

Industry-wise Incentives -2006

Category	Qualifying Criteria		Incentives						
	Min. Investment (USD)	Min. Export Req. (% of output)	Full Tax Holiday	Concessionary Tax			Import Duty Exemption on		Exemption from Exchange Control
				10%	15%	20%	Capital goods	Raw materials	
1. Manufacture of non-traditional goods^{v1} for export including deemed exports.	250,000	80%	3 years ^{va}	2 years	Thereafter	N/A	Yes	Yes ^{v2}	Yes
	500,000	80%	5 years ^{va}	2 years	Thereafter	N/A	Yes	Yes ^{v2}	Yes
	1,000,000	80%	7 years ^{va}	2 years	Thereafter	N/A	Yes	Yes ^{v2}	Yes
2. Export-oriented services^{v9}	500,000	70%	5 years ^{va}	2 years	Thereafter	N/A	Yes	Yes ^{v2}	Yes
3. Manufacture of Industrial Tools, Equipment, Components and /or Machinery	500,000	N/A	5 years ^{va}	2 years	N/A	Thereafter	Yes ^{v3}	No	No
4. Small scale Infrastructure Projects: Power Generation, Tourism and/or Recreation, Warehousing and/or Cold storage, Warehouses including Logistics and Supply Management, Super Market Garbage Collection and/or Disposal Construction of Hospitals, Water Supply and Infrastructure for Film/ Cinema Industry. Construction of houses (not less than 25 housing units in not more than 4 locations.)	500,000	N/A	5 years ^{va}	2 years	N/A	Thereafter	Yes ^{v3}	No	Determined by the Board
4.1. Any special project approved by the Cabinet Sub Committee on Investment facilitation or the Cabinet of Ministers.	500,000	N/A	5 years ^{va}	2 years	N/A	Thereafter	Yes ^{v3}	No	Determined by the Board
4.2. Any other Infrastructure / construction activity approved by the Board	5,000,000	N/A	5 years ^{va}	2 years	N/A	Thereafter	Yes ^{v3}	No	Determined by the Board
5.1.a Information Technology (IT) and/or IT enabled services^{v4} (Inclusive of 15 technically qualified persons) (please see Table I in Annex. 1)	150,000	N/A	Annex 1 (Tbl I)	2 years	Yes, if export oriented	Yes, if not export oriented	Yes ^{v5}	No	Yes, if exports > 70%
5.1.b. BPO Industry (please see Table II in Annex. 1)	150,000	70%	Annex 1 (Tbl II)	2 years	Yes	-	Yes	-	Yes
5.2 Training Institutes (Please see Table III in Annex.I)	100,000	N/A	Annex 1 (Tbl III)	2 years	N/A	Yes	Yes ^{v3}	No	No
6. Regional Operating Head Quarters^{v6}	250,000	70%	3 years ^{va}	2 years	Thereafter	N/A	Yes	No	Yes

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7. (a) Any Industry or any other business activity of advanced technology / pioneering nature as approved by the Board. (b) Expansion of an existing non – BOI company engaged in the Hotel Industry (3 Star & above) as approved by the Board. <ul style="list-style-type: none"> • Foreign Investors • Local Investors 	5,000,000	N/A	5 years ^{va}	2 years	Yes, if export oriented	Yes, if not export oriented	Yes ^{vb}	Yes, if export oriented	Yes, if export oriented
	5,000,000	N/A	-	N/A	N/A	-	Yes ^{vb}	No	No
	1,000,000	N/A	-	N/A	N/A	-	Yes ^{vb}	No	No
8. Research and Development⁷	100,000	N/A	5 years ^{va}	N/A	Thereafter	N/A	Yes ^{vb}	No	No
9. (a) Agriculture and/or Agro-processing (b) Existing company which undertakes Modernization or a new company been set up with HACCP¹¹ certification or internationally recognized certification for food processing units in the export plantation sector.	150,000	N/A	5 years ^{va}	N/A	Yes, if export oriented	Yes, if not export oriented	Yes ^{vb} (lifetime if export oriented)	Yes, if exports ≥70%	Yes, if exports ≥ 70%
	150,000	N/A	5 years ^{va}	N/A	Yes, if export oriented	Yes, if not export oriented	Yes ^{vb} (during the project implementation period.)	No	No
10. Export Trading House (ETH)/ Exporting entirety of locally procured manufactured products and/or re-exporting the entirety of imported products. Location should be within an EPZ or an approved Customs Bonded Warehouse located outside EPZZ.	Annual value of turnover (USD) 5-10 mn		10% tax for 5 years ^{va}	}	Thereafter	N/A	Yes	Yes	Yes
	10–25mn		5% tax for 5 years ^{va}						
	Over 25 mn		5 years ^{va}						
11. Large-scale (new /existing) Projects A company formed new by the acquisition of assets of any existing enterprise engaged in the business relating to Petroleum, and Petroleum Products, Power Generation, Transmission and distribution, Development of highways, Sea ports, Airports, Railway, Water Services, Public Transport, Agriculture and/or Agro Processing Services other than processing of Black Tea in Bulk or any other Infrastructure project approved by the Board .	12,500,000	N/A	5 years ^{va}	}	N/A	Thereafter	N/A	Yes ^{vb}	No
	25,000,000	N/A	6 years ^{va}						
	over 50,000,000	N/A	8 years ^{va}						
									Determined by the Board

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12.1. Large-scale Projects <ul style="list-style-type: none"> Power generation, transmission & distribution Development of Highways, Sea Ports, Air Ports, Public transport, Railways, Water services Any other Infrastructure projects approved by the Board Large scale manufacturing or service industry project or any other business activity for export approved by the Board. 	12,500,000	N/A	6 years ^{4a}	N/A	Thereafter	N/A	Yes ^{4b}	Only for export oriented projects	Determined by the Board. Other than for export oriented projects	
	25,000,000	N/A	8 years ^{4a}							
	50,000,000	N/A	10 years ^{4a}							
	75,000,000	N/A	12 years ^{4a}							
	100,000,000	N/A	15 years ^{4a}							
	12.2. An existing BOI company making an additional investment for expansion of activities and complying with the total investment as per the schedule will be entitled to an additional tax holiday calculated on the basis the figures indicated in the schedule minus the tax holiday already enjoyed.									
	Note : For a total investment of US\$ 12.5 Mn. tax holiday of six (6) years is applicable, if they have enjoyed a tax holiday of five (5) years then the additional tax holiday that could be granted in view of the expansion will be one (01) year.									
	12.3. Establishment of Industrial Estates Develop and manage Industrial Estates / Special Economic Zones	500,000	N/A	3 years ^{4a}	N/A	Thereafter	N/A	Yes ^{4b}	N/A	Determined by the Board.
		1,000,000	N/A	5 years ^{4a}						
		5,000,000	N/A	6 years ^{4a}						
10,000,000		N/A	7 years ^{4a}							
15,000,000		N/A	8 years ^{4a}							
20,000,000		N/A	9 years ^{4a}							
25,000,000		N/A	10 years ^{4a}							
75,000,000		N/A	15 years ^{4a}							
13. Textile / Fabric Manufacturing Printing, Dyeing , Washing and Finishing. (Including deemed exports.)	500,000	80%	5 Yrs ⁴¹⁰	2 Yrs.	Thereafter	N/A	Yes	Yes ⁴²	Yes	
	1,000,000	80%	8 Yrs							
	5,000,000	80%	10 Yrs							
	7,500,000	80%	12 Yrs							
	10,000,000	80%	15 Yrs.							
14. Setting up Export Trading House for rural sector. Procure <ul style="list-style-type: none"> Agricultural products Handicraft items Handloom and other locally Manufactured products Any other rural products With collection centres set up outside Colombo and Gampaha Districts.	150,000	100%	5 years ^{4a}	2 years	Thereafter	N/A	Yes ⁴³	No	No	

^{√a} The tax holiday period will be reckoned from the year of assessment in which the enterprise begins to make profits or any year of assessment not later than 2 years reckoned from the date of commencement of commercial operation or production whichever year is earlier.

^{√1} **Non-traditional Goods include all goods other than** Black tea in bulk, Crepe rubber, Sheet rubber, Scrap rubber, Coconut oil, desiccated coconut (other than Desiccated coconut manufactured using continuous scale automated process technology and marketed with a quality guarantee), Copra, Fresh coconuts, coconut fiber or such other commodity as may be determined by the Board

^{√2} For export quantities – customs duty & all other applicable Levies should become payable at the point of Local Sales.

^{√3} During the project establishment/implementation period

^{√4} IT enabled services include BPO call centers or contact centers, transcription (data entry), data centers, hosting centers, e-governance related projects and any other related activity determined by the Board.

^{√5} If exports less than 70%, only during the project implementation period

^{√6} Incentives to Regional Operating Head Quarters are available provided 2 or more of the following services are provided to 2 or more off shore companies established outside Sri Lanka: Administration, business planning & co-ordination, Sourcing of raw materials & components, R & D services, Technical support services, Financial & treasury management, Marketing & sales promotion

^{√7} Any systematic or intensive study carried out in the field of science or technology with the object of using the result of the study for the production or improvements of materials, devices, products, produce or process **but not include:** Quality control of products or routine testing materials, devices, products or produce; Research in the social sciences or humanities; Routine data collection; Efficiency surveys or management studies; Market research or sales promotion

^{√8} Agriculture include cultivation of plants of any description, animal husbandry and rearing and/or processing of fish but excluding processing of black tea

^{√9} **Export Oriented Services**

- Garment washing and finishing plants
- Embroidery services
- Ship repairs and ship breaking
- Textile dyeing and finishing plants
- Textile printing
- Testing of fabric
- Computer aided designs for garment and other industries
- Bunkering services
- Production of films
- Air cargo services
- International passenger services
- Repairing of containers
- Vacuum packing of garments

^{√10} The tax holiday period will be reckoned from the year of assessment in which the enterprise begins to make profits or any year of assessment not later than 3 years reckoned from the date of commencement of commercial operation or production whichever year is earlier. (Only for projects set up at Textile Processing Zones)

^{√11} Hazard Analysis Critical Control Point Certification
Export Plantation Sector includes Tea, Rubber, Coconut & other non-traditional crops.

Incentives recommended for IT & IT enabled services for BPO Industry

Table I

Employment	Tax Holiday
Up to 250	05
251 - 400	06
401 - 600	07
601 - 800	08
801 - 1000	10
1001 - 1200 & above	12

Table II

Employment	Tax Holiday
Up to 100	03
101 – 250	05
251 – 500	06
501 – 1000	08
1001 – 1500	10
1501 – 2000 & above	12

Existing BOI companies will also qualify for the above tax concessions provided they increase the employment as indicated in Table I or II above.

Training Activities / Institutions:

Incentives will be provided for career or job oriented educational and training institutions engaged in Tertiary, Technical, Vocational, Skill Development, Business and Management, Post-graduate & Continuing education programmes.

All courses should comply with minimum training period and international or local accreditation.

Areas identified for training are as follows:

- English, English & IT, BPO Industry training, Mathematics & English, IT related training.
- Post-Graduate diploma courses for Professionals, Business, Industry, Administration & Services
- Vocational & Skill Development for carpentry, masonry, motor mechanism welding and other job oriented technician level courses.
- Foreign employment training
- Textile & Clothing Industry, Nursing, Hospitality & catering, secretarial & food processing
- Skill development & productivity improvement courses for industry, services, agriculture & plantation sectors including the training & retraining of employees.
- Institutes providing apprenticeship schemes with employees where trainees obtain practical skills and attend classes part time.
- Foreign Universities setting up Campuses in Sri Lanka for approved courses.
- Teacher training institutes
- Institutes providing education for disabled
- Media such as Television, Radio, E-Learning institutes set up to provide education & training.
- Training for graduates & provision of industrial training.
- Accounting and Financial Services or any other profession as approved by the Board.

Existing BOI and non-BOI companies meeting criteria will also be entitled to these incentives provided they undertake training number of students as per tabled III and set up expansion units out of Colombo and Gampaha districts.

Additional incentives will be provided to institutes which set up centers outside Colombo & Gampaha districts.

Table III

No. of Students to be trained per annum	No. of units outside Colombo and Gampaha Districts	Tax Holiday
250	-	5 years
500	1	6 years
750	2	7 years
1000	3	8 years
1250	4	9 years
1500	5	10 years
1750	6	11 years
2000	7	12 years

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Source: Investment Dept.