

Briefing note:

# FOREIGN DIRECT INVESTMENT

IN SRI LANKA | *July 2025*



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## TYPES OF ENTITIES THAT MAY BE ESTABLISHED

Persons wishing to establish legal entities in Sri Lanka, for the purposes of carrying on a business therein, may do so in one of the following ways:

- (a) incorporating a limited (or unlimited) liability company; or
- (b) establishing a place of business in Sri Lanka (i.e., a branch, project or liaison office etc.) by registering an overseas company.



Both incorporation of companies, and the registration of overseas companies in Sri Lanka, are primarily regulated by the Companies Act No. 7 of 2007 (as amended) ("**Companies Act**").

### Limited Liability Companies

Limited liability companies can be incorporated as 'private' limited liability companies; these are subject to a less stringent regulatory and compliance framework and as such, in many aspects, can be operated more flexibly than a 'public' limited liability company. However, they are (a) precluded from offering shares or other securities to the public; and (b) subject to a maximum of 50 shareholders (excluding those who became shareholders while being employees of the company).

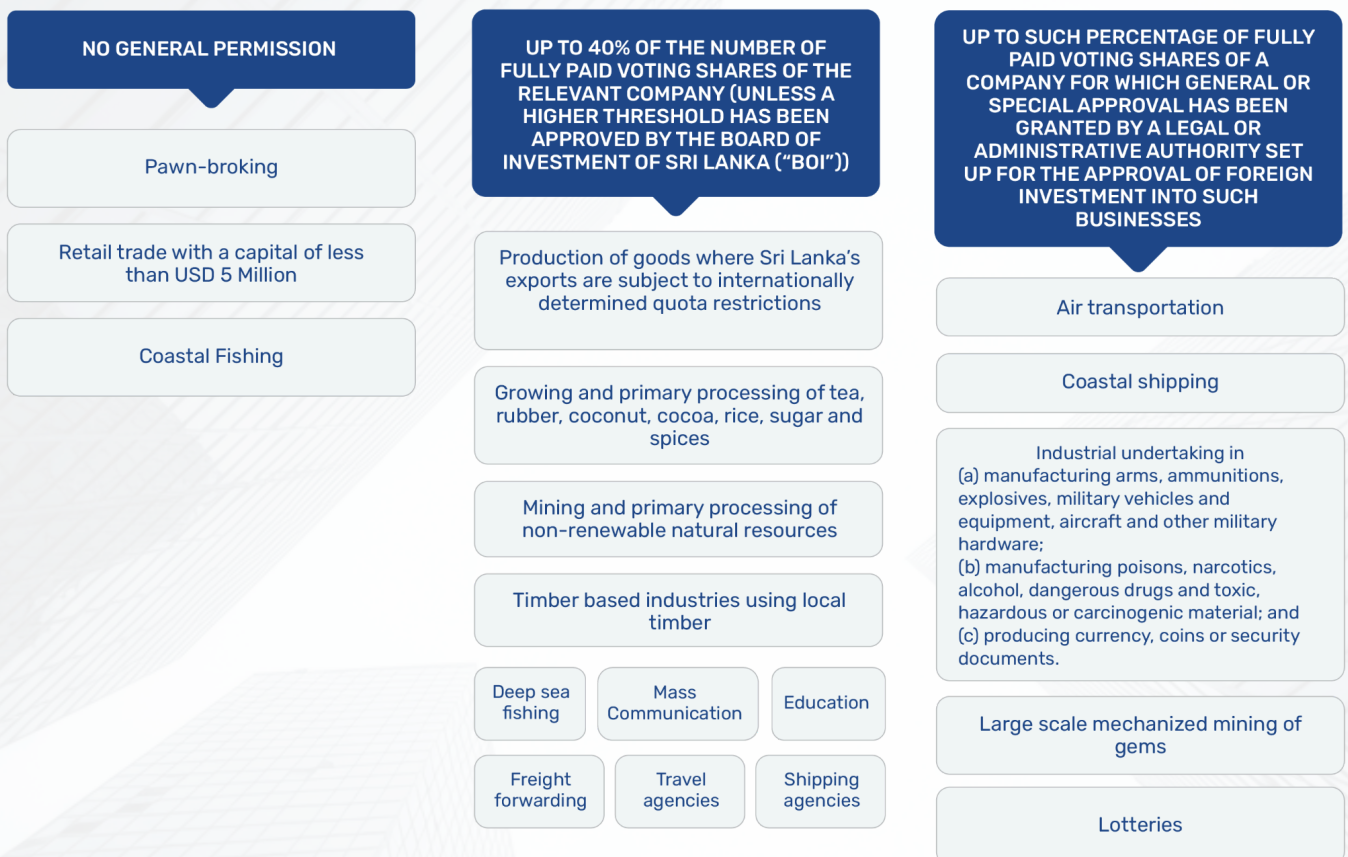
Private limited liability companies can be established with a minimum of 1 shareholder and 1 director. Every company incorporated in Sri Lanka must also have a registered office in Sri Lanka, and a company secretary and a statutory external auditor.

### Overseas Companies

The Companies Act defines 'overseas companies' as companies or bodies corporate incorporated outside Sri Lanka, which establish a place of business (e.g., whether in the form of a branch, project, liaison, representative or regional office or equivalent) in Sri Lanka. Such overseas companies must, within 1 month of establishing the said place of business, deliver certain documents and information (including the names and addresses of one or more persons resident in Sri Lanka, who are authorized to accept service on behalf of the company) to the Department of Registrar of Companies ("**ROC**") and obtain registration as an 'overseas company'.

## FOREIGN OWNERSHIP RESTRICTIONS

In accordance with regulations issued under the Foreign Exchange Act No. 12 of 2017 (“**FEA**”), persons resident outside Sri Lanka, country funds, regional funds, investment funds and mutual funds established outside Sri Lanka (“**Non-resident Investors**”) are granted general permission to hold up to 100% of the issued share capital of Sri Lankan companies, except as follows<sup>1</sup>:



The FEA also permits Non-resident Investors to invest (subject to the provisions of any other written law) in debt securities, unit trusts, Sri Lanka development bonds, government securities, immovable properties, securities issued by the Central Bank of Sri Lanka (“**CBSL**”), term deposits and grant loans.

Investment in shares in Sri Lankan companies or investment in debt securities must be routed through a special bank account (maintained in Sri Lanka Rupees or any designated foreign currency) opened with a licensed commercial bank in Sri Lanka, in the name of the relevant investor, known as an ‘Inward Investment Account’ (“**IIA**”). All income and capital

<sup>1</sup> This should of course not be considered an exhaustive list, as there are certain sector-focused laws which independently impose foreign investment restrictions. For example, under the Sri Lanka Bureau of Foreign Employment Act No.21 of 1985 (as amended), a company is eligible for a licence to carry on a ‘foreign employment agency’ in Sri Lanka only if a majority of its shares are held by Sri Lankan citizens.



proceeds derived from such investments must also be remitted out of Sri Lanka through the same IIA.

The proceeds of loans obtained by persons resident in Sri Lanka (other than licensed commercial banks, licensed specialised banks, the Government of Sri Lanka and state owned enterprises) from persons resident outside Sri Lanka, must be received into an External Commercial Borrowing Account opened and maintained by the borrower.

### **FEA RESTRICTIONS ON OVERSEAS COMPANIES**

When establishing a place of business in Sri Lanka, known as an 'overseas company' under the Companies Act, such an entity may carry on;

- (a) any commercial, trading, or industrial activity; or
- (b) any non-commercial, non-trading, or non-industrial activity such as activities undertaken or carried out by a liaison office, representative office, regional office or other similar office, provided that such activities do not generate any income directly or indirectly to the company.

An overseas company operating a place of business in Sri Lanka such as a branch office, project office, or other similar office is required to invest a minimum of USD 200,000 (or an equivalent amount in any other designated foreign currency), channeled through an IIA. Furthermore, proof of such remittance should be given to the ROC within 90 days of registration of the overseas company in Sri Lanka.

In the case of a place of business such as a liaison office, representative office, regional office or other similar office, the investment requirement is only limited to funds required for the setting up and maintenance of such place of business. Similarly, such investment is required to be channeled through an IIA.



## TAXATION

Income tax in Sri Lanka is charged in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 (as amended) ("**IRA**").



### INDIVIDUALS

Individuals (residents and non-residents) are entitled to a tax-free allowance of Rs.1,800,000 per annum. Income tax is thereafter chargeable on the taxable income in the following manner: the first Rs.1,000,000 is taxed at 6%, followed by slabs of Rs.500,000 taxed at (a) 18% for the second slab; (b) 24% for the third slab; (c) 30% for the fourth slab; and (d) 36% on any remaining taxable income.

### COMPANIES

Corporate Income Tax ("**CIT**") is chargeable at the following rates:

- a. 45% on gains and profits from (i) conducting betting and gaming businesses; and (ii) manufacture and sale or import and sale of liquor or tobacco products (other than the export of such products);
- b. 15% on gains and profits earned or derived from (i) any service rendered in or outside Sri Lanka to any person to be utilized outside Sri Lanka, where the payment for such services is received in foreign currency and remitted through a bank to Sri Lanka; and (ii) any foreign source where such gains and profits are earned or derived in foreign currency and remitted through a bank to Sri Lanka; and
- c. a standard rate of 30% for all other businesses/ industries.

There are however a number of exemptions provided under the IRA. For instance, the interest accruing to or derived by (a) any person outside Sri Lanka on any loan granted to any person in Sri Lanka or to the Government of Sri Lanka by such person; and (b) any person on moneys lying to his credit in foreign currency in any foreign currency account opened by him or on his behalf, in any commercial bank or in any specialized bank, with the approval of the CBSL, is exempt from income tax.

## **CAPITAL GAINS TAX**

'Capital gains tax' (which is in effect a limited income tax on the gains on the realisation of certain investment assets) applies at the rates of 30% (for companies) and 10% (for individuals) on the relevant gains. There are however some exemptions such as:



- (a) gains from the realisation of an asset consisting of shares listed on the Colombo Stock exchange ("**CSE**");
- (b) gains made by resident individuals which do not exceed Rs.50,000 per transaction, and Rs.600,000 per Year of Assessment ("**YOA**");
- (c) gains made by a resident individual from the disposal of his/her principal residence (provided the residence was owned by the said individual for 3 consecutive years prior to the disposal and he/she lived in the property for at least 2 of those years); and
- (d) dividends from and gains made on the realisation of shares in a non-resident company derived by any person with respect to a substantial participation in the non-resident company.

## **WITHHOLDING TAXES**

Withholding taxes will apply to any payments which have a source in Sri Lanka and is due and payable to residents and non-resident persons. The rates are as follows:

1. dividend income will be subject to a 15% withholding tax (unless specifically exempt)<sup>2</sup>;
2. a 10% withholding tax rate is applicable on interest income (excluding exempt interest) or discount received;
3. a 2% withholding tax rate is applicable to payments to non-resident persons with respect to land, sea, air transport or telecommunication services;
4. a withholding tax rate of 14% is applicable on natural resource and royalty payments;
5. a final withholding tax of 14% is applicable on payment of a service fee or an insurance premium with a source in Sri Lanka to a non-resident person;
6. certain service fee payments to a resident individual who is not an employee of the payer (on payments exceeding Rs. 100,000 per month) are subject to a withholding tax of 5%.

The above withholding tax rates are however subject to the provisions of any applicable 'Double Tax Avoidance Agreement' ("**DTAA**").

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<sup>2</sup> Refer to the section below titled 'Investment Concessions and Other Tax Exemptions' for more information in this regard.



## **OTHER TAXES**

Other applicable direct and indirect taxes include Value Added Tax ("**VAT**"), Stamp Duty, Social Security Contribution Levy, Share Transaction Levy and Betting and Gaming Levy.

## **INVESTMENT CONCESSIONS AND OTHER TAX EXEMPTIONS**

There are enhanced capital allowances, ranging from 100% to 200%, made available for expenses (for an investment which must amount to more than USD 3 Million in depreciable assets (excluding intangibles)) incurred on depreciable assets during a YOA. These are provided as investment incentives.



Dividends paid by a resident company:

1. which is engaged in one or more specified businesses (such as entrepot trade, offshore business, front-end services to clients abroad, headquarter operations of leading buyers for management of financial supply chain and billing operations, and logistic services) in accordance with the provisions of Part IV of the Finance Act, No. 12 of 2012 (as amended), and which has entered into an agreement with the BOI;
2. to a shareholder to the extent that such dividend payment is attributable to, or derived from, another dividend received by that resident company or another resident company;

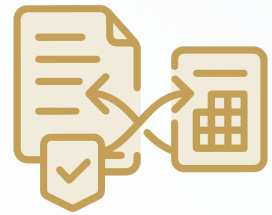
are exempt from income tax.

The gains and profits received or derived by an authorised person carrying on a Business of Strategic Importance as approved under the provisions of the Colombo Port City Economic Commission Act, No. 11 of 2021, and the employment income of an employee employed in terms of that Act, up to the extent provided for in that Act for each YOA, is also exempt from tax under the IRA.



## DTAAs AND FTAs

Sri Lanka is party to a number of bilateral agreements for the elimination or minimization of the effects of double taxation, including with Australia, Bahrain, Bangladesh, Belarus, Belgium, Canada, China, Czech Republic, Denmark, France, Finland, Germany, Hong Kong, India, Indonesia, Iran, Italy, Japan, Jordan, Korea, Kuwait, Luxembourg, Malaysia, Mauritius, Nepal, Netherlands, Norway, Oman, Pakistan, Philippines, Poland, Qatar, Romania, Russia, Saudi Arabia, Singapore, Sweden, Switzerland, Thailand, UAE, UK, USA, Vietnam, Seychelles, Palestine, and Turkey. Sri Lanka is also party to a (limited) multilateral agreement among the South Asian Association for Regional Cooperation (SAARC) countries on double taxation avoidance and administrative assistance in tax matters.



Sri Lanka also has entered into free trade agreements with India, Pakistan, Singapore and Thailand, and is also party to a number of multilateral trade agreements including the South Asian Free Trade Area (SAFTA) Agreement and the Asia Pacific Trade Agreement (APTA)<sup>3</sup>.

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<sup>3</sup>Free/ Preferential trade agreements with Indonesia, Malaysia, Vietnam and China are currently under negotiation. Additionally, the Sri Lankan Government has announced that it is in the process of seeking entry into the Regional Comprehensive Economic Partnership (RCEP).

## PROPERTY

Under the Land (Restrictions on Alienation) Act, No. 38 of 2014 (as amended), transfers of freehold title to land in Sri Lanka to foreign persons (including foreign companies), or companies incorporated in Sri Lanka, where the foreign shareholding is 50% or more, is (except in certain limited circumstances) prohibited. Foreign companies engaged in banking, financial, insurance, maritime, aviation, advanced technology or infrastructure development projects which have been designated as 'strategic development projects' under the Strategic Development Projects Act, No. 14 of 2008 (as amended) ("**SDPA**"), as well as foreign companies engaged in international commercial operations which seek to purchase land to locate or relocate their global or regional operations, or set up branch offices, may be able to apply for exemptions from this prohibition.



These ownership restrictions do not, however, apply to the transfer of freehold title to land to companies incorporated in Sri Lanka and listed on the CSE, or to the transfer of condominium property units to foreign persons/ companies<sup>4</sup> (regardless of percentage of foreign shareholding). There are also no restrictions on foreigners, foreign companies, or companies incorporated in Sri Lanka which have 50% or more foreign shareholding, leasing land (subject to the maximum tenure of each such lease not exceeding 99 years).

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<sup>4</sup>Subject to the entire value being received upfront through inward foreign remittance and prior to the execution of the relevant deed of transfer.



## SPECIAL CONCESSIONS

### BOI SECTION 16 AND SECTION 17 COMPANIES

The BOI is a public corporation established by The Board of Investment of Sri Lanka Law ("**BOI Law**")<sup>5</sup>. Its primary objects are, *inter alia*, to;



- (a) foster and generate the economic development of Sri Lanka;
- (b) widen and strengthen the base of the economy of Sri Lanka;
- (c) encourage and promote foreign investment within Sri Lanka;
- (d) diversify the sources of foreign exchange earnings and to increase export earnings; and
- (e) encourage and foster the establishment and development of industrial and commercial enterprises within Sri Lanka.

To enable it to carry out its objects, the BOI is conferred by law with certain powers including, *inter alia*, the power to give incentives, concessions and privileges.

Accordingly, the BOI grants various fiscal incentives and concessions (including exemptions from certain laws such as the FEA and the Customs Ordinance) to enterprises that meet certain investment criteria. These fiscal incentives and concessions are granted by entering into an agreement under section 17 of the BOI Law by the BOI with the enterprise to which it is granting such incentives and concessions. The BOI also enters into agreements under section 16 of the BOI Law, where the quantum of the foreign investment is at least USD 250,000; these entities are not entitled to any fiscal incentives and concessions, but the BOI provides certain facilitation services (including coordinating with other Government entities in procuring residency visas for the investors etc. and importing capital machinery and other goods).

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<sup>5</sup> The Economic Transformation Act, No. 45 of 2024 was certified by the Speaker of the Parliament on 9 August 2024 and came into operation on that date (although certain substantive provisions of the Act are not yet in operation). The Act is expected to repeal the BOI Law, although the provisions of the Act repealing the BOI Law have not yet come into operation by an order published in the Gazette.



## STRATEGIC DEVELOPMENT PROJECTS

Under the SDPA, certain large-scale projects which are designated as 'strategic development projects' by the Government, may obtain exemptions of up to 25 years from the applicability of certain laws, including the IRA, Customs Ordinance, VAT Act, and the Finance Act. These exemptions are granted primarily to provide (substantial) fiscal benefits and concessions to the enterprises engaging in the said projects.



The BOI is the primary agency for assessing whether a particular project qualifies as a 'strategic development project', which is defined in the SDPA as *"a project which is in the national interest and which is likely to bring economic and social benefit to the country and which is also likely to change the landscape of the country, primarily through—*

- (a) the strategic importance attached to the proposed provision of goods and services, which will be of benefit to the public;*
- (b) the substantial inflow of foreign exchange to the country;*
- (c) the substantial employment which will be generated and the enhancement of the income earning opportunities; and*
- (d) the envisaged transformation in terms of technology."*

However, in accordance with the directives of the International Monetary Fund, the Government of Sri Lanka has taken a policy decision to suspend the operation of the SDPA.

## INVESTMENT PROTECTION

Sri Lanka has entered into agreements for the promotion and protection of foreign investments with a number of countries, including China, France, Malaysia, Germany, India, Indonesia, Italy, Japan, Singapore, UK and the USA. Most of these agreements have been ratified by Parliament and have the force of law in Sri Lanka. Sri Lanka is also a member of the Multilateral Investment Guarantee Agency ("**MIGA**"), a member of the World Bank Group. MIGA provides political risk insurance and credit enhancement guarantees to assist investors to hedge political and non-commercial risks in developing countries.

## **TRUSTS ORDINANCE NO. 9 OF 1917**

The Trusts (Amendment) Act No. 6 of 2018 ("**Trusts Amendment Act**") introduced several provisions in relation to the 'beneficial ownership' related record keeping obligations into the principal enactment (i.e., Trusts Ordinance No. 9 of 1917 (as amended)). This was introduced with the intention of strengthening the domestic anti-money laundering framework. The Trusts Amendment Act brought in provisions to amend the definition of an 'Express Trust', imposed duties on the Registrar-General to prepare and maintain a register containing information on all express trusts created, imposed an obligation on the trustee of an express trust to tender any and all information in relation to the same to the Registrar-General and also imposed a duty on the trustee to keep records of all information (i.e., about the Trustee himself, co-trustees (if any), author of the trust, beneficiary (to the greatest extent possible) and any other person engaged in the execution of the trust in the capacity of an agent, a legal representative or otherwise) in relation to the express trust. This obligation would be applicable to persons who act as 'nominee shareholders' (or otherwise act as trustee shareholders) in companies incorporated in Sri Lanka as well.

## **ELECTRONIC TRANSACTIONS**

Electronic signatures, electronic documents, data messages, electronic records and other communication that is in electronic form are given legal recognition and validity under the Electronic Transactions Act No. 19 of 2006 (as amended) ("**ETA**") and the regulations issued thereunder. The scope of ETA does not apply to, *inter alia*, wills or any other testamentary dispositions, powers-of-attorney, contracts for sale or conveyance of immovable property, trusts (excluding constructive, implied and resulting trusts) and bills of exchange.

Sri Lanka Computer Emergency Readiness Team ("**Sri Lanka CERT**") has been designated as the 'Certification Authority' under the ETA. A Certification Authority has the power to, *inter alia*, authorize Certification Service Providers to issue various types of electronic signatures, issue licences or any other forms of authorization to Certification Service Providers to provide prescribed services and identify the criteria which will form the basis for licensing or authorization of Certification Service Providers and the qualifications required by them. Lanka Sign, operated by LankaPay (Pvt.) Ltd., functioning under the supervision of the CBSL, is currently the only Certification Service Provider that is authorized by Sri Lanka CERT.

## **PORT CITY**

The Colombo Port City ("**CPC**") is Sri Lanka's first economic zone set up in Colombo which spans over approximately 660 acres of reclaimed land. The legislative framework for the CPC has been established by way of the Colombo Port City Economic Commission Act, No. 11 of 2021 and has established the Colombo Port City Economic Commission which is a single establishment window, which approves investments into the CPC. Except in limited



circumstances, businesses setting up in the CPC are generally only allowed to provide offshore services, and transactions within the CPC are to take place in foreign currency. Tax exemptions or incentives are available to businesses that are identified as 'Businesses of Strategic Importance'.<sup>6</sup>

A 'Business of Strategic Importance' is further categorized into 'Primary Business of Strategic Importance' and 'Secondary' Business of Strategic Importance'. A business of an authorized person in and from the area of authority of the CPC that undertakes an investment to lease and develop a plot of land within the area of authority of the CPC shall be classified as a 'Primary Business of Strategic Importance' upon the fulfillment of certain investment criteria.

The designation of a 'Secondary Business of Strategic importance' is conferred upon a business of an authorized person in and from the area of authority of the CPC, which encourages and promotes any one of the following activities (and subject to fulfillment of certain criteria):

1. global and regional economic activity in international trade;
2. shipping logistic operations;
3. offshore banking and finance;
4. information technology;
5. business process outsourcing;
6. corporate headquarters operations;
7. regional distribution operations;
8. tourism and other ancillary services;
9. Innovation;
10. Entrepreneurship;
11. Entertainment;
12. generation of employment opportunities;
13. sustainable development; or
14. urban amenity operations in the settlement of a residential community.



As per the provisions of the Colombo Port City Economic Commission Act No. 11 of 2021 and the regulations issued thereunder<sup>7</sup>, Businesses of Strategic Importance (both primary and secondary) are entitled to, *inter alia*, exemptions from or incentives under the (a) IRA; (b) VAT Act; (c) Finance Act No. 11 of 2002; (d) Finance Act No. 5 of 2005; (e) Excise (Special Provisions) Act No. 13 of 1989 (as amended); (f) Customs Ordinance; (g) Ports and Airports Development Levy Act No. 18 of 2011 (as amended); (h) Sri Lanka Export Development Act

<sup>6</sup> The granting of tax exemptions under the Colombo Port City Economic Commission Act, No. 11 of 2021 has recently been suspended, and amendments to the Act are expected - <https://economynext.com/sri-lanka-halts-port-city-sdp-tax-breaks-laws-to-be-changed-in-imf-benchmark-228557>

<sup>7</sup> The specific exemptions/ incentives to which Primary and Secondary Businesses of Strategic Importance are entitled to are provided in the Colombo Port City (Guidelines on the Grant of Exemptions or Incentives to Businesses of Strategic Importance) Regulations, No.2 of 2023.



No. 40 of 1979; (i) Betting and Gaming Levy Act No. 40 of 1983 (as amended); (j) Termination of Employment of Workmen (Special Provisions) Act; (k) Entertainment Tax Ordinance; (l) FEA; and (m) Casino Business (Regulation) Act No. 17 of 2010.

Only persons licensed as an 'authorized person' in terms of the Act shall be permitted to engage in business, in and from the area of authority of the CPC. In order for a company to be qualified as an 'authorized person' and as such, permitted to engage in business in and from the area of authority of the CPC, it is required to have (a) a licence issued by the Colombo Port City Economic Commission; and (b) a certificate of registration issued by the ROC.

## **PERSONAL DATA PROTECTION ACT, NO.9 OF 2022**

The Personal Data Protection Act, No.9 of 2022 ("**PDPA**"), modelled after the General Data Protection Regulations of the European Union ("**GDPR**") and other international best practices such as the OECD Privacy Guidelines and the APEC Privacy Framework, represents the new legal framework in Sri Lanka for the protection of personal data.

The PDPA imposes obligations on Data Controllers and Processors, to ensure that the personal data processed is adequate, relevant and proportionate to the extent that is necessary for the purpose the data is collected or processed. The Act further sets out the requirement for a Data Controller and Processor to appoint a Data Protection Officer to ensure compliance with the PDPA. Other provisions of the Act regulate the dissemination of solicited messages, the establishment of the Data Protection Authority and Cross-Border Data Flow.

Although the PDPA was passed by the Parliament of Sri Lanka on 19 March 2022, only Section 1 of the PDPA (which sets out the mechanism and specific periods by which the PDPA would gradually come into operation) came into operation on that date. Part V of the PDPA came into operation on 17 July 2023, establishing the Data Protection Authority. Parts VI (provisions relating to the staff of the Data Protection Authority), VIII (provisions dealing with the funds of the Data Protection Authority), IX (provisions dealing with the issuance of regulations under the PDPA, power of the Data Protection Authority to borrow, confidentiality obligations of the staff and other miscellaneous matters) and X (interpretation section) of the PDPA came into operation on 1 December 2023. Although, Parts I (provisions relating to processing of personal data), II (provisions relating to rights of data subjects), III (provisions dealing with the obligations of controllers and processors), and VII (provisions dealing with the penalties for non-compliance) were scheduled to come into operation on 18 March 2025, their commencement has been deferred pursuant to Gazette No. 2427/34 dated 14 March 2025.

## **RECIPROCAL RECOGNITION, REGISTRATION AND ENFORCEMENT OF FOREIGN JUDGEMENTS ACT, NO. 49 OF 2024**

The Reciprocal Recognition, Registration and Enforcement of Foreign Judgments Act, No. 49 of 2024 came into operation on 26 March 2025, introducing a modern legal framework for the recognition, registration and enforcement of certain foreign judgments in Sri Lanka. Under this Act, an application may be made to the registering court for recognition, registration and enforcement of a foreign judgment within 10 years from the date of the final judgment, together with a certificate issued by the relevant authority of the original court authenticating the judgment. Applications must be filed by way of summary procedure, in accordance with the provisions of the Civil Procedure Code (Chapter 101). The Act excludes the recognition, registration and enforcement of judgments:



1. made against a foreign country that has been granted reciprocal treatment under the Act;
2. concerning matrimonial property settlements;
3. arising from insolvency or company winding-up proceedings; or
4. related to unsoundness of mind, guardianship, custody or maintenance of a minor, or curatorship of estates.

Pursuant to Gazette No. 2429/51 dated 28 March 2025, foreign judgments from courts in a number of countries, such as Bangladesh, Canada, Australia, India, Malaysia, New Zealand, Singapore, South Africa, and the United Kingdom may be recognized and enforced, subject to the provisions of the Act.

Where a judgment is registered in terms of this Act, such registered judgment shall be deemed to have the same force and effect and the same control over the execution of such judgment as if it had been a judgment originally given in the registering court and entered on the date of registration.

## **ARBITRATION ACT, NO. 11 OF 1995**

The Arbitration Act, No. 11 of 1995 permits foreign arbitral awards (irrespective of the country in which it was made) to be recognized as binding in Sri Lanka. Such awards may be enforced by filing an application with the High Court, in accordance with the procedure prescribed under the Act. Where a judgment is entered in accordance with an arbitral award and a decree is issued, it may be enforced in the same manner as a decree entered under the Civil Procedure Code (Chapter 101). Accordingly, the provisions of that Code relating to the execution of decrees shall, *mutatis mutandis*, apply to such enforcement.



## ***THE RECOGNITION AND ENFORCEMENT OF INTERNATIONAL SETTLEMENT AGREEMENTS RESULTING FROM MEDIATION ACT, NO. 5 OF 2024***

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The Recognition and Enforcement of International Settlement Agreements Resulting from Mediation Act, No. 5 of 2024 came into operation on 28 August 2024, and was enacted to give effect to Sri Lanka's obligations under the United Nations Convention on International Settlement Agreements Resulting from Mediation. This Act applies to a written settlement agreement that is international by nature at the time of its conclusion, and which has resulted from mediation and has been concluded by parties to resolve a commercial dispute.

However, the Act does not apply to certain categories of settlement agreements, such as those (a) arising from a transaction engaged in by one of the parties who is a consumer, for personal, family or household purposes; or (b) pertaining to family matters, inheritance, or employment related issues. Furthermore, settlement agreements (a) that have been concluded or recorded as a judgement of a court, in the course of judicial proceedings and are enforceable as a judgement of a court; or (b) that are enforceable as an arbitral award, are excluded from application under this Act.

Under the Act, a party to an international settlement agreement may make an application to the High Court to have the said agreement entered as a decree of the High Court for the purpose of enforcing such international settlement agreement. An international settlement agreement that is recorded by the High Court as a decree of the High Court may be enforced in the same manner as a judgement given, or an order made, by the High Court, and relied upon by the parties to the international settlement agreement as a defence, set-off or otherwise in any court proceedings.



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