultivation and processing of fruits and vegetables with a minimum investment Rupees fifteen million (Rs. 15,000,000) and which provides employment for not less than twenty (20) local persons within a period as may be specified by the Board.

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 year is earlier.

5. The provisions of the Inland Revenue Act relating to the imposition, payment and recovery of income tax in respect of profits and income shall not apply for a period of ten (10) years for a new enterprise which takes over the assets of a sick industry located in the Eastern Province or Northern Province with a minimum investment of Rupees fifty million (Rs. 50,000,000) and which provides employment for not less than one hundred (100) local persons within a period as may be specified by the Board.

The said period of exemption 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 year is earlier.

6. The provisions of the Inland Revenue Act relating to the imposition, payment and recovery of income tax in respect of profits and income shall not apply for a period specified in column II against the remaining tax holiday specified in column I of an existing enterprise that establishes an expansion unit or units of its industry with a minimum investment or Rupees one hundred million (Rs. 100,000,000) and which provides employment for not less than one hundred (100) local persons within such period as may be specified by the Board.

<i>Column I</i>	<i>Column II</i>
<i>Existing Tax holiday (Remaining years)</i>	<i>Tax holiday entitlement (years)</i>
0	5
1	4
2	3
3	2
4	1
5	0

7. The provisions of the Inland Revenue Act relating to the imposition, payment and recovery of income tax in respect of profits and income shall not apply for a period of fifteen (15) years for a new enterprise which engages in the fishing and processing of sea food industry with a minimum investment of Rupees seven million five hundred thousand (Rs. 7,500,000) and which provides employment for twenty (20) local persons within a period as may be specified by the Board.

The said period of exemption 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 year is earlier.

PART "B"

PROVISIONS APPLICABLE TO ENTERPRISES SITUATED WITHIN ALL OTHER  
PROVINCES OTHER THAN THE EASTERN PROVINCE OR THE NORTHERN PROVINCE

1. The provisions of the Inland Revenue Act relating to the imposition, payment and recovery of income tax in respect of profits and income shall not apply for a period of ten (10) years for a new enterprise which engages in fishing and processing of sea food industry with a minimum investment of Rupees seven million five hundred thousand (Rs. 7,500,000) and which provides employment for twenty (20) local persons within a period as may be specified by the Board.

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 year is earlier.

PART "C"

1. The date on which the minimum investment and/or the employment to be effected by an enterprise under the provisions of the Board of Investment of Sri Lanka Regulation No. 1 of 2006 published in *Gazette Extraordinary* No. 1,447/15 dated 15th May, 2006 is hereby extended up to 31st March, 2009.

09-780/2