

SCHOOL OF TAXATION – THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA
PROGRAM ON BEST PRACTICES FOR BUSINESS ENTREPRENEURS
INTRODUCTORY AND PRELIMINARY APPLICATIONS

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06th March 2020

1. INVESTMENT / BUSINESS PLANING

Investor's,

- Personal capabilities and
- Availability of resources.
 - *Knowledge,*
 - *Experience,*
 - *Connections,*
 - *Capabilities,*
 - *Funds,*
 - *Time factor.*



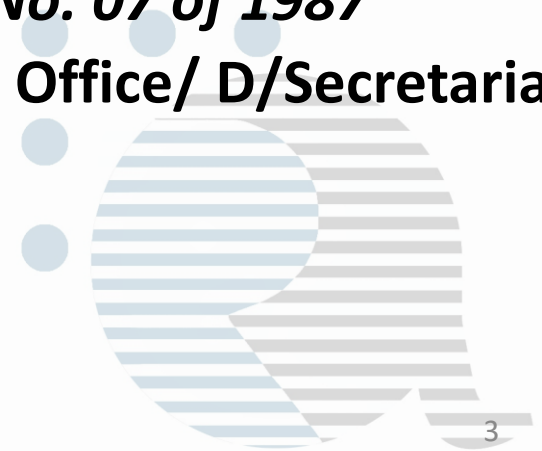
2. BUSINESS ENTITY FORMATION & TYPES OF ENTITIES

Sole Proprietorships

- Law/s - *Registration of Business Names Act No. 07 of 1987*
- Formation - *With Provincial Business Name Registration Office/ D/Secretariat*
 - Methodology - *With / without registering*
 - Cost - *Rs. 500, Rs. 1,000, Rs. 2,500.*
 - Time - *Approximately 7 working days*

Partnerships

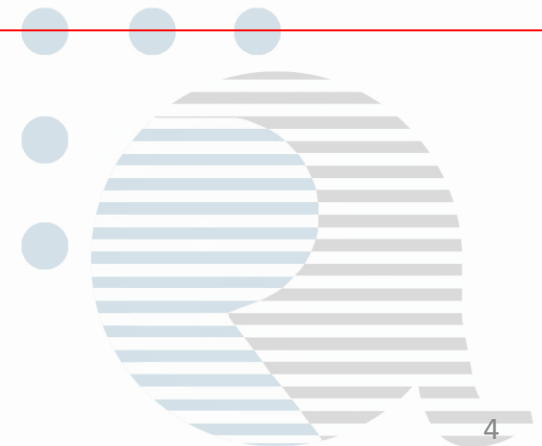
- Law/s - *Partnership Ordinance of 1890*
- *Registration of Business Names Act No. 07 of 1987*
- Formation - *With Provincial Business Name Registration Office/ D/Secretariat*
 - Methodology - *With / without registering*
 - Cost - *Rs. 500, Rs. 1,000, Rs. 2,500.*
 - Time - *Approximately 7 working days*



2. BUSINESS ENTITY FORMATION & TYPES OF ENTITIES (*Contd..*)

Companies

- Law - *Companies Act No. 07 of 2007*
- Formation - *With Registrar of Companies*
 - Types of Companies
 - *Unlimited Companies*
 - *Limited Companies*
 - *Private Companies (Register the name with Pvt/ Private)*
 - *Public Companies;*
 - *Listed (Register the name with PLC/ Public Limited Company)*
 - *Unlisted (Register the name with Ltd/ Limited)*
 - *Off-shore Companies*
 - *Guarantee Companies*
 - *Overseas Companies*
 - *Offshore Companies*



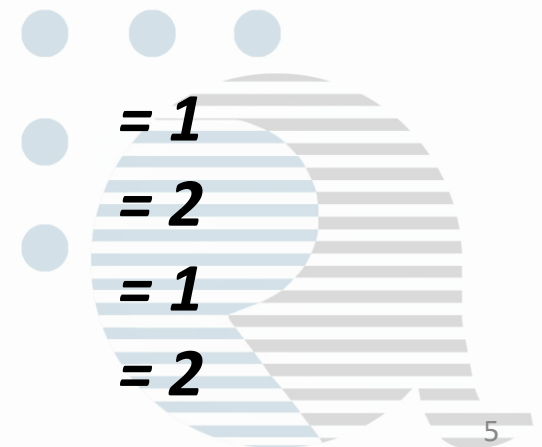
2. BUSINESS ENTITY FORMATION & TYPES OF ENTITIES *(Contd.)*

Company Incorporation

- Methodology - *By Online submission of papers.*
 - *Name clearance,*
 - *Scan & uploading of signed Form 1, 18, 19 & Articles (If any)*
 - *Online payment,*
 - *Receiving of confirmation of incorporation,*
 - *Colleting of incorporating certificate and copies of Form 1*

- Cost -
- Time - *Approximately 4 working days*
- Public Notice - *By the ROC*

- Minimum number of Shareholders [Sec. 4(2)]
- Minimum number of Members of a Guarantee Co
- Minimum number of Directors (Sec. 201) *Private Co.*
Others



2. BUSINESS ENTITY FORMATION & TYPES OF ENTITIES (Contd.)

Companies (Contd...)

- **Company Secretary**
 - Requirement of a Qualified Secretary
- **Filing of Annual Returns**
 - First Return - *Within 18 months of incorporation*
 - Subsequently - *Annually within 14 days of AGM.*
 - AGM Date - *Within 6 months from B/S date & 15 months from previous AGM)*
- **Special levy under Finance Act - Pvt 30,000, Public Listed 1.5 m, Others 250,000**
(Not on Offshore, Guarantee & Incorporated on or after 01.01.2016)
- **Amalgamations - Two or more companies together. (Short form/ Long Form)**
- **Winding up (Liquidation) - By Court, Voluntary (Creditors/Members), Court Supervision**
- **Name strike off by ROC - Applicable only for non-operated Companies**

3. PROJECT/INVESTMENT/BUSINESS APPROVAL & SUPPORT SERVICES

Different Government Related Agencies - *BOI, EDB, IDB, Others*

- **BOI (Project Investment Approvals)**

- *Country's investment promotional arm of the Government.*
- **Levels of approvals;**
 - *Basic – Under Sec. 16 of the BOI Act (Under general laws of the country)*
 - *Comprehensive - Under Sec. 17 of the BOI Act (Under BOI Law)*
- **Nature of projects** - *Any investment permitted by the Foreign Exchange Act.*
(Gazette No. 2045/56 of 17.11.2017 issued under the Foreign Exchange Act)
- **Who can get the approval** – *Both residents as well as non-residents.*
- **Residents** – *No limitations*
- **Non-residents** - *Subject to the limitations of the Foreign Exchange Act.*

3. PROJECT/INVESTMENT/BUSINESS APPROVAL & SUPPORT SERVICES (*Contd..*)

BOI (*Contd..*)

Non-resident's Inward Investment Limitations under Foreign Exchange Act

(i) **Prohibited Sectors** - *Pawn brokering, Retail trading with <SD 5 Million & Coastal fishing.*

(ii) **Limited Investment Sectors.**

- Permitted up to 40% of the Share Capital –
- Sectors where investment percentage is specially approving by the Government-

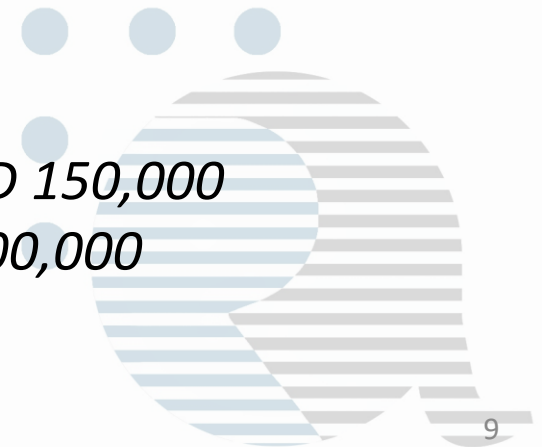
(iii) Sectors, where there is no limitations. (Even up to 100%)



3. PROJECT/INVESTMENT/BUSINESS APPROVAL & SUPPORT SERVICES *(Contd..)*

Minimum Investment Requirement For BOI Approval;

- **Sec. 16** – *USD 250,000/-*
- **Sec. 17** – *Vary according to the nature of the project.*
 - *Manufacturing of non-traditional goods for export USD 500,000*
 - *Manufacturing of non-traditional goods for local market using advance technology USD 5million*
 - *Large scale manufacturing of non-traditional goods for local market USD 5million*
 - *IT services by employing 15 technically qualified local staff (any market) USD 150,000*
 - *BPO Industry (Minimum 80% export) USD 150,000*
 - *Tourism & leisure, Utilities (power, water & waste mgt etc.), Export oriented services USD 500,000*
 - *Warehouse, logistic & supply chain management and cold stores USD 500,000*
 - *Training Institutes (minimum 250 students p.a.), Research & development USD 100,000*
 - *Large scale service projects for local market USD 5million*
 - *Regional operating head quarters USD 250,000*
 - *Agriculture & Agro processing with local raw-materials (any market) USD 150,000*
 - *Small infrastructure projects (Construction & operating Hospitals USD 500,000*
 - *Other Construction USD 5million, Housing projects USD 3million)*
 - *Large Scale infrastructure projects USD 12.5million*



3. PROJECT/INVESTMENT/BUSINESS APPROVAL & SUPPORT SERVICES (*Contd..*)

BOI (Contd..)

What benefits under BOI?

- *Investment recognition*
- *Visa recommendation*
- *Infrastructure facilities and Custom Bonding facilities of the BOI Zones*
- *Custom handling assistance services*
- *Direct linking of the related other servicing entities (admin links) (At project approval as well as operational levels)*
- *Duty free importation of project related articles during project implementation period. (Items in zero list to be purchased from local suppliers @ duty free)*
- *Duty free import of raw materials for export manufacturing. (The non-BOI companies can enjoy this benefit under TIEP scheme by registering with EDB & Customs.*

The tax concessions are rationalized for BOI as well as for non-BOI investments.

3. PROJECT/INVESTMENT/BUSINESS APPROVAL & SUPPORT SERVICES *(Contd..)*

BOI (Contd..)

Initial BOI approval cost;

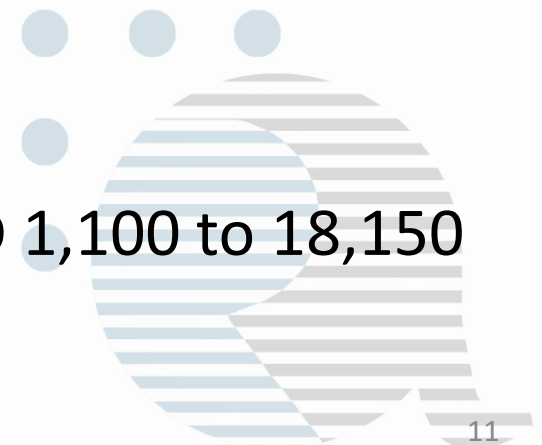
- **Sec. 16** – *Application fee USD 330 + Articles approval fee USD 170.*
- **Sec. 17** – *Application fee USD 275*

Agreement fee – *Normal Projects USD 2,200, Strategic Development Projects USD 3,850
Supplementary Agreement fee USD 550.*

Average fees charging by Professionals:

Annual BOI Charges;

- **Sec. 16** – BOI Annual Fee of USD 400.
- **Sec. 17** – BOI Annual Fee;
 - Normal Projects USD 2,750
 - Leisure & infrastructure projects – Varying from USD 1,100 to 18,150
 - Agriculture Projects USD 940
 - Coir based and handicraft projects USD 1,270



3. PROJECT/INVESTMENT/BUSINESS APPROVAL & SUPPORT SERVICES (*Contd..*)

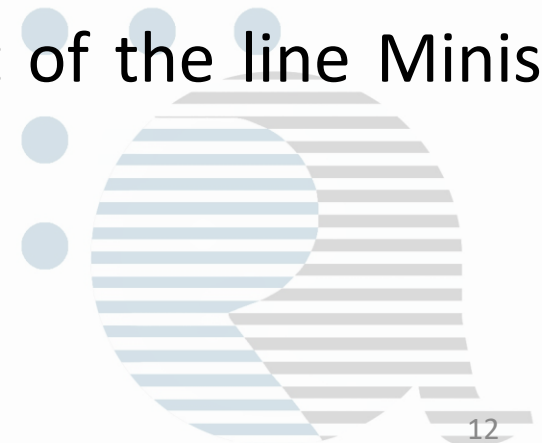
BOI (Contd..)

Recent developments at BOI – Operating One Stop Unit (OSU)

- OSU Phase 1 – Online access of the BOI
- OSU Phase 2 – Online access of the related other institutions

Time consumption for BOI approvals?

- **Sec. 16** – Generally 2+ weeks (vary with the requirement of the line Ministry/ related Institutions consent)
- **Sec. 17** – Generally 3+ weeks (vary with the requirement of the line Ministry/ related Institutions consent)



3. PROJECT/INVESTMENT/BUSINESS APPROVAL & SUPPORT SERVICES (Contd..)

BOI (Contd..)

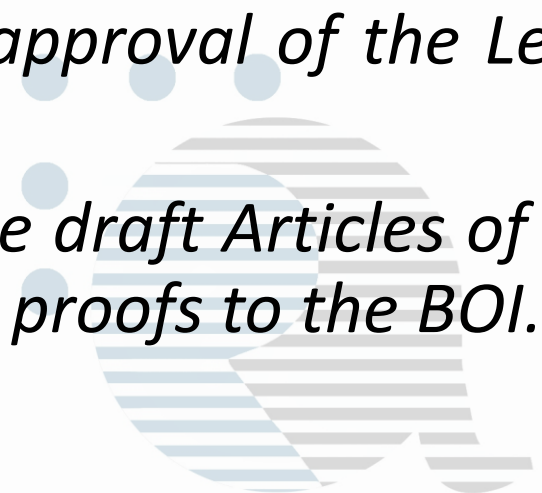
Sec. 16 BOI Approval Process –

- *Submit a duly filled hard copy of the Sec. 16 application (available in the BOI website) along with a Project Report to the Investment Promotion Department of the BOI.*
- *Project Screening Committee approval.*
- *Pay the application fee and the articles approval fee and submit the draft articles of the company to be incorporated.*
- *Upon confirming of the project approval and approving the draft Articles of the Company by the Legal Department, should incorporate the company and provide the proofs to the BOI, where in return it is issuing the formal approval letter.*
- *No formal agreement under Sec. 16 and instead an approval letter is available.*

3. PROJECT/INVESTMENT/BUSINESS APPROVAL & SUPPORT SERVICES (Contd..)

BOI (Contd..)

- **Sec. 17 – BOI Approval Process –**
- *Submit a duly filled hard copy of the Sec 17 application (both investment approval as well as the site approval form) along with a Project Report to the Investment Promotion Department of the BOI.*
- *Project Screening Committee approval (including land, environmental & engineering approval)*
- *Pay the application fee and submit the draft articles for approval of the Legal Department.*
- *Upon confirming of the project approval and approving the draft Articles of the Company should incorporate the company and provide the proofs to the BOI.*
- *Signing of formal agreement with the BOI.*



3. PROJECT/INVESTMENT/BUSINESS APPROVAL & SUPPORT SERVICES *(Contd..)*

Approvals from other institutes (UDA, EA, Local Government Authorities etc.)

- *If it is a BOI project, most of the coordination with other institutions are directly undertaking by BOI [one stop unit (OSU) operations]*
- *In the case of non BOI projects, the entrepreneur has to deal with the related institutions for required approvals.*
- *Nature of the industry/project/business the required approvals are varying.*



4. SUPPORT SERVICES

EDB

Formation - Sri Lanka Export Development Board is established in 1979 under Sri Lanka Export Development Act No. 40 of 1979.

Main Objects - For development and promotion of exports.

Related services;

- *Advising to the Government on policies with relate to exports*
- *Monitoring the performance and functions of export sector*
- *Promoting products, designs, export markets & other development services*
- *Facilitating exports*
- *Providing knowledge, advices and information in exports sector*
- *Providing e-market place operating facility*
- *It's main beneficiaries are the small and middle level exporters.*



4. SUPPORT SERVICES (Contd.)

EDB (Contd..)

Exporters and Export related services suppliers' registration

- *By submitting a duly perfected application along with required documents can obtain the registration.*
- *This registration is required to get register as an exporter at the SL Customs and also, for TIEP Scheme registrations.*

IDB

Main Objects - *Industrial Development Board is established mainly for the promotion and development of industries of Sri Lanka.*

- *Training Sessions/workshops*
- *Marketing advising & guidance*
- *Information facilitation*
- *Engineering services & guidance*
- *Skills & productivity developments*
- *Technology researching & sharing*

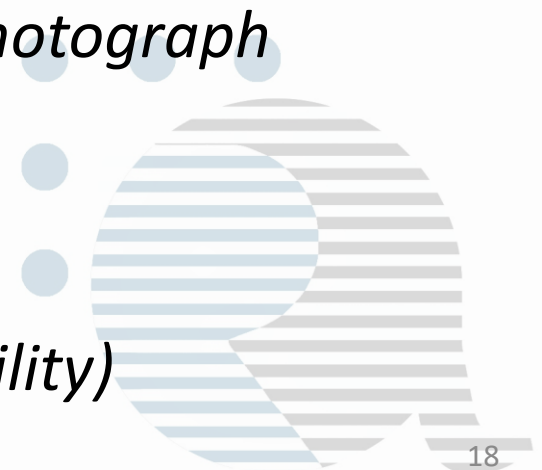
5. CUSTOMS REGISTRATION & OPERATION

Formation - It is established in 1806 and operating under Customs Ordinance.

Main Objects - Deals with imports & exports of the Country.

Customs Registration –

- *All importers and exporters need to get registered with SL Customs by submitting a duly perfected application along with the required documents.*
 - *TIN registration*
 - *VAT registration*
 - *EDB registration (Only for exporters)*
 - *Entity incorporation/formation document*
 - *Directors listing (Form 01 or 20) & authorized director's photograph*
 - *Billing proof*
 - *Address proof*
 - *Grama Niladari's certification etc.*
- *Requirement of a Sri Lankan Director – (To take the responsibility)*



5. CUSTOMS REGISTRATION & OPERATION (Contd.)

Customs Operations (Contd..)

Registration of the Proxy to appoint an Agent –

- *Importer's/exporter's proxy to appoint an agent + related Board Resolution authorizing a director to sign the proxy*
- *The agent's acceptance letter.*

Duty Deferments & Waivers (TIEP Schemes)

(i) TIEP i – (Raw-materials, consumables & packing materials for processing & export)

- *Guarantee (bank/personal/corporate, as required)*
- *Discharging of Guarantees (Prove the exports & collection of remittances)*

(ii) TIEP iv - (Exempting Fiscal Levies on import of Capital goods and intermediate goods use for manufacture of products and providing of services for export).

- *Needs >50% exports (direct/indirect)*
- *Guarantee (bank/personal/corporate, as required)*

Import Duty Computation –

As per the Customs Tarif, based on HS codes (Latest update on 18.12.2019)

6. HANDLING OF FOREIGN EXCHANGE

Law - Foreign Exchange Act No. 12 of 2017 and the Gazette No. 2045/56 of 17th November 2017 issued under the Foreign Exchange Act.

Outward Investment Limits – *(Any excess, needs special approval)*

Eligible Resident Investor	Type of Investment	Permitted Limit
Companies listed in Colombo Stock Exchange	Shares, units, debts, securities and sovereign bonds	USD 2,000,000 or equivalent per calendar year.
Company not listed in Colombo Stock Market	Do	USD 500,000 or equivalent per calendar year.
Partnerships Registered in SL	Do	USD 300,000 or equivalent for lifetime.
An Individual	Do	USD 200,000 or equivalent for lifetime.
A Company/ a Partnership	Setting up of overseas offices	USD 300,000 or equivalent per calendar year.

6. HANDLING OF FOREIGN EXCHANGE *(Contd...)*

Inward Investment Limits on Non-residents - Gazette No. 2045/56 of 17.11.2017

(i) Prohibited - *Pawn brokering, Retail trading with <SD 5 Million & Costal fishing.*

(ii) Limited Investment Sectors.

(a) Permitted up to 40% of the Share Capital –

(i) Production of goods where Sri Lanka's exports are subject to internationally determined quota restrictions

(ii) Growing and primary processing of tea, rubber, coconut, cocoa, rice, sugar & spices

(iii) Mining and primary processing of non-renewable national resources

(iv) Timber based industries using local timber

(v) Deep Sea Fishing (as defined by the Ministry assigned the subject of Fisheries)

(vi) Mass Communication

(vii) Education

(viii) Freight Forwarding

(ix) Travel Agencies

(x) Shipping Agencies.



6. HANDLING OF FOREIGN EXCHANGE *(Contd...)*

(b) Sectors where investment percentage is specially approving by the Government-

(i) Air transportation

(ii) Coastal shipping (as defined by the Ministry assigned the subject of Shipping)

(iii) Industrial enterprise in the Second Schedule of the Industrial Promotion Act, No. 46 of 1990, namely;

: Any industry manufacturing arms, ammunitions, explosives, military vehicles and equipment aircraft and other military hardware

: Any industry manufacturing poisons, narcotics, alcohols, dangerous drugs and toxic, hazardous or carcinogenic materials; any industry producing currency, coins or security documents

(iv) Large scale mechanized mining of gems

(v) Lotteries.

(iii) Sectors, where there is no limitations. (Even up to 100%)



6. HANDLING OF FOREIGN EXCHANGE *(Contd...)*

Special Bank Accounts

- **Inward investments – IIA** (Inward Investment Account)
- **Inward foreign exchange through exports – BFCA** (Business Foreign Currency Account)
- **Outward foreign exchange as return of/on investments - IIA** (Inward Investment Account)
- **Outward foreign exchange on imports (services/goods) – through BFCA or LKR Account**
- **Outward foreign exchange for Investments – OIA** (Outward Investment Account)
- **Transactions of non-national or Sri Lanka residing outside SL - Capital Transactions Rupee Account (CTRA)**



7. TAX REGISTRATION

TIN – Tax Payee Identification Number

- **How To Register** - By submitting the duly perfected TIN application (*download from IRD web*) along with required documentary evidence to the IRD.

VAT – Value Added Tax

- **How To Register** - By submitting the duly perfected TIN application along with required documentary evidence to the IRD.
- **Needs to prove the requirement** (*an import/export order or reaching the VAT threshold*).



8. BUSINESS OPERATIONS & OTHER MATTERS

- Production
- Import & Exports
- Marketing

SPECIAL MATTERS/REMARKS

- Limitation of land ownerships
 - Land (Restrictions and Alienation) Act No. 38 of 2014 (*Restricted for Companies where 50% or more shares owned by non-residents and for non-resident individuals. No restrictions for condominium units*)
 - Land Reform Act (*50 acres limit for individuals and for companies*)
- Non-residents can lease lands for maximum of 99yrs. (*Lease tax is removed w.e.f. 01.01.2016*)

9. ADMINISTRATION

Personnel Management

- *Recruitment, remuneration, EPF, ETF, Gratuity, Leave Recording ..*

Banking

- *Account operation, Financing, Fund management..*

Accounting & Auditing

- *Bookkeeping, management accounts, annual accounts, Auditing..*

Tax Compliance

- *Registration, periodical payments, periodical returns, planning, estimated tax return, annual tax return..*

Secretarial Compliance

- *Annual return, filing of forms for various changes/actions..*

Legal Matters

- *Arranging of legal agreements and follow up of legal matters..*



THE END.....

Thank You.

For further clarifications, please feel free to contact.....

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