

Understanding BOI Approvals and Tax Incentives for Solar Manufacturing in Sri Lanka

BOI Incentives for PV Module Production Facilities

Content Partner: J. v. G. technology GmbH

Turnkey solar module production lines — since 1997

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Technical Overview: Sri Lanka's BOI Approvals and Solar Manufacturing Tax Incentives



Created as part of the PVKnowHow Knowledge Network



Prepared by J.v.G. Technology GmbH



European specialists in turnkey solar module production lines

Why BOI Matters for Investors

What Is the BOI?

- Board of Investment of Sri Lanka — primary foreign investment approval authority
- Provides legal framework and guarantees for registered projects
- Single-window facilitation for permits, approvals, and incentives
- Threshold: USD 250,000+ qualifies for BOI registration and benefits

Why It Matters

- Reduces administrative complexity for foreign manufacturers
- Provides enforceable investment protection guarantees
- Unlocks tax and duty incentive packages unavailable outside BOI
- Approval timeline: 4–6 weeks for eligible projects

Key BOI Incentives

Tax Holidays

- Multi-year corporate income tax exemptions for qualifying projects
- Duration linked to investment size and sector priority classification
- Renewable energy manufacturing listed as priority sector

Duty-Free Imports

- Capital equipment and machinery importable duty-free
- Raw material imports for production also eligible for duty exemption
- Significantly reduces initial capex and ongoing production cost

EPZ Access

- Export Processing Zones offer plug-and-play infrastructure
- Pre-built factory units, utilities, and logistics connectivity available
- Simplified customs procedures for import/export operations

Additional Benefits

- Foreign exchange repatriation rights guaranteed
- No nationalization risk under BOI agreement framework
- Access to double taxation treaty network

Tax Holiday Advantages

Structural Benefit

- Corporate income tax exemption during ramp-up and early production phases
- Allows reinvestment of early profits into capacity expansion
- Reduces payback period calculations for feasibility modeling
- Applicable to both local and repatriated profits during holiday period

Investor Considerations

- Holiday duration varies — confirmed at BOI registration stage
- Post-holiday rates subject to standard Sri Lankan corporate tax framework
- Advance tax planning essential before committing to structure
- Feasibility study should model both holiday and post-holiday cash flows

Duty-Free Import Benefits

Capital Equipment

- Production line machinery (laminators, stringers, testers) importable duty-free
- Material handling, automation, and quality control equipment included
- Substantially reduces total capex for a turnkey manufacturing setup

Raw Materials & Components

- Solar cells, encapsulants, glass, backsheet, frames, junction boxes
- Duty exemption on production inputs lowers per-module cost base
- Competitive cost structure supports both domestic and export markets

Strategic Implication

- Duty-free access closes cost gap with established Asian manufacturing hubs
- Enables pricing competitiveness on both domestic and regional export channels
- Critical enabler for financial viability at the USD 250,000+ entry threshold

BOI Approval Process Overview

1

1 – Pre-Application Preparation

Business plan and feasibility study submitted to BOI

Investment size, sector, and employment projections documented

2

2 – BOI Application Submission

Formal registration application lodged with supporting documents

BOI evaluates project against priority sector criteria

3

3 – Review & Negotiation

BOI reviews investment terms, incentive package, and employment commitments

Single-window process reduces inter-agency delays

4

4 – Agreement Execution

Investment agreement signed; incentive package confirmed in writing

Typical timeline: 4–6 weeks from complete application submission

5

5 – Operational Commencement

Factory establishment, equipment import, and production ramp-up begins

BOI provides ongoing facilitation and compliance monitoring support

Feasibility Study Importance

1

BOI Requirement

A credible feasibility study is a prerequisite for BOI registration — quality of analysis directly influences incentive outcome

2

Financial Modeling

Study must cover capex, working capital, per-module cost, break-even, and IRR across both tax holiday and post-holiday periods

3

Technical Scope

Production line specification, throughput targets, quality standards, and staffing plan must be defined with realistic parameters

- ❏ Proven turnkey manufacturing concepts include feasibility support as part of project development services — reducing the knowledge gap for investors with no prior PV manufacturing experience.

Regulatory and Planning Challenges

Common Risk Factors

- Policy continuity risk: incentive frameworks subject to legislative change
- Currency and FX exposure for USD-denominated equipment and components
- Local content requirements may evolve under future trade policy
- Environmental and zoning approvals required in addition to BOI registration

Mitigation Approaches

- Lock in incentive terms contractually within BOI agreement at outset
- Structure phased investment to limit early capital exposure
- Engage local legal and regulatory counsel during pre-application stage
- Select EPZ location to streamline environmental and zoning approvals

Infrastructure & EPZ Advantages

Ready Infrastructure

- Pre-built factory shells reduce construction timeline and cost
- Power, water, and telecoms utilities provisioned within zones
- Reduces time from BOI approval to production commencement

Logistics Connectivity

- Port proximity supports cost-efficient import of equipment and materials
- Bonded warehouse facilities available within EPZ boundaries
- Streamlined customs clearance for BOI-registered manufacturers

Labor & Skills

- Competitive labor costs relative to established Asian manufacturing hubs
- Experienced turnkey providers include on-site team training in project scope
- No prior PV manufacturing experience required for operations team

International Quality Standards

IEC Certification Requirements

- IEC 61215 and IEC 61730 are baseline requirements for module market access
- Certified module designs from an experienced turnkey provider accelerate certification
- Compliance is prerequisite for EU, US, and most regulated export markets

TÜV-Certified Module Designs

- Pre-certified module designs reduce time-to-market for new manufacturers
- Proven turnkey manufacturing concepts include certified bill-of-materials
- Avoids costly re-certification when using established production line architecture

In-Process Quality Control

- EL testing, peel force, gel content, and flash testing integrated in production line
- Process control data supports warranty and certification documentation
- European-standard manufacturing methodology transferable to Sri Lanka operations

Key Project Data

USD 2...

Investment Threshold

Minimum qualifying investment for BOI registration and incentive access

4–6 W...

Approval Timeline

Typical BOI ramp-up and approval process duration from complete application

0%

Duty on Equipment

Capital equipment and qualifying raw material imports duty-free under BOI

25+ Yrs

Module Lifetime Target

Industry-standard product lifetime for IEC-certified crystalline silicon modules

📄 Scale: Solar module manufacturing facility · Region: Sri Lanka · Incentives: Tax holidays + duty-free imports · Source: PVKnowHow / J.v.G. Technology GmbH

FAQ Highlights

Question	Answer
Minimum investment to qualify for BOI?	USD 250,000+ for manufacturing sector registration
How long does BOI approval take?	Typically 4–6 weeks from complete application submission
Is prior manufacturing experience required?	No – proven turnkey providers include full team training on-site
Which certifications are needed for export?	IEC 61215 / IEC 61730 are baseline for EU, US, and regulated markets
Can profits and capital be repatriated?	Yes – BOI agreement includes foreign exchange repatriation rights
What modules can be produced?	Standard crystalline silicon (c-Si) modules using proven turnkey line designs
Is a feasibility study mandatory?	Yes – required for BOI application; quality of study affects incentive outcome

Strategic Conclusion

1

Viable Entry Point

BOI framework at USD 250,000+ provides a structured, low-friction pathway into Sri Lanka solar module manufacturing for qualified investors

2

Incentive Stack

Combination of tax holidays and duty-free imports materially improves project economics and shortens payback period versus unregistered investment

3

Execution Readiness

Proven European turnkey manufacturing concepts reduce technical and operational risk — no prior PV manufacturing experience required to commence production

i **Source:** PVKnowHow / J.v.G. Technology GmbH · Composite scenario based on real project parameters · This presentation is factual and educational — not investment advice. Independent legal and financial due diligence is recommended before any investment decision.

About the Content Partner

J. v. G. technology GmbH – The DESERT Company

Founded in 1997 in Bavaria, Germany. Family-owned engineering company specializing in turnkey solar module production lines.

More than 90 factory projects delivered worldwide.

On-site team training included – no prior manufacturing experience required.

Key areas:

Turnkey PV manufacturing lines | DESERT Technology® |
TÜV-certified module designs | Factory planning to production

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