



# COLOMBO PORT CITY: EXEMPTIONS AND INCENTIVES

TAX ALERT - AUGUST 18, 2023



## Colombo Port City

The Colombo Port City (CPC), is a Two Hundred and Sixty-Nine Hectare (269 Ha) reclaimed land area overlooking the Indian Ocean.

It is declared as a service oriented Special Economic Zone by the Colombo Port City Economic Commission Act, No. 11 of 2021 (“CPCEC Act”).

The Colombo Port City Economic Commission (‘the Commission’) has been delegated administrative authority over the CPC and is the authority responsible for granting licenses and permits to Authorized Persons to operate within the CPC.



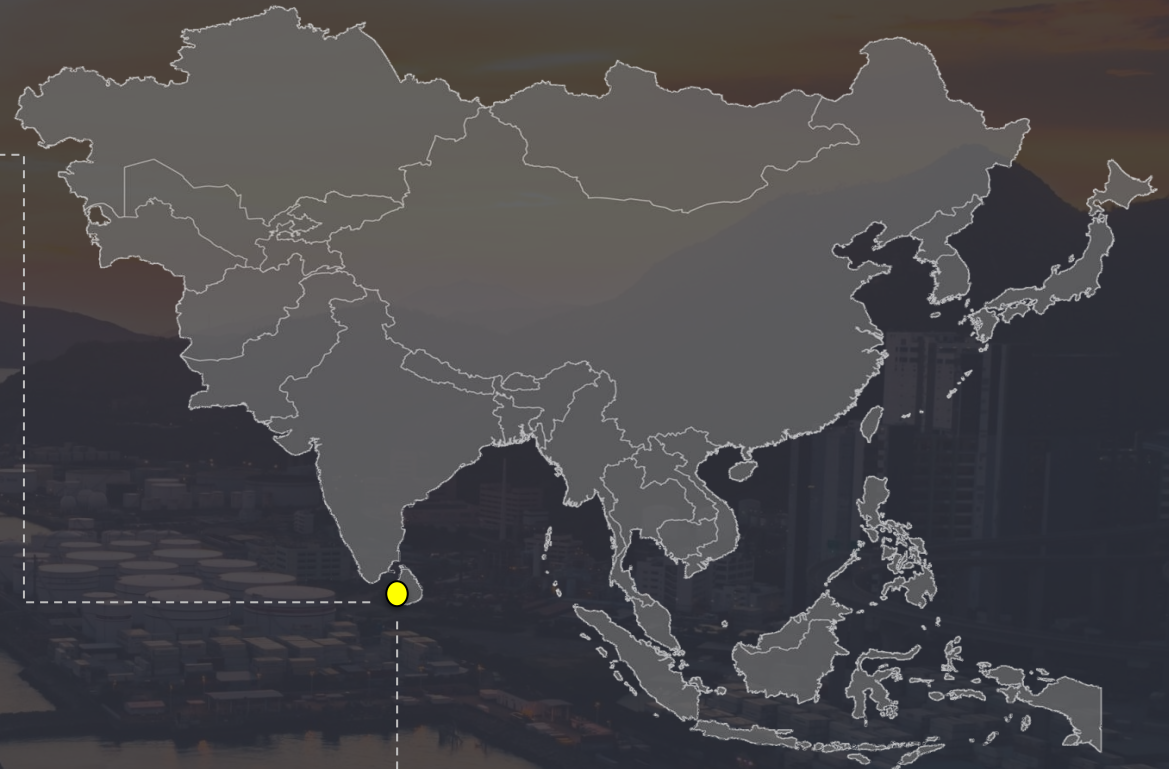
## Location of Colombo Port City

### Sri Lanka :

Is an island nation of approximately Twenty-Two Million (22,000,000) people, is of substantial geo-strategic significance due to its central location in the Indian Ocean and equidistance in the east-west maritime corridor. Critically, Sri Lanka is located at the intersection of major international shipping routes within the world's busiest maritime transportation lanes.

In the recent past, there has been significant investment in the development of infrastructure, including investment in expressways, highways, ports, airports and the telecom sector.

Further, Sri Lanka is comprised of a highly versatile and skilled workforce, wherein the population has a high literacy rate, and education is government-funded up to tertiary level.



### Colombo:

Is the commercial capital of Sri Lanka, is itself strategically positioned, with its large harbour, along the East- West sea trade routes. The Colombo Port is considered the busiest in South Asia and is ranked among the best ports in the world offering competitive advantages in the form of preferential market access to South Asian countries.

# Economic activities that are promoted within the Colombo Port City



Regional sourcing and buying



Shipping logistics and support



Offshore banking and financial services



Digital technology



Corporate headquarters



Medical/MICE tourism



Leisure and lifestyle enhancement



International Trade



# Tax Incentives for Primary Developers

## Primary Developers: Criteria for Incentives

Primary developers are developers investing in real estate and infrastructure within the Colombo Port City. These developers will qualify for incentives if the following criteria are met;

- A minimum investment of **USD 100Mn** per plot of land;
- A **pro-rated investment of USD 100Mn** in a subdivided plot of land; OR
- An investment of a minimum of **USD 25Mn** in the plots of land for **the Marina of Social Infrastructure.**



## Primary Developers: Incentives

Primary Developers have two alternative tax incentive regimes to choose from at the time of entering into an agreement with the Colombo Port City.

### Option 1

#### Incentives: Income Tax

- 25 year tax holiday
- 50% reduction in the income tax rate for 10 years after the expiration of the tax holiday

#### Incentives: Indirect Taxes

Exemptions for 25 years from VAT, Excise Duty, Customs Duty, PAL, Cess, Betting and Gaming Levy, Entertainment Tax and the Casino Business Act

#### Incentives: Other

Exemptions from the Foreign Exchange Act and the Termination of Employment of Workmen (Special Provisions) Act

### Option 2

- Enhanced capital allowances of 300%

Exemptions for 25 years from VAT, Excise Duty, Customs Duty, PAL, Cess, Betting and Gaming Levy, Entertainment Tax and the Casino Business Act

Exemptions from the Foreign Exchange Act and the Termination of Employment of Workmen (Special Provisions) Act



A long-exposure photograph of a person in a dark field at night, creating a glowing ring of light. The person is standing in the middle ground, holding a light source that has been moved in a circular path, resulting in a bright, multi-layered ring of light. The background is a dark, deep blue sky, and the foreground is a dark, textured ground. The overall scene is artistic and evokes a sense of creation and focus.

# Tax Incentives Secondary Businesses



## Secondary Businesses

Secondary businesses are those engaged in;

- 1 International Trade
- 2 Shipping Logistic Operations
- 3 Offshore Banking
- 4 Business Process Outsourcing
- 5 Information Technology
- 6 Corporate Headquarter Operations
- 7 Tourism Services
- 8 Innovation
- 9 Generation of Employment
- 10 Entrepreneurship
- 11 Sustainable Development
- 12 Entertainment
- 13 Regional Distribution Operations

## Secondary Businesses - Criteria for Incentives

- The project company or the parent company should have an **annual global turnover exceeding USD 50 million;**
- A **minimum of 100 employees** employed within the Port City within five years;
- An enterprise valuation of at least **USD 500,000 within five years;**
- Contribute to the economy and social development in Sri Lanka



## Secondary Businesses: Incentives

### Incentives - Income Tax

Tax holiday for 25 years

### Incentives- Indirect Taxes

Exemptions for 25 years from VAT, Excise Duty, Customs Duty, PAL, Cess, Betting and Gaming Levy, Entertainment Tax and the Casino Business Act

### Incentives- Other

Exemptions from the Foreign Exchange Act and the Termination of Employment of Workmen (Special Provisions) Act



## How EY Teams can help

EY is one of the world's leading and most trusted professional services organizations which serves most leading multinationals.

EY teams have an in-depth knowledge of the Colombo Port City laws and regulations.

The services we can provide in this regard include;

- Structuring projects into the Colombo Port City
- Understanding opportunities within the Colombo Port City
- Tax advice on alternative options for local and foreign investors in the Colombo Port City
- Assistance with Colombo Port City registrations
- Transactional advice

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