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ASSOCIATES



BRIEFING NOTE:
**THE COLOMBO PORT
CITY ECONOMIC
COMMISSION ACT**

SEPTEMBER 2021



INTRODUCTION

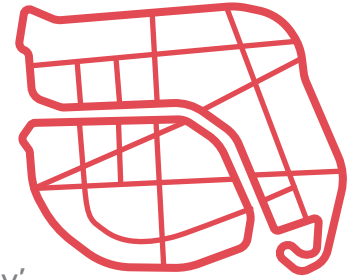
The Colombo Port City 'Special Economic Zone' (SEZ) is widely recognised as Sri Lanka's largest and most ambitious FDI driven public-private partnership to date. With an investment of approximately US\$1.4bn for land reclamation and primary development costs alone, construction works on this mega-project commenced in 2014 and were completed by January 2019, with China Harbour Engineering Company (part of the HKSE listed China Communications Construction Company Limited) as the developer and its wholly owned subsidiary, CHEC Port City Colombo (Pvt) Ltd, as the project company (**Project Company**). The Colombo Port City project is considered one of the key 'Belt Road Initiatives' in Sri Lanka, and is expected to bring in over US\$15bn in foreign investment and generate around 80,000 employment opportunities by 2040. In August 2019, the 269 Hectare/660 Acre land mass (roughly the size of central London) was brought within the administrative limits of the District of Colombo by gazette notification.

The Colombo Port City is also Sri Lanka's first 'services oriented' SEZ (targeting investments into areas such as offshore banking, corporate HQ operations, IT & BPO operations, tourism and leisure). Although the country has several free trade zones administered by the Board of Investment of Sri Lanka (**BOI**), these largely focus on facilitating export-oriented manufacturing operations; in establishing the Port City, the government has therefore sought to recreate the highly successful Singapore and Dubai (DIFC) services economy model in Sri Lanka.

The need for a tailored and simplified legal framework for the administration and management of the Port City SEZ, with a dedicated and suitably empowered 'single window' investment facilitator, was accepted by most stakeholders from the outset. Sri Lanka's international reputation as a relatively difficult and complex jurisdiction for doing business was seen as a potentially material obstacle to the success of the Colombo Port City. It is perhaps for this reason that the legal drafting process was initiated early on in the project lifecycle (with the draft law being publicly available by around February 2018), and on 27th May 2021, the Colombo Port City Economic Commission Act No. 11 of 2021 (**Port City Act**) was passed into law.

The Port City Act sets out the primary legal framework governing activities and operations in the SEZ. In this note we provide an overview of its salient features (including the structure, scope and powers of the central administrative authority, business approval processes and available investment incentives), interspersed with analysis and commentary from lawyers in our corporate & commercial law, real estate and employment law practices.

THE AREA COMPRISING OF THE COLOMBO PORT CITY



The region demarcated as the 'Port City' (**Port City**) is an extension of Colombo's 'Central Business District' and comprises of 269 Hectares/660 Acres of reclaimed land. The 'Area of Authority' (**AOA**) of the Port City consists of the boundaries set out in Schedule 1 of the Port City Act. From the date of commencement of the Port City Act (i.e., 27 May 2021), all land comprising the AOA has been vested in the 'Colombo Port City Economic Commission' (**Commission**) by way of a 'Land Grant' issued by the President of Sri Lanka (**President**) under the State Lands Ordinance (Chapter 454). Within the AOA, the Project Company has been given a (99 year) leasehold right on 116 hectares of marketable land (**Project Company Marketable Land**). The remaining 153 hectares of land is under the control of the Government of Sri Lanka (**GoSL**), of which 62 hectares is marketable land (**Government marketable Land**) and the remaining 91 hectares is comprised of common spaces accessible to the general public. A Master Plan approved by the Commission (in concurrence with the President/Minister in charge of Port City) is to be the basis on which all zoning and other physical development activities within the Port City shall be implemented. The Port City at present comprises of 5 different precincts, namely the 'Financial District', 'Central Park Living', 'Island Living', the 'Marina' and the 'International Island'.

THE PURPOSE OF THE PORT CITY ACT



The primary purposes of the Port City Act are:

- to provide for the establishment of the Port City SEZ;
- to establish the Commission empowered to grant licences and other approvals to carry on businesses and other activities in and from the SEZ. The Commission will also serve as a 'Single Window Investment Facilitator' for the promotion of 'ease of doing business' within the SEZ;
- to determine and grant exemptions and incentives for the promotion of 'businesses of strategic importance' (**BSIs**) within the SEZ;
- to enter into transactions of marketable land and properties within the SEZ; to promote and facilitate international trade, shipping logistic operations, offshore banking and financial services, information technology and business process outsourcing, corporate headquarters operations, regional distribution operations, tourism, and other ancillary services within the SEZ;
- to establish an International Commercial Dispute Resolution Centre (**ICDRC**) within the SEZ; and
- to promote urban amenity operations and the settlement of a residential community within the SEZ.

THE COMMISSION



The establishment of a 'one stop shop' central administrative and regulatory body for the SEZ, characterised as the 'Colombo Port City Economic Commission' (**Commission**) is perhaps one of the most notable introductions in the Port City Act. The Commission has been granted with extensive powers to facilitate investment and create a business-friendly environment within the Port City.

The Commission is a body corporate comprising of 5-7 persons appointed by the President, one of whom will be selected (by the President) to be the Chairperson. A majority of the Commission (including the Chairperson) are required to be Sri Lankan citizens. A Director General (**DG**) shall thereafter be appointed by the Commission, who will function as its CEO and manage the day-to-day operations of the Commission secretariat.

Note

On 1st June 2021, the President appointed the following persons as members of the Commission -

- a) Gamini Marapane (President's Counsel) - Chairman
- b) S. R. Atygalle (Secretary to the Treasury)
- c) Dr. Priyath Bandu Wickrama (Secretary - Water Supply Ministry)
- d) Saliya Wickramasuriya (a former Chairman of the BOI)
- e) Kushan Kodituwakku (Chairman - Orel Corporation)
- f) Gerard Ondaatje (Managing Director - Mercantile Investments and Finance Plc)
- g) Rohan de Silva (Chairman - McLarens Group)

The Commission is empowered to grant licenses to investors to engage in businesses in and from the Port City and is responsible for the consideration of all applications made to the Commission in respect of investment in the Port City. It also serves as a 'Single Window Investment Facilitator' to aid and assist the investor in procuring such other authorisations and facilities required to establish a business and reside within the Port City. In situations where written law dictates that the investor is required to obtain approval from any other regulatory authority (**RA**) prior to commencing business operations, the Commission shall (in its capacity as a Single Window Investment Facilitator) serve as an intermediary to concur with the relevant RA on behalf of the investor (in such matters which come within the purview of the RA, to the extent necessary for implementation by the Commission within the Port City) to obtain necessary approval from the RA. With an aim of better facilitating this application review and approval process, the Port City Act imposes an obligation on each RA to communicate its decision to the Commission expeditiously.

The Commission also has the power to request certain RAs to operate an office within the Port City (that is managed by officers of sufficient seniority and authority), to further expedite the process of obtaining approvals from the relevant RA's, which in turn is likely to contribute towards the ease of doing business.

Commentary

The Commission's role as the primary approving authority does not mean that the administrative or regulatory requirements of RAs do not apply for those seeking to do business in the AOA (other than in respect of those laws which are expressly set out in Schedule III to the Port City Act as inapplicable); instead, the Commission is expected to carry out an intermediary/liaison role and assist investors in preparing and submitting the necessary additional documents and information that RAs will require in order to grant the necessary licenses, approvals, permits or consents (i.e., to provide their 'concurrence').

In this regard, the Commission should ensure that RAs that may be regularly involved in the approval process (for example, the Department of the Registrar of Companies, the Securities & Exchange Commission, the Department of Immigration and Emigration, Customs, the Colombo Land Registry etc.) maintain suitably staffed and adequately functional offices within the SEZ.

The overall administration, regulation and control of all businesses and other operations taking place in and from the Port City rests on the Commission. It is to serve as the principal point of contact for investors to ensure ease of transacting and administering their business operations.

The obligations vested on the Commission also extends to facilitating the processing of visas and work permits required by investors, their permitted consultants, employees and their respective dependants, through the making of visa recommendations to the Department of Immigration and Emigration. The Commission is also in charge of formulation and enforcement of 'Community Rules' and the enforcement of any other 'Development Control Regulations' (i.e., urban development regulations, such as those pertaining to construction and building permits and approvals) applicable within the Port City.

The Port City Act also makes provision for the incorporation of an 'Estate Management Company' (i.e., as a joint venture between the GoSL and the Project Company) (**Estate Manager**) and the Commission is empowered to delegate some of its powers and responsibilities to the Estate Manager, including the maintenance of common areas, facilitating the provision of utility services to the occupants of the Port City and collection of rates and levies imposed by the Commission. Furthermore, the Commission may also delegate any of its powers to either the DG, other officers of the Commission or any other person employed by the Commission, to ensure efficient execution of its duties and functions.

DOING BUSINESS IN AND FROM THE PORT CITY



Licence

Every investor interested in doing businesses in and from the Port City should first procure an appropriate license from the Commission. This will in effect make the licensee an 'Authorised Person' (**AP**). Only an AP is permitted to do business in and from the Port City.

Licensing Requirements

Individual/ Sole Trader/ Partnership	Company engaging in any business	Company engaging in the Offshore Banking Business
<p>1. An application should be made (in the prescribed form) to the Commission and if approved, a licence will be granted by the Commission.</p>	<p>1. The company should first be registered as an 'Offshore Company' (Offshore Company) under Chapter 11 of the Companies Act No.07 of 2007 (Companies Act) (regardless of whether this company has already been incorporated in Sri Lanka or in any other part of the world), and a Certificate of Registration should be obtained from the Registrar-General of Companies (Certificate of Registration).</p> <p>2. An application will thereafter have to be made (in the prescribed form) to the Commission and if approved, a licence will be granted by the Commission.</p>	<p>1. The company should be licensed to engage in banking business in Sri Lanka (under the Banking Act No.30 of 1988 (Banking Act) or in any other part of the world (Licensed Company).</p> <p>2. The Licensed Company should be registered as an Offshore Company and a Certificate of Registration should be obtained.</p> <p>3. A license should also be procured (under the Banking Act) from the Finance Minister (in concurrence with the Monetary Board) (Banking License) to engage in offshore banking.</p> <p>4. An application will thereafter have to be made (in the prescribed form) to the Commission and if approved a licence will be granted by the Commission to the Licensed Company to engage in offshore banking from the Port City.</p>

All applications should in the first instance be submitted to the Commission in its capacity as the Single Window Investment Facilitator. The Commission is empowered to concur with the relevant RAs and make recommendations on behalf of the applicant for the procurement of the respective licenses required. Upon receipt of the respective licences, the Commission will process the application and issue a license to engage in business in and from the Port City.

Offshore banking is expected to be a strictly regulated business; however, regulations on the licensing requirements for establishing and operating such businesses in the AOA are yet to be issued.

Agreement

Upon obtaining the required approvals as set out above, the Commission will then enter into an agreement with every AP setting out the terms and conditions applicable to the investment, including the total FDI requirement and any investment incentives that are granted (**Agreement**). It is also mandatory that all Agreements have a specific dispute resolution clause which states that any disputes between the AP and the Commission arising out of or concerning the Agreement shall be settled by way of arbitration administered by the ICDRC to be established within the Port City.

Investment

In order to ensure that the desired forex inflows are received, all investments made to engage in business in and from the Port City are required to be made in foreign currency that has been raised outside the borders of Sri Lanka; in fact, APs are explicitly prohibited from using foreign currency deposits in an account (e.g., personal foreign currency accounts or business foreign currency accounts) maintained in any licensed commercial or specialized bank in Sri Lanka (**Local Bank**), or using foreign currency raised through a foreign currency loan obtained from any Local Bank, for the purpose of investment in the Port City.

There is however an exception given to citizens of Sri Lanka and companies to whom the restrictions imposed by the Land (Restrictions on Alienation) Act, No. 38 of 2014 (**LRA**) do not apply (**Local Investor**). If a Local Investor has leased land within the Port City and paid for the same in Sri Lankan Rupees, the Local Investor may along with an investor (or investors) apply to the Commission to engage in business in and from the Port City (in any designated foreign currency) on the basis that the Local Investor's contribution towards the investment is equivalent to the value of the leased land. Dividends for such investments are to be made to the Local Investor in the designated foreign currency.

Commentary

The exemption granted to local investors to participate in investments within the Port City by procuring and contributing leasehold land within the AOA may provide greater flexibility for joint venture structuring than that which appears on an initial glance. For instance, under the LRA, the restrictions on acquisition of freehold land rights do not apply to private companies incorporated in Sri Lanka where the direct or indirect foreign shareholding is less than 50% of the total shareholding (i.e., in addition to exemptions given in respect of the acquisition of condominium parcels and real estate acquisitions by companies listed on the Colombo Stock Exchange). This could potentially mean that local investors may not necessarily have to commit the entire funding for the leasehold land acquisition (i.e., if they structure the necessary investment through a joint venture company incorporated in Sri

Lanka in which they hold the majority of the shares and the foreign investor holds the remainder); the utilisation of multi-class shareholding arrangements and multiple 'special purpose vehicles' (SPVs) may therefore provide additional flexibility in structuring such local-foreign joint ventures in line with the relevant capital commitments and commercial expectations.

Investment Incentives

The Port City Act empowers the Commission to grant exemptions (in full or in part) to an AP from the following enactments (**Investment Incentives**):

- The Inland Revenue Act, No. 24 of 2017
- The Value Added Tax Act, No. 14 of 2002
- The Excise (Special Provisions) Act, No. 13 of 1989
- The Customs Ordinance
- The Ports and Airports Development Levy Act, No. 18 of 2011
- The Sri Lanka Export Development Act, No. 40 of 1979
- The Betting and Gaming Levy Act, No 40. of 1988
- The Entertainment Tax Ordinance
- Casino Business (Regulation) Act, No. 17 of 2010
- The Finance Act, No 11. of 2002
- The Finance Act, No. 5 of 2005
- Termination of Employment of Workmen (Special Provisions) Act, No. 45 of 1971

It should be noted that merely procuring a license from the Commission does not automatically entitle an AP to any of the Investment Incentives that the Commission is empowered to grant. If, however, the AP is engaged in a business that is recognised (in the manner set out in the Port City Act) as a BSI (i.e., a 'Business of Strategic Importance'), then the AP may be granted Investment Incentives to carry out its business.

Commentary

The Port City Act permits the granting of tax incentives and exemptions for a period of up to 40 years and in doing so, goes further than any of the other investment promotion laws in Sri Lanka; this includes the BOI Law No.4 of 1978 (**BOI Law**) (which had historically provided income tax holidays and other tax concessions ranging from 3-15 years) and the Strategic Development Projects Act No. 14 of 2008 (**SDP Act**) (which facilitates concessions for up to 25 years). The laws from which exemptions may be granted are also more extensive than those covered within the BOI Law or the SDP Act and include gaming levies (i.e., in addition to the usual income tax, sales tax and import duty exemptions); this is of course consistent with the Government's objective of enticing casino-resort and online gaming operators to the Port City. Investors that are deemed eligible for BSI status

would likely be granted income tax holidays (including waivers on dividend and capital gains taxes), as well as exemptions from value-added taxes (VAT) and/or customs duties and levies for business imports.

The success of the Port City may depend heavily on the attractiveness of the investment incentives offered (particularly when compared with similar SEZs in other jurisdictions) and in this regard, it is widely accepted that the Port City Act does not fall short; a comparison can be drawn, for instance, with the tax incentives available for non-financial sector entities establishing within the DIFC.

There is some concern, however, regarding the impact of the agreement reached by the OECD/G20 Inclusive Framework on BEPS in July 2021, on the adoption of global minimum corporate tax rates. If and when implemented, 'Pillar 2' of the agreement (i.e., in its present form) could potentially result in 'top-up levies' being imposed on certain MNCs that establish operations within the Port City (and receive tax holidays/concessionary tax rates as BSIs), in order to ensure that a minimum tax rate of 15% is achieved. Whether this would materially affect investor sentiment, or the overall marketability of the Port City as a regional business hub, remains to be seen.

Recognition of a business as a BSI

There are no quantitative criteria set out in the Port City Act for the recognition of a business as a 'BSI' (although it is possible that such criteria, such as sectoral 'minimum investment' requirements, may in the future be prescribed under regulations or as indicative guidelines); instead, the law defines a BSI in broad terms as "a business that is projected to ensure the success of establishing the Colombo Port City, having regard to the national interest or in the advancement of the national economy, and which is likely to bring economic and social benefit to the country, or is likely to change the landscape of the Colombo Port City, or which will enable global or regional business or service linkages" primarily through (i) the 'strategic importance' attached to the business, (ii) the expected fund-flows as FDI, (iii) the employment opportunities to be generated, (iv) the potential technology & know-how transfer, (v) the potential promotion of residential living, tourism, entertainment and shopping activities within the AOA (vi) and the promotion of services through the establishment of corporate headquarters or regional distribution operations. This gives significant flexibility for the Commission to consider a wide range of proposed businesses for approval as BSIs, although it comes at the cost of some uncertainty for potential investors and other stakeholders.

The recognition and approval of a business as a BSI (and the granting of any investment incentives) is a process that is initiated by the Commission and requires specific approval from the Cabinet of Ministers of the GoSL, prior to being published in the Government

Gazette and subsequent placement before Parliament (i.e., for its information). As such, it is expected that such recognition will be granted on a limited basis, primarily for high value or large-scale projects.

Excluded Laws

The following laws are stated to be inapplicable within the Port City:

- The Urban Development Authority Act, No. 41 of 1978
- The Municipal Council Ordinance (Chapter 252)
- The Commercial Mediation Centre of Sri Lanka Act, No. 44 of 2000
- The Town and Country Planning Ordinance (Chapter 269)
- The SDP Act
- Public Contracts Act, No. 3 of 1987
- The BOI Law

These laws largely deal with building & construction approvals, property rates and other similar taxes, public infrastructure management and investment facilitation, all of which are addressed (or intended to be addressed, such as through the promulgation of rules and regulations) by the Port City Act.

Employment

An AP is free to employ any person, be it a resident or a non-resident; however, such employees are required to be remunerated in a designated foreign currency and not in Sri Lankan Rupees. All employment income so received (by a resident or a non-resident) will also be exempt from income tax. A non-resident employee also has the added advantage of not having to pay income tax in Sri Lanka on any income earned outside Sri Lanka. As mentioned previously, the procurement of work permits for non-residents would be facilitated by the Commission.

Commentary

Sri Lanka's employment laws are complex, multifarious and are generally not seen as being 'business friendly'. There are easily over 40 different laws and regulations specifically governing labour matters, including working hours (for example, restrictions on night work which may impede working across time-zones), working conditions, provident fund contributions (with employers required to contribute to two separate government managed funds known as the 'Employees Provident Fund' and the 'Employees Trust Fund', with an aggregate monthly employer contribution equivalent to 15% of an employee's gross earnings), gratuity (a service payment entitlement), termination of employment and severance/retrenchment payments. The laws do not distinguish between local and foreign employees, and investors may find the legal and regulatory framework challenging to navigate and as adversely impacting on the overall 'ease of doing business' within the Port

City (particularly compared with other jurisdictions such as Singapore and the DIFC). While the Port City Act empowers the Commission to grant an exemption to BSIs from the provisions of the Termination of Employment of Workmen (Special Provisions) Act No. 45 of 1971 (**TEWA**) (which imposes various restrictions on the exercise of contractual 'convenience termination' rights, including obtaining the prior approval of the relevant employee or the Commissioner of Labour and the payment of severance compensation), it does not provide for similar exceptions in relation to the Industrial Disputes Act No. 43 of 1950 (**IDA**) (under which ex-employees can separately bring claims for termination of employment and seek 'relief or redress' from labour tribunals, on 'just and equitable' grounds, regardless of the provisions of his or her contract of employment); for all other APs, all employment laws in Sri Lanka would apply without exception. The government should consider whether this may prove inimical to the aims and objectives of the Port City Act.

Transacting within the Port City

Although a designated foreign currency will be the primary currency used within the Port City, Sri Lankan Rupees may be accepted from a Sri Lankan citizen/resident for retail facilities or services. The recipient AP may thereafter convert the Sri Lankan Rupees so received to a designated foreign currency. Patrons of such facilities should note that where goods are purchased from the Port City, a levy may be payable when removing such goods outside the AOA.

Engaging in Business outside the Port City

The general rule is that an AP can only engage in business with foreign counterparties. However, an AP may also apply to the Commission for an authorisation to engage in business in Sri Lanka, with a citizen of Sri Lanka or a resident, who is engaged in business in Sri Lanka outside the Port City. Even if an authorisation is provided (which is likely to be in limited and exceptional circumstances), an AP will not be able to benefit from any investment incentives received (for example, as a BSI) in relation to their business activities outside the Port City.

Commentary

Given the practical difficulties that both the Commission and APs will face in managing both offshore and onshore businesses from the same entity, particularly when any investment incentives that they have received will have to be disregarded for the onshore operations (including for accounting and tax purposes), it may be likely that such authorisation would be given in limited circumstances. In fact, the law states that the Commission is required to ensure the interests of the domestic economy and the national interest when considering any authorisation request.

An AP is permitted to receive goods and services from persons in Sri Lanka but outside the Port City. However, payment for the same shall be made in a designated foreign currency and the recipient would be liable to pay domestic taxes.

Stock Exchanges and Markets operating within the Port City

All listings and issue of securities by any stock exchange or market operated within the Port City is to be regulated in terms of the provisions of the Securities and Exchange Commission Act No.36 of 1987 (**SECA**) and its regulations, until specific regulations are issued under the Port City Act. The Commission shall also replace the Securities and Exchange Commission (**SEC**) established under the SECA, for the operation of SECA within the AOA, (subject to obtaining the concurrence of the SEC where relevant).

Commentary

While there is some ambiguity from the wording of the Port City Act as to which responsibilities under the SECA will be carried out solely by the Commission and which of them will be carried out in consultation with the SEC, it is expected that regulations will be issued in due course setting out the applicable regulatory and compliance regime for the establishment and operation of securities exchanges/markets and other capital market activities within the Port City (similar to the regulations that are expected to be issued in relation to the carrying out of offshore banking operations).

Dispute Resolution

The Port City Act provides for the establishment of an ICDRC (i.e., the 'International Commercial Dispute Resolution Centre') operating within the AOA for the purposes of offering conciliation, mediation, adjudication, arbitration and any other alternate dispute resolution services. The ICDRC is also empowered to make/ adopt rules of procedure for any alternate dispute resolution services provided. The enforcement or setting aside of any arbitration award made by the ICDRC is to be carried out according to Sri Lanka's Arbitration Act No. 11 of 1995.

Although an AP has the autonomy to determine (with the transacting counterparty) the manner in which potential commercial disputes should be resolved, the Port City Act expressly states that all disputes arising between the AP (or its employees) and the Commission in relation to its Agreement (i.e., with the Commission) is to be resolved by way of arbitration administered by the ICDRC. However, the convenience of the ICDRC being located within the Port City gives the AP the option of choosing the ICDRC for other dispute resolution matters as well.

Where parties engaged in business within the Port City opt to resolve disputes via

litigation, the Port City Act obliges the courts to prioritize any legal proceedings instituted in civil or commercial matters in relation to any business carried on in or from the Port City. Although this provision is intended to expedite the dispute resolution process for such matters within the Sri Lankan court system, the practicality and modality of implementing this obligation remains to be seen.

Interim measures permitting business operations outside the Port City

The license provided in the Port City Act is applicable only for APs engaging in business operations within the Port City. As an interim measure, however, the Commission is empowered to permit APs to engage in business from a designated location in Sri Lanka outside the AOA, for a period of 5 years from the commencement of the Port City Act. Such businesses shall be deemed for all intents and purposes as businesses carried out within the AOA.

Commentary

This is a necessary transitional provision as it will enable early investment into the Port City (given that infrastructure development activities are still ongoing). It will also enable investors to commence groundwork (including construction of their buildings and other facilities within the Port City, obtain necessary approvals, as well as carry out other setting-up activities) with access to any available investment incentives and the support of the Commission.

Investor Protection

The Port City Act expressly states that no registration, licence, authorisation, permit or other approval granted in terms of the Port City Act, or any deed of transfer or indenture of lease or agreement executed by the Commission may be unilaterally terminated or amended in any manner detrimental to the interests of the respective investor (other than in accordance with its terms, mutual agreement or as expressly provided in the law itself).

LAND OWNERSHIP IN THE PORT CITY

The Commission is authorised to (subject to the provisions of the Port City Act, the Land (Restrictions on Alienation) Act No. 38 of 2014 and other applicable laws) lease Government Marketable Land or Project Company Marketable, and to lease or transfer on freehold basis condominium parcels standing on Government Marketable Land or Project Company Marketable Land, to both residents and non-residents. Consideration for such leases or transfers can either be accepted in a designated foreign currency or in Sri Lankan Rupees. Freehold owners/ lessees of condominium parcels and lessees of the land have the option of transferring their ownership rights to a third party and accepting the purchase consideration in foreign currency.

It should also be noted that the Condominium Management Authority Law No.10 of 1972 (**CMAL**) and the Apartment Ownership Law No.07 of 1973 (**AOL**) has also been modified by the Port City Act (in respect of properties located within the Port City), in order to give effect to the provisions of the Port City Act. There are also provisions to state that if there is a conflict between the regulations passed under the CMAL or the AOL with any regulations passed under the Port City Act (i.e., in relation to condominium parcels located within the Port City), the regulations made under the Port City Act shall prevail.

The Commission also replaces the 'Condominium Management Authority' (**CMA**) (established under the CMAL and the AOL) and accordingly, is empowered to exercise, perform and discharge all of the powers, duties and functions of the CMA in relation to condominium parcels located within the Port City.

Commentary

Stamp duty will be payable on the sale, transfer, lease or mortgage of such condominium parcels (as the applicable laws and statutes have not been excluded from application within the AOA).



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