

Securing a Factory Location: A Guide to Sri Lanka's Export Processing Zones

A Guide to Export Processing Zones (EPZs)

Content Partner: J. v. G. technology GmbH

Turnkey solar module production lines — since 1997

www.jvg-thoma.com





Technical Overview: Sri Lanka's Export Processing Zones for Factory Sites



Created as part of the PVKnowHow Knowledge Network



Prepared by J.v.G. Technology GmbH



European specialists in turnkey solar module production lines

Key Project Data

EPZ

Location Type

Industrial manufacturing facility within a Board of Investment Export Processing Zone

Varies

Investment Scale

Project-dependent; Section 17 threshold from USD 3M; Section 16 from USD 250K

Auto

Line Type

Automated manufacturing (e.g. solar module assembly); turnkey concept applicable

Months

Ramp-Up

Project-dependent; typically months after BOI approval and lease agreement

📄 Region: Sri Lanka · Scale: Industrial manufacturing · Source: PVKnowHow / J.v.G. Technology GmbH



Why Sri Lanka? Strategic Location Fundamentals

Indian Ocean Gateway

- Positioned at the crossroads of key South Asian, Middle Eastern, and African trade routes
- Colombo Port handles transshipment volumes regionally
- Proximity to Indian subcontinent — 1.3+ billion consumer market accessible

Government Policy Alignment

- National target: 70% renewable electricity by 2030 — creates manufacturing demand
- Pro-export industrial strategy backed by BOI incentive framework
- Double taxation avoidance agreements with 44+ countries

Competitive Operating Factors

- Cost-competitive, bilingual, and technically skilled workforce
- Established EPZ ecosystem operational since 1978
- 100% foreign equity ownership permitted in export-oriented sectors

What Is an EPZ? Role and Purpose

Definition

- Designated industrial parks established and managed by the Board of Investment (BOI)
- Designed to attract foreign direct investment and stimulate export-oriented manufacturing
- Provide a simplified regulatory and fiscal environment separate from general territory
- BOI acts as single-window facilitator: approvals, permits, and agency coordination

Core Advantages

- Duty-free import of capital goods, raw materials, and equipment
- Corporate income tax holidays (typically 5-10 years, project-defined)
- Exemption from exchange control regulations
- Subsidized land, power, water, and telecommunications within zone
- Free profit and capital repatriation for foreign investors

EPZ Landscape: Key Zones in Sri Lanka

Katunayake EPZ (KEPZ)

- Established 1978 — the first and most mature EPZ in Sri Lanka
- Located near Bandaranaike International Airport — optimal air freight access
- Hosts numerous international manufacturing operations; proven, stable environment

Biyagama EPZ (BEPZ)

- Located outside Colombo — accessible road links to the capital and port
- Broad industrial base including electronics and light manufacturing
- Mature infrastructure; wastewater treatment and telecom facilities in place

Seethawaka & Other Zones

- Seethawaka EPZ: 431 acres, 63 MVA power capacity, WHO-standard water supply
- Koggala, Mihinthale, Pallekale — geographic diversity for sector specialization
- Zone selection must align with logistics needs, power availability, and labor pool

BOI Application Process: Step by Step

- 1 — Initial Inquiry & Promotion**

Contact BOI Promotion Department for zone availability, incentive packages, and land options
Application fee: USD 150 or LKR equivalent
- 2 — Formal Application Submission**

Submit Section 16 (\geq USD 250K) or Section 17 (\geq USD 3M) application form
Required: business plan, feasibility study, financial projections, proof of capital, articles of association
- 3 — Screening & Appraisal**

Project Screening Committee evaluates: export potential, job creation, investment size, sector fit
Timeline: several weeks to a few months depending on complexity and completeness
- 4 — Approval & Acknowledgment**

Environmental and engineering clearance granted; land allocation confirmed
Acknowledgment of Business Activity letter issued; project officer assigned
- 5 — Company Incorporation & Lease**

Company registered in Sri Lanka; site clearance, import/export licenses obtained
Lease agreement signed with BOI — incentive terms locked in for agreed period

BOI Incentive Framework: Section 16 vs. Section 17

Criterion	Section 16 Project	Section 17 Project
Minimum Investment	USD 250,000	USD 3,000,000+
Tax Holiday	Standard duration; project-specific	Expanded concessions available
Customs Duty (Capital Goods)	Exemptions for export-oriented activity	Full duty exemptions on machinery and equipment
Customs Duty (Raw Materials)	Applicable for qualifying exporters	Duty-free if 90%+ production exported
Exchange Control	Exemptions apply	Full exemption; 100% profit repatriation
Best Suited For	SME-scale or pilot manufacturing operations	Industrial-scale, export-driven manufacturing

 Tax holidays are granted for a **defined period** per the signed agreement — they do not extend automatically for the full lease duration.

Infrastructure Due Diligence: Critical Risk Areas

Power Supply

- Sri Lanka experienced significant outages during the 2022 economic crisis
- Hydro-dependent grid vulnerable to seasonal drought conditions
- Verify zone-specific MVA capacity and backup power arrangements before committing
- Industrial lines require stable, uninterrupted voltage — confirm dedicated feeder status

Water Supply

- EPZs required to provide potable water to WHO standards
- Industrial processes may require treated water — verify daily supply volume for zone
- Confirm central wastewater treatment capacity meets production effluent volumes
- Example: Seethawaka EPZ — 9,950 m³ water storage; 9,900 m³/day treatment capacity

Logistics Connectivity

- Proximity to Colombo Port or Hambantota critical for import/export supply chain
- Assess road network quality between EPZ and nearest seaport
- Katunayake: adjacent to Bandaranaike International Airport — advantage for air freight
- Colombo Port handles significant regional transshipment volume

Operational Considerations: Labor & Compliance

Labor Environment

- Workforce is cost-competitive, bilingual (Sinhala/English), and technically adaptable
- BOI facilitates expatriate visas and work permits for key technical personnel
- Wage-setting involves tripartite mechanisms — rising labour costs a documented sector concern
- Factories Ordinance compliance required: health, safety, sanitation, welfare standards

Regulatory & Compliance Framework

- BOI provides engineering approvals, environmental clearances, and import/export facilitation
- Site clearance, raw material sourcing approval, and environmental clearance required pre-operation
- Cargo verification handled within zone — streamlined customs at factory level
- Agreement with BOI remains valid for project life — incentive terms legally protected

Risk Mitigation Strategies

Pre-Entry Due Diligence

- Commission independent feasibility study — not generic international benchmarks
- Physically verify EPZ power, water, and road infrastructure before application
- Map distance and transit time from EPZ to nearest port or airport

Operational Risk Controls

- Include diesel generator backup capacity in facility design for grid instability
- Negotiate water storage and on-site reserves to buffer supply interruptions
- Use a proven turnkey manufacturing concept — reduces reliance on local engineering capacity

Administrative Risk Controls

- Engage BOI project officer early — they coordinate all government department interactions
- Ensure business plan is comprehensive: incomplete applications significantly delay approval
- Legal review of BOI agreement terms before signing — incentive periods are fixed and non-extendable

Frequently Asked Questions

How long does BOI approval take?

- Typically several weeks to a few months
- Duration depends on: application completeness, project complexity, and business plan clarity
- A thorough, well-documented submission is the single most effective way to reduce timeline

Are tax incentives guaranteed for the full lease period?

- No — tax holidays are granted for a specific, defined period (typically 5–10 years)
- Period is fixed in the signed BOI agreement and does not automatically extend with the lease
- Investors should model post-holiday tax exposure in their financial projections

Do EPZ land costs vary between zones?

- Yes — premier zones with better connectivity and facilities command higher lease rates
- BOI provides a formal schedule of charges upon inquiry; rates not publicly posted
- Zone selection should weigh infrastructure quality against lease cost differentials

Site Selection as a Strategic Success Factor

1

Location Defines Viability

Success is ultimately determined by power grid reliability, port access efficiency, and administrative process clarity — not factory design alone

2

EPZ as Risk Reduction Tool

Operating within a BOI-managed zone provides pre-built infrastructure, single-window facilitation, and legally protected incentive terms unavailable outside zones

3

Turnkey Approach Advantage

A proven turnkey manufacturing concept reduces learning curve, local engineering dependency, and time-to-production — critical factors in EPZ project success

- ❏ Overlooking ground-level infrastructure realities can turn a promising venture into a series of operational challenges. Site selection and due diligence are not administrative formalities — they are strategic decisions.

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

www.jvg-thoma.com

Contact

J.v.G. Technology GmbH

Möningerberg 1a, 92342 Freystadt, Germany

info@jvg-thoma.de | www.jvg-thoma.com

Source: <https://www.pvknowhow.com/countries/sri-lanka/land-infrastructure-sri-lanka-export-zones/>

Created with the support of JvGLabs — specialist for AI systems

and AI-driven visibility. www.jvglabs.com