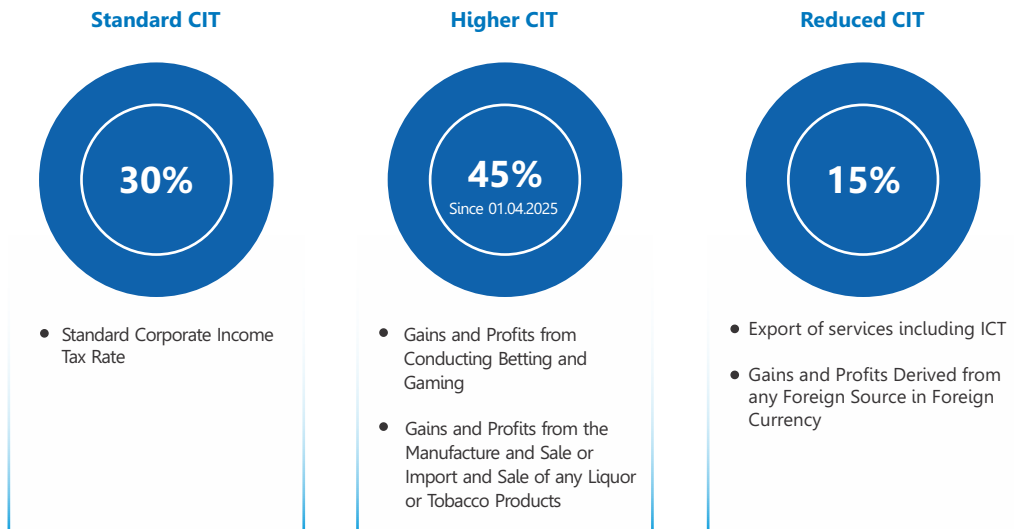


Investment Incentives - 2025

Corporate Income Tax (CIT)



Enhanced Capital Allowance

Enhanced capital allowances are granted to a person (an individual or entity) in addition to the normal depreciation allowance, as given in the below table. This facility is available for persons who make new investments and expansions of existing BOI projects in Sri Lanka.

Total Investment Made (US\$ Mn.)	Enhanced Capital Allowance (ECA)		Period for Deducting Unrelieved Losses
	Northern Province	Other than Northern Province	
> 3 and ≤ 100	200%	100%	10
>100 and ≤ 1,000	200%	150%	10
> 1,000	200%	150%	25

Depreciable Assets:

Class 1: computers and data handling equipment together with peripheral devices.

Class 2: buses and minibuses, goods vehicles, construction and earthmoving equipment, heavy general purpose or specialised trucks, trailers and trailer-mounted containers, plant and machinery used in manufacturing.

Class 3: railroad cars, locomotives, and equipment, vessels, barges, tugs, and similar water transportation equipment, aircraft, specialised public utility plant, equipment, and machinery, office furniture, fixtures and equipment, any depreciable asset not included in another class.

Class 4: buildings, structures and similar works of a permanent nature.

Class 5: intangible assets, excluding goodwill.

Class 6: Milking machines with latest technology, used to manufacture local liquid milk related products.

Exemption of Income Tax on Employment Income of Expatriates During the ECA:

During the period covered by the ECA, the employment income of the company's expatriate employees is entitled to a 0% rate, if:

- the company has incurred more than US\$ 250 Mn on depreciable assets in Sri Lanka, and for the period in which the payment is made, out of profits sheltered by ECA allowance, or, for 5 years from the commencement of commercial operations, whichever is higher.
- the number of expatriate employees at any time during that period does not exceed twenty.

Customs Duty / Port & Airport Levy (PAL) / CESS Exemptions

Exemptions (Type of Tax)	Export Oriented		Non-Export Oriented	
	Capital Goods	Raw Materials	Capital Goods	Raw Materials
Customs Duty	Exempted for capital goods (plant, machinery & equipment) for the life time of the project and construction items during project implementation period (PIP)	Exempted for the lifetime of the project	Exempted for capital goods (plant, machinery & equipment) and construction items during project implementation period (PIP)	No Concession
Port & Airport Levy (PAL)	Exempted for capital goods (plant, machinery & equipment) and construction items during PIP for enterprises with a capital investment not less than US\$ 50 Mn.	Exempted for the lifetime of the project	Exempted for capital goods (plant, machinery & equipment) and construction items during PIP for enterprises with a capital investment not less than US\$ 50 Mn.	No Concession
CESS	Exempted for capital goods (plant, machinery & equipment) and construction items during PIP for enterprises with US\$ 50 Mn. or above investment.	Exempted for the lifetime of the project	Exempted for capital goods (plant, machinery & equipment) and construction items during PIP for enterprises with US\$ 50 Mn. or above investment.	No Concession

Value Added Tax (VAT) / Exemptions / Deferments

Exemptions (Type of Tax)	Within Zones ^{v1}	EPZs other than under ^{v1} and Outside Zones
Export Oriented	Exempted ^{v2} for capital goods	Deferred for capital goods (plant, machinery, equipment) for the lifetime of the project and construction items during project implementation period.
	Exempted for raw materials : lifetime of the project	Deferred for raw materials : lifetime of the project special exemptions for importation of raw materials by garment manufactures and fabric manufactures for the lifetime of the project
Non-Export Oriented	Deferred for capital goods plant, machinery, equipment and construction items : during project implementation period	

^{v1} Katunayake EPZ, Biyagama EPZ, Koggala EPZ, Kandy IP, Wathupitiwala EPZ, Malwatta EPP, Mirigama EPZ

^{v2} If the investor intends to get local purchases by registering under SVAT, he may enjoy the deferment facility under Section 22(7) of VAT Act.

Note: All exempted suppliers need to pay VAT at the time of importation. They cannot enjoy either VAT exemption or deferment facility

Incentives under Commercial Hub Regulation No. 1 of 2019

(Gazetted under Finance Act No. 12 of 2012 as amended)

Eligible Activities	Minimum Investment (US\$ Mn)	Annual Re-export/ Export Turnover (US\$ Mn)	Location			
			Free Port (Colombo / Hambantota)	Bonded Area KEPZ/ KGEPZ/BIA	Specified Bonded Area (MRJA/ Mirijjawila)	Outside Free Port/ Bonded Area
Entrepot Trading - An import, minor processing and re-export - Any manufacturing activity for export as defined in the principle act and established in a Specified Bonded Area.	5 (50% in fixed assets within 12 months)	20 (over a period of 5 years)	✓	✓	-	-
			✓	-	✓	-
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	1 (40% in fixed assets within 12 months)	10 (over a period of 5 years)	-	-	-	✓
Front-end services to clients abroad			-	-	-	✓
Headquarter operations of leading buyers for the management of the finance supply chain and billing operations			-	-	-	✓
Logistic services such as bonded warehouse or in the case of operation of multi-country consolidation in Sri Lanka	3 (30% in fixed assets within 12 months)	15 (over period of 5 years)	✓	✓	-	-

KEPZ- Katunayake Export Processing Zone, KgEPZ- Koggala Export Processing Zone, BIA- Bandaranayake International Airport, MRJA – Mattala Rajapakse International Airport

Note:

- At least 65% of total Investment to be from foreign sources including transfers from any approved Foreign Exchange Account.
- No approval will be granted for logistic services to any re-export business/activities or transshipment related to;
 - Spices and allied products namely pepper, areca-nuts, nutmeg/ mace, tamarind, cinnamon, clove, ginger, turmeric, and cardamom
 - Waste and /or processing of waste or resource recycling business
- Enterprises referred to the commercial hub regulations are subject to the restrictions and prohibitions imposed in Schedule B to the Customs Ordinance.
- If any enterprise established in a specified bonded area, and if more than 65% of the domestic demand for such goods/product is being met out of imports to the country, 40% of the annual re-export turnover (ex-factory value) of the enterprise is allowed for domestic sale for a maximum period of 08 years on annual reconciliation basis. Above concession is limited to; any auto fuels, liquid petroleum gas, propane, butane, and fertilizer or any other goods as approved by the Cabinet of Ministers & subject payment of applicable taxes/ duties on goods released to the local market.
- Any enterprise that fails to reconcile the value of sale to the domestic market during a year with its export turnover on an annual basis, shall be allowed to carry forward that unreconciled value of domestic sales during the initial 4 years from the date of first commercial sale.
- Any goods/product brought for re-export, should not be warehoused or stored for more than 18 months, if stored more than 18 months, will be ordered to send within 30 days from the completion of such 18 months

Exemptions to the Hub Regulations

- 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 engaged in the above eligible activities shall be treated as export thus VAT will be zero rated.
- Exemption from the Dividend Tax, Under the Provisions of the Inland Revenue Act No. 24 of 2017.

Incentives for Non-BOI / Sec. 16 Projects Entering BOI Regime

Existing non BOI companies or Section 16 BOI enterprises that may enter into Section 17 Agreement with BOI shall be eligible for exemptions from Customs Duty for project related items, subject to qualifying criteria as stipulated below. The facility is also available for transfer of shares by a local shareholding to a foreign shareholder subject to provisions of the Land (Restrictions on Alienation) Act, No. 38 of 2014.

Sector	Qualifying Criteria		Concessions Under BOI Law
	Investment	Qualifying Criteria	
Manufacturing for Export	US\$ 250,000 additional investment <u>and</u> Investments already made + Additional new investment should exceed US\$ 500,000	Not less than 80% of output	Exemptions from Customs Duty on project related items (capital & raw materials)
Export of Services	US\$ 250,000 additional investment <u>and</u> Investments already made + Additional new investment should exceed US\$ 500,000	Not less than 70% of output	
Infrastructure			
Hotel	US\$ 5 Mn of additional investment in hotel or related activity <u>Or</u> Construct minimum of 50 additional rooms		Exemptions from Customs Duty on capital/ construction items during project implementation period
Mixed Development	US\$ 5 Mn of additional investment for a new location/building/infrastructures		
Transfer of Local Shareholding of a Private Company to a Foreign Shareholding			
Manufacturing for Export	Minimum value of share transfer: US\$ 1 Mn	Not less than 80% of output	Exemptions from Customs Duty on project related items (capital & raw materials)
Hotels under construction	Minimum value of share transfer: US\$ 5 Mn		Exemptions from Customs Duty on capital/ construction items during project implementation period
Mixed Development project under construction	Minimum value of share transfer: US\$ 5 Mn		