

Doing Business 2011

Sri Lanka

**Making
a Difference for
Entrepreneurs**

COMPARING BUSINESS REGULATION IN 183 ECONOMIES



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Introduction

Doing Business 2011: Making a Difference for Entrepreneurs is the eighth in a series of annual reports investigating regulations that enhance business activity and those that constrain it. *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 9 stages of a business's life are measured: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2011* are current as of June 1, 2010*. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The Doing Business methodology has limitations. Other areas important to business such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions, are not studied directly by Doing Business. To make the data comparable across economies, the indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 18 in the Middle East and North Africa and 8 in South Asia, as well as 30 OECD high-income economies.

The following pages present the summary Doing Business indicators for Sri Lanka. The data used for this economy profile come from the Doing Business database and are summarized in graphs. These graphs allow a comparison of the economies in each region not only with one another but also with the "good practice" economy for each indicator.

The good-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

More information is available in the full report. *Doing Business 2011: Making a Difference for Entrepreneurs* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the Doing Business website (www.doingbusiness.org).

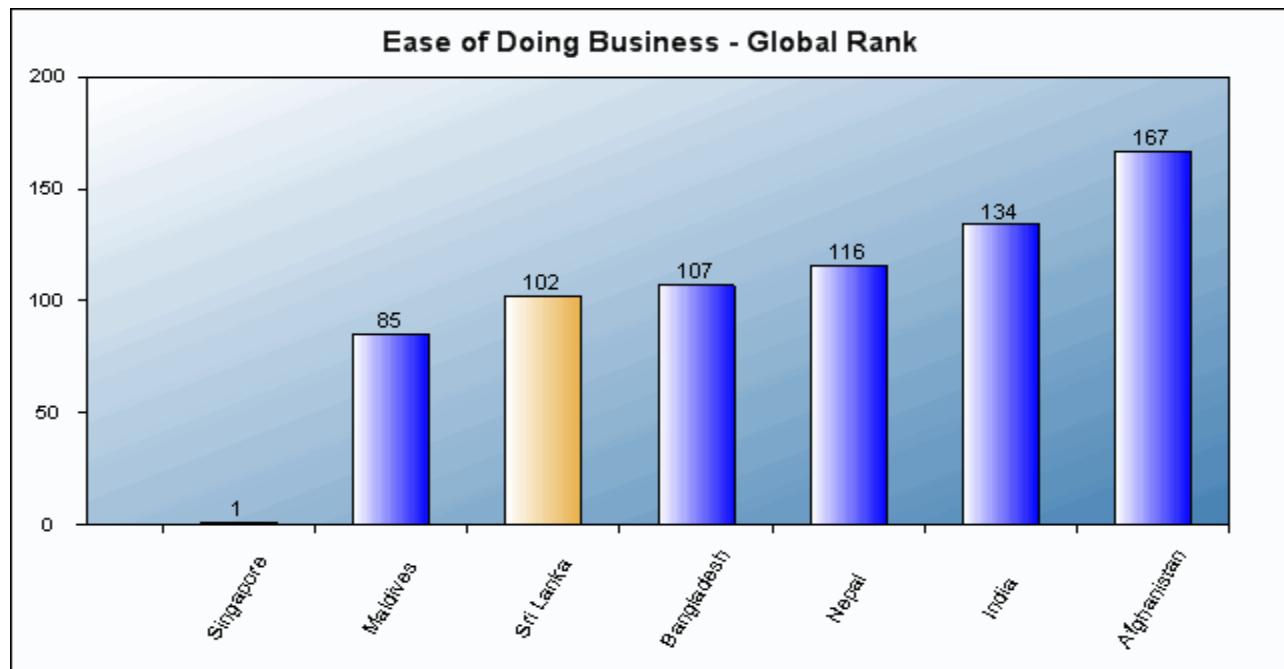
* Except for the Paying Taxes indicator that refers to the period January to December of 2009.

Note: 2008-2010 Doing Business data and rankings have been recalculated to reflect changes to the methodology and the addition of new economies (in the case of the rankings).

Economy Rankings - Ease of Doing Business

Sri Lanka is ranked 102 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

Sri Lanka - Compared to global good practice economy as well as selected economies:



Sri Lanka's ranking in Doing Business 2011

Rank	Doing Business 2011
Ease of Doing Business	102
Starting a Business	34
Dealing with Construction Permits	169
Registering Property	155
Getting Credit	72
Protecting Investors	74
Paying Taxes	166
Trading Across Borders	72
Enforcing Contracts	137
Closing a Business	43

Summary of Indicators - Sri Lanka

Starting a Business	Procedures (number)	4
	Time (days)	35
	Cost (% of income per capita)	5.4
	Min. capital (% of income per capita)	0.0
Dealing with Construction Permits	Procedures (number)	22
	Time (days)	214
	Cost (% of income per capita)	1335.2
Registering Property	Procedures (number)	8
	Time (days)	83
	Cost (% of property value)	5.1
Getting Credit	Strength of legal rights index (0-10)	4
	Depth of credit information index (0-6)	5
	Public registry coverage (% of adults)	0.0
	Private bureau coverage (% of adults)	18.6
Protecting Investors	Extent of disclosure index (0-10)	4
	Extent of director liability index (0-10)	5
	Ease of shareholder suits index (0-10)	7
	Strength of investor protection index (0-10)	5.3
Paying Taxes	Payments (number per year)	62
	Time (hours per year)	256
	Profit tax (%)	27.4
	Labor tax and contributions (%)	16.9
	Other taxes (%)	20.3
	Total tax rate (% profit)	64.7
Trading Across Borders	Documents to export (number)	8
	Time to export (days)	21
	Cost to export (US\$ per container)	715
	Documents to import (number)	6
	Time to import (days)	19
	Cost to import (US\$ per container)	745

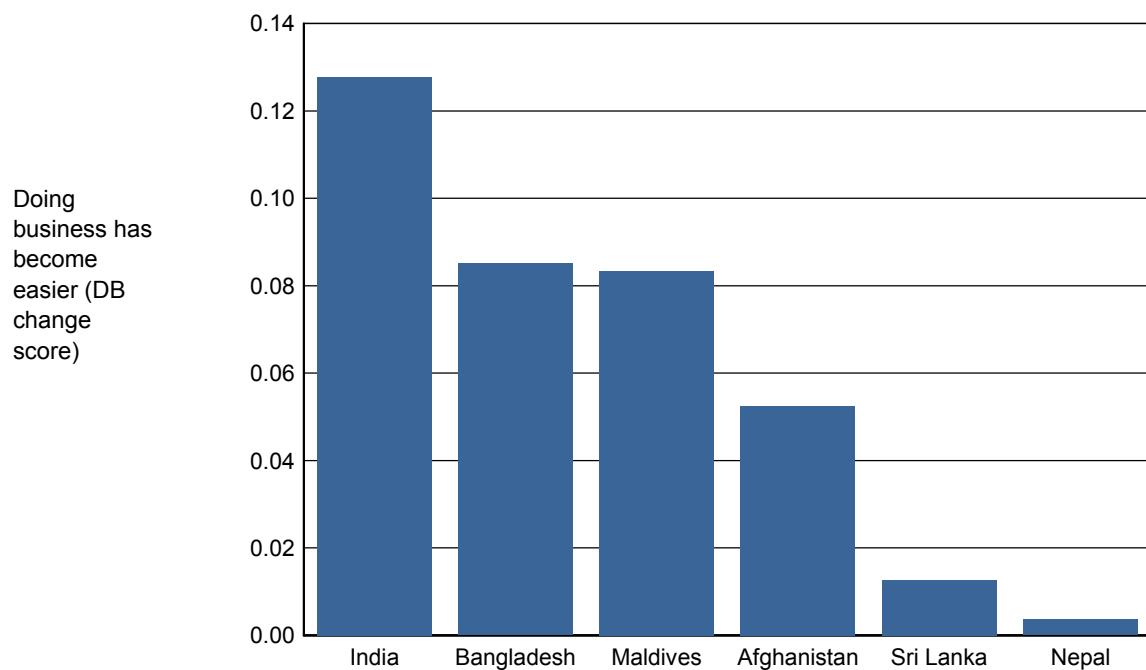
Enforcing Contracts	Procedures (number)	40
	Time (days)	1318
	Cost (% of claim)	22.8
Closing a Business	Recovery rate (cents on the dollar)	47.0
	Time (years)	1.7
	Cost (% of estate)	5



The 5 year measure of cumulative change illustrates how the business regulatory environment has changed in 174 economies from *Doing Business 2006* to *Doing Business 2011*. Instead of highlighting which countries currently have the most business friendly environment, this new approach shows the extent to which an economy's regulatory environment for business has changed compared with 5 years ago.

This snapshot reflects all cumulative changes in an economy's business regulation as measured by the Doing Business indicators—such as a reduction in the time to start a business thanks to a one-stop shop or an increase in the strength of investor protection index thanks to new stock exchange rules that tighten disclosure requirements for related-party transactions.

This figure shows the distribution of cumulative change across the 9 indicators and time between *Doing Business 2006* and *Doing Business 2011*



Many economies have undertaken reforms to smooth the starting a business process in stages—and often as part of a larger regulatory reform program. A number of studies have shown that among the benefits of streamlining the process to start a business have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities. Economies with higher entry costs are associated with a larger informal sector and a smaller number of legally registered firms.

Some reform outcomes

In Egypt reductions of the minimum capital requirement in 2007 and 2008 led to an increase of more than 30% in the number of limited liability companies.

In Portugal creation of One-Stop Shop in 2006 and 2007 resulted in a reduction of time to start a business from 54 days to 5. In 2007 and 2008 new business registrations were up by 60% compared with 2006.

In Malaysia reduction of registration fees in 2008 led to an increase in registrations by 16% in 2009.

What does Starting a Business measure?

Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration
- Post registration (for example, social security registration, company seal)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

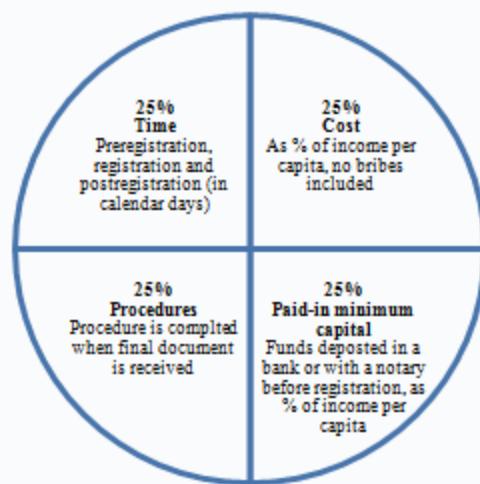
Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- No professional fees unless services required by law

Paid-in minimum capital (% of income per capita)

- Deposited in a bank or with a notary prior to registration begins

Starting a Business: getting a local limited liability company up and running
Rankings are based on 4 subindicators



Case Study Assumptions

- Doing Business records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business.
- Any required information is readily available and that all agencies involved in the start-up process function without corruption.

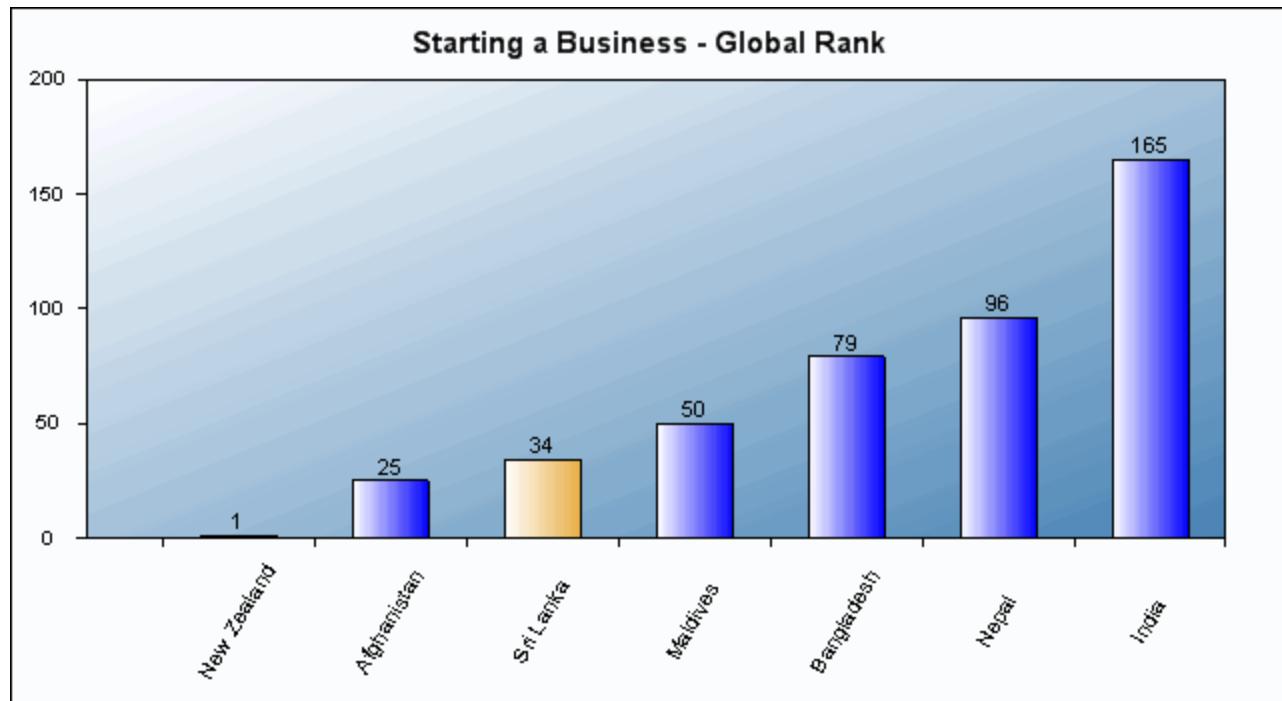
The business:

- is a limited liability company, located in the largest business city
- conducts general commercial activities
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has at least 10 and up to 50 employees
- does not qualify for investment incentives or any special benefits
- leases the commercial plant and offices and is not a proprietor of real estate

1. Benchmarking Starting a Business Regulations:

Sri Lanka is ranked 34 overall for Starting a Business.

Ranking of Sri Lanka in Starting a Business - Compared to good practice and selected economies:



The following table shows Starting a Business data for Sri Lanka compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)	Min. capital (% of income per capita)
Denmark*			0.0	
New Zealand*	1	1		0.0

Selected Economy				
Sri Lanka	4	35	5.4	0.0

Comparator Economies				
Afghanistan	4	7	26.7	0.0
Bangladesh	7	19	33.3	0.0
India	12	29	56.5	188.8
Maldives	5	9	9.4	3.7
Nepal	7	31	46.6	0.0

* The following economies are also good practice economies for :

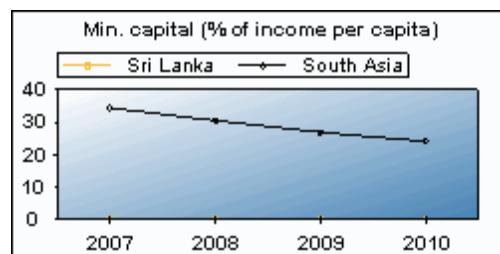
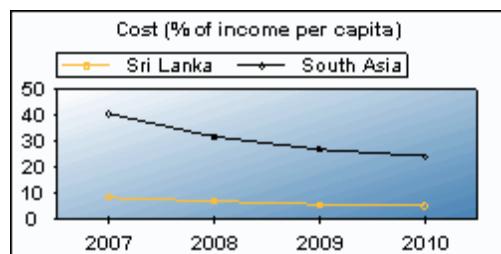
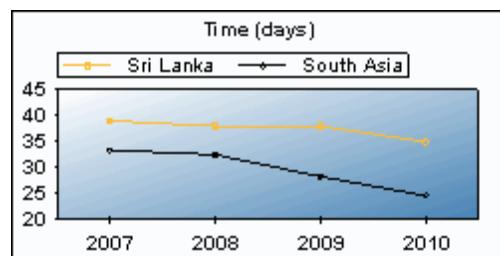
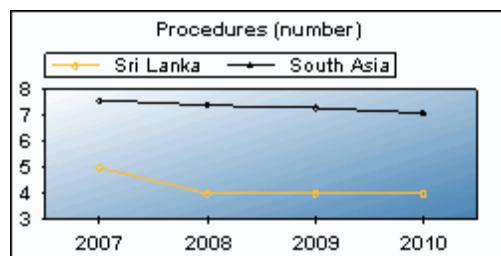
Procedures (number): Canada

Cost (% of income per capita): Slovenia

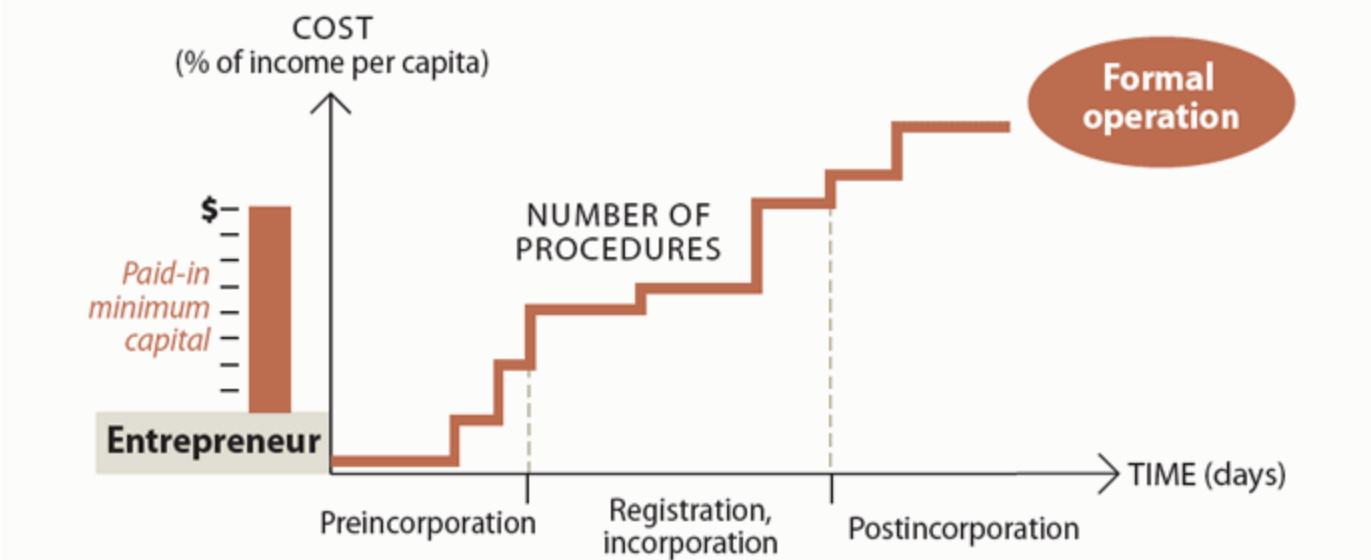
2. Historical data: Starting a Business in Sri Lanka

Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	40	34
Procedures (number)	5	4	4	4
Time (days)	39	38	38	35
Cost (% of income per capita)	8.5	7.1	5.9	5.4
Min. capital (% of income per capita)	0.0	0.0	0.0	0.0

3. The following graphs illustrate the Starting a Business sub indicators in Sri Lanka over the past 4 years:



What are the time, cost, paid-in minimum capital and number of procedures to get a local, limited liability company up and running?



This table summarizes the procedures and costs associated with setting up a business in Sri Lanka.

STANDARDIZED COMPANY

Legal Form: Private Limited Liability Company
City: Colombo

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Apply for approval name	2	LKR 392
2	Register at the Companies Registry	2	LKR 12,190
3	Register with tax authorities to obtain a TIN	1	no charge
4	Register with Department of Labor to obtain EPF and ETF registration	30	no charge

Starting a Business Details - Sri Lanka

Procedure 1 Apply for approval name		
Time to complete:	2	
Cost to complete:	LKR 392	
Comment:	The reservation is valid for 3 months.	
Procedure 2 Register at the Companies Registry		
Time to complete:	2	
Cost to complete:	LKR 12,190	
Comment:	A company may draft or adopt the standard set of articles of association in Table A of the Companies Act of Sri Lanka, No.3 of 2007. Professional charges are higher for drafting new articles of association than for adopting the standard articles. According to the Companies Act No.7 of 2007 the articles of association must be submitted in duplicate to the Registrar of Companies with the balance of documents for incorporation. No prior approval from the Registrar General of Companies is required for the articles of association. According to the new Companies Act, notary publics are no longer required to witness the signing of the articles of association. A flat fee of LKR 8500 as the registration fee for Form 1, and LKR 350 + 12% VAT is charged of the other two forms 18 and 19 and the articles of association. The certificate of incorporation will be received in about 3 days. Under the new Companies Act, it is no longer required to confirm the principal directors and the situation of the registered office of the company within 14 days of incorporation. Moreover, the common seal was rendered optional.	
Procedure 3 Register with tax authorities to obtain a TIN		
Time to complete:	1	
Cost to complete:	no charge	
Comment:	The applicant or an authorized representative of the applicant must be physically present at the Inland Revenue Department to pick up and complete the application for a TIN number. The taxpayer identification number (TIN) and the VAT registration number (temporary) can be obtained in a day. To obtain permanent VAT registration, the applicant must submit documents proving turnover of LKR 500,000 over 3 months. This is done along with income tax registration. The procedure takes 1–3 days.	
Procedure 4 Register with Department of Labor to obtain EPF and ETF registration		
Time to complete:	30	

Cost to complete: no charge

Comment: Companies must register with two funds, the Employees Provident Fund (EPF) and the Employees Trust Fund (ETF). Both funds are government-owned and maintained by the Central Bank. To register with these funds, the employer must visit the Ministry of Labor and complete relevant forms. Companies must also pay gratuities to employees that have been employed for more than 5 years. The gratuity provisions do not apply to companies that have fewer than 15 employees. There is no pension scheme for private sector employees. Businesses that engage in activities of a dangerous nature should obtain special Factories Ordinance checkups.

The issuance of ETF and EPF numbers may sometimes take 4–6 months. However, a number is assigned to the company upon application. Accordingly, the company has fulfilled its obligation and may remit monies to the department for ETF and EPF registration under the assigned number.

In many economies, especially developing ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction. Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

Some reform outcomes

In Burkina Faso, a one-stop shop for construction permits, "Centre de Facilitation des Actes de Construire", was opened in May 2008. The new regulation merged 32 procedures into 15, reduced the time required from 226 days to 122 and cut the cost by 40%. From May 2009 to May 2010 611 building permits were granted in Ouagadougou, up from an average of about 150 a year in 2002-06.

Toronto, Canada revamped its construction permitting process in 2005 by introducing time limits for different stages of the process and presenting a unique basic list of requirements for each project. Later it provided for electronic information and risk-based approvals with fast-track procedures. Between 2005 and 2008 the number of commercial building permits increased by 17%, the construction value of new commercial buildings by 84%.

What does the Dealing with Construction Permits indicator measure?

Procedures to legally build a warehouse (number)

- Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
- Completing all required notifications and receiving all necessary inspections
- Obtaining utility connections for electricity, water, sewerage and a land telephone line
- Registering the warehouse after its completion (if required for use as collateral or for transfer of warehouse)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes

Case Study Assumptions

The business:

- is a small to medium-size limited liability company in the construction industry, located in the economy's largest business city
- is 100% domestically and privately owned and operated
- has 60 builders and other employees
- has at least one employee who is a licensed architect and registered with the local association of architects

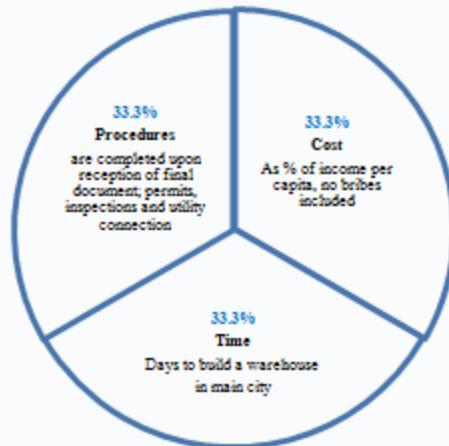
The warehouse:

- is a new construction (there was no previous construction on the land)
- has 2 stories, both above ground, with a total surface of approximately 1,300.6 sq. meters (14,000 sq. feet)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and a land telephone line
- will be used for general storage of non-hazardous goods, such as books
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements)

Dealing with Construction Permits:

Building a warehouse

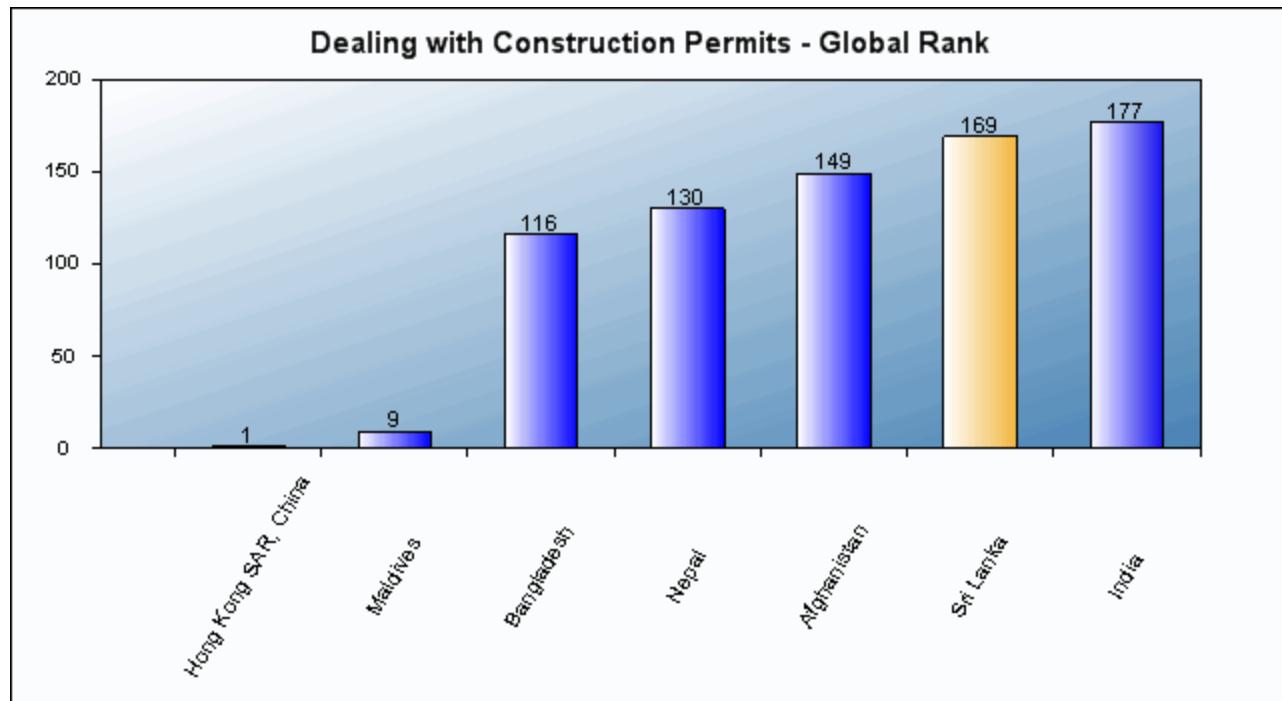
Rankings are based on 3 subindicators



1. Benchmarking Dealing with Construction Permits Regulations:

Sri Lanka is ranked 169 overall for Dealing with Construction Permits.

Ranking of Sri Lanka in Dealing with Construction Permits - Compared to good practice and selected economies:



The following table shows Dealing with Construction Permits data for Sri Lanka compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)
Denmark	6		
Qatar			0.8
Singapore		25	

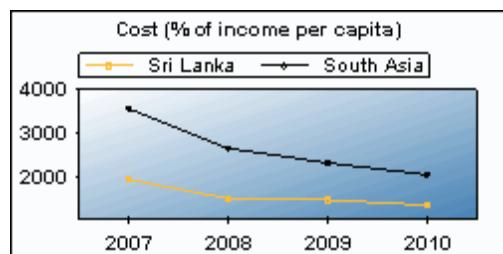
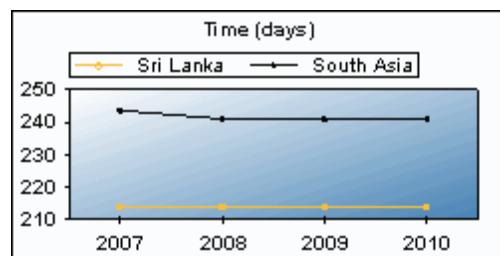
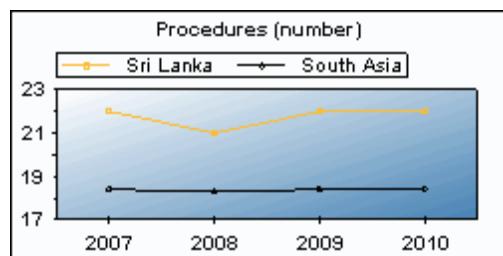
<i>Selected Economy</i>			
Sri Lanka	22	214	1335.2

<i>Comparator Economies</i>			
Afghanistan	13	340	11355.3
Bangladesh	14	231	558.1
India	37	195	2143.7
Maldives	9	118	20.3
Nepal	15	424	192.1

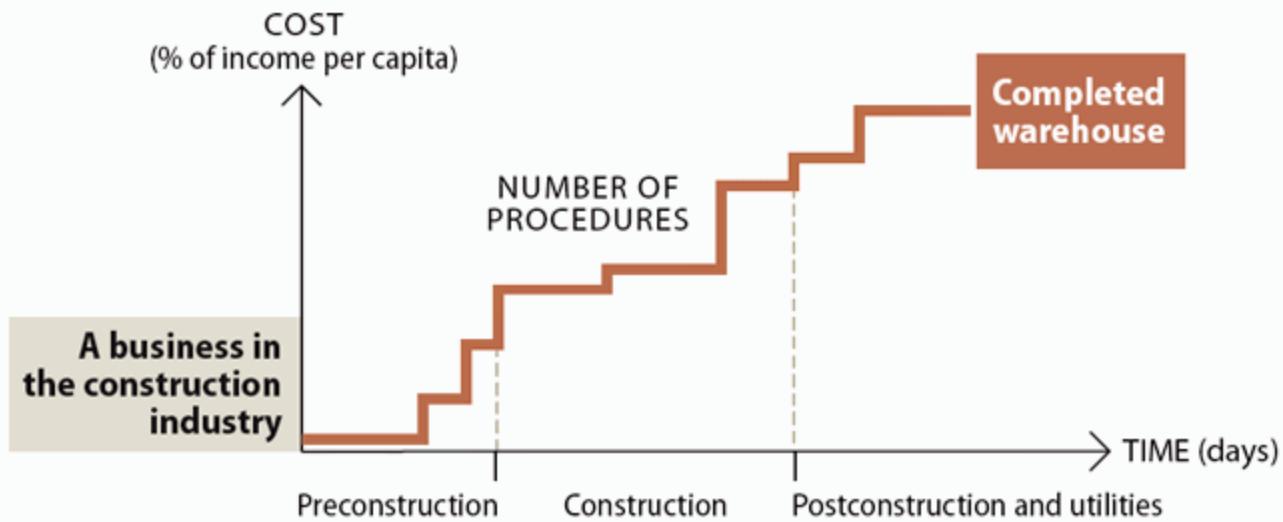
2. Historical data: Dealing with Construction Permits in Sri Lanka

Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	167	169
Procedures (number)	22	21	22	22
Time (days)	214	214	214	214
Cost (% of income per capita)	1929.0	1486.5	1458.8	1335.2

3. The following graphs illustrate the Dealing with Construction Permits sub indicators in Sri Lanka over the past 4 years:



What are the time, cost and number of procedures to comply with formalities to build a warehouse?



The table below summarizes the procedures, time, and costs to build a warehouse in Sri Lanka.

BUILDING A WAREHOUSE

City: Colombo

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Obtain clearance issued by Municipal Treasurer	2 days	LKR 5,000
2	Submit development permit application to Municipal Council of Colombo (CMC)	1 day	no charge
3	Receive on-site inspection from Municipal Council of Colombo (CMC)	1 day	LKR 496
4	Receive on-site inspection from fire department and obtain fire safety requirements for proposed building	14 days	LKR 188
5 *	Obtain Defense clearance issued by Ministry of Defense	14 days	no charge
6	Obtain development permit (building permit) from Municipal Council of Colombo (CMC)	75 days	LKR 10,505
7	Request and receive water inspection	1 day	LKR 496
8	Obtain water sanction from Water and Drainage Department of the CMC	14 days	no charge

9	Request and receive sewage inspection	1 day	LKR 496
10	Obtain drainage certificate from Water and Drainage Department of the Municipal Council of Colombo (CMC)	14 days	LKR 24,380
11	Request and receive on-site inspection by area inspector of the planning department of the Municipal Council of Colombo (CMC) to check the conformity of the warehouse to the development permit	1 day	LKR 500
12	Request and receive on-site inspection by fire inspector	1 day	LKR 496
13	Obtain certificate of conformity from Municipal Council of Colombo	42 days	LKR 22,575
14	Apply for electricity connection	1 day	no charge
15	Receive on-site inspection by inspector from electricity board	1 day	LKR 496
16 *	Obtain electricity connection	45 days	LKR 3,002,000
17 *	Receive on-site inspection by Charted engineer of electrical wiring	1 day	LKR 25,000
18	Apply for water connection	1 day	no charge
19	Receive on-site inspection by inspector from National Water Supply and Drainage Board	1 day	no charge
20 *	Obtain water connection	32 days	LKR 31,000
21	Apply for phone connection	1 day	no charge
22 *	Obtain phone connection	14 days	LKR 13,773

* Takes place simultaneously with another procedure.

Dealing with Construction Permits Details - Sri Lanka

Procedure 1 Obtain clearance issued by Municipal Treasurer

Time to complete: 2 days

Cost to complete: LKR 5,000

Agency: Municipality

Comment: An application for a permit to engage in development activity is not processed until all outstanding taxes, as assessed by the Colombo Municipal Council, have been paid and a clearance has been obtained to that effect. Additional clearances may be required, depending on the case, from Department of Health, Fire and the City Planning Division.

Procedure 2 Submit development permit application to Municipal Council of Colombo (CMC)

Time to complete: 1 day

Cost to complete: no charge

Agency: Municipal Council of Colombo (CMC)

Comment:

Procedure 3 Receive on-site inspection from Municipal Council of Colombo (CMC)

Time to complete: 1 day

Cost to complete: LKR 496

Agency: Municipal Council of Colombo (CMC)

Comment: The applicant normally provides transportation or is responsible for the cost of a taxi or a trishaw. The cost depends on the location, but does not normally exceed USD 10.

Procedure 4 Receive on-site inspection from fire department and obtain fire safety requirements for proposed building

Time to complete: 14 days

Cost to complete: LKR 188

Agency: Fire Service Department of the CMC

Comment: The Fire Department will carry out the inspection when the relevant department of the CMC sends the plan. The officers of the Fire Department will carry out a study of the plan and then may conduct a fire inspection and issue fire requirements. It takes 10 working days to obtain a fire inspection. The LKR 188 is for the application fee, because the inspection itself is carried out at no charge.

Procedure 5 Obtain Defense clearance issued by Ministry of Defense

Time to complete: 14 days

Cost to complete:	no charge
Agency:	Ministry of Defense
Comment:	Projects of all sizes have to obtain defence clearance from the Ministry of Defense. Application is submitted to an officer in the Ministry, which is then transferred to respective department for a review on security matters. There is no official fee for this procedure.

Procedure 6 Obtain development permit (building permit) from Municipal Council of Colombo (CMC)

Time to complete:	75 days
Cost to complete:	LKR 10,505
Agency:	Municipal Council of Colombo (CMC)
Comment:	<p>An application for a building permit must be submitted along with five copies of the building plan. The following are the internal steps involved in the issuance of the development permit:</p> <ul style="list-style-type: none"> - The Water Supply and Drainage Department of the Municipal Council of Colombo (CMC) marks the drainage and water lines on the proposed plan and issues the water and drainage clearance. - The Fire Service Department of the CMC issues the fire report with or without conditions. - The Building Department of the CMC issues the street line confirmation. An on-site inspection is conducted by an area inspector of the CMC and a report is prepared based on the investigations. - The inspector's report is assessed by a technical staff assistant and then by a planning officer or building engineer, and presented to the Planning Committee with comments and recommendations. - The Planning Committee may approve the building plan and grant the development permit with or without conditions. - The street/building lines must be demarcated on the ground, before the commencement of construction.

The building permit application form costs SLR 150.

If the floor area is more than 3,500 square feet, the application should be certified by an architect and a chartered engineer. The following documents are needed:

- A certificate from a qualified civil structural engineer regarding the design, supervision, and structural stability of the proposed development in order to ensure that no damage would be caused to adjoining properties.
- An insurance policy and a letter of indemnity.

As of December 2007 the Municipal Council of Colombo introduced a new development tax at the rate of 5% of project value. However, massive protests from private sector made authorities reduce it to 1%. The purpose of this tax is to supplement the development of aging infrastructure and build new housing for poor. Twenty percent of this amount will be paid at the time of obtaining the building permit and the rest of balance paid at the time of obtaining the occupancy permit.

Procedure 7 Request and receive water inspection

Time to complete:	1 day
Cost to complete:	LKR 496

Agency: Water and Drainage Department of the CMC

Comment:

Procedure 8 Obtain water sanction from Water and Drainage Department of the CMC

Time to complete: 14 days

Cost to complete: no charge

Agency: Water and Drainage Department of the CMC

Comment: The water sanction must be obtained before installation of permanent fittings. The following documents must be submitted:

- The prescribed application form.
- A copy of the approved building plan.
- A copy of the development permit.
- A copy of any previous water bills, if applicable.
- Any receipt or notice issued by the local authority, to confirm the assessment number.
- A receipt of tax payment.

Procedure 9 Request and receive sewage inspection

Time to complete: 1 day

Cost to complete: LKR 496

Agency: Water and Drainage Department of the CMC

Comment:

Procedure 10 Obtain drainage certificate from Water and Drainage Department of the Municipal Council of Colombo (CMC)

Time to complete: 14 days

Cost to complete: LKR 24,380

Agency: Water and Drainage Department of the CMC

Comment: The following documents must be submitted to obtain a drainage certificate:

- The prescribed application form, signed in duplicate.
- Six copies of the approved building plan.
- The water and drainage plans.
- Two copies of the development permit.
- A copy of the water sanction.

All applications for drainage certificates must be submitted by a contractor registered with the local authority, and the drainage connection should be carried out by such contractor.

Procedure 11 Request and receive on-site inspection by area inspector of the planning department of the Municipal Council of Colombo (CMC) to check the conformity of the warehouse to the development permit

Time to complete: 1 day

Cost to complete: LKR 500

Comment:

Procedure 12 Request and receive on-site inspection by fire inspector

Time to complete: 1 day

Cost to complete: LKR 496

Agency: Fire Service Department of the CMC

Comment:

Procedure 13 Obtain certificate of conformity from Municipal Council of Colombo

Time to complete: 42 days

Cost to complete: LKR 22,575

Agency: Municipality

Comment: The application to obtain a certificate of conformity must be signed by the owner(s) and a qualified person. The certificate of conformity is issued only under the names of the owners. To obtain a certificate of conformity, an application must be submitted with the following documents:

- Drainage certificate.
- Approved building plan: the building plan should be strictly in compliance with the Building Regulations of the Urban Development Authority Act.
- On-site inspection by an area inspector of the Planning Department of the CMC to ensure that construction has been completed according to the approved plan.
- On-site inspection by a fire inspector. The inspector's report is then assessed by a technical staff assistant and by a planning officer or building engineer, and presented to the Planning Committee.
- A certificate approving the mechanical ventilation system.
- Any other certificates mentioned in the development permit.

Planning Committee issues the certificate of conformity if the construction complies with the approved plan. The architect and the structural engineer should sign the certificate of conformity.

The remaining balance of 1% of development tax must be paid before obtaining the occupancy permit is issued.

Procedure 14 Apply for electricity connection

Time to complete: 1 day

Cost to complete: no charge

Agency: Ceylon Electricity Board

Comment:

Procedure 15 Receive on-site inspection by inspector from electricity board**Time to complete:** 1 day**Cost to complete:** LKR 496**Agency:** Ceylon Electricity Board**Comment:****Procedure 16 Obtain electricity connection****Time to complete:** 45 days**Cost to complete:** LKR 3,002,000**Agency:** Ceylon Electricity Board**Comment:** To obtain the electricity connection, the company must complete the following process:

- Apply for electricity connection, (electricity connection quotation fee is LKR 2,000).
- Receive site inspection and an estimate of the electricity installation costs.
- Pay electricity installation costs.
- Submit the title of deed and the certificate of ownership to the electricity board.
- Obtain confirmation of the wiring of the building by a charted engineer from a panel of engineers nominated by the electricity board after a site visit.
- Sign a bond with the electricity board.

BuildCo must also obtain a road permit if there is any damage to the road in installing an underground electricity connection. This permit is issued by the Municipal Council of Colombo and takes 2 days to obtain. The cost depends on the damage to the road, however BuildCo would do an overhead connection.

Procedure 17 Receive on-site inspection by Charted engineer of electrical wiring**Time to complete:** 1 day**Cost to complete:** LKR 25,000**Agency:** Charted Engineer**Comment:** It takes about 14 days to receive an on-site inspection by a chartered engineer, which would be carried out subsequent after wiring.**Procedure 18 Apply for water connection****Time to complete:** 1 day**Cost to complete:** no charge**Agency:** National Water Supply and Drainage Board**Comment:****Procedure 19 Receive on-site inspection by inspector from National Water Supply and Drainage Board**

Time to complete: 1 day

Cost to complete: no charge

Agency: National Water Supply and Drainage Board

Comment:

Procedure 20 Obtain water connection

Time to complete: 32 days

Cost to complete: LKR 31,000

Agency: National Water Supply and Drainage Board

Comment: To obtain the water connection, BuildCo must submit an application to the National Water Supply and Drainage Board, Assessment Notice, title deed and ownership certificate. After that receive an on-site inspection, pay water installation costs, and sign an agreement with the board. The company must also obtain a road permit if there is damage to the road in installing the water connection. This permit is issued by the Municipal Council of Colombo. It takes 7 days to obtain, and the costs depend on the damage to the road.

Procedure 21 Apply for phone connection

Time to complete: 1 day

Cost to complete: no charge

Agency: Sri Lanka Telecom

Comment: Documents to be presented: Company certificate of incorporation; billing proof at current location.

Procedure 22 Obtain phone connection

Time to complete: 14 days

Cost to complete: LKR 13,773

Agency: Sri Lanka Telecom

Comment: To obtain telephone connection, the company must submit an application to Sri Lanka Telecom along with water/sewage billing proof, receive an on-site inspection, and pay telephone installation costs.

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. *Doing Business* records the full sequence of procedures necessary for a business to purchase a property from another business and transfer the property title to the buyer's name. In the past 6 years 105 economies undertook 146 reforms making it easier to transfer property. Globally, the time to transfer property fell by 38% and the cost by 10% over this time. The most popular feature of property registration reform in these 6 years, implemented in 52 economies, was lowering transfer taxes and government fees.

Some reform outcomes

Georgia now allows property transfers to be completed through 500 authorized users, notably banks. This saves time for entrepreneurs. A third of people transferring property in 2009 chose authorized users, up from 7% in 2007. Also, Georgia's new electronic registry managed 68,000 sales in 2007, twice as many as in 2003. Belarus's unified and computerized registry was able to cope with the addition of 1.2 million new units over 3 years. The registry issued 1 million electronic property certificates in 2009.

What does the Registering Property indicator measure?

Procedures to legally transfer title on immovable property (number)

- Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration in the economy's largest business city
- Post registration (for example, transactions with the local authority, tax authority or cadastre)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior personal contact with officials

Cost required to complete each procedure (% of property value)

- Official costs only, no bribes
- No value added or capital gains taxes included

Case Study Assumptions

The parties (buyer and seller):

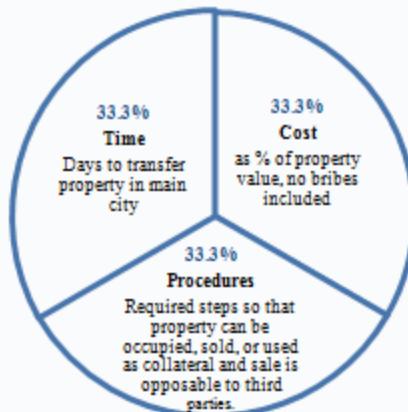
- Are limited liability companies, 100% domestically and privately owned.
- Are located in the periurban area of the economy's largest business city.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of a 557.4 square meters (6,000 square feet) land and 10 years old 2-story warehouse of 929 square meters (10,000 square feet) located on the land. The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. The property will be transferred in its entirety.

Registering Property: transfer of property between 2 local companies

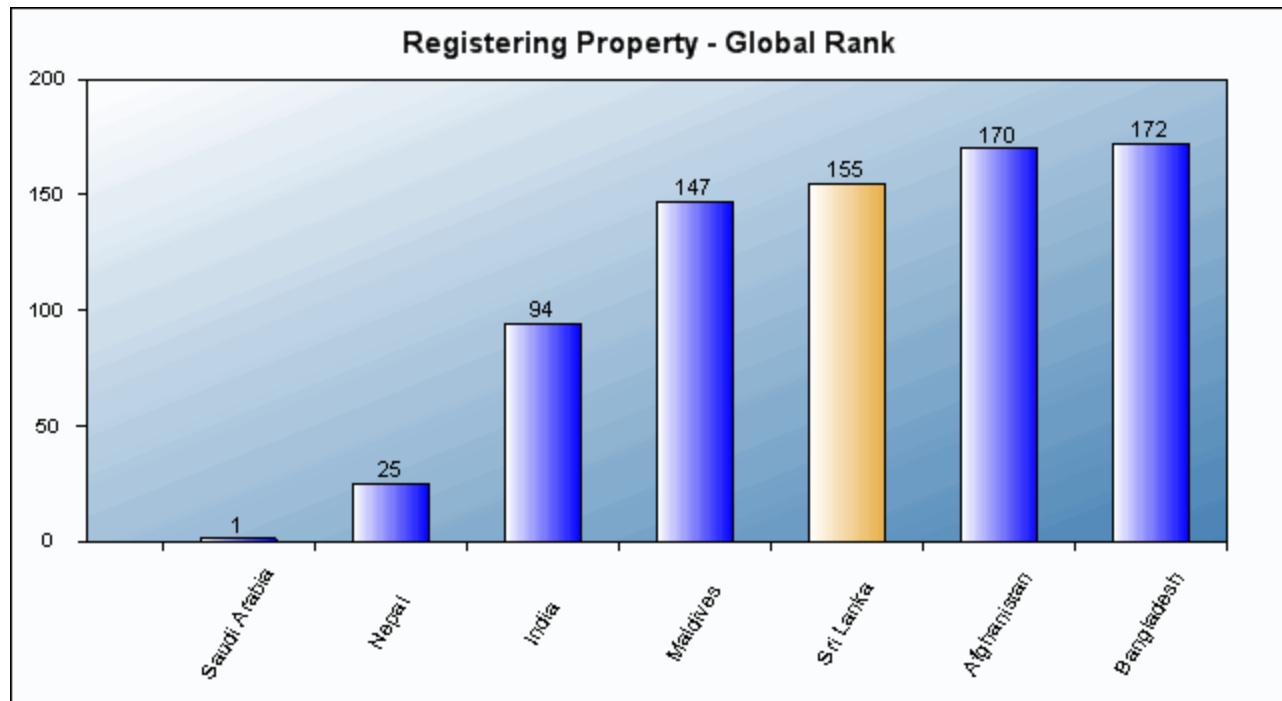
Rankings are based on 3 subindicators



1. Benchmarking Registering Property Regulations:

Sri Lanka is ranked 155 overall for Registering Property.

Ranking of Sri Lanka in Registering Property - Compared to good practice and selected economies:



The following table shows Registering Property data for Sri Lanka compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of property value)
New Zealand*		2	
Norway*	1		
Saudi Arabia			0.0

<i>Selected Economy</i>			
Sri Lanka	8	83	5.1

<i>Comparator Economies</i>			
Afghanistan	9	250	5.0
Bangladesh	8	245	6.6
India	5	44	7.4
Maldives	6	57	16.9
Nepal	3	5	4.8

* The following economies are also good practice economies for :

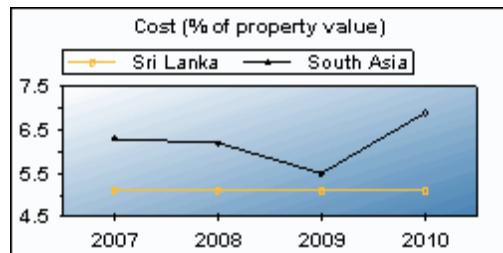
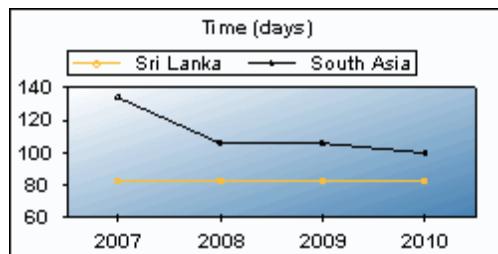
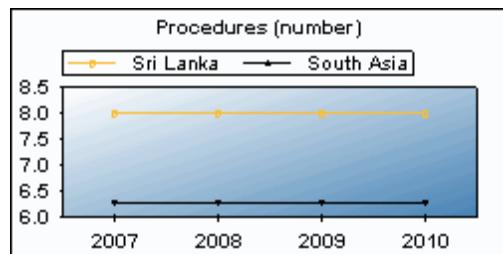
Procedures (number): United Arab Emirates

Time (days): Saudi Arabia, Thailand, United Arab Emirates

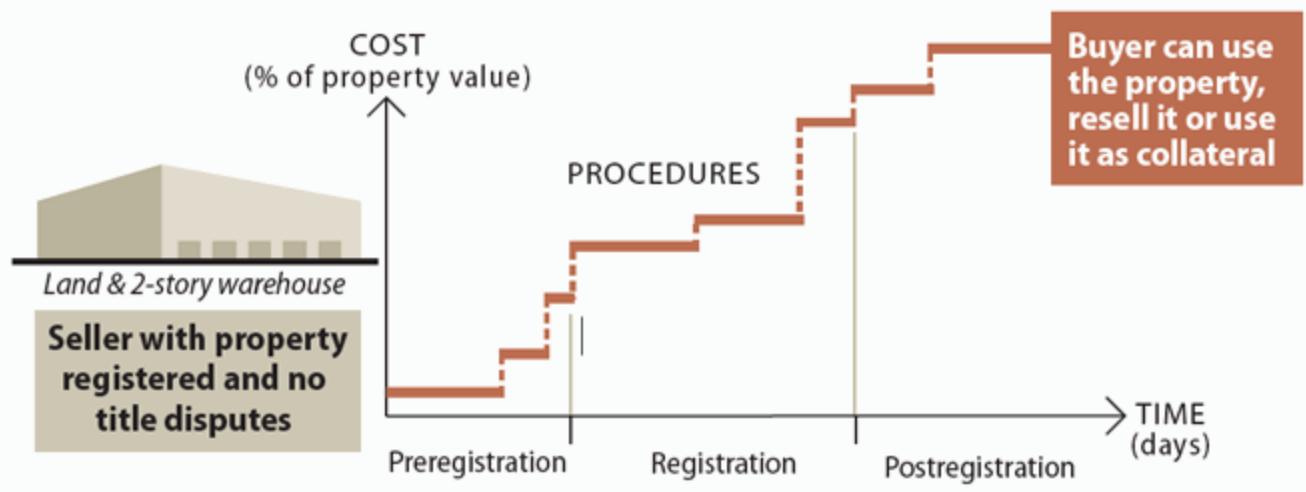
2. Historical data: Registering Property in Sri Lanka

Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	151	155
Procedures (number)	8	8	8	8
Time (days)	83	83	83	83
Cost (% of property value)	5.1	5.1	5.1	5.1

3. The following graphs illustrate the Registering Property sub indicators in Sri Lanka over the past 4 years:



What are the time, cost and number of procedures required to transfer a property between 2 local companies?



7	Name of the buyer must be registered at the Municipality and the certificate of ownership is obtained	21 days	LKR 200
8	Notary hands over to the owner all the deeds and documents pertaining to the property	1 day	No cost

* Takes place simultaneously with another procedure.

Registering Property Details - Sri Lanka

Procedure	1	A title search must be carried out at the relevant Land Registry
Time to complete:	3-7 days (simultaneous with procedures 2 and 3)	
Cost to complete:	LKR 1,000	
Agency:	Land Registry	
Comment:		<p>On receipt of the last title deed and plan from the seller, a title search has to be carried out at the relevant Land Registry. A lawyer/notary engaged by the purchaser has to recommend the title. Good title has to be established for the past 35 years. All deeds and plans have to be checked. If prior deeds are not available with the seller the notary will have to check duplicates of deeds at the Land Registry. If plans are not available, the relevant surveyors would have to be contacted and obtain duplicates of the plans. Other checks must be carried out as well by the lawyer (notary) at the local authority.</p> <p>Confirmation from the lawyer (notary) should be obtained that the title to the property is clear. On confirmation that the title to the property is clear, step 2 will apply; if not title insurance is recommended, and the next step would be to obtain a policy of title Insurance (procedure 1a). The costs of the search are:</p> <p>LKR 2.5 in stamps to be affixed to the application LKR 5 in stamps to be affixed to the application to check the duplicate of a deed LKR 102.50 to obtain copy of deed which has 4 pages or less. If the deed has more than 4 pages then LKR 22.5 is to be paid for each additional page LKR 10 for search at the Land Registry Lawyer fees are additional.</p> <p>If title insurance is recommended in procedure 1 due to a defect in title, then the next step would be to obtain a Buyer's Policy of Title Insurance to cover defects. This step is optional and contingent to the result of step 1. If the policy is needed, the time necessary to obtain this title will depend on the time taken by the title insurance company to evaluate the title, make a decision to issue or not to issue the title insurance policy and the cost will depend on the premium payable.</p> <p>Usually title insurance is recommended for the following reasons:</p> <ul style="list-style-type: none">• Prior deeds and documentation not being available and further if the registers at the land registry cannot be traced for 35 years (if the books are damaged).• If there are any discrepancies in the title deeds and plans.• If the present owner had owned an undivided share of a larger land, and had sub-divided it without the consent of the other parties or without a Deed of Partition or Partition Plan.

Procedure 2 Seller needs to obtain a group of documents from the Municipality

Time to complete:	21 days (simultaneous with procedures 1 and 3)
Cost to complete:	LKR 500
Agency:	Municipality
Comment:	<p>The seller obtains the following documents from the Municipality:</p> <ol style="list-style-type: none">1. The building and street line certificate2. Certificate of non-vesting3. Tax receipts in proof of payment of rates and taxes for the last quarter4. Certificate of conformity in respect of the building

5. Certificate of ownership stating that the seller is the owner of the land and premises

Procedure 3 Obtain an updated survey plan of the property

Time to complete: 14 days (simultaneous with procedures 1 and 2)

Cost to complete: About 0.1% of property value

Comment: Obtaining a new updated plan of the land and the building is advisable to ensure that the boundaries on the ground have not changed or if the survey plan is old.

Procedure 4 Transfer deed is signed in favor of the buyer

Time to complete: 2 days

Cost to complete: 1% of purchase price (Lawyer's fees) + LKR 500 additional cost

Comment: The following document with regard to the Selling company must be presented to the buyer's lawyer/notary for the deed of transfer to be signed in favor of the buyer:

The documents are as follows:

1. Articles of Association of the company
2. Certificate of incorporation of the seller
3. Resolution authorizing the sale of land. If the purchase-sale is a major transaction as defined by section 185 of Companies Act No. 7 of 2007, such a transaction should require the shareholders sanction as well.

The buyer needs to pass a resolution to purchase the property.

On receipt of the above documents the deed of transfer in favor of the purchaser can be signed. Lawyer's fees are paid by the buyer and will depend on the lawyer (usually 1% of purchase price).

Procedure 5 Payment of stamp duty at a nominated bank

Time to complete: 1 day

Cost to complete: Stamp duty payable as follows 3% on the First Rs. 100 000 and 4% on the Balance

Agency: State Bank

Comment: After execution of the deed of transfer stamp duty will have to be paid within 7 days to a nominated state bank in favor of the relevant Provincial Council in which the land is situated.

Procedure 6 Deed is sent for registration to the relevant land registry

Time to complete: 30 - 42 days

Cost to complete: No cost

Agency: Land Registry

Comment: After payment of stamp duty, the deed duly attested by the notary, will have to be sent for registration to the relevant land registry. The deed is registered and returned to the notary from the Land Registry.

Procedure	7	Name of the buyer must be registered at the Municipality and the certificate of ownership is obtained
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Time to complete: 21 days

Cost to complete: LKR 200

Agency: Municipality

Comment: The name of the new company will have to be registered as the new owner at the Municipality. The certificate of ownership is obtained from the Municipality on execution of the deed of transfer in favor of the new owner.

Procedure	8	Notary hands over to the owner all the deeds and documents pertaining to the property
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Time to complete: 1 day

Cost to complete: No cost

Comment: On receipt of the deed of transfer from the Land Registry the notary hands over to the owner all the deeds and documents pertaining to the property for retention.

Through two sets of indicators, *Doing Business* assesses the legal rights of borrowers and lenders with respect to secured transactions and the sharing of credit information. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through either a public credit registry or a private credit bureau. Credit information systems mitigate the 'information asymmetry' in lending and enable lenders to view a borrower's financial history (positive or negative), providing them with valuable information to consider when assessing risk. Credit information systems benefit borrowers as well, allowing good borrowers to establish a reputable credit history which will enable them to access credit more easily. The Legal Rights Index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. Sound collateral laws will enable businesses to use their assets, especially movable property, as security to generate capital while having strong creditor's rights has been associated with higher ratios of private sector credit to GDP.

Some reform outcomes

After Vietnam's new Civil Code was enacted in 2005, a decree further clarified the provisions governing secured transactions. Since the inclusion of the new provisions, the number of registrations increased from 43,000 (2005) to 120,000 (end of 2008).

In 2008, when Zambia established a private credit bureau, its database initially covered about 25,000 borrowers. Thanks to a strong communication campaign and a central bank directive, coverage has grown 10-fold in the past 2 years, exceeding 200,000 by the beginning of 2010.

What do the Getting Credit indicators measure?

Strength of legal rights index (0–10)

- Protection of rights of borrowers and lenders through collateral laws
- Protection of secured creditors' rights through bankruptcy laws

Depth of credit information index (0–6)

- Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

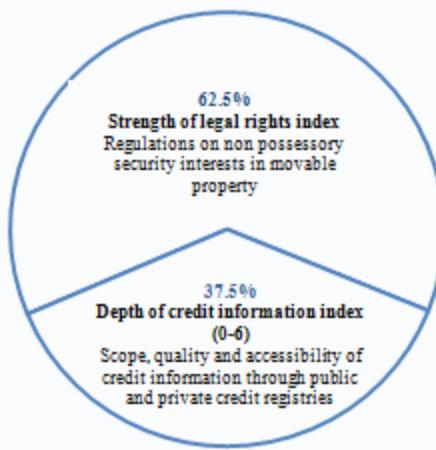
Public credit registry coverage (% of adults)

- Number of individuals and firms listed in public credit registry as percentage of adult population

Private credit bureau coverage (% of adults)

- Number of individuals and firms listed in largest private credit bureau as percentage of adult population

Getting Credit: collateral rules and credit information



Note: Private bureau coverage and public credit registry coverage are measured but do not count for the rankings.

Case Study Assumptions (applying to the Legal Rights Index only)

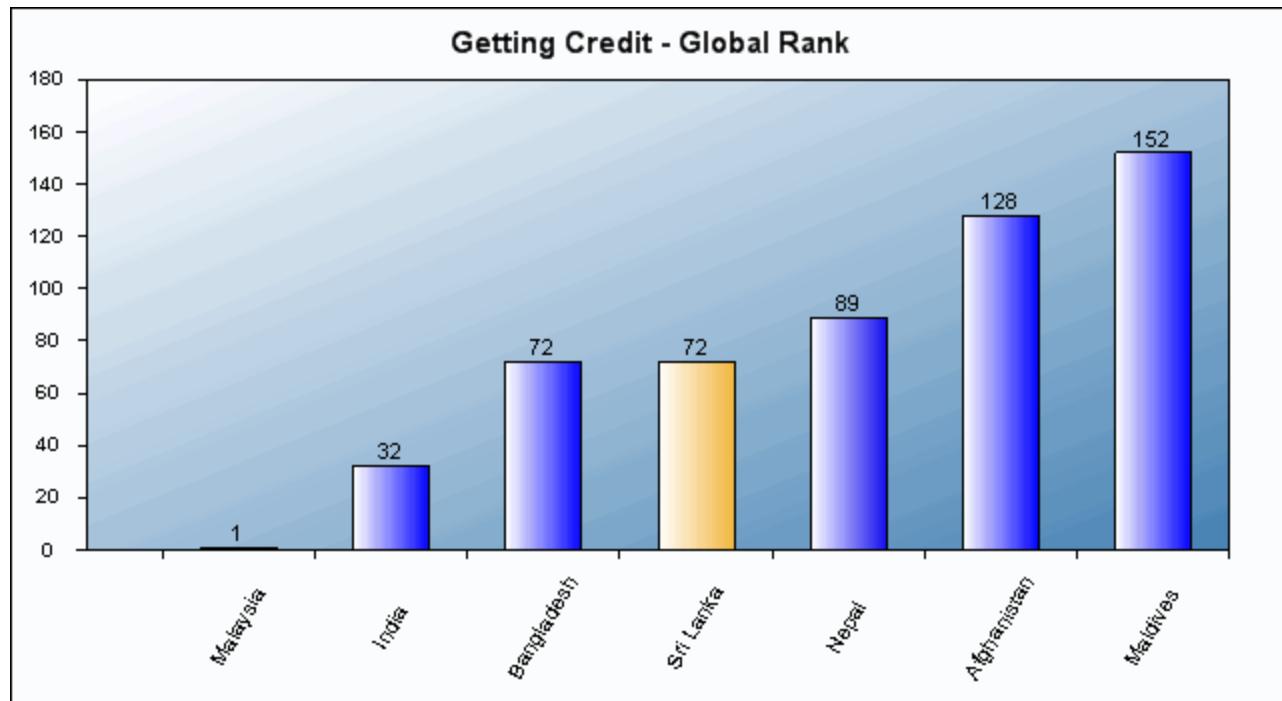
The Debtor

- is a Private Limited Liability Company
- has its Headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNI) per capita
- Both creditor and debtor are 100% domestically owned.

1. Benchmarking Getting Credit Regulations:

Sri Lanka is ranked 72 overall for Getting Credit.

Ranking of Sri Lanka in Getting Credit - Compared to good practice and selected economies:



The following table shows Getting Credit data for Sri Lanka compared to good practice and comparator economies:

Good Practice Economies	Strength of legal rights index (0-10)	Depth of credit information index (0-6)	Public registry coverage (% of adults)	Private bureau coverage (% of adults)
New Zealand*				100.0
Portugal			67.1	
Singapore*	10			
United Kingdom		6		

<i>Selected Economy</i>				
Sri Lanka	4	5	0.0	18.6

<i>Comparator Economies</i>				
Afghanistan	6	0	0.0	0.0
Bangladesh	7	2	0.6	0.0
India	8	4	0.0	10.0
Maldives	4	0	0.0	0.0
Nepal	6	2	0.0	0.3

* The following economies are also good practice economies for :

Strength of legal rights index (0-10): **Hong Kong, China, Kenya, Kyrgyz Republic, Malaysia**

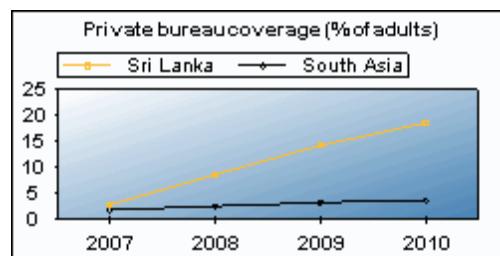
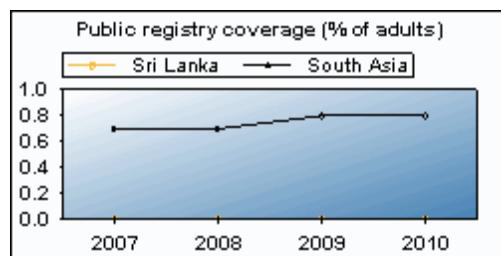
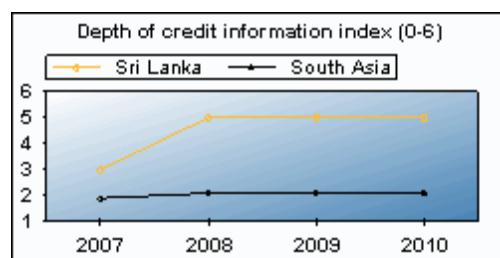
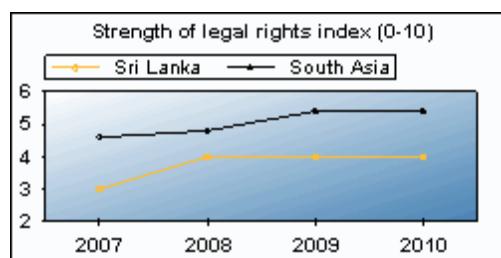
Private bureau coverage (% of adults): **Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States**

27 countries have the highest credit information index.

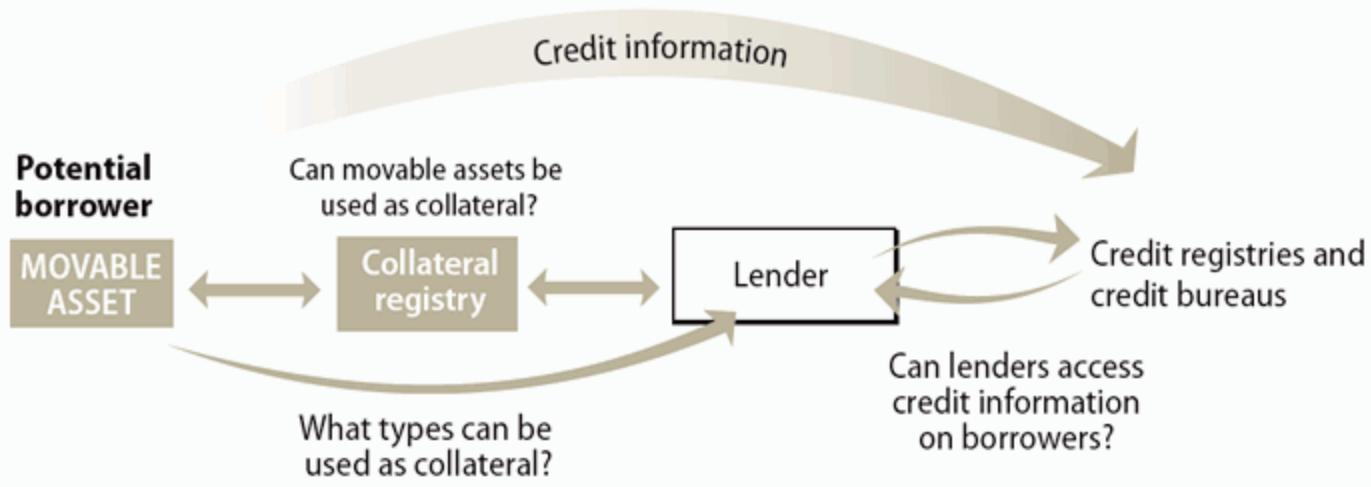
2. Historical data: Getting Credit in Sri Lanka

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	69	72
Strength of legal rights index (0-10)	3	4	4	4
Depth of credit information index (0-6)	3	5	5	5
Private bureau coverage (% of adults)	2.9	8.7	14.3	18.6
Public registry coverage (% of adults)	0.0	0.0	0.0	0.0

3. The following graphs illustrate the Getting Credit sub indicators in Sri Lanka over the past 4 years:



**Do lenders have credit information on entrepreneurs seeking credit?
Is the law favorable to borrowers and lenders using movable assets as collateral?**



The following table summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in Sri Lanka.

Getting Credit Indicators (2010)		Indicator
Private bureau coverage (% of adults)	Private credit bureau	Public credit registry
Are data on both firms and individuals distributed?	Yes	No 1
Are both positive and negative data distributed?	Yes	No 1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	No	No 0
Are more than 2 years of historical credit information distributed?	Yes	No 1
Is data on all loans below 1% of income per capita distributed?	Yes	No 1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	Yes	No 1
Coverage	18.6	0.0
Number of individuals	3,129,450	0
Number of firms	96,338	0

Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?	Yes
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	No
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	Yes
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?	No
Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?	No
Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ?	No
Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?	No
Do secured creditors have absolute priority to their collateral in bankruptcy procedures?	No
During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?	Yes
Does the law authorize parties to agree on out of court enforcement?	Yes

Stronger investor protections matter for the ability of companies to raise the capital needed to grow, innovate, diversify and compete. This is all the more crucial in times of financial crisis when entrepreneurs must navigate through defiant environments to finance their activities. Using 3 indices of investor protection, *Doing Business* measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gains. Since 2005, 51 economies have strengthened investor protections as measured by *Doing Business*.

Some reform outcomes

In Indonesia, an economy that consistently improved its laws regulating investor protections, the number of firms listed on the Indonesia Stock Exchange increased from 331 to 396 between 2004 and 2009. Meanwhile, market capitalization grew from 680 trillion rupiah (\$75 billion) to 1,077 trillion rupiah (\$119 billion).

After Thailand amended its laws in 2006 and 2008, more than 85 transactions that failed to comply with the disclosure standards were suspended. Thirteen were deemed prejudicial and were therefore canceled, thus preventing damage to the companies involved and preserving their value. Companies were not deterred either, as more than 30 new companies joined the stock exchange since 2005 bringing the number of listed companies to 523.

What do the Protecting Investors indicators measure?

Extent of disclosure index (0–10)

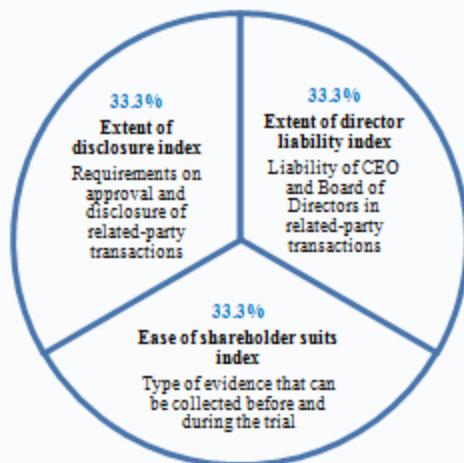
- Who can approve related-party transactions
- Requirements for external and internal disclosure in case of related-party transactions

Protecting Investors: minority shareholder rights in related-party transactions

Rankings are based on 3 subindicators

Extent of director liability index (0–10)

- Ability of shareholders to hold the interested party and the approving body liable in case of a prejudicial related-party transaction
- Available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction)
- Ability of shareholders to sue directly or derivatively



Ease of shareholder suits index (0–10)

- Documents and information available during trial
- Access to internal corporate documents (directly or through a government inspector)

Strength of investor protection index (0–10)

- Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices

Case Study Assumptions

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders).
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

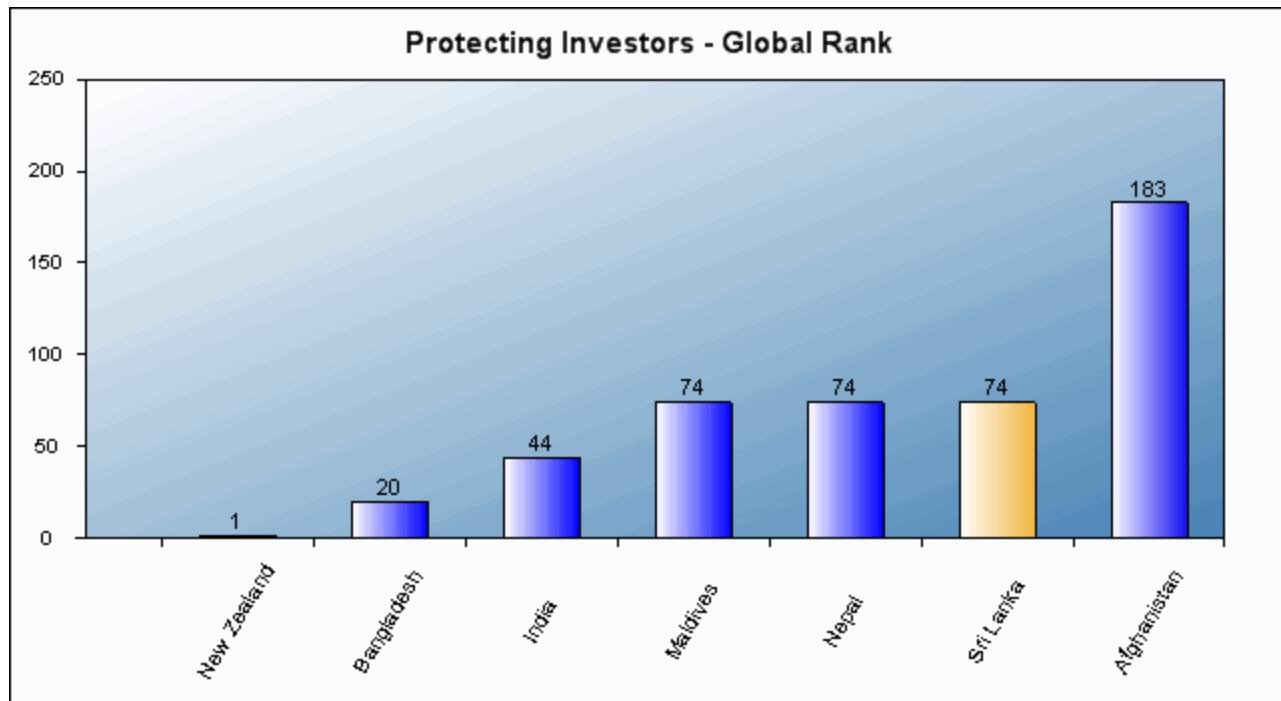
The transaction

- Mr. James, a director and the majority shareholder of the company, proposes that the company purchase used trucks from another company he owns.
- The price is higher than the going price for used trucks, but the transaction goes forward.
- All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to the purchasing company.
- Shareholders sue the interested parties and the members of the board of directors.

1. Benchmarking Protecting Investors Regulations:

Sri Lanka is ranked 74 overall for Protecting Investors.

Ranking of Sri Lanka in Protecting Investors - Compared to good practice and selected economies:



The following table shows Protecting Investors data for Sri Lanka compared to good practice and comparator economies:

Good Practice Economies	Strength of investor protection index (0-10)
New Zealand	9.7

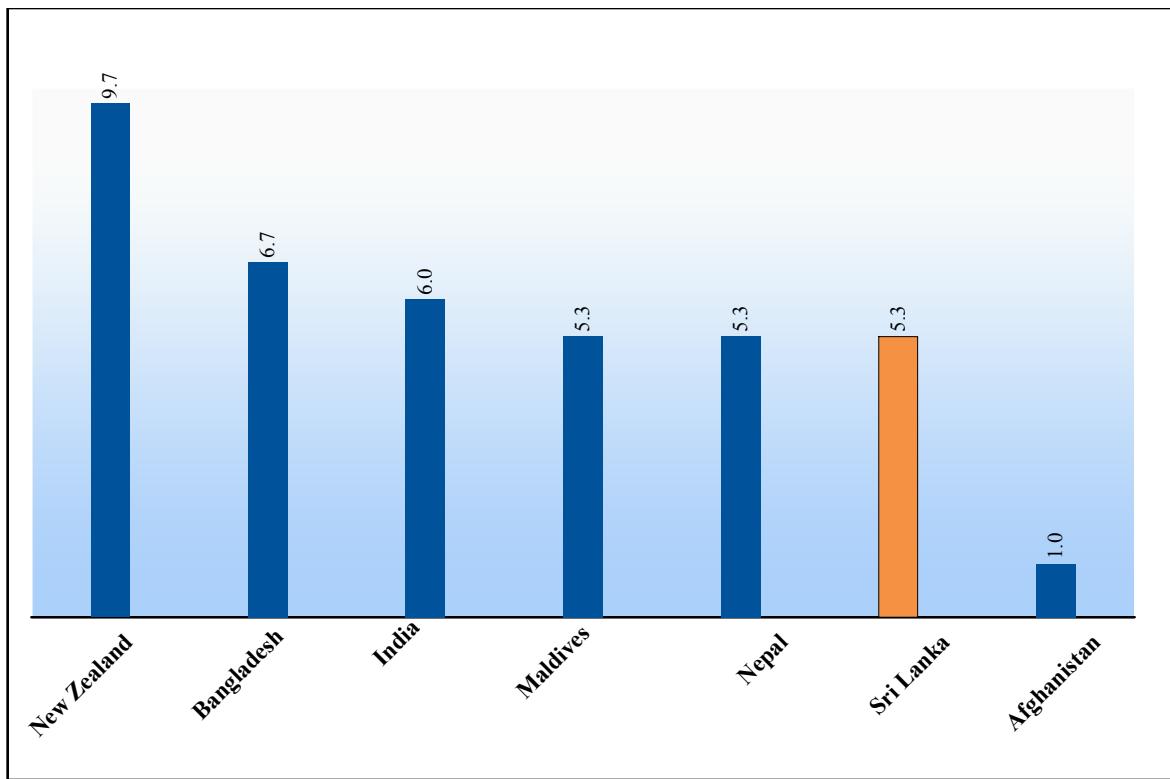
<i>Selected Economy</i>	
Sri Lanka	5.3

<i>Comparator Economies</i>	
Afghanistan	1.0
Bangladesh	6.7
India	6.0
Maldives	5.3
Nepal	5.3

2. Historical data: Protecting Investors in Sri Lanka

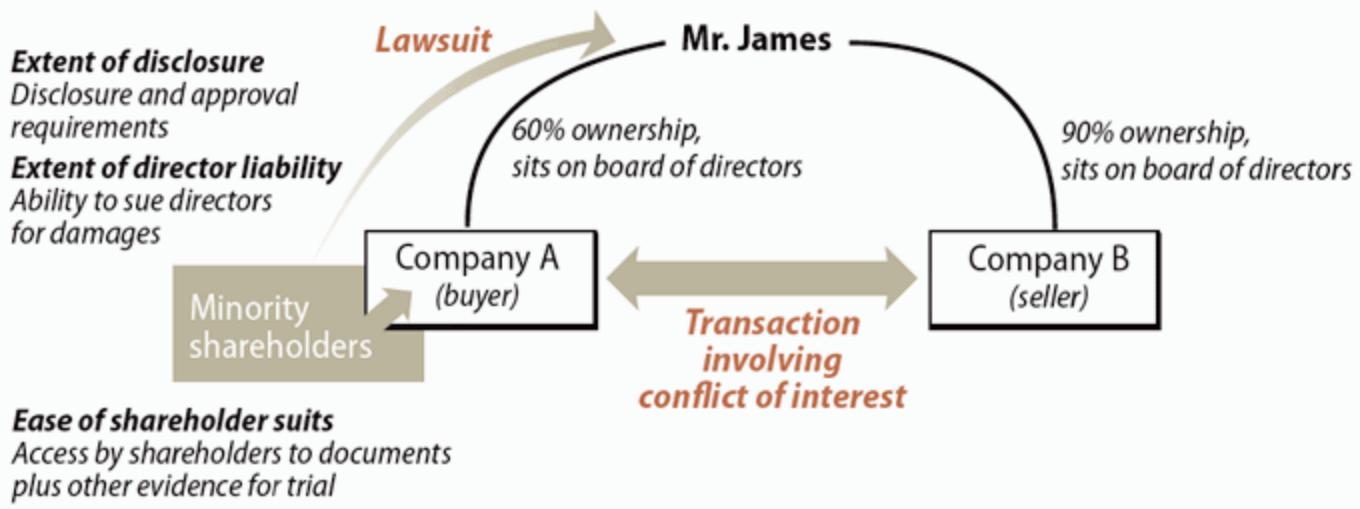
Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	73	74
Strength of investor protection index (0-10)	5.3	5.3	5.3	5.3

3. The following graph illustrates the Protecting Investors index in Sri Lanka compared to best practice and selected Economies:



Note: The higher the score, the greater the investor protection.

How well are minority shareholders protected against self-dealing in related-party transactions?



The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in Sri Lanka.

Protecting Investors Data (2010)	Indicator
Extent of disclosure index (0-10)	4
What corporate body provides legally sufficient approval for the transaction?	1
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	0
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	2
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	1
Whether an external body must review the terms of the transaction before it takes place?	0
Extent of director liability index (0-10)	5
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	1
Whether shareholders can hold the approving body (the CEO or board of directors) liable for the damage that the Buyer-Seller transaction causes to the company?	1
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	1
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	1

Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	0
Whether fines and imprisonment can be applied against Mr. James?	0
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1
Ease of shareholder suits index (0-10)	7
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	4
Whether the plaintiff can directly question the defendant and witnesses during trial?	2
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	0
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	0
Whether the level of proof required for civil suits is lower than that of criminal cases?	1
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	0
Strength of investor protection index (0-10)	5.3

Taxes are essential to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. *Doing Business* data show that economies where it is more difficult and costly to pay taxes have larger shares of informal sector activity. More than 60% of economies have reformed in the last 6 years and are starting to see concrete results.

Some reform outcomes

Colombia introduced a new electronic system for social security and labor taxes in 2006 and by 2008 the social security contributions collected from small and medium-size companies rose by 42%, to 550 billion pesos.

Mauritius reduced the corporate income tax rate from 25% to 15% and removed exemptions and industry-specific allowances in 2006 and saw their corporate income tax revenue grow by 27% in the following year, and in 2008/09 it increased by 65%.

What do the Paying taxes indicators measure?

Tax payments for a manufacturing company in 2009
(number per year adjusted for electronic or joint filing and payment)

- Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)
- Method and frequency of filing and payment

Time required to comply with 3 major taxes (hours per year)

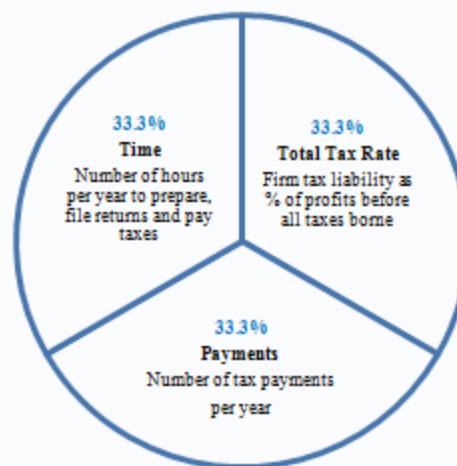
- Collecting information and computing the tax payable
- Completing tax return forms, filing with proper agencies
- Arranging payment or withholding
- Preparing separate tax accounting books, if required

Total tax rate (% of profit)

- Profit or corporate income tax
- Mandatory social contributions and labor taxes paid by the employer
- Property and property transfer taxes
- Dividend, capital gains and financial transactions taxes
- Waste collection, vehicle, road and other taxes

Paying Taxes: tax compliance for a local manufacturing company

Rankings are based on 3 subindicators



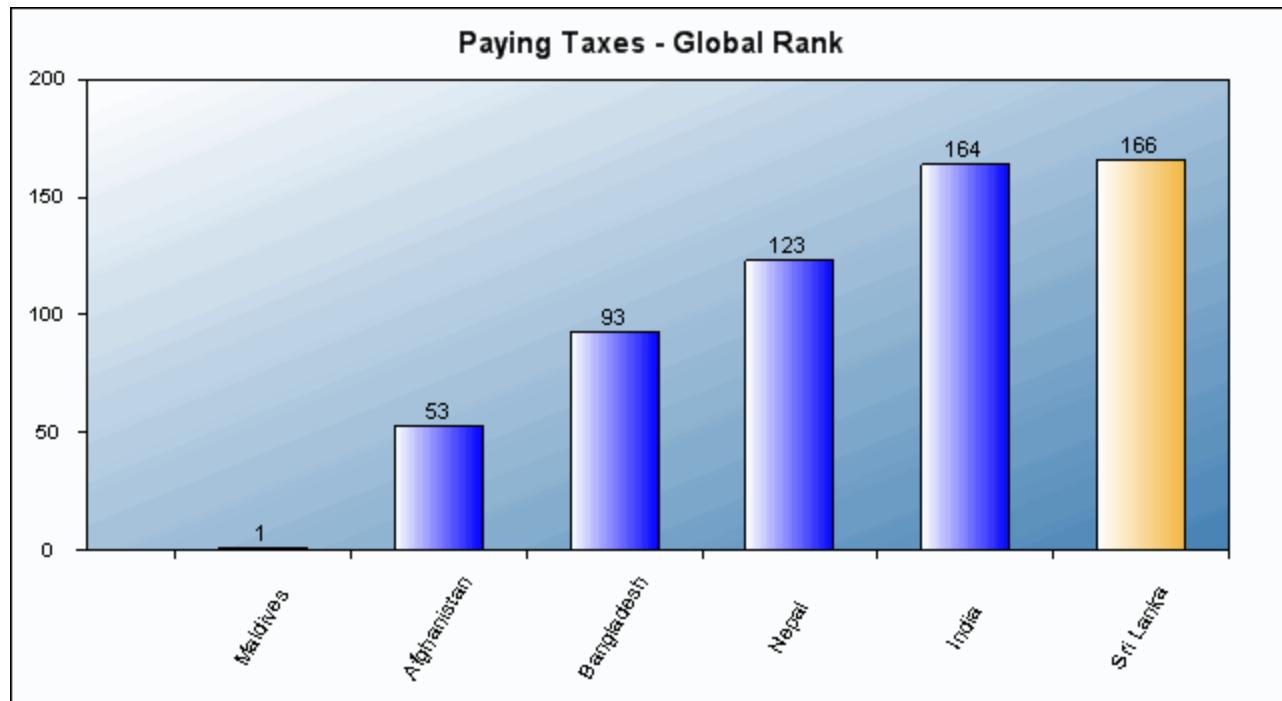
Case Study Assumptions

- TaxpayerCo is a medium-size business that started operations 2 years ago.
- Tax practitioners are asked to review its financial statements, as well as a standard list of transactions that the company completed during the year.
- Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government
- Taxes and mandatory contributions include corporate income tax, turnover tax, all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

1. Benchmarking Paying Taxes Regulations:

Sri Lanka is ranked 166 overall for Paying Taxes.

Ranking of Sri Lanka in Paying Taxes - Compared to good practice and selected economies:



The following table shows Paying Taxes data for Sri Lanka compared to good practice and comparator economies:

Good Practice Economies	Payments (number per year)	Time (hours per year)	Total tax rate (% profit)
Maldives*	3	0	
Timor-Leste			0.2

<i>Selected Economy</i>			
Sri Lanka	62	256	64.7

<i>Comparator Economies</i>			
Afghanistan	8	275	36.4
Bangladesh	21	302	35.0
India	56	258	63.3
Maldives	3	0	9.3
Nepal	34	338	38.2

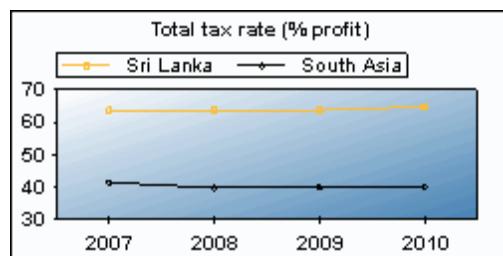
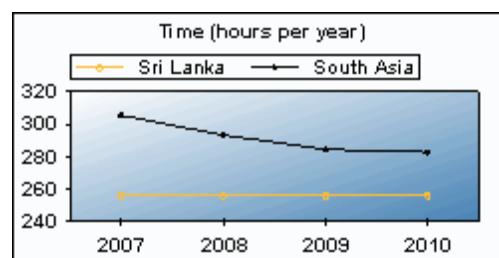
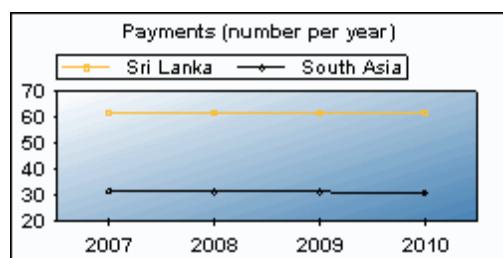
* The following economies are also good practice economies for :

Payments (number per year): Qatar

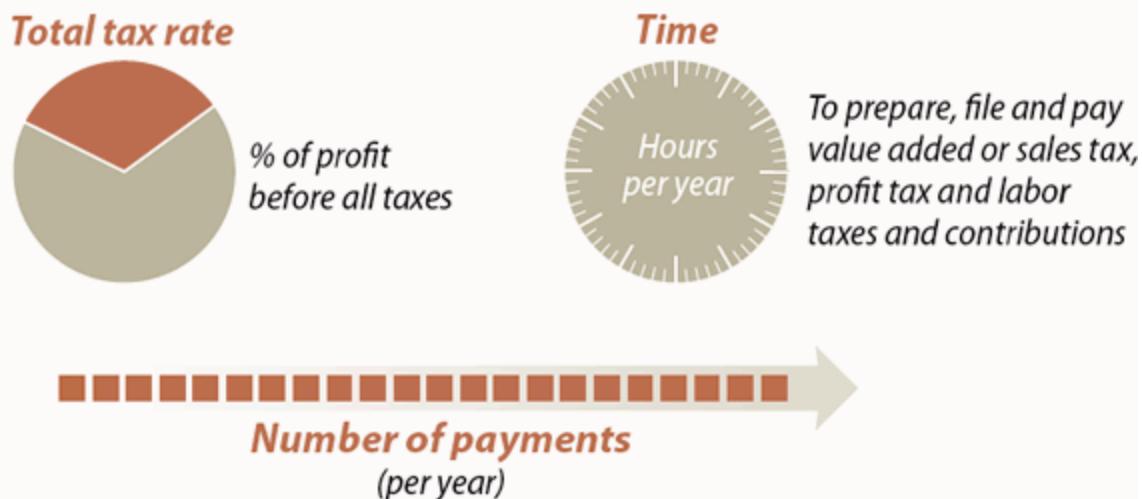
2. Historical data: Paying Taxes in Sri Lanka

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	165	166
Total tax rate (% profit)	63.7	63.7	63.7	64.7
Payments (number per year)	62	62	62	62
Time (hours per year)	256	256	256	256

3. The following graphs illustrate the Paying Taxes sub indicators in Sri Lanka over the past 4 years:



What are the time, total tax rate and number of payments necessary for a local medium-sized company to pay all taxes?



The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in Sri Lanka, as well as measures of administrative burden in paying taxes.

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Stamp duty	1			various rates			
Value added tax (VAT)	12		144	15.0%	value added		
Vehicle tax	1			Fixed fee (Rs 1,000)		0.00	
Fuel tax	1					0.10	
Municipal business tax	1			varies from Rs 250 to Rs 5,000		0.10	
Tax on interest	0	withheld		10.0%	interest income	0.30	
Tax on check transactions (stamp duty)	12			0.1%	transaction value	0.70	
Social responsibility levy	0			1.5%	taxable income	1.10	
Property tax	1			35.0%	annual property value	1.70	

Provident fund contribution	12		3.0%	gross salaries	3.40
Social security contribution	12	96	12.0%	gross salaries	13.50
Turnover tax	4		1.0%	turnover	17.70
Corporate income tax	5	16	35.0%	taxable profit	26.30
Totals	62	256			64.7

Making trade between countries easier is increasingly important for business in today's globalized world. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Trade facilitation tools such as electronic data interchange systems, risk-based inspections, and single windows help improve an economy's trading environment and boost firms' international competitiveness. *Doing Business* trade indicators take into account documents, cost and time associated with every procedure for trading a standard shipment of goods by ocean transport. Research indicates that exporters in developing countries have much more to gain by a 10% drop in their trading costs than from a similar decrease of the tariffs applied to their products in global markets.

Some reform outcomes

In Georgia, reducing customs clearance time by a day has led to operational savings of an estimated \$288 per truck, or an annual \$133 million for the country's whole trading community given the growing amount of cross-border trade in recent years.

In Korea, predictable cargo processing times and rapid turnover by ports and warehouses provide a benefit to the Korean economy of some \$2 billion annually.

What do the Trading Across Borders indicators measure?

Trading Across Borders: exporting and importing by ocean transport

Rankings are based on 3 subindicators

Documents required to export and import (number)

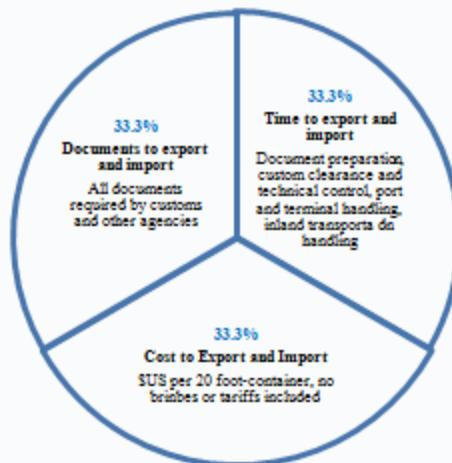
- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

Time required to export and import (days)

- Obtaining all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include ocean transport time

Cost required to export and import (US\$ per container)

- All documentation
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Official costs only, no bribes



Case Study Assumptions

The Business

- Has at least 60 employees and is located in the economy's largest business city
- Is a private, limited liability company, which exports more than 10% of its sales. It is fully domestically owned and does not operate in an export processing zone or an industrial estate with special export or import privileges

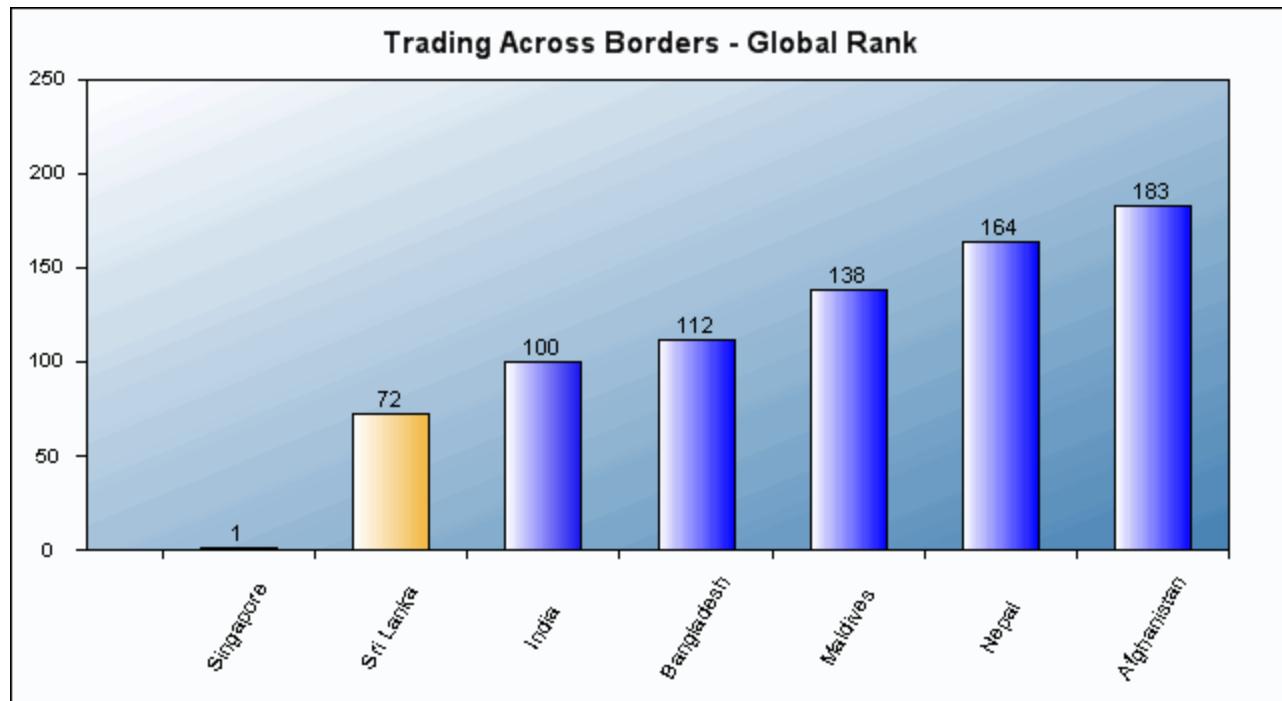
The traded product

- Is transported in a dry-cargo, 20-foot full container load; weighs 10 tons and is valued at \$20,000
- Is not hazardous or include military items; it does not require special phytosanitary or environmental safety standards, refrigeration or any other special environment
- Is one of the economy's leading export or import products

1. Benchmarking Trading Across Borders Regulations:

Sri Lanka is ranked 72 overall for Trading Across Borders.

Ranking of Sri Lanka in Trading Across Borders - Compared to good practice and selected economies:



The following table shows Trading Across Borders data for Sri Lanka compared to good practice and comparator economies:

Good Practice Economies	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
Denmark*		5				
France	2			2		
Malaysia			450			
Singapore					4	439

<i>Selected Economy</i>						
Sri Lanka	8	21	715	6	19	745

<i>Comparator Economies</i>						
Afghanistan	12	74	3865	11	77	3830
Bangladesh	6	25	985	8	31	1390
India	8	17	1055	9	20	1025
Maldives	8	21	1550	9	22	1526
Nepal	9	41	1960	10	35	2095

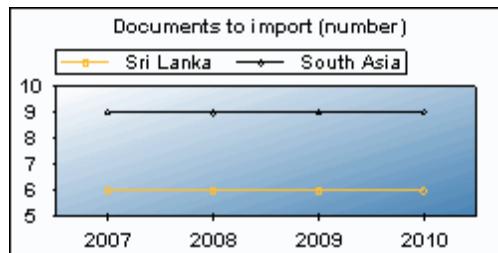
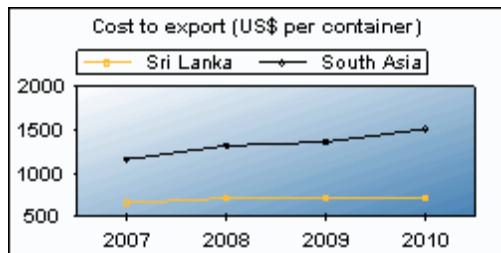
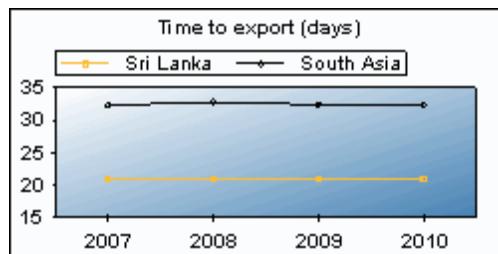
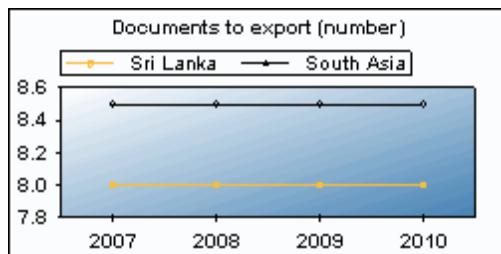
* The following economies are also good practice economies for :

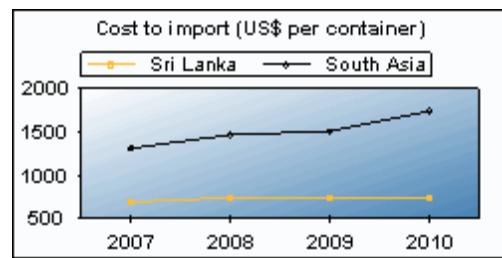
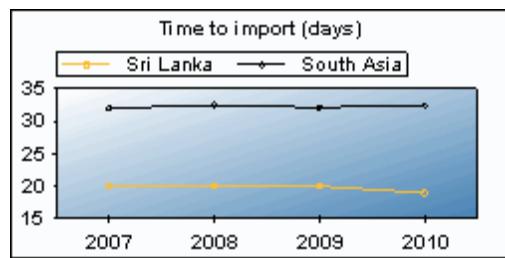
Time to export (days): **Estonia**

2. Historical data: Trading Across Borders in Sri Lanka

Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	66	72
Cost to export (US\$ per container)	660	715	715	715
Cost to import (US\$ per container)	694	745	745	745
Documents to export (number)	8	8	8	8
Documents to import (number)	6	6	6	6
Time to export (days)	21	21	21	21
Time to import (days)	20	20	20	19

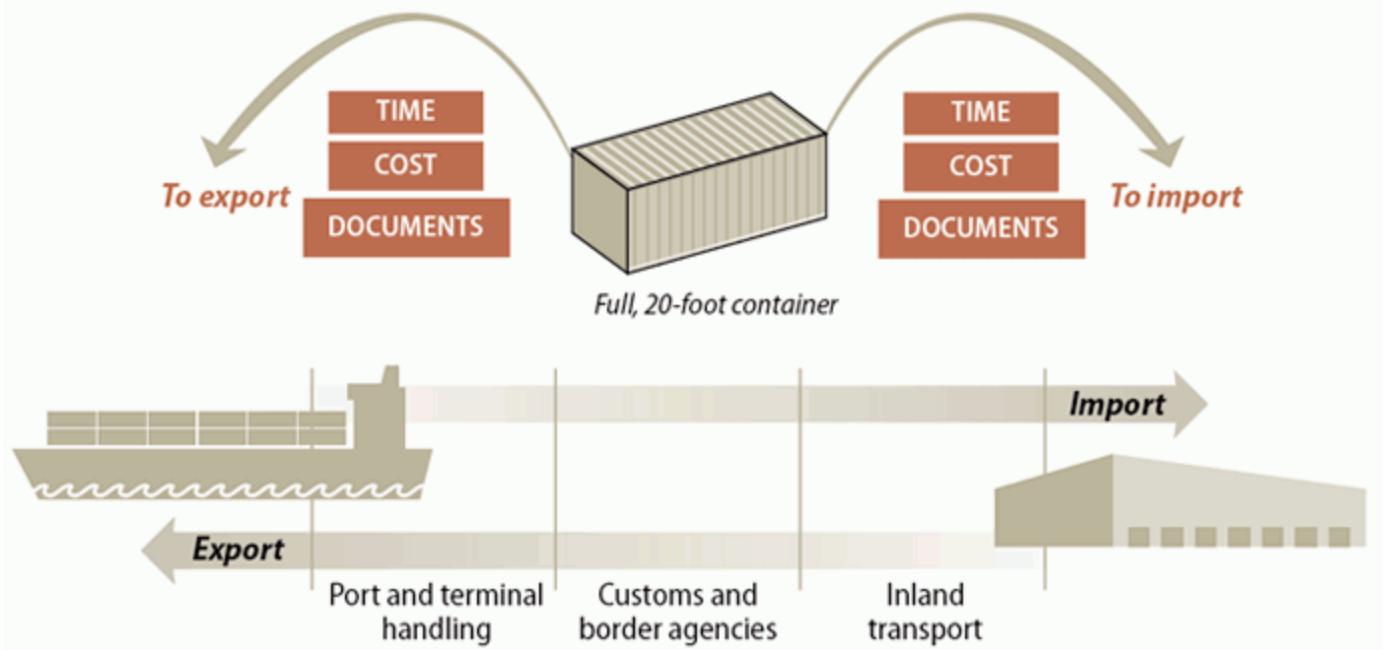
3. The following graphs illustrate the Trading Across Borders sub indicators in Sri Lanka over the past 4 years:





Trading Across Borders in Sri Lanka

How much time, how many documents and what cost to export and import across borders by ocean transport?



These tables list the procedures necessary to import and export a standardized cargo of goods in Sri Lanka. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	12	160
Customs clearance and technical control	3	285
Ports and terminal handling	3	155
Inland transportation and handling	3	115
Totals	21	715

Nature of Import Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	12	190
Customs clearance and technical control	2	285
Ports and terminal handling	3	155
Inland transportation and handling	2	115
Totals	19	745

Documents for Export and Import

Export

Export license

Terminal handling receipts

Bill of lading

Certificate of origin

Collection order

Commercial invoice

Consular invoice

Customs export declaration

Import

Bill of lading

Certificate of origin

Commercial invoice

Customs import declaration

Import license

Packing list

Well functioning courts help businesses expand their network and markets. Where contract enforcement is efficient, firms have greater access to credit and are more likely to engage with new borrowers or customers. *Doing Business* measures the efficiency of the judicial system in resolving a commercial sale dispute before local courts. Following the step-by-step evolution of a standardized case study, data relating to the time, cost and procedural complexity of resolving a commercial lawsuit are collected through study of the codes of civil procedure and other court regulations, as well as through surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

Some reform outcomes

In Rwanda the implementation of specialized commercial courts in May 2008 resulted in a significant decrease of the case backlog, and contributed to reduce the time to resolve a commercial dispute by nearly 3 months.

In Austria a “data highway” for the courts that allows attachments to be sent electronically has produced savings of €4.4 million in postage alone.

What do the Enforcing Contracts indicators measure?

Procedures to enforce a contract (number)

- Any interaction between the parties in a commercial dispute, or between them and the judge or court officer
- Steps to file the case
- Steps for trial and judgment
- Steps to enforce the judgment

Time required to complete procedures (calendar days)

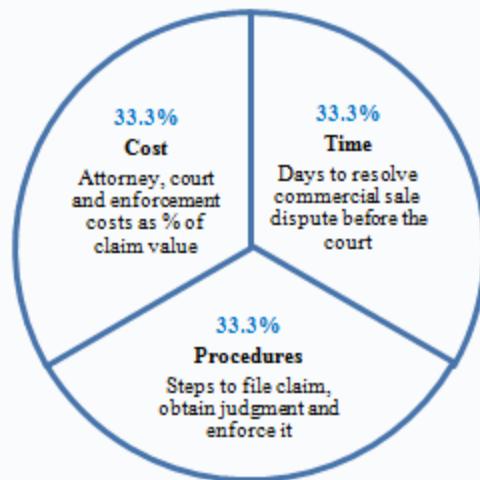
- Time to file and serve the case
- Time for trial and obtaining judgment
- Time to enforce the judgment

Cost required to complete procedures (% of claim)

- No bribes
- Average attorney fees
- Court costs, including expert fees
- Enforcement costs

Enforcing Contracts: resolving a commercial dispute through the courts

Rankings are based on 3 subindicators



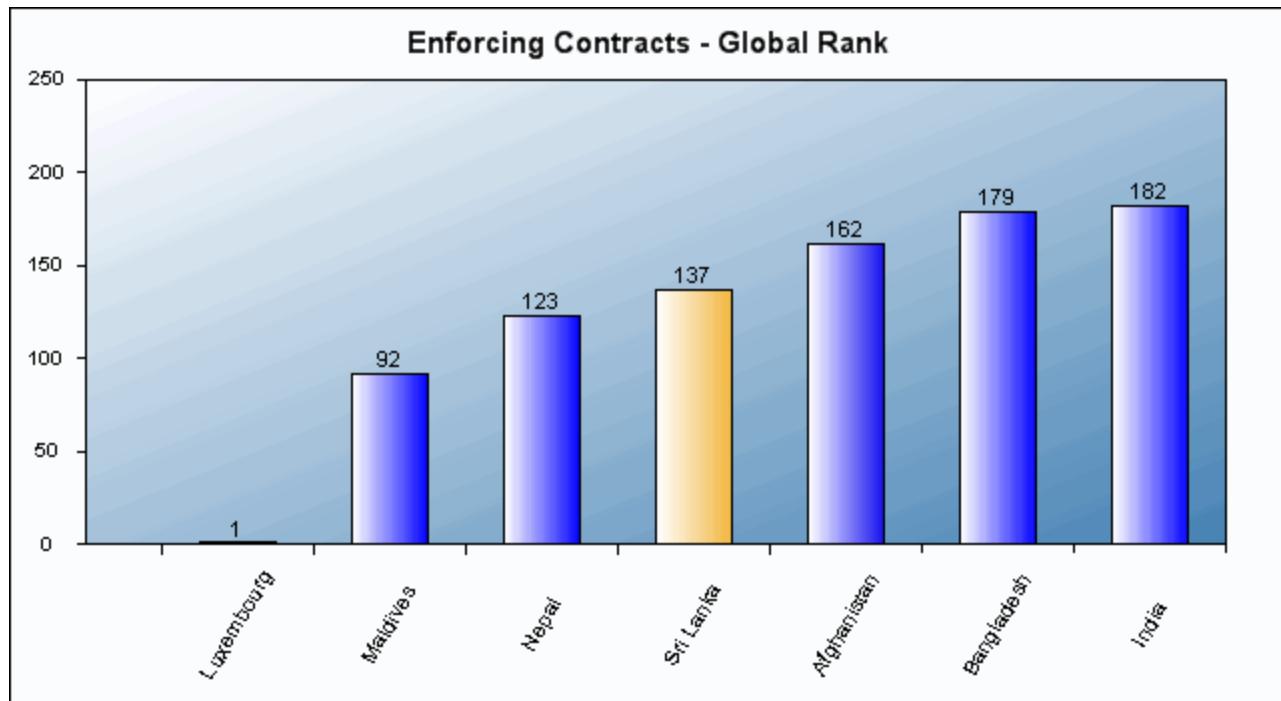
Case Study Assumptions

- Seller and Buyer are domestic companies
- Buyer orders custom-made goods, then does not pay
- Seller sues Buyer before competent court
- Value of claim is 200% of GNI per capita
- Seller requests pre-trial attachment to secure claim
- Dispute on quality of the goods requires expert opinion
- Judge decides in favor of Seller, no appeal
- Seller enforces judgment through a public sale of Buyer's movable assets.

1. Benchmarking Enforcing Contracts Regulations:

Sri Lanka is ranked 137 overall for Enforcing Contracts.

Ranking of Sri Lanka in Enforcing Contracts - Compared to good practice and selected economies:



The following table shows Enforcing Contracts data for Sri Lanka compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of claim)
Bhutan			0.1
Ireland	20		
Singapore		150	

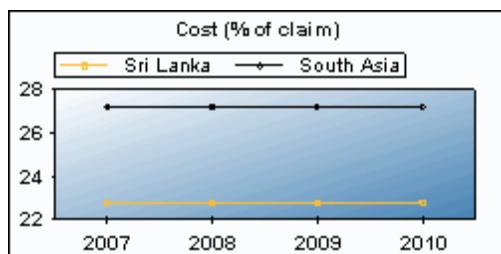
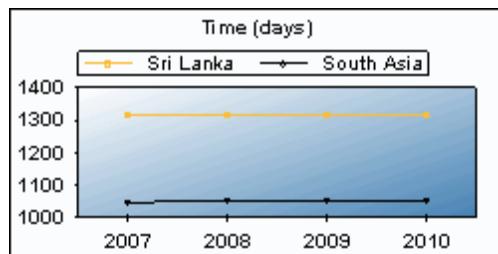
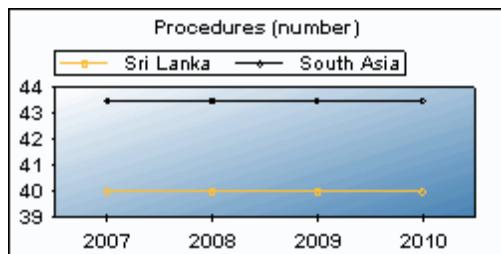
<i>Selected Economy</i>			
Sri Lanka	40	1318	22.8

<i>Comparator Economies</i>			
Afghanistan	47	1642	25.0
Bangladesh	41	1442	63.3
India	46	1420	39.6
Maldives	41	665	16.5
Nepal	39	735	26.8

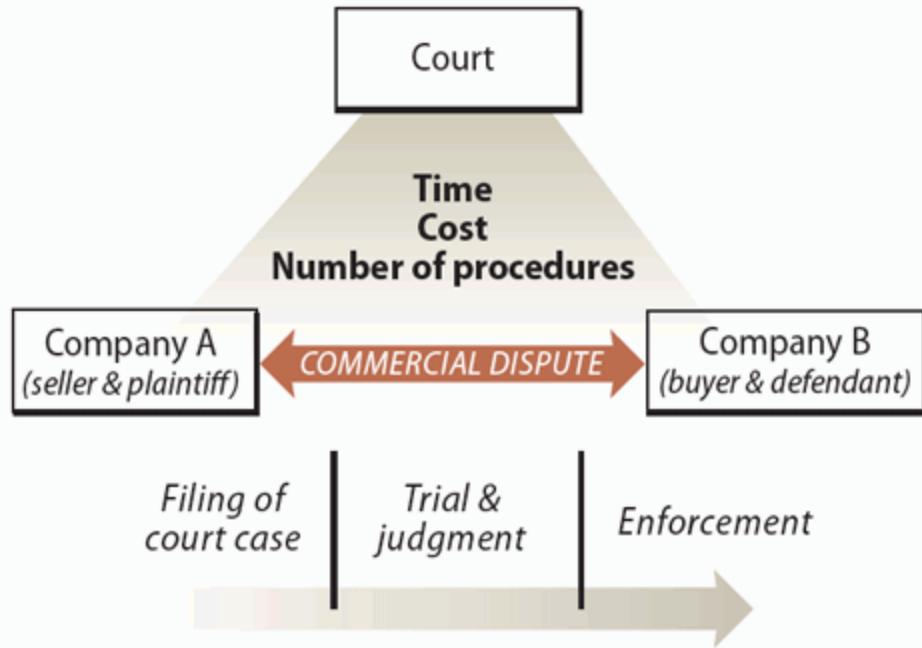
2. Historical data: Enforcing Contracts in Sri Lanka

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	136	137
Procedures (number)	40	40	40	40
Time (days)	1318	1318	1318	1318
Cost (% of claim)	22.8	22.8	22.8	22.8

3. The following graphs illustrate the Enforcing Contracts sub indicators in Sri Lanka over the past 4 years:



What are the time, cost and number of procedures to resolve a commercial dispute through the courts?



This topic looks at the efficiency of contract enforcement in Sri Lanka.

Nature of Procedure (2010)	Indicator
Procedures (number)	40
Time (days)	1318
Filing and service	62.0
Trial and judgment	1,000.0
Enforcement of judgment	256.0
Cost (% of claim)*	22.80
Attorney cost (% of claim)	20.2
Court cost (% of claim)	1.1
Enforcement Cost (% of claim)	1.5

Court information: Colombo District Court

* Claim assumed to be equivalent to 200% of income per capita.

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in businesses' speedy return to normal operation and increase returns to creditors. By improving the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses, and thereby improve growth and sustainability in the economy overall.

Some reform outcomes

A study of the 2005 bankruptcy reform in Brazil found that it had led to an average reduction of 22% in the cost of credit for Brazilian companies, a 39% increase in overall credit and a 79% increase in long-term credit in the economy. The purpose of the reform was to improve creditor protection in insolvency proceedings.

Following the introduction of debtor-in-possession reorganizations in Korea in 2006, the number of reorganization filings increased from 76 in 2006 to 670 in 2009.

What does the Closing a Business indicator measure?

Closing a Business: insolvency proceedings against local company

Time required to recover debt (years)

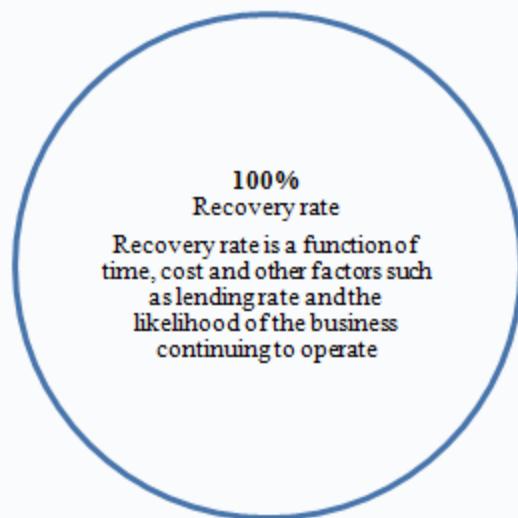
- Measured in calendar years
- Appeals and requests for extension are included

Cost required to recover debt (% of debtor's estate value)

- Measured as percentage of estate value
- Court fees
- Fees of insolvency administrators
- Lawyers' fees
- Assessors' and auctioneers' fees
- All other fees and costs

Recovery rate for creditors (cents on the dollar)

- Measures the cents on the dollar recovered by creditors
- Present value of debt recovered
- Costs of the insolvency proceedings are deducted
- Depreciation of furniture is taken into account
- Outcome for the business (survival or not) affects the maximum value that can be recovered



Case Study Assumptions

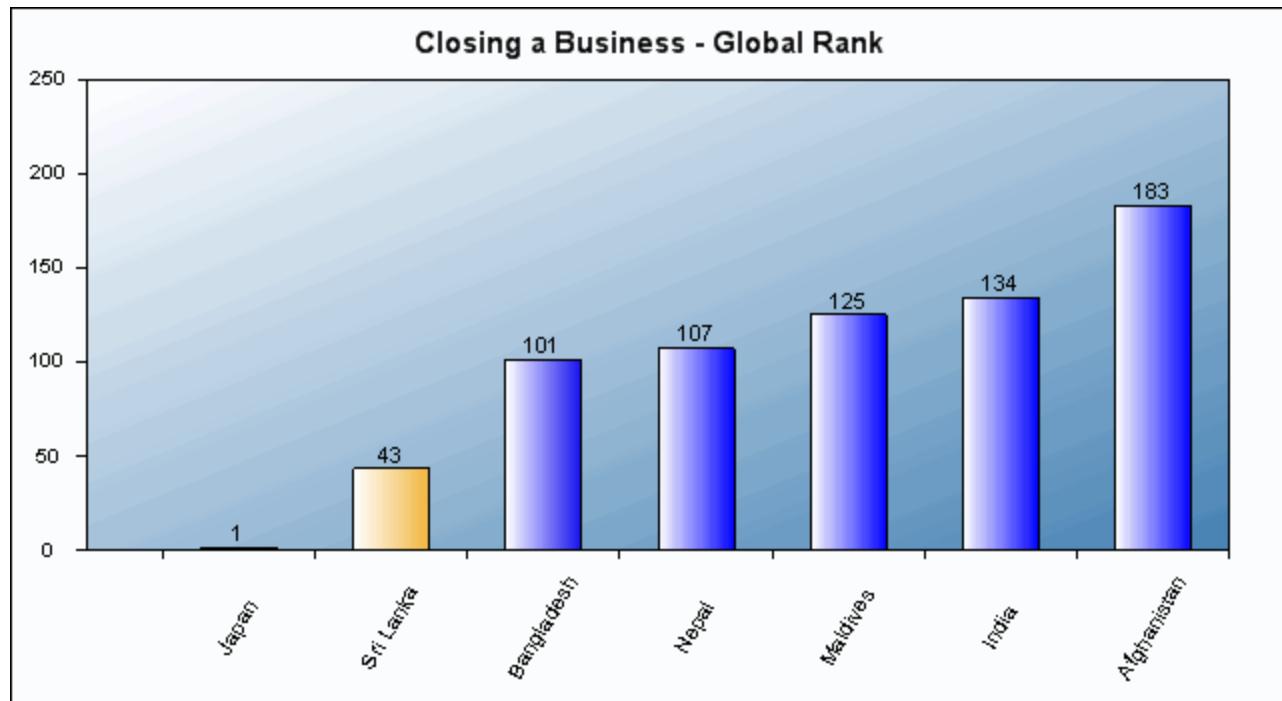
The Company

- is domestically owned
- is a limited liability company operating a hotel
- operates in the economy's largest business city
- has 201 employees, 1 secured creditor and 50 unsecured creditors
- has a higher value as a going concern and a lower value in a piecemeal sale of assets

1. Benchmarking Closing Business Regulations:

Sri Lanka is ranked 43 overall for Closing a Business.

Ranking of Sri Lanka in Closing Business - Compared to good practice and selected economies:



The following table shows Closing Business data for Sri Lanka compared to good practice and comparator economies:

Good Practice Economies	Recovery rate (cents on the dollar)	Time (years)	Cost (% of estate)
Ireland		0.4	
Japan	92.7		
Singapore*			1

<i>Selected Economy</i>			
Sri Lanka	47.0	1.7	5

<i>Comparator Economies</i>			
Afghanistan	0.0	no practice	no practice
Bangladesh	25.8	4.0	8
India	16.3	7.0	9
Maldives	18.2	6.7	4
Nepal	24.5	5.0	9

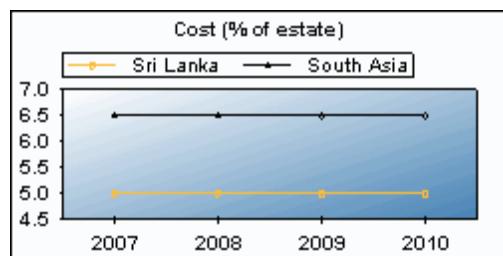
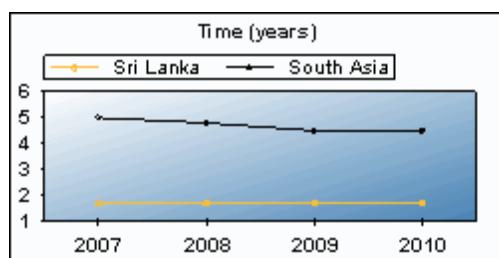
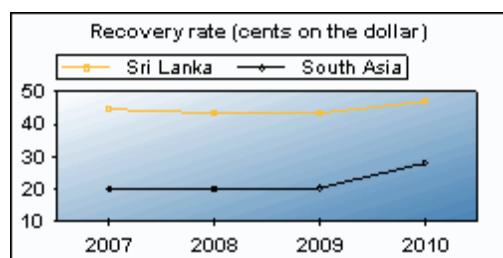
* The following economies are also good practice economies for :

Cost (% of estate): Colombia, Kuwait, Norway

2. Historical data: Closing Business in Sri Lanka

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	45	43
Time (years)	1.7	1.7	1.7	1.7
Cost (% of estate)	5	5	5	5
Recovery rate (cents on the dollar)	44.6	43.4	43.4	47.0

3. The following graphs illustrate the Closing Business sub indicators in Sri Lanka over the past 4 years:



Since 2004 Doing Business has been tracking reforms aimed at simplifying business regulations, strengthening property rights, opening access to credit and enforcing contracts by measuring their impact on 10 indicator sets.* Nearly 1,000 reforms have had an impact on these indicators. *Doing Business 2011*, covering June 2009 to June 2010, reports that 117 economies implemented 216 reforms to make it easier to start a business. 64% of economies measured by Doing Business have reformed this year, focusing on easing business start-up, lightening the tax burden, simplifying import and export regulations and improving credit information systems.

The top 10 most-improved in Doing Business 2011



Summary of changes to business regulation in top 10 most improved economies in *Doing Business 2011* and selected comparator economies.

Bangladesh	Bangladesh made business start-up easier by eliminating the requirement to buy adhesive stamps and further enhancing the online registration system. Bangladesh reduced the property transfer tax to 6.7% of the property value.
Brunei Darussalam	Brunei Darussalam made starting a business easier by improving efficiency at the company registrar and implementing an electronic system for name searches. Brunei Darussalam reduced the corporate income tax rate from 23.5% to 22% while also introducing a lower tax rate for small businesses, ranging from 5.5% to 11%. The introduction of an electronic customs system in Brunei Darussalam made trading easier.
Cape Verde	Cape Verde made start-up easier by eliminating the need for a municipal inspection before a business begins operations and computerizing the system for delivering the municipal license. Cape Verde eased property registration by switching from fees based on a percentage of the property value to lower fixed rates. Cape Verde abolished the stamp duties on sales and checks.
Grenada	Grenada eased business start-up by transferring responsibility for the commercial registry from the courts to the civil administration. The appointment of a registrar focusing only on property cut the time needed to transfer property in Grenada by almost half. Grenada's customs administration made trading faster by simplifying procedures, reducing inspections, improving staff training and enhancing communication with users.
Hungary	Hungary implemented a time limit for the issuance of building permits. Hungary reduced the property registration fee by 6% of the property value. Hungary simplified taxes and tax bases. Amendments to Hungary's bankruptcy law encourage insolvent companies to consider reaching agreements with creditors out of court so as to avoid bankruptcy.
India	India eased business start-up by establishing an online VAT registration system and replacing the physical stamp previously required with an online version. India reduced the administrative burden of paying taxes by abolishing the fringe benefit tax and improving electronic payment.
Kazakhstan	Kazakhstan eased business start-up by reducing the minimum capital requirement to 100 tenge (\$0.70) and eliminating the need to have the memorandum of association and company charter notarized. Kazakhstan made dealing with construction permits easier by implementing a one-stop shop related to technical conditions for utilities. Kazakhstan strengthened investor protections by requiring greater corporate disclosure in company annual reports. Kazakhstan speeded up trade through efforts to modernize customs, including implementation of a risk management system and improvements in customs automation.
Maldives	Maldives now allows registered companies to own land as long as all company shares are owned by Maldivians.
Peru	Peru eased business start-up by simplifying the requirements for operating licenses and creating an online one-stop shop for business registration. Peru streamlined construction permitting by implementing administrative reforms. Peru introduced fast-track procedures at the land registry, cutting by half the time needed to register property. Peru made trading easier by implementing a new web-based electronic data interchange system, risk-based inspections and payment deferrals.
Rwanda	Rwanda made dealing with construction permits easier by passing new building regulations at the end of April 2010 and implementing new time limits for the issuance of various permits. Rwanda enhanced access to credit by allowing borrowers the right to inspect their own credit report and mandating that loans of all sizes be reported to the central bank's public credit registry. Rwanda reduced the number of trade documents required and enhanced its joint border management procedures with Uganda and other neighbors, leading to an improvement in the trade logistics environment.
Tajikistan	Tajikistan made starting a business easier by creating a one-stop shop that consolidates registration with the state and the tax authority. Tajikistan strengthened investor protections by requiring greater corporate disclosure in the annual report and greater access to corporate information for minority investors. Tajikistan lowered its corporate income tax rate.

Vietnam

Vietnam eased company start-up by creating a one-stop shop that combines the processes for obtaining a business license and tax license and by eliminating the need for a seal for company licensing. Vietnam made dealing with construction permits easier by reducing the cost to register newly completed buildings by 50% and transferring the authority to register buildings from local authorities to the Department of National Resources and Environment. Vietnam improved its credit information system by allowing borrowers to examine their own credit report and correct errors.

Zambia

Zambia eased business start-up by eliminating the minimum capital requirement. Zambia eased trade by implementing a one-stop border post with Zimbabwe, launching web-based submission of customs declarations and introducing scanning machines at border posts. Zambia improved contract enforcement by introducing an electronic case management system in the courts that provides electronic referencing of cases, a database of laws, real-time court reporting and public access to court records.



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