



# LOGISTICS

## Sector



The Board of Investment of Sri Lanka

## Overview

Located at the centre of major Sea Lines of Communication, with accessible entry ways to key air pathways, Sri Lanka is South Asia's most strategically located, attractive and lucrative destination for logistic sector development.

Sri Lanka aspires to be a multimodal logistics hub by providing integrated services and facilities through the development of physical, telecommunication, and information technology infrastructure between the air and seaport facilities in the future.

The country is keen to further develop its logistics sector, by attracting investments in integrated and high value-added services for international trading and transporting companies.

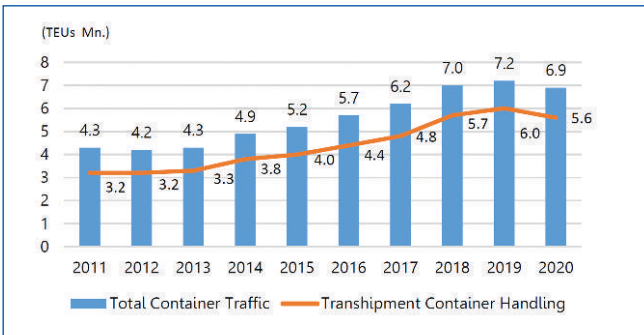
## Key Facts

- US\$ 2 billion Revenue
- 2.5% contribution to the GDP
- 7% contribution to the national exports
- 40,000 - 50,000 Direct Employment

- 500+ Shipping Service Provider
- 396 Freight Forwarders
- 185 Shipping Agents
- 28 Container Operator

- Colombo Port Handled over 7 Mn TEUs per year
- Over 80% Transshipment of Total Container Throughput

## Sri Lanka's Container Traffic (2011 - 2020)



## Workforce

The industry provides full-time direct employment of 40,000 to 50,000 people.

# Rankings

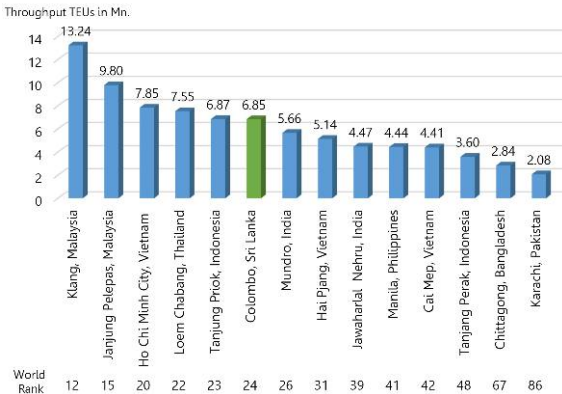
- Colombo port ranked **18<sup>th</sup> Best Port** in Port Liner Shipping Connectivity Index (3<sup>rd</sup> quarter 2020) – UNCTAD.
- Colombo port ranked the **17<sup>th</sup> Best Port** among the top 25 Global Container Port Performance Index (CPPI) - World Bank & IHS Market 2020. (Only port in South Asia).
- Colombo port, the **25<sup>th</sup> Best Port** among the top 50 container ports in the world in 2020 - World Shipping Council (The best port in South Asia).
- Colombo port, the **24<sup>th</sup> Best Port** among the top 100 ports by throughput in the world in 2020 – Lloyds List Top 100 Ports (The Best Port in South Asia).

Rank	Port	Country
1	Japan	Yokohama
2	King Abdullah	Saudi Arabia
3	Chiwan	China
4	Guangzhou	China
5	Kaohsiung	Taiwan
6	Salalah	Oman
7	Hong Kong	Hong Kong
8	Qingdao	China
9	Shekou	China
10	Algeciras	Spain
11	Beirut	Lebanon
12	Shimizu	China
13	Tanjung Pelepas	Malaysia
14	Klang	Malaysia
15	Singapore	Singapore
16	Nagoya	Japan
17	Colombo	Sri Lanka
18	Sines	Portugal
19	Kobe	Japan
20	Zhoushan	China
21	Jubail	Saudi Arabia
22	Yosu	South Korea
23	Fuzhou	China
24	Ningbo	China
25	Lazaro Cardenas	Mexico

Source: World Bank & IHS Market 2020



## Top 100 Ports by throughput in the World- 2020 (World Ranking in Selected Asian Countries)

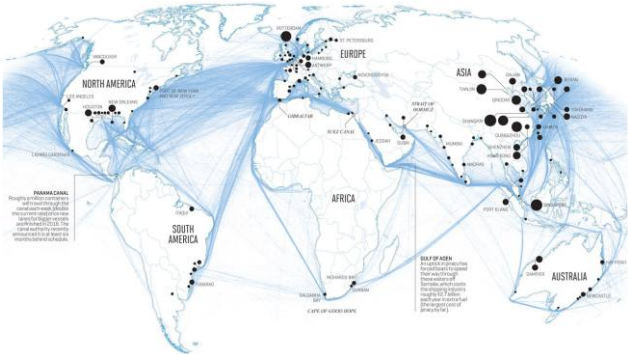


Source: Lloyd's List 100 Ports, 2021



## Strengths

- Strategically located at the crossroads of major shipping routes to South Asia, the Far East and the continents of Europe and America.
- The busy East-West shipping route passes just eight nautical miles south of the island.
- More than 200 ships passing this route daily, carrying two-thirds of the world's oil and half of all container shipments.
- Sri Lanka's proximity to the Indian sub-continent positions the country as a gateway to a market of 1.3 billion people.
- Able to cater to latest 'Triple E Class' ships.
- Efficient and adequate logistics infrastructure.
- Cost effective multi-modal transfer of cargo.
- Ability to provide value added services at the hub.
- Reasonable port and airport tariffs.
- Competitive in terms of;
  - Cost of shipping & border administration
  - Domestic transport time & cost
  - Time required for export/import compliance



### Shipping Time from Colombo Port to Selected Locations

Port	Shipping Time
Tuticorin, India	8 hours
Chennai, India	2 days
Singapore	3 days
Mumbai, India	4 days
UAE	5 days
Sydney, Australia	11 days
Amsterdam, Netherlands	18 days
New York, USA	21 days

# Benefits to Investors

## Tax Incentives

### **Enhanced Capital Allowance (ECA)**

(In addition to normal depreciation allowance).

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

### **Temporary Concessions of ECA**

- An ECA of 100% is offered for enterprises located in other than Northern Province, expenses less than US\$ 3 Mn. incurred on Depreciable Assets (Applicable until April 2024).
- An ECA of 200% is offered for expenses less than US\$ 3 Mn. incurred on Depreciable Assets and enterprises located in Northern Province expenses (Applicable until April 2024).

## Exemption from Import Taxes & Levies

### **Export oriented**

Exemption	Customs Duty	VAT	PAL	CESS
Importation of construction related items during project implementation (PI) period	✓	✓	✓ During PI	✓ During PI
Importation of Capital items (plant, machinery, equipment)	✓ For lifetime	✓ Exempted/ deferred For lifetime	(For Inv > US\$ 50 Mn)	(For Inv > US\$ 50 Mn)

### **Non-Export oriented** (Construction / operations)

Exemption	Customs Duty	VAT	PAL	CESS
Importation of construction related items during project implementation (PI) period	✓	✓ Deferred	✓ During PI	✓ During PI
Importation of Capital items (plant, machinery, equipment)	✓ During PI period	✓ Deferred during PI period	(For Inv > US\$ 50 Mn)	(For Inv > US\$ 50 Mn)

## **Tax Incentives for Companies (Hub Activities) Registered under Commercial Hub Regulations No. 1 of 2019**

### **Permitted Activity**

Logistic services if approved under commercial hub regulation will enjoy following tax concessions.

### **Exemptions;**

Exemptions from the application of Provisions of the following Acts

- Customs Ordinance (Chapter 235)
- Foreign Exchange Act No. 12 of 2017
- Imports & Exports (Control) Act, No. 1 of 1969
- Acts referred to in schedule of Part IV of Finance Act No. 12 of 2012 as amended by Finance Act No. 12 of 2013;
  - VAT Act No. 14/2002
  - Export Development Act No. 40/1979
  - Special Commodity Levy Act No. 48/2007
  - PAL Act 18/2011
  - Excise (SP) Act. No 13/1989

Supply of any goods to an enterprise engage in the permitted activities shall be treated as export, VAT will be zero rated.

## **Priority Areas for Investment**

- Logistic Services (Bonded Warehouse/Multi Country Consolidation)
- Freight Forwarding

## **Major Investments in Sri Lanka**



### **Contact us for more details :**

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