

Permission for Foreign Companies to open places of Business in Sri Lanka

IN exercise of powers conferred by sections 29C and sub-section (5) of section 30 read with section 48 of the Exchange Control Act amended by Law No.13 of 1977, permission is hereby granted for a company incorporated outside Sri Lanka and registered as an “overseas company” under the Companies Act No. 7 of 2007, to carry on business in Sri Lanka subject to terms and conditions as specified below:

1. Activities which may be carried on by an overseas company

An overseas company registered under the Companies Act may carry on in Sri Lanka:

- (a) Any commercial, trading, or industrial activity other than those specified in Schedule I, provided prior permission has been obtained from the Controller of Exchange for any such activity specified in Schedule II.
- (b) Any non-commercial, non-trading or non-industrial activity such as the activities undertaken or carried on by a liaison office, representative office, regional office or other similar office, provided such activities do not provide any income directly or indirectly to the company.

2. Financing of activities carried on by an overseas company

2.1 An overseas company registered under the Companies Act to undertake or carry on any activity specified in sub-paragraph (a) of paragraph 1 above through a place of business in Sri Lanka such as branch office, project office or other similar office, shall :

- (a) Invest a minimum of United States Dollars (USD) 200,000 or equivalent amount in other designated foreign currencies, out of remittances received from abroad and channeled through a special rupee account designated as “Inward Investment Account” (IIA) opened in a commercial bank in Sri

Lanka in accordance with directions given by the Controller of Exchange in that regard to commercial banks;

- (b) Provide evidence of remittance of a minimum total of USD 200,000 or equivalent amount in other designated foreign currencies, to the Registrar of Companies, within 30 days of registration; and
- (c) Record the funds remitted as per (a) above in the Company's books as an investment and maintain such record in the company until the company ceases its business in Sri Lanka.

2.2 A place of business such as liaison office, representative office or other similar office shall remit the funds required for the maintenance of such place of business from abroad in designated foreign currency via IIA

3. Remittance of profits, surplus funds, royalty, franchise or other similar payments by an overseas company

3.1 An overseas company registered under the Companies Act may remit out of Sri Lanka, their profit, royalty, franchise or other similar payments or surplus funds net of tax through IIA on production of the following documents to the Authorized Dealer.

3.2 In the case of remitting profit:

- (a) A certified copy of the audited balance sheet and profit and loss account for the relevant year prepared as per the Sri Lanka Accounting Standards.
- (b) A confirmation by the company's auditors in Sri Lanka that the profit has been earned by carrying on the permitted activities.

3.3 In the case of remitting royalty, franchise or other similar payments:

- (a) A certified copy of the agreement and commercial invoice; and
- (b) A certificate from the company's auditors in Sri Lanka certifying the manner of arriving at the remittable amount.

3.4 In the case of remitting surplus funds, before a termination of the registration:

- (a) A certificate from the company's auditors in Sri Lanka certifying the manner of arriving at the remittable surplus, and
- (b) A confirmation by the company's auditors in Sri Lanka that sufficient funds have been set aside by the company in order to meet all income tax and other statutory obligations.

3.5 In the case of remitting surplus funds at the time of termination of the registration:

- (a) A certified copy of the final audited financial statements,
- (b) A tax clearance certificate issued by the Department of Inland Revenue confirming the settlement of all income and other applicable taxes,
- (c) A certificate from the company's auditors in Sri Lanka certifying the manner of arriving at the remittable surplus, and
- (d) A certificate from the company's auditors in Sri Lanka confirming that there are no statutory liabilities outstanding in respect of the activities undertaken, and that all known liabilities have been settled.

4. Nothing contained in this Notice shall be construed as affecting or having a bearing on the provisions of any other written law.

5. For the purposes of this Notice-

- (a) "Overseas Company" shall have the meaning as given in the Companies Act No. 7, of 2007.
- (b) "Branch Office" shall mean, any establishment described as a branch of a foreign company or establishment carrying on the same business or substantially the same business as that carried on by the parent or Head Office.
- (c) "Project Office" shall mean, a place of business established in Sri Lanka to represent the interest of a foreign company to execute a project in Sri Lanka.

- (d) “Liaison Office” shall mean an office of a foreign company established in Sri Lanka to act as a channel of communication between the foreign company or its Head Office or Group.
- (e) “Representative Office” shall mean an office established in Sri Lanka by a foreign company engaged in international trading of goods or providing international services to report on business movements in Sri Lanka to the Head Office or to provide advice, information etc., to clients in Sri Lanka concerning goods or services sold in Sri Lanka.

22nd November 2010
Colombo

P H O Chandrawansa
Controller of Exchange

Schedule I

Commercial, trading or industrial activities that are not permitted for overseas companies:

- (i) Money lending
- (ii) Pawn broking
- (iii) Retail trade with a capital of less than two million US dollars
- (iv) Coastal fishing
- (v) Growing and primary processing of tea, rubber, coconut and rice
- (vi) Mining and primary processing of non-renewable national resources
- (vii) Freight Forwarding
- (viii) Shipping agency business
- (ix) Mechanized mining of gems
- (x) Lotteries

Schedule II

Activities which require the prior permission of the Controller of Exchange

- (i) Production of goods where Sri Lanka's exports are subject to internationally determined quota restrictions
- (ii) Growing and primary processing of sugar, cocoa and spices
- (iii) Timber based industries using local timber
- (iv) Deep sea fishing
- (v) Mass communication
- (vi) Education
- (vii) Outbound travel agency business
- (viii) Local air transportation
- (ix) Coastal shipping
- (x) Any industry manufacturing or producing:
 - a. Arms, ammunitions, explosives, military vehicles and equipment, aircraft and other military hardware
 - b. Poisons, narcotics, alcohols, dangerous drugs and toxic, hazardous or carcinogenic materials
 - c. Currency, coins or security documents