



COUNTRY GUIDE: SRI LANKA

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<https://zapeo.net/sri-lanka/>

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ABOUT US

ZAPEO is an International PEO co-employer providing Employer of Record (EOR) Services in more than 113 countries around the world.

As an EOR, we provide employment contracts, payroll employees, pay over any taxes and statutory contributions and provide sponsorship for visa applications in order to comply with specific laws and regulations in the country.

We also assist with onboarding and termination of both local or expatriate employees.

BENEFITS

- Legal compliance
- Time and cost savings
- Access to global talent
- Flexibility
- Reduced liability
- Expertise



WORK PERMITS AND VISAS



To enter Sri Lanka, all foreign nationals must get a visa. The type of visa to apply for is determined by the length of time the applicant intends to remain in Sri Lanka as well as the reason for their visit.

Sri Lankan visas are classified as follows:

- **Transit visa:** This visa permits foreign citizens to enter Sri Lanka and stay in the country for up to 48 hours while traveling to another destination.
- A **visitor visa** permits a foreign individual to stay in Sri Lanka for up to 30 days for leisure or commercial activities, such as a conference or training session. In rare cases, applicants can request an extension of this visa to remain for up to 90 days.
- **Residence visa:** This visa permits foreign citizens to stay in Sri Lanka for up to a year and work and study freely. Foreign nationals must renew their residence visa every year they want to stay in the country.

Any international workers who intend to relocate to Sri Lanka to work for your firm will require a residence visa. Employees will need to apply for an entrance visa in their home country before they may obtain this authorization.

EMPLOYMENT CONTRACTS



Probation period

In most cases, the probation term is six months. The employer must explicitly state the length of probation, the regulations regulating such probation, and the situations under which the employment contract may be terminated while on probation.

Notice period

Employees may be laid off only after giving at least one month's notice. Only after one year of employment is a worker entitled for this one-month notice. A worker with less than a year of service is not entitled to any kind of notice.

Minimum wage

The monthly minimum salary in Sri Lanka is 10,000 rupees.

Working hours and overtime

Working hours in a single week may not exceed 45 hours. Overtime may not exceed a total of 12 hours in any given week. No employee is obliged to work overtime unless he is paid separately for each hour of overtime work at a rate not less than 1.5 times the hourly rate of his usual salary.

Termination

Before terminating an employee's services, the law demands a termination notice. However, the law does not address individual dismissals; rather, it solely addresses retrenchment (collective dismissals). Employees may be laid off only after giving at least one month's notice. Only after one year of employment is a worker entitled for this one-month notice. A worker with less than a year of service is not entitled to any kind of notice.

EMPLOYMENT CONTRACTS



Severance

Workers who have completed five years of service with an employer employing fifteen or more workers are entitled to the following rates of gratuity in the event of service termination (whether by the employer or the worker, or on retirement, or by the workman's death, or by operation of law, or otherwise):

- Half a month's earnings or compensation for each year of service completed for monthly rated workers; and
- 14 days' pay for each year of service completed for other workers.
- This sum is payable regardless of the basis for termination (resignation, dismissal, retirement, worker death, through operation of law, or otherwise), and may only be withheld in specific strictly specified circumstances.

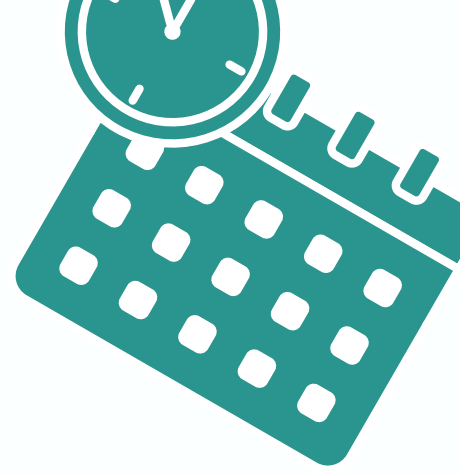
Non-compete clause

A non-competition agreement is a legal agreement or clause in a contract that states that an employee may not compete with his or her employer once the work time has ended.

Collective bargaining

Is recognized in Sri Lanka.

PAID TIME OFF



Annual Vacation

After 12 months of continuous employment, an employee is entitled to 14 days of paid annual leave beginning in the second year.

Sick

A person who has completed a year of continuous service in the public or private sector is entitled to seven days of paid sick leave after completing a year of continuous service.

Maternity

Maternity leave is 12 weeks long. Out of these 12 weeks, two weeks are before confinement (including the day of her confinement) and ten weeks are after confinement.

Paternity

N/A

Family

N/A

National Holidays

24 public holidays in Sri Lanka.

Other Paid Time Off

N/A

EMPLOYEE BENEFITS



Statutory

Unemployment

N/A

Workers compensation

Employer responsibility to cover the overall cost.

Social Security

Employee - 8% of monthly wages; extra voluntary contributions may be made.

Employer -

Provident fund: 12% of monthly payroll

Trust fund: 3% of monthly payroll.

Retirement

Covered by Social Security.

Health

Sri Lanka has a public healthcare system.

Private

Workers compensation

Private workers compensation available.

Retirement

Private retirement schemes available.

Health

Private health insurance available.

Life

Private life Insurance available.

TAX



Personal Income Tax (PIT)

- **Tax year** : Beginning on April 1 of one calendar year and ending on March 31 of the next calendar year.
- **Tax rate** : Rates range between 6-36%.
- **Tax method** : Individuals who are residents are liable to income tax on their international earnings. Non-residents are solely taxed on income earned in Sri Lanka.
- **Tax residency requirements** : For income tax purposes, a person is considered to be a resident of Sri Lanka if they reside in Sri Lanka during the year, for a period or periods totaling 183 days or more in any 12-month period that begins or ends during the year, is an employee or official of the government of Sri Lanka and one's spouse is posted abroad during the year, or is an individual who is employed on a Sri Lanka ship, within the meaning of the Merchant Shipping Act, during the period the individual is so employed.
- **Double taxation agreements (DTA's)** : Sri Lanka has multiple double tax agreements (DTA) with other countries.

Investment Income Tax

- Payout tax - 14% on gross dividends issued by a resident firm.
- Dividends given by a resident corporation to any non-resident individual will be tax-free from January 1, 2020.
- A company's gain on the realization of an investment asset or obligation is subject to a 10% tax.
- Gains on the sale of shares listed on any official list issued by a stock exchange registered by the Securities and Exchange Commission of Sri Lanka are tax-free. Such profits are subject to the 0.3% share transaction levy.

Taxable Income

Individuals who are residents are liable to income tax on their international earnings. Non-residents are solely taxed on income earned in Sri Lanka.

PAYROLL



Payroll Elements

- **Income:** All income derived from employment, business, rental or investment.
- **Deductions:** Donations, social security, taxes etc. Deductions are limited to one-third of the taxable income.
- **Benefits in Kind:** Benefits in kind are not required in but businesses may include them in an employee's remuneration package.
- **Employer contributions:** Social security and workers compensation.

Payroll Taxes

Employees' Provident Fund (EPF) -

Employers and workers are required to contribute defined percentages (employer 12%, employee 8%) of each employee's monthly emoluments/salary to the government-established EPF.

Trust Fund for Employees -

Employers are also obligated to donate a set proportion (currently 3%) of each employee's monthly emoluments/salary to the government-established Employees Trust Fund.

Payroll Calendar

There are no predetermined dates on which employees must be paid.

Weekly, Bi-weekly, fortnightly and monthly payrolls are acceptable.

LEGISLATION AND STATUTORY BODIES



LEGISLATION

- Regulation of Employment & Remuneration Act No 19 of 1954
- Wages Board Ordinance No 27 of 1941
- Factories Ordinance No 45 of 1942

STATUTORY BODIES

- Employees' Provident Fund
- Employees' Trust Fund Board
- Department of Labor
- Sri Lanka Revenue Authority



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