INVESTMENT GUIDE
BOARD OF INVESTMENT OF SRI LANKA
INVESTMENT GUIDE - GENERAL

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INVESTMENT GUIDE
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1. COUNTRY PROFILE

Geography & Climate

Official name : Democratic Socialist Republic of Sri Lanka
Widely use name : Sri Lanka
Internet domain : lk
Geographical location : South Asian Region
Geo – Coordinates : Between 5°55”and 9°50”North Latitudes
Between 79°31”and 81°53”East Longitudes
Land area : 65,610 sq. km with 2905 sq. km of Inland water
Administrative divisions : 9 Provinces, 25 Districts
Capital city (Administrative) : Sri Jayewardenepura Kotte
(Commercial) : Colombo
Standard time : GMT + 5.30 hours
Climate : Tropical - with two monsoons
Climate variations : North- East Monsoon (September - March)
South –West Monsoon (May - August)
Annual average rainfall : 1687 mm
Average temperature : Min 24.4 °c - Max 31.7°c

Demographics

Population : 20.2 mn
Ethnic groups : Sinhalese (74.9%), Tamils (15.4%),
Muslims (9.2%), Others (0.5%)
Religions : Buddhist (70.2%), Christian (7.4%),
Hindu (12.6%), Islamic (9.7%), Other (0.1%)
Official languages : Sinhala & Tamil
English is the Business Language and commonly
used in Government, Private Institutions &
Banks and widely spoken in all urban areas

Resources

Agricultural : 18.29% Arable Lands , 29.7% Forest cover
Major commercial crops : Tea, Rubber, Coconut, Cinnamon, Pepper
Major food crops : Rice, wide range of Fruits & Vegetables, Spices
Marine : About 1620 km coastal line with Exclusive
Economic Zone of 517,000 Sq km within 200
nautical miles from the baseline
Minerals : Limestone, Graphite, Mineral Sand, Gem,
Phosphate, Clay
2. SRI LANKA - YOUR NEXT INVESTMENT DESTINATION

a) Political and Economic Stability blended with Peaceful Investment Environment

There are many reasons why companies select Sri Lanka as their investment destination. It all starts with positive leadership, policies and peace. Sri Lanka is an open economy and has heavily invested to develop its infrastructure to face the challenge of attracting high performing industries.

Country Performance;
- A faster growing economy in the South Asian region with a GDP growth over 6% for the last three years
- Maintaining an Unemployment rate around 4%
- Per capita GDP of USD 3,625 in 2014
- Brought down inflation rate to 3.3%
- Efforts to diversify exports

<table>
<thead>
<tr>
<th>Real GDP Growth</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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<tbody>
<tr>
<td>Bangladesh</td>
<td>5.6</td>
<td>6.5</td>
<td>6.5</td>
<td>6</td>
<td>6.1</td>
</tr>
<tr>
<td>India</td>
<td>10.3</td>
<td>6.6</td>
<td>5.1</td>
<td>6.9</td>
<td>7.4</td>
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<tr>
<td>Malaysia</td>
<td>7.4</td>
<td>5.2</td>
<td>5.6</td>
<td>4.7</td>
<td>6</td>
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<tr>
<td>Pakistan</td>
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<td>2.7</td>
<td>3.5</td>
<td>4.4</td>
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<td>6.5</td>
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<tr>
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<td>6.4</td>
<td>6.2</td>
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<td>6</td>
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</tbody>
</table>

Source: World Development Indicators

<table>
<thead>
<tr>
<th>Composition of Exports 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Textile and Garments</td>
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<tr>
<td>Other Industrial</td>
</tr>
<tr>
<td>Tea</td>
</tr>
<tr>
<td>Rubber Products</td>
</tr>
<tr>
<td>Gems, Diamonds and Jewellery</td>
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<tr>
<td>Coconut</td>
</tr>
<tr>
<td>Petroleum Products</td>
</tr>
<tr>
<td>Other Agricultural</td>
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<tr>
<td>Spices</td>
</tr>
<tr>
<td>Minor Agricultural Products</td>
</tr>
<tr>
<td>Mineral</td>
</tr>
</tbody>
</table>

Source: Central Bank of Sri Lanka, 2014

Top 15 Investors:
- Malaysia
- U.K
- China
- India
- Netherlands
- Singapore
- U.S.A
- Luxemburg
- Japan
- Sweden
- Australia
b) Choosing Sri Lanka as FDI Location

- Geostrategic Location
- Openness to trade and investment
- Pro-business Government Policies
- Competitive, reduced corporate tax rates for priority sectors
- High quality educational skills development
- Stable and attractive living and working environment
- Availability of property
- English speaking workforce
- Emerging as a popular logistic centre in Asia
- Bilateral Investment Protection Agreements (IPA) with 28 countries and Double Tax Avoidance Agreements (DTAA) with 38 countries including Japan.
- Total foreign ownership is permitted across almost all areas of the economy and free repatriation of earnings, fees, capital, and on forex transactions relating to current account payments.
- Constitutional guarantee on safety of foreign investments.

c) Developed Infrastructure

- Efficient & Modern Sea ports and Airports
- Network of well-maintained roads and highways
- High quality telecommunication network
- Reliable utility services at competitive rates
- EPZs and Industrial Parks with plug and play facilities

d) Talent Pool

- Our skilled workforce is highly adoptable, trainable and committed to achievement.
- Sri Lanka is among top 10 best performers (lower middle income category) in the “Global Talent Competitiveness Index 2014”
- Sri Lanka has a higher percentage of young population participating in the labour force.
- Annual Graduate output - 25,000 from State Universities & Over 10,000 from Private Educational institutions
- Vocational and Industrial training Institutes to meet the industry demand
- Sri Lanka is fast emerging as a niche “Center of Excellence” (COE) for Finance and Accounting Outsourcing (FAO) with us having the second largest pool of UK qualified accounting professionals in the world.

e) Preferential Market Access

- Free Trade Agreements with India and Pakistan; preferential market access to over 4,000 products at zero customs duty.
- Extended market access to over 1.4 Bn population.
- Negotiating a comprehensive FTA with China.
- A member of APTA and BIMSTEC Agreements
f) Doing Business Rankings

- Sri Lanka ranks number 01 in South Asia in overall ranking as well as in the Distance to Frontier Score.
- Continuous effort to improve investment environment

![Distance to Frontier Score Chart]

<table>
<thead>
<tr>
<th>Country</th>
<th>Rank</th>
<th>Distance to Frontier Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>183</td>
<td>41.16</td>
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<tr>
<td>Maldives</td>
<td>116</td>
<td>47.34</td>
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<tr>
<td>Bhutan</td>
<td>125</td>
<td>57.47</td>
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<tr>
<td>Pakistan</td>
<td>128</td>
<td>56.64</td>
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<tr>
<td>India</td>
<td>142</td>
<td>53.97</td>
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<tr>
<td>Maldives</td>
<td>116</td>
<td>54.73</td>
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<tr>
<td>Nepal</td>
<td>108</td>
<td>60.33</td>
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<tr>
<td>Sri Lanka</td>
<td>99</td>
<td>61.26</td>
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<tr>
<td>Nepal</td>
<td>108</td>
<td>60.33</td>
</tr>
<tr>
<td>Maldives</td>
<td>116</td>
<td>54.73</td>
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<tr>
<td>Bhutan</td>
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<td>57.47</td>
</tr>
<tr>
<td>Pakistan</td>
<td>128</td>
<td>56.64</td>
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<tr>
<td>India</td>
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<td>53.97</td>
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<tr>
<td>Bangladesh</td>
<td>173</td>
<td>46.84</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>183</td>
<td>41.16</td>
</tr>
</tbody>
</table>

g) Quality of Life

- A quality living environment in Sri Lanka with comfortable housing, advanced healthcare and medical facilities and reputed international schools
- A cosmopolitan living environment with ample recreational activities and nightlife, world-class shopping, theatre, cafes, art and host of star class hotels.
- Sri Lanka is truly a great place to live and work
3. INVESTMENT POLICY OF SRI LANKA

Sri Lanka pioneered in South Asia’s economic liberalization over three decades ago. The following transparent investment laws aim to foster foreign direct investments.

**The Board of Investment Law (BOI Law)**

The Board of Investment Law No. 4 of 1978 and its amendments is the principal law applicable to foreign investments in Sri Lanka. BOI is structured to function as the Central Facilitation point for investors and empowered to enter into agreements with investors providing investment incentives of tax holidays, tax concessions and exemptions from customs duty & exchange control law.

Total foreign ownership is permitted for investment in most of the areas of the economy and there is no restriction on foreign exchange transaction relating to current account payments.

**Exchange Control Laws Applicable for foreign Investments**

The Exchange Control Provisions applicable for foreign investments are stipulated in the Regulation No. 1232/14 dated 19-04-2002 as amended by No.1248/19 dated 08-08-2002 which read as follows;

“Permission is granted for the issue and transfer of shares in a company up to 100% of the issued capital of such company, to approved country funds, approved regional funds, corporate bodies incorporated outside Sri Lanka and individuals resident outside Sri Lanka (inclusive of Sri Lankans resident outside Sri Lanka) subject to the exclusions, limitations and conditions herein after set out.

**Exclusions:-**

The permission hereby granted shall not apply in respect of shares of a company proposing to carry on any of the following businesses:

1. Money Lending
2. Pawn broking
3. Retail trade with a capital of less than One Million US Dollars
4. Coastal Fishing
5. Provision of security services including security management assessment and consulting to individuals or private organizations.

**Limitations:-**

(a) Foreign investments in the areas listed below will be approved only up to 40% of the issued capital of such company or a higher percentage of foreign investment when approval has been granted by the Board of Investment of Sri Lanka only up to higher percentage.

1. Production of goods where Sri Lanka’s exports are subject to internationally determined quota restrictions
ii. Growing and primary processing of tea, rubber, coconut, cocoa, rice, sugar and spices
iii. Mining and primary processing of non-renewable national resources
iv. Timber based industries using local timber;
v. Fishing (deep sea fishing)
vi. Mass communications
vii. Education
viii. Freight forwarding
ix. Travel agencies
x. Shipping agencies

(b) The permission hereby granted shall apply in respect of the shares of a company carrying on or proposing to carry on any of the businesses set out below only up to the percentage of the issued capital of the company for which percentage either general or special approval has been granted by the Government of Sri Lanka or any legal or administrative authority set up for the approval of foreign investment in such businesses.

i. Air transportation
ii. Coastal shipping
iii. Industrial enterprise in the Second Schedule of the Industrial Promotion Act, No. 46 of 1990, namely – any industry manufacturing arms, ammunitions, explosives, military vehicles and equipment aircraft and other military hardware; any industry manufacturing poisons, narcotics, alcohols, dangerous drugs and toxic, hazardous or carcinogenic materials; any industry producing currency, coins or security documents;
iv. Large scale mechanized mining of gems;
v. Lotteries

**Investment Protection**

Sri Lanka is one of the safest countries in the world to invest in, due to a number of mechanisms in place to protect investors. The Article 157 of the island’s constitution guarantees the safety of investment protection treaties and agreements approved by parliament by a two thirds majority.

Sri Lanka has signed bilateral Investment Protection Agreements (IPA) with 28 countries. The country has a very independent system of courts which can redress any concerns of investors.

Sri Lanka also has bilateral Double Tax Avoidance Agreements (DTAA) with 38 countries. Sri Lanka is a founder member of the Multilateral Investment Guarantee Agency (MIGA), an investment guarantee agency of the World Bank. This provides a safeguard against expropriation and non-commercial risks.
4. COMPETITIVE INVESTMENT OPPORTUNITIES

While focusing sectoral investment promotion approach, Sri Lanka promotes following competitive sectors to attract Foreign Direct Investments.

Maritime Sector

Sri Lanka is situated in one of the best locations in the world to gain competitive advantage in the naval and maritime industries.

Investment opportunities
- Construction of new terminals
- Developing skills required for maritime industries
- Supporting logistic establishments
- Ship building and repairing industries
- Developing minor ports & connectivity
- Expanding related leisure activities
- Further research on exploring sea bed potential
- Marine support industries
- Rigging & offshore engineering
- Supply of spares, food, water and other goods
- Bunkering service
- Maintenance services
- Transshipments service

Aviation Sector

Sri Lanka is situated close to many of the world’s main air routes. Most of the main cities in the world can be reached from Sri Lanka within few hours and therefore the country has a high potential for becoming an Aviation Hub.

Investment opportunities
- Improving aviation services to become a “location for aviation services”
- Improving airport facilities to become a good destination as well as a good transit point.
Knowledge Sector

The concept of knowledge hub was introduced to make Sri Lanka as the most preferred country for higher education in the Asian subcontinent by attracting foreign students and getting the services of foreign experts.

There are 15 state universities, 7 post graduate institutes and 13 other degree granting universities/Institute in operation. The capacity of the state university system is limited and not more than 20% of the 140,000 students who qualify for university education can gain admissions to these Universities.

The government has already commenced the formulation of necessary legislation to regulate private sector higher education institutes.

Private sector organizations are encouraged to join with the higher education institutes to undertake research & development.

The Knowledge Services sector which encompasses IT software development, Knowledge Process Outsourcing / Business Process Outsourcing industry, IT and IT enabled services and IT Training Centers, has tremendous potential to emerge as a key growth sector in Sri Lanka.

There are over 100 software development companies in operation in Sri Lanka which caters to both independent and captive markets. Sri Lankan companies have been able to develop software products of their own which have earned them international recognition.

The KPO / BPO industry is an emerging sector in Sri Lanka, within its short history since 2000, the sector has been able to attract some of the BPO / KPO giants in the world. Sri Lanka is growing in reputation for niche areas of Financial and other Professional Services, Transaction processing and Document management.

The Industry has set a target of Export revenue of US$ 1 Bn and Employment of 100,000 by 2016 and well on the way to achieving them.

The knowledge hub initiative will help to develop Sri Lanka as a destination for investments in Higher Education and position the nation as a center of excellence and regional hub for learning and innovation.

Investment opportunities

- Establishment of Higher education institutes with appropriate programs in order to produce qualified personnel as sought by the Industries and services nationally and internationally.

- Establishment and operation of IT software development, Knowledge Process Outsourcing / Business Process Outsourcing companies, IT and IT enabled services and IT Training Centers.
Energy Sector

In order to attain the peak demand and to satisfy the electricity requirement in Sri Lanka, altogether 142 Grid Connected Power Plants with total installed capacity of 3,277 MW have been operated in the first half of 2012. Out of these Power Plants, 25 have been owned and operated by Ceylon Electricity Board including 17 Hydro Plants, 07 Thermal Plants and 01 Wind Power Plant.

11 Thermal Power Plants have been operated by Independent Power Producers (IPPs) and 109 Renewable Power Plants have been operated by Small Power Producers (SPPs) including Mini Hydro Plants, Solar Power Plants, Wind Power Plants and Biomass Power Plants.

Sri Lanka also has suffered from global oil price shocks from time to time and developing new avenues for energy creation has become essential. Even though the global fossil fuel resource is depleting, availability of fossil fuel resources have been identified in northern and southern seas around Sri Lanka.

Investment opportunities

- Developing & Promoting of Non conventional energy sources with improved technology

Commercial Hub Related Services

Considering the strategic advantages of the location, rapid development of infrastructure and other facilities have been initiated to establish Sri Lanka as one of Asia’s foremost commercial centers in the field of commercial services and international banking.

Investment Opportunities

- Supply Chain Management
- Total logistics service
- Establishment and operation of Shopping malls that offer International branded products
- BOI has been empowered to grant concessions for new investors in the Hub related activities in Free Ports and other designated areas. Details are given in the dedicated section titled produce on “Commercial Hub Activities”.

Tourism Sector

- The Sri Lankan government has identified the Tourism sector as a key growth area in the post-conflict development era, with an ambitious target of attracting 2.5 million visitors by 2016.
- Tourism arrival has increased by 160 % since 2009, as the number of arrival was recorded in 2014 was 1.5 mn compared to 0.5 mn in 2009.
- Priority has been given for development of required accommodation facilities and other related infrastructure for leisure activities.
Some regional blocks namely Kuchchaveli in Trincomalee district on the north-eastern coast, Passikudah on the east coast, Kalpitiya on the north western coast consisting of 14 different islands, and Dedduwa near the river Madhu Ganga located close to Bentota on the south western coast have been identified to develop as special tourism zones.

Considering significant growth in the industry, one of the most prestigious global travel publications, the largest travel guide book and digital media publisher in the world "Lonely Planet” has published in its effusive article on Sri Lanka as follows:

"Investment is fuelling the tourism industry and visitor numbers are steadily increasing. Prices are affordable and with affordable flights from the convenient travel hub of Bangkok, Sri Lanka is emerging as one of the planet’s best value destinations.”

Investment Opportunities

- Construction and management of hotels, resorts, leisure & entertainment complexes

Manufacturing Sector

Manufacturing industries is one of the key sectors of the economy, which generates over 75% of national industrial exports. A wide range of targeted industrial sub-sectors are to be promoted for investment.

There are many success stories in the manufacturing sector of Sri Lanka with foreign direct investments as indicated below.

- Apparel industry
- Rubber based products – mainly solid tyres and surgical gloves
- Food Processing Industries – Prima Ceylon
- High-tech manufacturing

Investment Opportunities

In line with the new policy guidelines of the government the manufacturing sector is to be promoted in three different segments.

- Export oriented industries such as food processing, rubber based products, apparel, value added mineral based product, ship & boats.
- High end industries such as automobiles, electrical and electronics, chemicals
- Import replacement industries such as pharmaceuticals, textile, dairy products, fertilizer
Infrastructure Sector

The massive infrastructure development drive currently in progress is expected to support the country to achieve sustainable growth in the medium and long term. Timely development of economic infrastructure will help to increase economic efficiency while expanding the production capacity of the economy, facilitate productivity enhancement and reduction of regional disparity. Economic infrastructure development programme undertaken by the government so far has focused on all areas of infrastructure includes;

- Development of road network including highways, expressways and railways,
- Expansion of existing international sea port & air port and establishment of new ones
- Housing, Shopping malls and urban development
- Water supply and sanitation,
- Establishment of industrial zones,
- Warehousing and logistic centers etc.

Investment Opportunities

- Northern expressway
- Mixed Development complexes and other commercial facilities in Colombo and other cities
- Housing - Apartments
- Export processing zones with state-of-the-art technology
- Warehousing and logistic centers etc.

Services Sector (Utilities)

Telecommunication Sector

The country has developed its telecommunications industry on par with the developed country standards.

As a result of the pertinent regulatory initiatives, the local telecommunications sector has taken pride in being the prime figure to introduce some of the most latest global telecommunications technologies in the South Asian Region. Sri Lanka has facilitated some of the most advanced technologies in the world such as GSM, 3G, 3.5G and HSPA (High Speed Packet Access) which allows high speed mobile broadband. Sri Lanka is also the first country to introduce Next Generation Networks such as 4G, which would enable the use of WIMAX (Worldwide Interoperability for Microwave Access) and LTE (Long Term Evolution). The subscriber Base Sector has indicated a quadrupled growth rate in 2009, with an escalating number of 13 Mn. mobile subscribers. In comparison fixed line usage has recorded a lower growth rate, up to 3.5 Million in 2009.
Statistical overview of the sector as at end December 2013:

<table>
<thead>
<tr>
<th><strong>Number of System Licenses</strong></th>
<th>39</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total no. of fixed phones</td>
<td>2,709,848</td>
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<tr>
<td>Tele-density (Fixed phones per 100 inhabitants)</td>
<td>13</td>
</tr>
<tr>
<td>No. of cellular mobile subscribers</td>
<td>22,123,000</td>
</tr>
<tr>
<td>Mobile subscribers per 100 people</td>
<td>107</td>
</tr>
<tr>
<td>Internet &amp; e-mail subscribers fixed</td>
<td>606,100*</td>
</tr>
<tr>
<td>Internet and E-mail subscribers (Mobile)</td>
<td>2,802,881*</td>
</tr>
<tr>
<td>Fixed narrowband subscribers</td>
<td>38,499</td>
</tr>
<tr>
<td>Fixed broadband subscribers</td>
<td>567,601</td>
</tr>
<tr>
<td>Number of Public Payphone Booths</td>
<td>6,642</td>
</tr>
</tbody>
</table>

* Provisional

Investment Opportunities

- Telecommunication related services mainly to improve the quality by improving speed & coverage

Agriculture Sector

The agriculture sector plays a key role in the country’s economic development with 10.1% contribution to national GDP. Fisheries sector potential include of offshore/deep sea, inland fisheries and aquaculture development. The fisheries sector has contributed around 1.3% to GDP in 2014 and employs over 650,000 people directly and indirectly through related activities. The livestock sector consists mainly of the dairy and poultry sub-sectors, which are considered as priority areas for growth, employment generation and increasing income of rural farmers. The livestock sector accounted for about 1.3 per cent of GDP in 2014. Milk and products valued at over US$ 339 have been imported in 2014 and it represented 1.75 percent of Sri Lanka’s food imports.

Investment opportunities:

Investments in this sector is targeted to improve productivity, level of technology innovation, access to international markets, develop quality seeds and planting materials and improve overall value addition. With diverse agro zones for agro based industries and access to a large fishing area, Sri Lanka has much to offer for both local and foreign investors in Agriculture sector including Horticulture, Livestock and Fisheries sub sectors.
5. BOI INVESTMENT FACILITATION

The Board of Investment of Sri Lanka (BOI) is the central facilitation point for foreign investors. BOI provide assistance and advice throughout the investment process from initial point of inquiry through project approval, implementation, monitoring and aftercare facilities.

The BOI currently facilitates investors on a sector-focused approach and has established the “Investor Facilitation Centre” on Level 27, West Tower, World Trade Centre, Colombo 1, for this purpose. The entire process will be coordinated by a project officer with the assistance of other relevant departments of BOI.

a. BOI Application(s) Under Section 16 & 17

Board of Investment of Sri Lanka is empowered to approve projects under following categories.

Projects approved under Section 16 of BOI Law

Projects are approved under section 16 of BOI Law, where the entry of foreign investment is permitted without any fiscal concessions. These projects are governed under Normal laws of the country and are subjected to Inland Revenue Laws, Custom Laws and Exchange Control regulations. These approvals are granted:

- Only to facilitate the entry of foreign investment
- To setting up of a new company with foreign shareholding or
- For the purpose of transferring or issuance of new shares in an existing non-BOI company to foreign investors

At present the minimum investment requirement to qualify for the section 16 projects is US$ 250,000. This can be either 100% foreign investment or a joint venture investment with a local collaboration.

Foreigner has to remit a minimum of US$ 1 Mn if they are to undertake trading activity. The proposed foreign investment should be effected from funds remitted through a Securities Investment Account (SIA) as indicated in the Gazette Extraordinary No.1232/14 of 19th April 2002 published by the Controller of Exchange.

Projects approved under Section 17 of BOI Law

Under Sec.17 of the BOI Law, it is empowered to approve projects and enter into agreements with enterprises and to grant exemptions from laws such as Inland Revenue, Exchange Control and Customs, subject to fulfillment of the investment threshold or any other specified requirement.
b. Approval Process

**BOI Approvals**

- Application Submission for BOI Approval
- Letter of Acknowledgement of Business Activity
- Incorporation of Company (Dept of Registrar of Companies)
- Formal Letter of approval
- Signing of BOI Agreement (Section 17 Projects)
- Commence Implementation (within the specified period)
- Recommendation for Work Permits & Residence Visa (Investor Facilitation Unit-BOI)
- Certificate of Conformity (COC) Environment Protection License (EPL)
- Commence Commercial Operation

**Development Permit (Building Approvals)**

- Site Approval (Engineering Approvals Dept. - BOI)
- Environmental Clearance (Environment Dept., BOI/CIA)
- Collect the Draft Agreement (Legal Dept., BOI)
- Import (duty free items)/Export - BOI Approval (HT Unit/Engineering)
- Registration - Investment Services Dept. - BOI
- Work Permit & Residence Visa* (Ministry of Defense and Dept. of Immigration & Emigration)
- Certificate of Conformity (COC)*

**Line Agency Approvals**

- Opening of Bank A/C SIA (optional)
- Project Activity*:
  - Preliminary Clearance for the project Activity
  - Environment Clearance
  - Preliminary Clearance for Sourcing of Raw Materials
  - Rules of Origin Certificate
  - Import/Export License

- Preliminary Planning Clearance for the building*

**Utilities**

- Electricity: Ceylon Electricity Board
- Water: National Water Supply & Drainage Board
- Telecommunication: Sri Lanka Telecommunications

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*SIA: Securities Investment Account
FCBU: Foreign Currency Banking Unit
*If applicable only
*Residence visa can be obtained at any stage of the process
c. **Incentives**

Tax Incentives

- Corporate Tax Incentives
- Import Duty Exemption
- Exemption Tax on Dividend
- Exemption on Exchange Control

**d. Other Service**

- **Visa Recommendation**

  BOI recommends applications of visa for the investors, employees and their dependents of the BOI approved projects under the section 16 & 17 of the BOI Law.

- **Import Export Facilitation**

  The Investor Services Department of the BOI is responsible for permitting Imports and Exports of projects under section 17 of the BOI law as well as providing other investor related services.

- **Industrial Labour Relations**

  Industrial relations department promotes and facilitate labour management cooperation and industrial harmony in the enterprises coming under it’s purview and provides advisory services and guidance to employers and employees on labour relations aspects.
e. **Locations for Projects: Economic Processing Zones, Industrial Parks and Outside Zones**

Investors can select the following options to locate the project within Sri Lanka:

1. Locate the project within a BOI administered Export Processing Zone or Industrial Park (with required infrastructure facilities) on long-term lease basis. These zones/parks are more suitable for industrial manufacturing and processing businesses.

2. Locate the project outside zones
   a. Privately owned land
   b. State lands
e generally on lease basis

There are some lands registered in the BOI land bank (user registration required).

**Other Privately Managing Zones**

In addition to BOI administered zones, there are specialized sector specific privately owned industrial parks.

1. Apparel and Related Industries: MAS Fabric Park, Thulhiriya
   www.masfabricpark.com

2. IT / Knowledge Services: Orion City IT Park, Colombo 9
   www.orioncity.com
BOI Investment Zones

- **Existing Zones**
- **Industrial Zone establish by Private Sector**
- **New Zones**

EPZ - Export Processing Zone  
EPP - Export Processing Park  
IP - Industrial Park  
IZ - Investment Zone  
HIZ - Heavy Industrial Zone
SRI LANKA’S GEOSTRATEGIC LOCATION

Best suited Air & Sea connectivity through strategic location

- Located at the center of sub continents
- Located within the vicinity of main shipping routes connecting East & West providing direct access to important trading partners
- Provides further investment opportunities for private investors in integrated areas designated for carrying on specific business activities.

LEGAL FRAMEWORK

- Government has announced to setup Free Ports and Bonded Areas to create trade related infrastructure to facilitate import and export of goods and services and the related legal provision are contained in;
  - In 2012, the Finance Act No. 12 of 2012 first announced the legislation applicable for Commercial Hub activities.
  - In 2013, amendments were made by Finance Act No 12 of 2013
  - Commercial Hub Regulation No 01 of 2013 (Gazette No. 1818/ 30) issued on 11-07-2013

DECLARED FREE PORTS AND BONDED AREAS

<table>
<thead>
<tr>
<th>Declared Free Ports</th>
<th>Colombo &amp; Hambantota</th>
</tr>
</thead>
<tbody>
<tr>
<td>Declared Bonded Areas</td>
<td>Katunayake EPZ &amp; Koggala EPZ</td>
</tr>
<tr>
<td>Specified Bonded Areas for projects engaged in entrepot trade with approval for manufacturing or assembling a product</td>
<td>Mattala Rajapaksha International Air Port &amp; Mirijawila EPZ</td>
</tr>
</tbody>
</table>
Declaration of Free Port and Bonded Area

What are Free Port (FP) & Bonded Areas (BA) for the purpose of Finance Act 12 of 2012?

Areas “which are geographically inside Sri Lanka but are legally considered outside its customs territory”.

PERMITTED ACTIVITIES

a) **Entrepot trade** involving an import, minor processing and re-export
b) **Off-shore business** where goods can be procured from one country or manufactured in one country and shipped to another country without bringing the same into Sri Lanka
c) Providing **front end services** to clients abroad
d) **Operations of the Headquarters** of leading buyers for the management of the finance supply chain and billing operations
e) **Logistic Services** such as a bonded warehouse or in the case of operation of multi-country consolidation in Sri Lanka

Activities (a) and (e) required to be operated within a free port or bonded area since it involves physical movement of goods. However, an enterprise involved in entrepot trade and engaged in manufacturing or assembling requires to locate in a free port or specified bonded area

Manufacturing under Entrepot Trade

- Considering the importance of availing a product in domestic market in the interest of national economy, an enterprise engaged in entrepot trade in **manufacturing a product** shall be permitted local sales up to a certain percentage payable in SL Rupees by the BOI with prior concurrence of Ministry of Finance for such products, subject to provisions of Customs Ordinance.

- The turnover of such domestic sales shall be treated as turnover from deemed exports.
## COMMERCIAL HUB PROVISIONS – AT A GLANCE

<table>
<thead>
<tr>
<th>Business Activity</th>
<th>Location</th>
<th>Min. Investment in fixed assets US$</th>
<th>Annual Re-export/Turnover to be achieved in 5yrs</th>
<th>Exemptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New Enterprise</strong></td>
<td></td>
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<tr>
<td>Enterprise involved in Entrepot trade with approval for manufacturing [3] or assembling a product</td>
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<tr>
<td>(b) Off-shore business where goods can be procured from one country or manufactured in one country and shipped to another country without bringing the same into Sri Lanka</td>
<td></td>
<td>1 Mn. Within 1 years from the BOI Agreement</td>
<td>Not less than US$ 10 Mn.</td>
<td></td>
</tr>
<tr>
<td>(c) Providing front end services to clients abroad</td>
<td></td>
<td>1 Mn. Within 1 years from the BOI Agreement</td>
<td>Not less than US$ 10 Mn.</td>
<td></td>
</tr>
<tr>
<td>(d) Operations of the Headquarters of leading buyers for the management of the finance supply chain and billing operations</td>
<td></td>
<td>1 Mn. Within 1 years from the BOI Agreement</td>
<td>Not less than US$10 Mn.</td>
<td></td>
</tr>
<tr>
<td>(e) Logistic services such as a bonded warehouse or in the case of operation of multi-country consolidation in Sri Lanka</td>
<td></td>
<td>3 Mn. Within 1 years from the BOI Agreement</td>
<td>Not less than US$ 15 Mn.</td>
<td></td>
</tr>
</tbody>
</table>

### Notes:

1. 65% of total investment to be made from foreign sources including from a FCBU Account.
2. From the date of commencement of operations.
3. Domestic sales (DS) in SL Rupees permitted up to a certain percentage with permission of BOI with prior concurrence of Minister of Finance and turnover of that DS is shall be treated as turnover from deemed exports.
OTHER POTENTIAL BENEFITS

- **Product Storage Facilities** - Assist in meeting specific warehousing requirement for each product category e.g. different sections for storage of food items.

- **Shared warehousing** - Availability of temporary storage facilities to enable users to meet short term demand without incurring significant costs (e.g. leasing space for a year to meet 2 to 3 months demand).

- **Shared Equipment** - Ability of users to save on capital investments by leasing equipment provided by the Free Zone or Bonded Area.

- **Delivery Time** - Reduction in custom clearance time and better logistics connectivity leading to improved delivery time.

- **Support Facilities and Effective Management** - Provision of efficient management services and international expertise along with support facilities such as banking, insurance etc.
DEFINITIONS REFERRED IN FINANCE ACT NO.12 OF 2012 AND ITS AMENDMENTS

- “Free Port” means an area within a sea port or an inland dry port under the supervision of SLPA and declared by the regulations under this Act.
- “Bonded Area” means an area supervised by the BOI or DG customs or any other authority and declared by the regulations under this Act.
- “Entrepot trade” includes any manufacturing activity approved under Part IV of Finance Act No 12 of 2012 as amended and carried out by a new enterprise for re-export with a domestic value addition at a minimum rate of 10% within a free port or designated bonded area or in a specified bonded area if the enterprise is engaged in manufacturing or assembling products with approval.
- “logistic service” include the followings
  1. Transshipment activities;
  2. Warehousing for temporary storage of input or finish goods for local exporters; and
  3. Freight forwarding for clients abroad;

ILLUSTRATIONS OF ACTIVITIES

<table>
<thead>
<tr>
<th>Activity</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepot trade</td>
<td>• Imports of ready-made garments and re-export after packing and labeling</td>
</tr>
<tr>
<td>Off-shore business</td>
<td>• Procurement, order management and supply chain management, delivery and invoicing</td>
</tr>
<tr>
<td>Front end services</td>
<td>• Marketing, sales &amp; business development related services</td>
</tr>
<tr>
<td></td>
<td>• Product design and development</td>
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<tr>
<td></td>
<td>• Supply chain management including financing</td>
</tr>
<tr>
<td></td>
<td>• Sampling, testing, quality checking related services</td>
</tr>
<tr>
<td>Operations of the Headquarters</td>
<td>Headquarter Operations of leading buyers</td>
</tr>
<tr>
<td></td>
<td>• International billing</td>
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<td></td>
<td>• Quality control</td>
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<td></td>
<td>• Financial services</td>
</tr>
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<td></td>
<td>• Administrative and back-end services</td>
</tr>
<tr>
<td>Logistic services</td>
<td>• Import of finished products from different origins for consolidation and re-export (Multi country consolidation)</td>
</tr>
<tr>
<td></td>
<td>• Import of finished products for storage for global distribution</td>
</tr>
<tr>
<td></td>
<td>• Import of project cargo for major projects</td>
</tr>
<tr>
<td></td>
<td>• Warehousing, inventory management &amp; logistic value additions for international clients</td>
</tr>
<tr>
<td></td>
<td>• Freight forwarding for clients abroad</td>
</tr>
<tr>
<td></td>
<td>• Transshipment services</td>
</tr>
<tr>
<td></td>
<td>• Regional trading bonds including supply to Sri Lankan exporters</td>
</tr>
</tbody>
</table>