Overview

Blessed with natural and cultural endowments throughout the island, Sri Lanka is home to a rich and diverse Tourism & Leisure industry which is the economy’s third largest foreign exchange earner. The focus is on investments that would provide world-class tourist experiences leveraging on established sub-sectors, as well as to diversify into new offerings.

As a country that is strategically positioned in the Indian Ocean; with a medium sized landmass, Sri Lanka has the potential to attract tourists due to the numerous attractive features it offers in terms of geographical diversity, a rich cultural heritage, hospitality and developed infrastructure features etc.

Key Facts

Tourists arrivals (Mn) - (2011-2021)

Top ten source markets (January –December 2021)

Distribution of Tourists by Purpose of Visit 2020 (%)

Statistics

<table>
<thead>
<tr>
<th>Statistics</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings from tourism (USD Bn)</td>
<td>4.3</td>
<td>3.6</td>
<td>0.6</td>
<td>n/a</td>
</tr>
<tr>
<td>Average spending per day (USD)</td>
<td>174</td>
<td>181</td>
<td>158</td>
<td>n/a</td>
</tr>
<tr>
<td>Employment generated (Direct/ Indirect)</td>
<td>388,487</td>
<td>402,607</td>
<td>347,75</td>
<td>n/a</td>
</tr>
<tr>
<td>Accommodation capacity (Graded) - Rooms</td>
<td>24,757</td>
<td>24,831</td>
<td>125,407</td>
<td>n/a</td>
</tr>
</tbody>
</table>
**Workforce**

**Total Employed (2017-2020)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Employed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>156,369</td>
</tr>
<tr>
<td>2018</td>
<td>169,033</td>
</tr>
<tr>
<td>2019</td>
<td>173,592</td>
</tr>
<tr>
<td>2020</td>
<td>175,990</td>
</tr>
</tbody>
</table>

**Employment distribution by Establishment (2020)**

- State Sector, 3257
- National Tourism, 866
- Tourist Shops, 2372
- Airlines, 8,752
- Agencies Providing Recreational Facilities, 1,160
- Travel Agents and Tour Operators, 11,926
- Hotel and Restaurant, 141,668

*Source: Sri Lanka Tourism Development Authority (STATISTICAL POCKET BOOK 2021)*

**Rankings**

- Colombo listed best destinations to travel in 2022 & Sri Lanka listed in 20 best places to visit in 2020 - CNN Travel’s
- Sri Lanka ranked as One of the Top 25 Islands in the World - readers of travel + leisure magazine for 2021
- Sri Lanka ranked as No.04 as the world’s top Wellness Tourism Destination BEST FOR: Spiritual health - Global Wellness Institute
- Sri Lanka ranked as 05° Best country in the world to travel in 2021- the Conde Nast 2021 Readers’ Choice Awards
- Sri Lanka won “Back on the Map” award - Wanderlust Reader Travel Awards 2020

**Strengths/Advantages**

- Geo strategic location with attractive places and comfortable weather conditions.
- Skillful and qualified workforce in the hospitality industry.
- Rapid growth in world tourism industry and demand for quality tourist accommodation. (At present, number of classified tourist hotels were 156 and among them 25 were five-star hotels)
- Quality of life
- Destination Management Organizations (DMO)’s and Government support to the Tourism sector: country branding and image building
- Promoting short distance travels and tourism niche-markets
- Promoting Special Interest Tourism (SIT): Tea Tourism, Ayurvedic Tourism, Health and Wellness tourism, Nature based travel
- Availability of a mix of attractions including beaches, wildlife parks, rainforests, tea plantations, ancient ruins, Buddhist cultural sites, and festivals.

**Benifits to Investors**

**Tax Incentives**

**Corporate Income Tax (CIT)**

Reduced CIT Rate of 14% applicable for “Promotion of Tourism”, if 80% or more of gross income is received from the specified activity.

**Enhanced Capital Allowance (ECA)**

(In addition to normal depreciation allowance).

- An ECA of 100% to 150% is offered for expenses over USD 3 mn. incurred on depreciable assets, with an extended period of 10-25 years to deduct unrelied losses.
- An ECA of 200% is offered for enterprises located in the Northern Province, with expenses over USD 3 mn. incurred on depreciable assets, with an extended period of 10-25 years to deduct unrelied losses.

**Dividend Tax Exemption**

- Dividend paid by a resident company to a member who is a non-resident person.

**Exemption from Import Taxes & Levies**

<table>
<thead>
<tr>
<th>Exemption</th>
<th>Customs Duty</th>
<th>VAT</th>
<th>PAL</th>
<th>CESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Importation of construction related items during project implementation (PI) period</td>
<td>✓</td>
<td>✓</td>
<td>During PI (For Inv &gt; USD 50 Mn)</td>
<td>✓</td>
</tr>
<tr>
<td>Importation of Capital items (plant, machinery, equipment)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>✓</td>
</tr>
</tbody>
</table>

**Foreign Equity**

100% foreign ownership permissible.

**Repatriation of Earnings**

All income, proceeds on sale of the investments can be repatriated through an Inward Investment Account opened by the Investor

**Priority Areas for Investment**

- Tourist Accommodation & Services (Hotels / Resorts / Villas/ Higher-end restaurants)
- Leisure & Recreational (Golf Course, Entertainment Complexes, Theme Parks, Shopping Complexes, Eco-Lodges, Camping, Whale & Dolphin Watching, Water Sports)
- Adventure & Eco-Tourism
- Transportation (Yacht Marina, Coastal Ferry Services, Cruise Lines)
- Skill Development: Hotel / Hospitality Training Institutes

**Major Investments in Sri Lanka**

- Hilton
- Shangri-La
- Amangalla
- ITC Hotels
- Marriott
- RIU
- Mövenpick
- Hyatt Regency
- Six Senses
- Taj