



# SRI LANKA

Sri Lanka - Mixed (Civil and Common law)

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In a hurry? Click incorporate now, and startup your company immediately.

## Incorporating a company in Sri Lanka

# Sri Lanka taxes

If you want to do business in Sri Lanka, reading this will help you becoming knowledgeable on the specific tax laws and rates for a LLC which is the most common company structure in Sri Lanka.

Sri Lanka taxes corporate income, whether it is earned onshore or offshore. The usual approximate tax rate for offshore income, from our research, and this is not personal tax advice, is 28%. The country may not have exemptions to transfer in income accrued abroad. Corporate Income Tax in Sri Lanka ranges from 14% to 40%, depending on the nature of the business income. However, the effective tax rate for most type of income is 28%. This ranks Sri Lanka as 130th overall in terms of corp. taxation rate internationally.

The valued added tax rate in LK is 15%, that ranks Sri Lanka as 79th overall with regards to VAT globally. In terms of other taxation, an employer will contribute 15% to the equivalent of a social security fund and an employee will contribute 8%. The overall complexity of the tax system is low. This is measured by average time to comply with a country's labor tax requirements is as it is 9 hours. Contributing to this is the number of yearly labor tax payments, which is 1 in LK.

Thin capitalisation laws are officially enacted. Thin capitalisation refers to any sort of requirements on a business and the debt-to-asset ratios. Dividends paid to resident companies are subject to a final withholding tax of 14%. Stock dividends are not usually subject to withholding tax. Dividends from foreign entities may be considered taxable income and subject to corporate income tax at normal rates. Dividends are distributions of a portion of company's earnings, determined by the board, to shareholders. Dividends can be issued as cash payments, shares of stock, or other property. Capital gains from the transfer of immovable properties are included in corporate income tax and taxed at a flat rate of 10%. Other Capital Gains are not taxable. A capital gains tax is levied on the profits that a corporation or natural person realizes when they sell a capital asset for a price that is higher than the purchase price.

Interests and royalties withholding tax rate is estimated at 20%. Which means that the tax authorities expects LLC's to pay tax on at least 20% of payments on interests and royalties to non-residents. The dividends withholding tax rate is 14%. This means that the tax authorities expects LLCs to pay tax on at least 14% of dividends paid to non-residents. Withholding taxes may be reduced under a tax treaty.

There is no known tax on wealth in Sri Lanka. There are no inheritance and transfer taxes in Sri Lanka. There are local real property taxes. We are not aware of any frequently implemented R&D initiatives that provide tax relief in this country.

The above is not tax or legal advice for your particular circumstances. We are able to reference you to a tax advisor in Sri Lanka who can give you the proper advice and help you need. Ready to get started? Click the free consultation button above.

The vat rate in Sri Lanka is 15% which ranks 78 in the world.

- ✗ Patent box
- ✗ RND credit
- ✗ Wealth tax
- ✓ Estate tax
- ✗ Transfer taxes
- ✗ Asset taxes
- ✗ Capital duties

- 34 Tax treaties
- 28% Offshore Tax
- 28% Corp rate
- Loss carryback years
- 16 Corporate time
- 15% VAT rate
- 0% Capital gains
- No AEOI planned

# Sri Lanka Legalese

When looking for a jurisdiction in which to incorporate, the first thing to look at is the legal code. The body of law in Sri Lanka is mixed (civil and common law) law. You will want to get some local advice as to how to best structure a company in Sri Lanka. One is permitted to electronically sign documents.

The country code LK is for Sri Lanka and the most common company type in Sri Lanka is a LLC.

The amount you'll have to wait is about 7 weeks to put together the paperwork and file a LLC in LK. The minimal capitalization, or amount you're expected to put into a bank, is 0, This means you don't have any minimum share capital. The types of cash you can use to capitalize your business is often any legal tender.

Yes, one is allowed to re-domicile a LLC from LK. You are usually allowed to change the jurisdiction of the company, pending certain procedures.

There must be at least This means it is not possible for you to own a LLC in Sri Lanka as a sole shareholder. You must have other shareholders, they can be nominees or de facto shareholders. Corporate Shareholders are allowed, meaning you could have a company as a shareholder. Foreign ownership is encouraged, up to 40% of the total equity of the company.

A LLC is only required to have one director. Consequently, corporate directors are permitted. Directors should not have an expectation of privacy, as they are not kept private in Sri Lanka. There is a body of law which requires companies to hold an annual meetings of shareholders.

A registered agent is normally required, which means the company will have to pay a fee on a yearly basis, for a professional firm which can receive litigation or other legal process on behalf of the registered legal entity. Moreover, a company secretary is required by law.

There is an obligation to file yearly tax returns. Consequently, there is oftentimes a requirement to have these accounts audited.

Overall we think Sri Lanka is a ok option and have given it a score of 49 as an IO score, using the Incorporations.IO proprietary formula.

- ✗ **Directors not disclosed in a public registry**
- ✗ **Shareholders not disclosed in a public registry**
- ✓ **Redomiciliation permitted**
- ✓ **Registered office required**
- ✓ **Corporate director permitted**
- ✓ **Local Secretary not required**
- ✓ **Local Director not required**
- ✓ **Electronic signature**

- 2 Shareholders required**
- 1 Directors required**
- 7 weeks to form**



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## Country Info



🏴󠁧󠁢󠁥󠁮󠁧󠁿 National Flag of



(sin)



(tam)

\$ Currency

**LKR**

☎ Area Code

**+94**

🏛 Capital

**Colombo**

📍 Region

**Southern Asia**

🗣 Native Languages

**Sinhala**

**Tamil**