



Post Budget Updated Tax for IT/BPM sector

05 April 2021



1. Income Tax Exemptions – w.e.f 01 Jan 2020

- Profits and income earned from providing IT and enabling services (enabling services definition to be prescribed).
- Repatriation of dividend to non-resident shareholders.
- Profits and income earned from any foreign source where such income is received in foreign currency and remitted through a bank to Sri Lanka.
- Dividends from and gains on the realization of shares in a nonresident company where derived by any person with respect to a substantial participation in the non-resident company.
- Income tax exemption on interest earned on Non-resident Foreign Currency and Resident Foreign Currency accounts

2. Other possible tax concessions - effective date to be specified

- Companies in the sector that list on the CSE before 31 December 2021, may qualify for : 50% tax concession for the years 2021/2022.
: corporate tax rate of 14% for the subsequent three years
- Remittance taxes shall not be applicable for IT sector companies carrying on business through a permanent establishment in Sri Lanka provided that its profit earned after April 01 2021 are retained for a period of 03 years by investing in Sri Lanka with the intention of upscaling its business or acquiring shares, securities from CSE, treasuring bills and Treasury bonds or Sri Lanka International Sovereign Bonds issued on behalf of SL Govt.
- The said retained profit can be repatriated tax free at any given point after 03 years from date of investment.
- A tax concession of up to 10 years under the Strategic Development Law will be provided for investments exceeding USD 10 Mn in information technology

3. Indirect Taxes – VAT

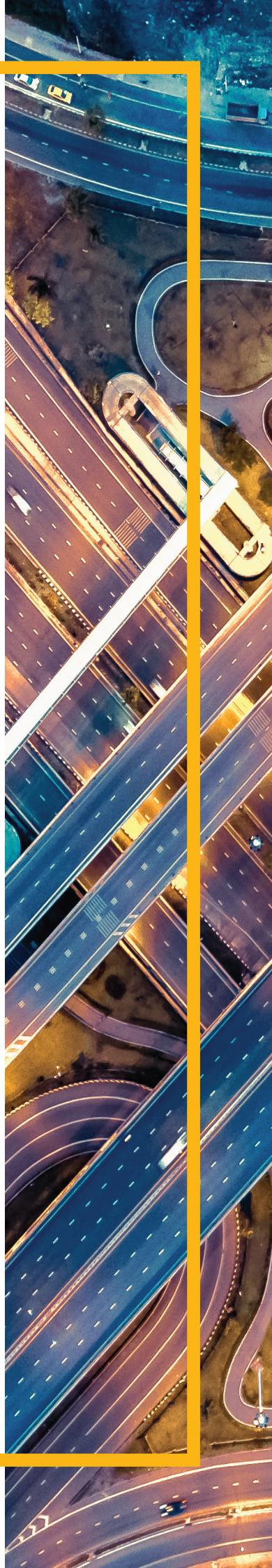
- Exemption on supply of information technology and enabling services in Sri Lanka (w.e.f 01 Jan 2020). Export of services will continue to be zero rated.
- As a service exporter the company will be eligible for SVAT program where input VAT can be exempted (Input VAT can be avoided.)
- Import duties are waived for IT sector companies with most duties exempt for IT equipment specifically (effective date to be specified).

4. Personal Income Taxes

- Tax free allowance for tax residents and citizens increased to LKR 3Mn per year of assessment and taxes are at progressive rates from 6% to 18% (w.e.f Jan 2020).
- Tax residency triggered upon completion of 183 days (in aggregate) in a 12 month period.

5. Other

- Establishment of five fully fledged plug and play Techno Parks in Galle, Kurunegala, Anuradhapura, Kandy and Batticaloa districts.
- New laws and organizational structures in relation to data security, cyber security and intellectual property rights will be established to assist the drive towards a technology based entrepreneurial economy.
- In line with the government's vision of 'Technology based society and digitally inclusive Sri Lanka' a flat out 4G/fiber broadband coverage is expected to be expanded to the entire country.
- Sri Lanka is a party to 28 Bilateral investment promotion and protection treaties.
- Party to 44 Double taxation avoidance treaties.





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