

LEX MUNDI
PUBLICATION



ISSUES RELATING TO FOREIGN INVESTMENT

SRI LANKA F.J.& G. de Saram

CONTACT INFORMATION:

Mr. Tudor Jayasuriya

Partner in charge of the Banking & Real Estate Division

F.J.& G. de Saram

Attorneys-at-Law & Notaries Public

216 de Saram Place,

Colombo 10, Sri Lanka

Tel: +94.1.4718200 / Fax: +94.1.4718220

fjgdesaram@fjgdesaram.com

1) Is national governmental permission required for foreign investors to acquire real estate? If so, please identify.

No

2) Are there other national restrictions imposed on ownership of real estate by foreign investors? To acquire interests in entities which own real estate? If so, please identify.

There are no restrictions imposed on ownership of real estate by foreign individuals

According to the Companies (Special Provisions) Law No. 19 of 1974, no company shall on and after the appointed date (which is 1st January 1975) carry on any undertaking in Sri Lanka or have any interest in any property in Sri Lanka, unless such company is incorporated in Sri Lanka or is an exempted company.

For the purposes of the above Law, "property" means movable or immovable property but does not include shares in a company or choses in action.

There are no restrictions placed on a foreign investor to acquire interests in entities (purchase shares) incorporated for the purpose of owning real estate provided that the remittances for payment of acquiring shares are made through a SIERA account (Share Investment External Rupee Account)

3) Are foreign investors required to invest with a local partner? If not, is investment with a local partner advisable?

no answer

4) What national taxes are levied solely on foreign individuals or entities acquiring or transferring real estate or interests in entities which acquire real estate?

Under the Finance (Amendment) Act No.8 of 2004 (the Principal Act being the Finance Act No.11 of 1963) no person who is not a citizen of Sri Lanka can acquire immovable property without the payment of a 100% tax. The amount of the tax is equivalent to the value of the property (ordinarily, the purchase price).

The 100% tax will apply to a transfer of immovable property to a company incorporated in Sri Lanka, if more than 25% of the issued shares in such company are owned by persons who are non citizens.

By Order made by the Minister of Finance and Planning published in Gazette Extra Ordinary No.1386/18 dated 30th March 2005 transfer of property of certain class or description specified in the Order has been exempted from the payment of the 100% tax.

According to the Exchange Control Laws of Sri Lanka, in a sale of land (being a capital transaction), by a foreign investor, the investor can only remit abroad, the amount of money which he actually paid at the time he acquired the land. Any balance monies will be held in a blocked account in Sri Lanka.

5) Describe reporting requirements for reporting the acquisition, ownership or disposition of real estate which relate solely to foreign direct or indirect owners of real estate.

There are no such reporting requirements.