



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.

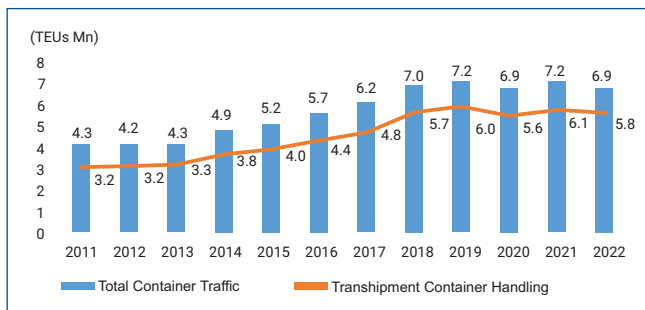
Key Facts

- 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
- 420 Freight Forwarders
- 200 Shipping Agents
- 24 Container Operators

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

Sri Lanka's Container Traffic (2011 - 2022)



Source : Central Bank

Workforce

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

Rankings

22nd

- Colombo port ranked the **22nd Best Port** in Global Container Port Performance Index (CPPI) - World Bank & IHS Market 2021.

23rd

- Colombo port ranked the **22nd Best Container Port** based in the top 30 container ports ranked by ALPHALINER 2021.C

22nd

- Colombo port, the **23rd Best Port** among the top 100 ports by throughput in the world in 2022 - Lloyds List Top 100 Ports (The Best Port in South Asia).

24th

- Colombo port ranked **24th Best Port** in the World. (Highest performing port in South Asia) - UNCTAD

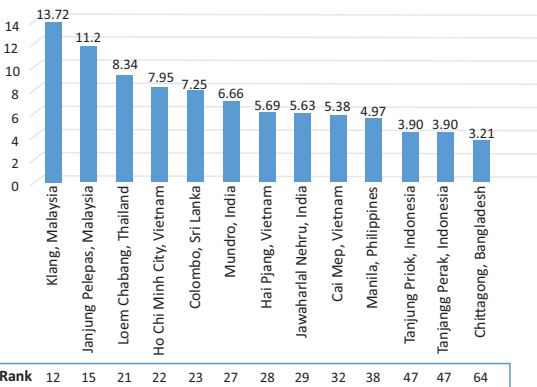
25th

- Colombo port, the **25th Best Port** among the top 50 container ports in the world in 2021 - World Shipping Council (The best port in South Asia).



Top 100 Ports by throughput in the World- 2021 (World Ranking in Selected Asian Countries)

Throughput TEUs in Mn.

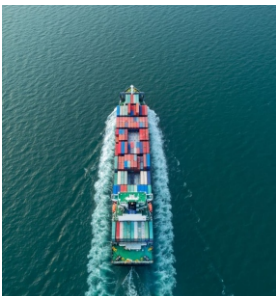
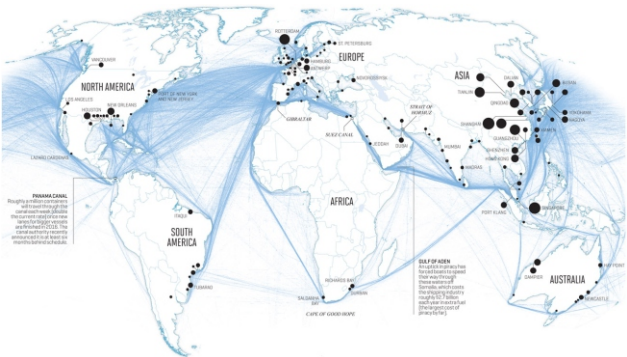


Source : Lloyd's List 100 parts, 2022



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

<u>Port</u>	<u>Shipping Time</u>
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



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