

Investment Opportunities under

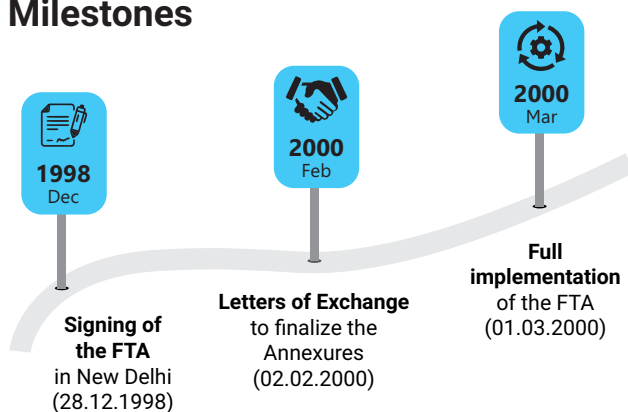
INDO-SRI LANKA Free Trade Agreement

Enter in to Indian Market with Duty Free Access

Overview

The Indo-Sri Lanka Free Trade Agreement (ISLFTA), which was signed on 28th December 1998 entered into force with effect from 1st March 2000. India's final tariff liberalization period ended in March 2003 while Sri Lanka's final tariff liberalization commitment came into effect since November 2008. Since then, this FTA has provided duty free market access for a wide range of products between the two countries.

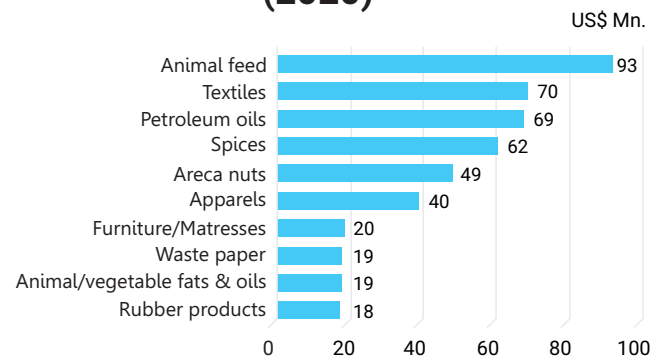
Milestones



Sri Lanka's Trade Relations with India

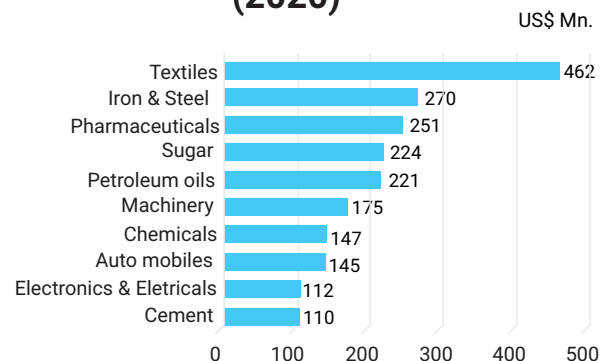


Top 10 Sri Lanka's Exports to India (2020)



Source: International Trade Centre

Top 10 Sri Lanka's Imports from India (2020)



Source: International Trade Centre

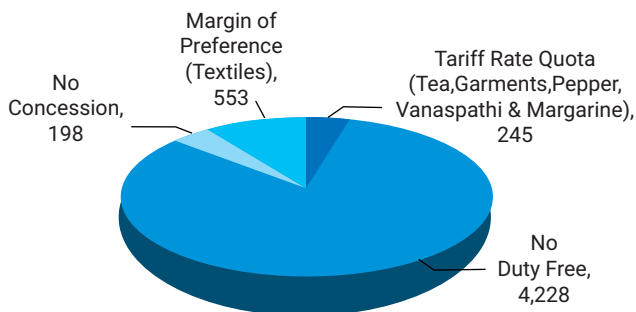
Rules of Origin (ROO)

- 35% Domestic Value Addition (DVA) (25% DVA if 10% of raw materials import from India)
- Change of Tariff Heading at 4-digit level (Imported raw materials and the finished products)
- A sufficient production process (Not allowed small processing such as sorting and re-packing).

The focal point and the authority for issuing Certificates of Rules of Origin under ISLFTA is the Department of Commerce, Sri Lanka.

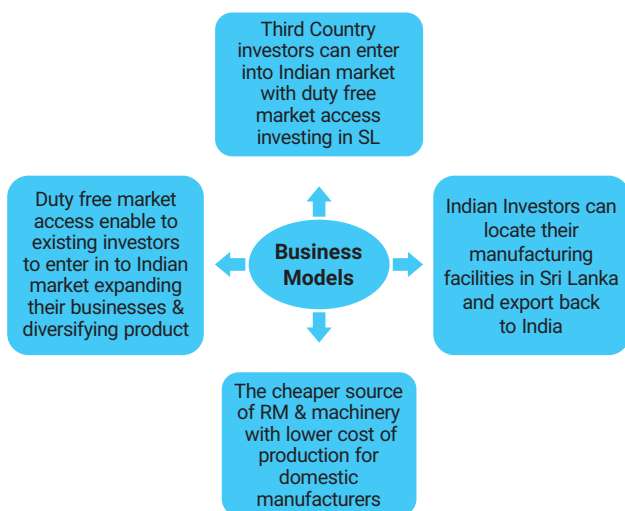
Market Access for export from Sri Lanka to India under ISLFTA

- More than 4,200 products (HS Codes 6-digit level) with 100% duty free.



Total no. of items 5,224 (HS code 6-digit level)

How Investors (Foreign & local) benefitted from ISLFTA by investing in Sri Lanka



Taking Advantage of ISLFTA's Benefits and Opportunities for Investments

A Four Step Guide for Sri Lankan Exporters

To benefit from ISLFTA preferential duty rates (preferential market access), it is recommended to take note of the following steps:

Step 1 – Identify the exact HS Code for the Product of Export interest

Identify the Harmonization System Classification (HS) code for the specific product at 6-digit level.

The HS code is a 6-digit number used to classify goods for export. The first six digits are part of an international standard ("the Harmonized System"), and the 7th and 8th digits are specific to Sri Lanka (local) exports. It is important to select the correct HS code when classifying goods.

Step 2 – Check the applicable ISLFTA Preferential Rate

Need to look at the Indian Tariff Schedule to see how the product will benefit from the Agreement. Look for the 'HS Code', 'Product Description' and the duty advantage under the ISLFTA by comparing the FTA Agreement and Customs Duty rates in India.

Step 3 – Determine the Rules of Origin applying to the Product

The objective criteria used to determine the ROO are as follows;

Wholly Obtained

If goods are wholly obtained in Sri Lanka (for example they were grown, fished or mined entirely in Sri Lanka, or were produced in Sri Lanka entirely from those goods originated within Sri Lanka).

Not Wholly Obtained

If product was not wholly obtained in Sri Lanka, then need to check the ISLFTA specific rules of origin requirements for not wholly obtained products.

Step 4 – Obtain the ISLFTA Certificate of Origin

Tariff preferences under ISLFTA can only be obtained if the goods are accompanied by a Certificate of Origin which confirms that they meet the rules of origin criteria as per the ISLFTA. A valid Certificate of Origin is required for each shipment of goods attracting a duty preference. Exporters must forward a copy of the authorized Certificate to the Indian importer to avail the benefits of ISLFTA.

Exporters must be honest in filling out documentation, and classify their goods correctly to avoid penalties and delays may otherwise result.

Potential sectors for investments which could be benefitted from ISLFTA

- Electrical & electronic
- Precious stones
- Machinery & appliances
- Iron & steel
- Instruments
- Ships & boats
- Auto mobiles & parts
- Copper
- Aluminum
- Rubber products
- Pharmaceutical
- Processed food
- Tools/base metal articles
- Tanning or dyeing extracts
- Aircraft & parts
- Furniture
- Glass & glassware
- Apparel & Textiles

Process to obtain Rule of Origin Certificate

1. If the products eligible, company should get registered in Department of Commerce (DOC)
2. Once export the final products, submit the cost statement and obtain the ROO certificate from the DOC

For more information contact the Department of Commerce as the implementing Authority

Web : www.doc.gov.lk

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