



Knowing you.

# Budget Proposals 2019

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OVERVIEW



Correspondent Firm of  
Grant Thornton International Limited

March 5, 2019

Dear Client,

## **BUDGET PROPOSALS - 2019**

We have pleasure in forwarding herewith –

- a) A Summary of the Budget Proposals presented in Parliament by Finance Minister Mangala Samaraweera.
- b) Recent Amendments to the VAT, NBT & ESC Acts.

If you require any further information or clarifications relating to the above, you may contact us.

Yours faithfully,



### **Partners**

# CONTENTS

1.	Income Tax	4 - 5
2.	Value Added Tax	6
3.	Nation Building Tax	6
4.	Economic Service Charge	7
5.	Excise Duty under Excise Ordinance	7
6.	Excise (Special Provisions) Duty	8 - 9
7.	Finance Act	10 - 11
8.	Revision of Custom Import Duty	11
9.	Cess Duty	11
10.	Port and Airport Development Levy	12
11.	Betting and Gaming Levy	12
12.	Other miscellaneous Taxes	13
13.	Other fees and Charges	13
14.	Gamperaliya Programme	14
15.	Enterprise Sri Lanka Schemes	15 - 22
16.	High Value Investment Incentives	23
17.	Women on Corporate Boards	24
18.	Revenue Proposals – Expected Collection	25
19.	Budget Allocation 2019	26 - 35
20.	Summary of Budget (2015 – 2019)	36
<b>APPENDIX 01</b>		
	Recent Amendments to the VAT, NBT & ESC Acts	37 - 41

## I. INCOME TAX

	Description	Present	Proposed
i)	The earnings by any Non-resident person on any Sovereign Bond denominated in – <ul style="list-style-type: none"> <li>Local Currency</li> <li>Foreign Currency</li> </ul>	Liable for Withholding Tax @ 5% Exempt	Exempt Exempt
ii)	Interest income earned by any Resident person on <ul style="list-style-type: none"> <li>Sovereign Bonds denominated in foreign currency</li> <li>Sri Lanka Development Bonds</li> </ul>	Exempt Liable for Withholding Tax @ 5%	Exempt Exempt
iii)	Interest Income earned by any person on NRFC and RFC account.	Liable for Withholding Tax @ 5%	Exempt for 5 years
iv)	Interest Income upto Rs.5,000/- p.m. earned by children less than 18 years in relation to any deposit account maintained in a Financial Institution.	Liable for Withholding Tax @ 5%	Exempt
v)	Interest paid to any person outside Sri Lanka on loans granted by such person to any person other than it's holding or subsidiary company in Sri Lanka.	Liable for Withholding tax @ 5%	Exempt
	Interest paid to any person outside Sri Lanka for loans granted to its holding company or subsidiary company in Sri Lanka.	Liable for Withholding tax @5%	Liable for Withholding tax @ 5%
vi)	Royalty payments not exceeding Rs.50,000/- p.m. subject to Rs. 500,000/- for each year of assessment made to any resident individual.	Liable for Withholding Tax @14%	Exempt
vii)	Rent payments not exceeding Rs.50,000/- p.m. subject to Rs. 500,000/- for each year of assessment made to any resident individual.	Liable for Withholding Tax @10%	Exempt
viii)	A Company predominately providing information technology services qualifies for the additional deduction equal to 35% of the salary cost when calculating the Taxable Income.	Requires minimum of 50 employees.	No minimum number of employees required.

	Description	Present	Proposed
ix)	Investment incentives for existing business.	Regular depreciation allowance on new investments made.	Accelerated depreciation allowance for the new investments made.
x)	Definition of "Gross Income" for the purpose of determining predominant business activity specified.	<p>Gross income includes the investment income.</p> <p>Entire taxable income is taxed at 14% if 80% or more of the gross income is received from specified business activity</p>	<p>Gross income includes the investment income.</p> <p>Specified business activity taxed @ 14% Investment income taxed @ 28%.</p>

## 2. VALUE ADDED TAX

	Current Rate	Proposed Rate
VAT rate applicable for domestic sale of certain garments (such as panties, socks briefs and boxer shorts) by export oriented BOI Companies.	Rs.75 for six pieces	Rs.100 for six pieces
VAT on the supply of the condominium housing units	Exempt	Exempt
<ul style="list-style-type: none"> <li>• Deed of agreement executed prior to April 01, 2019</li> <li>• Deed of agreement executed after April 01, 2019</li> </ul>	-	Liable @15%

The term “locally produced rice products” will be re-defined for the purpose of clarity and certainty.

Provisions will be incorporated in the VAT Act, enabling the Minister to prescribe the basis for chargeability of VAT on certain goods as may be determined by the Minister, with the view of revenue protection.

Pharmaceutical machineries will be re-defined for the purpose of VAT Act.

Effective date of VAT amendments – 1st June 2019

## 3. NATION BUILDING TAX

	Current Rate	Proposed Rate
Manufacturing of cigarettes	Exempt	Liable @ 2%
Main construction contractor of infrastructure project	Liable @ 2%	Exempt
Foreign payments made using electronic fund transfer cards (both Debit and Credit cards) to purchase goods or services including off shore digital services.	Exempt	Liable @ 3.5%

The exemption on the importation of rough unprocessed gem stones for re-export after cutting and polishing will be granted for the lapidary service providers Registered under National Gem & Jewellery Authority.

In order to remove the NBT anomaly among tour operators, DMC Agencies and hoteliers who are receiving foreign currency will be adjusted.

Effective date of Amendments – 1st June 2019

## 4. ECONOMIC SERVICE CHARGE (ESC)

	Current	Proposed
The rate of ESC applicable on the turnover arising from the export of goods or services.	0.5%	0.25%

### REVISION OF ESC APPLICABLE ON THE IMPORTATION OF CERTAIN ARTICLES OR GOODS

ESC will be charged at the rate of 0.5% on the importation of any article or good other than any capital goods as prescribed by the Minister of Finance taking in to consideration the economic benefit to the country

ESC base on the importation of any article or good will be the aggregate of the CIF as approved by the Director General of Customs and the amount of any Custom import Duty, CESS, PAL and SCL payable in respect of such articles or goods.

### AMENDMENT TO THE DEFINITION OF THE TERM "DISTRIBUTOR"

Definition of the term "distributor" will be clarified to include any person or partnership, appointed by an importer of any goods to Sri Lanka, for the sale in the wholesale market, of such goods.

Effective date of Amendments – 1st June 2019

## 5. EXCISE DUTY UNDER EXCISE ORDINANCE

### REVISION OF EXCISE DUTY RATES

The Excise Duty based on the Alcohol volume will be revised as follows:

Type	Rate (Rs. Per litre of alcohol)
Special Arrack	No change
Other Arrack	3,550/-
Country made foreign liquor	3,550/-
Beer less than 5%	2,700/-
Beer more than 5%	2,700/-
Wine - Local plant materials	600/-
Wine - other	2,700/-



The Excise Duty rate of imported liquor will be revised as follows:-

- i. Malt Liquor (Beer) - Rs.55/- per bulk litre
- ii. Wine - Rs.110/- per bulk litre
- iii. Other liquor - Rs.215/- per bulk litre

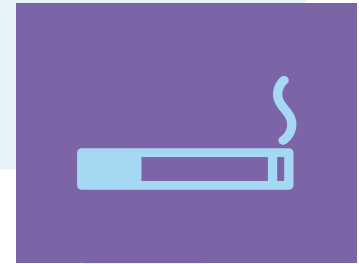
## 6. EXCISE (SPECIAL PROVISIONS) DUTY

### REVISION OF DUTY

#### CIGARETTES

Excise Duty on cigarettes will be increased by 12% as follows;

- i. 60 – 67 mm - Rs.19,500/- per 1000 sticks
- ii. 67 – 72 mm - Rs.23,000/- per 1000 sticks
- iii. 72 – 84 mm - Rs.37,580/- per 1000 sticks
- iv. >84 mm - Rs.42,200/- per 1000 sticks



#### EXCISE DUTY ON SWEETENED BEVERAGES

i. The exempt quantum of sugar contained in beverages will be revised as follows;

- (a) Carbonated - 4 grams per 100 ml beverages
- (b) Fruit based - 8 grams per 100 ml beverages

ii. Duty rate will be revised to 40 cents per gram of sugar in excess of the exempt quantity.

Excise Duty on palm oil fatty acids will be revised as follows;

- i. Palm oil fatty acids - 20%
- ii. Tallow fatty acids - 20%

Excise Duty on refrigerators will be revised to 25%

Excise Duty on vehicles imported as Chassis fitted with engines will be reduced.

#### MOTOR VEHICLES

- i. Excise Duty on hearses will be revised.
- ii. Excise Duty on the hybrid and electric vans will be revised to reflect the energy efficiency benefits.
- iii. Excise Duty on the Single cabs will be revised.
- iv. Excise Duty on Buddy Trucks with cargo carrying capacity less than 2,000 kg will be reduced.
- v. Excise Duty revision on passenger vehicles



(a) Fuel

Engine Capacity	Petrol Fuel (Rs. per cm <sup>3</sup> )	Diesel Fuel (Rs. per cm <sup>3</sup> )
$x \leq 1000\text{cm}^3$	2,000 or 1,650,000*	4,600
$1000\text{cm}^3 < x \leq 1300\text{cm}^3$	3,200	4,600
$1300\text{cm}^3 < x \leq 1500\text{cm}^3$	3,700	4,600
$1500\text{cm}^3 < x \leq 1600\text{cm}^3$	4,250	5,750
$1600\text{cm}^3 < x \leq 1800\text{cm}^3$	5,300	6,900
$1800\text{cm}^3 < x \leq 2000\text{cm}^3$	6,350	8,000

\* Duty per unit



(a) Hybrid

Engine Capacity	Petrol Fuel (Rs. per cm <sup>3</sup> )	Diesel Fuel (Rs. per cm <sup>3</sup> )
$x \leq 1000\text{cm}^3$	1,500,000*	3,400
$1000\text{cm}^3 < x \leq 1300\text{cm}^3$	2,300	3,400
$1300\text{cm}^3 < x \leq 1500\text{cm}^3$	2,850	3,400
$1500\text{cm}^3 < x \leq 1600\text{cm}^3$	4,000	4,600
$1600\text{cm}^3 < x \leq 1800\text{cm}^3$	5,200	5,700
$1800\text{cm}^3 < x \leq 2000\text{cm}^3$	5,700	6,900

\* Duty per unit

(c) Electric

Motor Power of the Engine	Less than one year	More than one year and less than three years
$50\text{kW} < x \leq 100\text{kW}$	10,000	20,000

(d) Three Wheeler

Type	Rs. (per cm <sup>3</sup> /Per kW)
Petrol (cm <sup>3</sup> )	2,400
Diesel (cm <sup>3</sup> )	1,450
Electric (kW)	7,500
Cargo - Petrol (cm <sup>3</sup> )	500
Cargo - Diesel (cm <sup>3</sup> )	375
Cargo - Electric (kW)	7,500

(e) Motor Cycles

Engine Capacity	Rs. per cm <sup>3</sup>
$x \leq 50\text{cm}^3$	575
$50\text{cm}^3 < x \leq 150\text{cm}^3$	1,150
$150\text{cm}^3 < x \leq 200\text{cm}^3$	1,150
$200\text{cm}^3 < x \leq 250\text{cm}^3$	1,725
$250\text{cm}^3 < x \leq 350\text{cm}^3$	1,725
$350\text{cm}^3 < x \leq 450\text{cm}^3$	2,300
$450\text{cm}^3 < x \leq 500\text{cm}^3$	2,300
$500\text{cm}^3 < x \leq 800\text{cm}^3$	2,875
$800\text{cm}^3 < x \leq 1000\text{cm}^3$	2,875
$1000\text{cm}^3 < x$	3,450

## 7. FINANCE ACT

Carbon Tax	Present		Proposed	
Hybrid (Petrol/Diesel)	Less than 5 years	( Rate in Rs.) 0.25 per cm <sup>3</sup>	Less than 5 years	( Rate in Rs.) 0.25 per cm <sup>3</sup> or 3,500 whichever is lower
	05 to 10 years	0.50 per cm <sup>3</sup>	05 to 10 years	0.50 per cm <sup>3</sup> or 5,500 whichever is lower
	Over 10 Years	1.00 per cm <sup>3</sup>	Over 10 Years	1.00 per cm <sup>3</sup> or 7,500 whichever is lower
Fuel (Petrol/Diesel)	Less than 5 years	( Rate in Rs.) 0.50 per cm <sup>3</sup>	Less than 5 years	( Rate in Rs.) 0.50 per cm <sup>3</sup> or 3,500 whichever is lower
	05 to 10 years	1.00 per cm <sup>3</sup>	05 to 10 years	1.00 per cm <sup>3</sup> or 5,500 whichever is lower
	Over 10 Years	1.50 per cm <sup>3</sup>	Over 10 Years	1.50 per cm <sup>3</sup> or 7,500 whichever is lower
<b>Embarkation Levy</b>	USD 10 per passenger		USD 60 per passenger	
<b>International Telecommunication Operator Levy</b>	Multiple Rates		Removed	

## LUXURY TAX ON MOTOR VEHICLES

Luxury Tax on Motor Vehicles will be imposed on the CIF value or the manufacturer's price as the case may be in excess of the Luxury Tax free threshold, as follows;

Type of Vehicle	Luxury Tax free Threshold	Rate (Applicable on the amount exceeding the Luxury Tax free Threshold)
Diesel	Rs. 3.5 Mn	120%
Petrol	Rs. 3.5Mn	100%
Hybrid Diesel	Rs. 4.0 Mn	90%
Hybrid Petrol	Rs. 4.0Mn	80%
Electric	Rs. 6.0 Mn	60%

Luxury Tax free threshold will be the Cost Insurance Freight (CIF) value in the case of imported vehicles and ex-factory cost (Manufacturer's price), in the case of locally assembled vehicles

## 8. REVISION OF CUSTOMS IMPORT DUTY

- Rate of the Custom Import Duty on selected goods will be revised
- Unit rate of the Custom Import Duty will be increased by 10% on importation of selected goods
- Custom duty applicable on imported fruit drinks will be adjusted with effect from June 1, 2019.
- Custom Duty on Udenatured Ethyl Alcohol will be increased by Rs.200 to Rs.1000 per litre

## 9. CESS DUTY

CESS on Beedi leaves will be increased up to Rs.3,500/- per kg.

CESS on items classified under following HS Codes will be removed.

0408.11.00	0802.32.00	0802.62.00	0810.20.00	0813.10.00
0408.91.00	0802.41.00	0802.70.00	0810.30.00	0813.20.00
0802.21.10	0802.42.00	0802.90.10	0810.40.00	0813.30.00
0802.22.00	0802.51.00	0802.90.90	0810.70.00	8418.21.10
0802.31.10	0802.52.00	0808.40.00	0812.10.00	8418.21.90

CESS on items classified under following HS Codes will be adjusted.

2106.90.50	3401.19.20	3920.63.99	3924.10.90	7217.90.10
2202.99.91	3920.51.91	3920.69.91	4011.10.90	8708.91.20
2202.99.99	3920.51.99	3920.69.99	6505.00.10	8708.91.90
3401.11.20	3920.63.11	3924.10.10	6505.00.90	

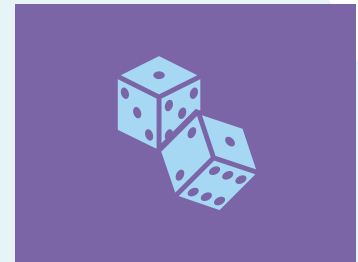
## 10. PORT AND AIRPORT DEVELOPMENT LEVY (PAL)

Description	Present	Proposed
Items classified under HS codes 0712.20.00, 0712.90.10 and 7801.10.00	7.5%	2.5%
Items classified under HS codes 8464.10.00, 8464.20.00 and 8464.90.00	7.5%	Removed
PAL on high tech machinery classified under different HS codes	7.5%	2.5%
Sale of pleasure or excursion vessels and yachts manufactured by any BOI company to another BOI company	7.5%	Removed



## 11. BETTING AND GAMING LEVY

Description	Present	Proposed
Revision of Casino Entrance Levy	US\$ 100	US\$ 50
Revision of Levy on Gross Collection	10%	15%



### REVISION OF ANNUAL LEVY

Annual levy for carrying on the business of gaming other than playing rudjino will be revised to Rs. 400 million

Annual levy for carrying on the business of playing rudjino will be revised to Rs.1 million

Effective date of Amendments – Not mentioned.

## 12. OTHER MISCELLANEOUS TAXES

- Custom Import Duty and CESS will be removed on importation of Go-Kart which is an off road sports vehicle and Go-Kart Tyres to facilitate promotion of international sport tourism.
- In addition to the auction price, all payable duties will be charged from the bidder on imported beedi leaves forfeited by the Customs.
- With the view of promoting livestock industry, PAL and NBT will be removed on the importation of Lucerne (alfalfa) meal and pellets.
- Stamp Duty on the usage of credit cards for foreign purchases will be removed in line with the imposition of NBT on the foreign payments.
- Special Commodity Levy will be adjusted on the import of palm oil in lieu of the NBT applicable on local value addition.

## 13. OTHER FEES AND CHARGES

i. The rates of fees and charges of government agencies which have not been revised in last 3 years will be increased by 15%.

ii. Description	Present Rs.	Proposed Rs.
Passport Processing Fees – Normal	3,000	3,500
– Urgent Basis	10,000	15,000
Passport alteration fee	500	1,000

iii. Fee for the reservation of a vehicle registration number in advance from current registration number will be revised as follows.

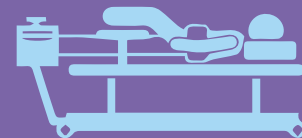
Fee Rs.	Available Number Unit
70,000/-	10,000
90,000/-	20,000
100,000/-	30,000

A life time personal vehicle registration numbers will be issued on a fee of Rs. 1 million.

## 14. GAMPERALIYA PROGRAMME

Table: Scope of the Rapid Development Programme 2019

NO.	Areas of work	No. of Units	Cost Ceiling (Rs.)
1	Rehabilitation of small tanks & anicuts	1,400	4mn. per tank
2	Development of road sector		
	Rural roads	10,850	2mn. per unit
	urban sector - Narrow streets	1,500	2mn. per unit
3	Construction of Small scale Bridges	150	3mn. per unit
4	Improvement of sanitary facilities of schools		
	Renovations	4,000	100,000 per school
	New constructions	500	1 mn. per school
5	Development of sports related infrastructure		
	Improvement of playgrounds and related facilities	500	2mn. per unit
6	Development of other socio-economic infrastructure		
	Improvement in urban sector drainage facilities	550	1 mn. per unit
	Small scale water supply schemes for cultivation purposes	200	1 mn. per unit
	Small scale community water supply schemes	100	1 mn. per unit
7	Development of 'sathipola'	200	2mn. per unit
8	Construction of Children's Parks	500	3mn. per unit
9	Providing electricity facilities for needy households	100,000	30,000 per unit
10	Rehabilitation of temples/kovils/churches/mosques	1,300	1 mn. per unit
11	Setting up of Solar Power facilities for religious Places	1,600	500,000 per unit
12	Housing development in rural and urban area- conversions to permanent roofs <i>(conversion of a temporary house to a permanent house with the community participation within the cost ceiling can be under taken.)</i>	25,000	300,000 per unit



## 15. ENTERPRISE SRI LANKA

Financial and Non Financial Schemes available under Enterprise Sri Lanka.

### A. INTEREST SUBSIDY LOAN SCHEME

Name of the Loan Scheme	Beneficiaries	Interest Subsidy from the Government	Interest rate to the Customer	Maximum Loan Amount Rs.	Repayment Period
<b>i.Ran Aswenna</b>	<b>CATEGORY I</b> Small Scale Farmers and Farmers Organizations, Floriculture farmers, Entrepreneurs in ornamental fish related businesses	50%	6.93%	5,000,000	7 years (including 1 year grace period)
	<b>CATEGORY II</b> Agro and fish Processing and multiday boats with modern facilities.	50%	6.93%	300,000,000	7 years (including 1 year grace period)
	<b>CATEGORY III</b> Companies engaged in Commercial Scale Farming	50%	6.93%	750,000,000	7 years (including 1 year grace period)
<b>ii.Govi Navoda</b>	Small scale farmers, Farmers' organizations (for mechanizing the cultivation activities)	75%	3.46%	500,000	7 years (including 1 year grace period)
<b>iii.Riya Shakthi</b>	Owners of the school service vans	75%	3.46%	4,000,000	5 years
<b>iv.City Ride</b>	Private Bus Owners who are willing to purchase a luxury bus / low floor board instead of the existing old bus and the reputed companies who are willing to provide comfortable transport service for their employees	75%	3.46%	10,000,000	5 years (including 1 year grace period)
<b>v. Mini Taxi / Electric Three Wheel</b>	Persons who are 35 years of age or above, who owns a three wheel used for hiring purpose are eligible for this loan to purchase a small motor vehicle/electric three wheel to use as a taxi. The existing three wheels should be disposed.	75%	3.46%	2,000,000	5 years

Name of the Loan Scheme	Beneficiaries	Interest Subsidy from the Government	Interest rate to the Customer	Maximum Loan Amount Rs.	Repayment Period
vi.Rivi Bala Savi	Households who are expected to fix solar power panels	50%	6.93%	350,000	5 years
vii.Diri Saviya	<b>CATEGORY I</b> Poultry producers	100%	0%	50,000	4 years (including 3 months grace period)
	<b>CATEGORY II</b> Self Employees	50%	6.93%	1,000,000	7 years (including 1 year grace period)
	<b>CATEGORY III</b> Entrepreneurs engaged in animal husbandry	50%	6.93%	5,000,000	7 years (including 1 year grace period)
viii.Jaya Isura	<b>CATEGORY I</b> Small enterprises with an annual turnover between Rs. 10 Mn to Rs 250 Mn and with an employment cadre of 5 to 50 who are engaged in Agriculture, Fisheries Ornamental fisheries livestock, floriculture, horticulture, light engineering, printing, tourism, handicrafts, wood based products, apparel, information technology manufacturing industry and renewable energy sectors.	50%	6.93%	100,000,000 (Export)	7 years (including 1 year grace period)
				50,000,000 (Non export)	



Name of the Loan Scheme	Beneficiaries	Interest Subsidy from the Government	Interest rate to the Customer	Maximum Loan Amount Rs.	Repayment Period
	<p><b>CATEGORY II</b> Medium entrepreneurs with an annual turnover between Rs 250 Mn to Rs 750 Mn and with an employment cadre of 51 to 300 who are engaged in the same sectors mentioned under the Category I.</p>	25%	10.40%	400,000,000 (Export) 200,000,000 (Non export)	7 years (including 1 year grace period)
<b>ix.Sonduru Piyasa</b>	Owners of the houses with less than 1500 sq.ft. who expect to expand or complete the house	50%	6.93%	200,000	7 years
<b>x.Madya Aruna</b>	<p><b>CATEGORY I</b> (to Purchase media equipment) Registered Journalists</p>	100%	0%	300,000	5 years including 1 year grace period
	<p><b>CATEGORY II</b> (to upgrade media equipment) Registered Journalists</p>	50%	6.93%	150,000	5 years including 1 year grace period
<b>xi.My Future Loan</b>	Student who passed Advance Level	100%	0%	1,100,000	12 Years
<b>xii.Erambuma Credit Scheme</b>	Young Graduates and National Vocational Qualifications 5,6 and 7 level certificate holders	100%	0%	1,500,000	7 years including 2 years grace period
<b>xiii.Green Loan</b>	<p><b>CATEGORY I</b> Bio degradable bags and packing material producers, small scale hoteliers and organic fertilizer producers,  Three Wheeler owners (only for fixing meter and maximum amount is Rs. 20,000)</p>	50%	6.93%	1,000,000	10 years (including 1 year grace period)
	<p><b>CATEGORY II</b> (Homestay programme) Persons who run or willing to run Homestays for Tourists.</p>	More than 50%	6%	5,000,000	10 years (including 1 year grace period)

Name of the Loan Scheme	Beneficiaries	Interest Subsidy from the Government	Interest rate to the Customer	Maximum Loan Amount Rs.	Repayment Period
<b>xiv. Home Sweet Home</b>	<p>Private and Public sector, waged employees to purchase/ construct the first house through following activities.</p> <ul style="list-style-type: none"> <li>• To purchase a house from housing development projects implemented by the National Housing Development Authority (NHDA) the Urban Development Authority (UDA) or the private sector.</li> <li>• To purchase a house from housing projects constructed by the private sector.</li> <li>• To purchase a single house</li> <li>• To build a first house for their own use.</li> </ul>	40% for the first 5 years	<p>7% (subsidy paid for first 5 years only)</p> <p>12% for balance 20 years.</p>	10,000,000	25 years

Name of the Loan Scheme	Beneficiaries	Interest Subsidy from the Government	Interest rate to the Customer	Maximum Loan Amount Rs.	Repayment Period
<b>xv.Rakawarana</b>	<p><b>CATEGORY I</b></p> <p>Individuals and the institutions who have the capacity to maintain child day care centers. NVQ Certificate holders should be employed and those centers should be operated in accordance with national guidelines for child day care centers used by the Ministry of Women and Child Affairs and Dry Zone Development.</p>	75%	3.46%	3,500,000 for each center	7 years (including 2 years grace period)
	<p><b>CATEGORY II</b></p> <p>Private sector investors who are willing to construct and improve elderly care centers. NVQ certificate holders should be employed and those centers should be operated in accordance with the SLS 1506: 2015 standards</p>	75%	3.46%	10,000,000	7 years (including 2 year grace period)
<b>xvi.Sigithipasala</b>	<p>Investors who are willing to establish new pre schools or to refurbish existing pre schools. A qualified staff should be employed.</p>	50%	6.93%	2,000,000	7 years (including 1 year grace period)

Name of the Loan Scheme	Beneficiaries	Interest Subsidy from the Government	Interest rate to the Customer	Maximum Loan Amount Rs.	Repayment Period
<b>xvii.Sihinamaliga</b>	<p>Sri Lankan migrant workers registered under the Foreign Employment Bureau and currently working abroad. The applicants should have remitted a considerable amount of money earned in any foreign currency to any bank operating in Sri Lanka.</p> <p>Loan should be for following purposes.</p> <ul style="list-style-type: none"> <li>• Build a new house.</li> <li>• Renovate the existing house</li> <li>• Demolish the existing house and put up a new house.</li> <li>• Purchase a new house.</li> <li>• Purchase a land and put up a house or purchase a house and renovate it.</li> </ul>	75%	3.46%	10,000,000	15 years (including 2 years grace period)

**B. DONOR FUNDED RE FINANCE LOAN**

Name of the Loan Scheme	Beneficiaries	Interest Subsidy from the Government	Interest rate to the Customer	Maximum Loan Amount Rs.	Repayment Period
i. Roof top Solar Power Generation line of Credit	<b>CATEGORY I</b> Households (maximum capacity 50K watts)	-	8%	7,500,000	10 years
	<b>CATEGORY II</b> Entrepreneurs (maximum capacity 50K watts)	-	8%	ADB (USD 50 million for 1st tranche and top up to USD 200 million based on progress)	10 years (including 6 months grace period)
ii. Small & Medium sized Enterprises Line of Credit Project	SME Entrepreneurs	-	11% -14%	50,000,000 ADB (USD 175 million)	10 years (including 2 years grace period)
iii. Pavithra Ganga Initiative	The Companies that already discharge their waste into the Kelani River, Lagoons	-	6.5%	30,000,000 JICA	10 years (including 2 years grace period)

**C. FINANCIAL & NON FINANCIAL SUPPORT PROGRAMME**

Name of the Loan Scheme	Beneficiaries	Interest Subsidy from the Government	Interest rate to the Customer	Maximum Loan Amount Rs.	Repayment Period
<b>i. National Credit Guarantee Institution (NCGI)</b>	SME Entrepreneurs	Maximum coverage 1/3rd of the Loan	Annual premium 1%-2%	Donar Agency ADB (USD 100 million)	-
<b>ii. Supporting for the formation of SME Companies</b>	Youth, Women, Farmers and people who are willing to establish SME Companies.	<p><b>Non Financial Benefits</b> Technical support to incorporate companies, maintain books and records, negotiations with financial institutions, access to market.</p> <p><b>Financial benefits</b> Loan or leasing facilities through State Banks and minimum 75% of loan installment or lease cost paid by the Government, concessionary loans are provided under the "Enterprise Sri Lanka" Programme.</p> <p><b>Government Subsidies</b> Small and Medium sized Companies – 75% of the monthly Intallment including the loan installment and the interest.</p> <p>Women – led – SME Companies – 85% of the monthly installment including the loan installment and the interest.</p> <p>SME Companies operated by the differently abled persons – 90% of the monthly installment including the loan installment and the interest.</p>			

## 16. HIGH VALUE INVESTMENT INCENTIVES

### Proposed Incentives to Accelerate High Value Domestic and Foreign Direct Investments Large Scale Projects (Investment Above \$100 Million)

The incentive regime for large scale projects is as follows;

- 1.1 Income tax computation for Investments over \$100 Mn:** A person that invests a total sum of US\$ 100 mn or more in depreciable assets, excluding intangible assets, in a project approved by the Board of Investment of Sri Lanka established under Board of Investment Law No. 4 of 1978 shall be eligible for a deduction of 150% of such actual expenditure incurred in each of such years on such assets for a period of 10 years from commercial operations;
- 1.2 Applicable up-front taxes:** Only during project implementation or construction period until commencement of commercial operations, the following exemptions from up-front taxes are proposed for investment projects above \$100mn.
- 1.2.1 NBT: Exempt
  - 1.2.2 PAL: Exempt
  - 1.2.3 Cess: Cess will be exempt on all project related items
  - 1.2.4 Duty and other taxes on negative list items: The negative list shall not apply and \$100Mn projects may import project related items or purchase locally at their discretion.

Note: The necessary guidelines for claiming exemptions will be published. Since it is difficult to separate project related items that are intended for use in residential components, in investments made in mixed development projects as long as the investment (depreciable assets excluding intangible assets, land, and residential units for sale) criteria is met, up-front tax exemptions will be applicable for the residential component as well.

### 1.3 Investments over US\$ 1 billion

For investments over US\$ 1 billion, in addition to the benefits outlined in 1.1 and 1.2, the period for deduction of unrelieved losses shall be 25 years.

The rate of dividend tax paid by the company to a non-resident shall be zero during the period that such dividends are paid out of profits sheltered by enhanced capital allowances.

Expatriate employees in a company investing more than US\$ 1 billion shall be exempt from withholding tax on employment income during the period that profits are sheltered by enhanced capital allowances.

### 1.4 Mid-size Investments over US\$ 50 million

For investments over US\$ 50 million but less than US\$ 100 million, the additional deduction would be 100% on actual expenditure under the same conditions of Section 1.1. The provisions of Section 1.2 will also apply, whereby upfront taxes will be exempt for such investments during the period of construction, prior to commencement of commercial operations.

### 1.5 Enshrining the Incentives

It is proposed to Amend the BOI Law (and any other legislation as may be necessary) to permit the investors who sign an agreement under the BOI law to enjoy the above concessions under the IR Act and other statutes, prevailing at the time of signing the agreement.

- 1.5.1 It is therefore proposed that at the time of signing the BOI Agreement, it will mirror the relevant provision in the IR Law and other statutes. This does not mean that the BOI shall be conferred with the right to waive, modify or exempt the application of the IR Law as permissible under BOI Law's Schedule B provisions.

## 17. WOMEN ON CORPORATE BOARDS

### Proposal on encouraging more women representation on corporate boards

The proposed sequencing of introducing mandatory representation of women on corporate boards is as follows;

- i) SEC will introduce a voluntary target of 30% of women in director boards of companies listed on the CSE. All listed companies shall disclose the percentage of women on their boards in their Annual Report.
- ii) By December 31st 2020 all listed companies that are unable to meet the 30% voluntary target will be required to disclose reasons for being unable to do so.
- iii) By December 31st 2022 all listed companies shall have at least 20% of board seats occupied by women.
- iv) By December 31st 2024 all listed companies shall have at least 30% of board seats occupied by women.



## 18. REVENUE PROPOSALS – 2019\* (EXPECTED COLLECTION)

NO.	Proposal	Rs. Mn / Per Annum
1	Revision of Excise duty on motor vehicles and implementation of luxury tax on luxury motor vehicles	48,000
2	Revision of Value Added Tax on disposal of garments by BOI approved enterprises to the local markets	500
3	Revision of Excise duty on cigarettes, liquor and selected goods	37,000
4	Revision of Embarkation Levy and issuance fee of Passports	8,000
5	Revision of CESS duty on Tendu (Beedie) leaves	2,000
6	Imposition of Nation Building Tax on all foreign payments including off-shore digital services, made by using Credit Cards or Debit Cards and manufacturing of cigarettes	5,000
7	Revision of Fees and Charges, which have not been revised since 2016 by 15%, fee of issuance of motor vehicles special number plates and expressways peak hours toll fee and implementation of Tourism Development Levy	18,000
8	Revision of Customs Import Duty on selected goods, tobacco and liquor	20,000
9	Economic Service Charge on selected goods	15,000
10	Revision of License Fee of Casino and Rudjino Games and Casino Turnover Levy and Casino admission fee	2,500
11	Provision for Revenue Foregone by adjustments to the Inland Revenue Act, Ports and Airports Development Levy and CESS Duty	(6,000)

Compiled by Department of Fiscal Policy

\* Revenue impact of certain revenue proposals have already been taken into the revenue estimates submitted together with the Appropriation Bill 2019.

## 19. BUDGET ALLOCATION - 2019

Description.	Allocation recurrent	Rs.Mn capital
<p>Establish a SME Guarantee Fund</p> <p>Fund established under the Central Bank of Sri Lanka to provide guarantee to the SME Sector to obtain loans under "Enterprise Sri Lanka" Loan schemes.</p>		500
<p>Agri-business Supporting Scheme for Farmers</p> <p>Establishment of Demonstration Parks by the Agriculture Sector Modernization Project to support to the linkage of farmers with agri-business value chains for the infusion of technology and developing high value crops.</p>		250
<p>Establish Warehousing Facilities in Katunayake, Embilipitiya, Jaffna and Keppetipola</p> <p>Setting up modern climate controlled warehousing facilities.</p>		400
<p>Facilitate Establishment of a Research Facility for Tyre Testing &amp; Development by the Private Sector</p> <p>Export Development Board to facilitate the private sector to establish a fully fledged research facility</p>		50
<p>Support for Cinnamon Training Academy at Kosgoda for Technology Transfer to Farmers</p>		75
<p>Obtain and Maintain Geographical Indications (GI) for Ceylon Cinnamon</p> <p>Ceylon Cinnamon will be supported to obtain and maintain GI, in line with the Country's policy to protect the identity of its products.</p>		50
<p>"Nangwamu Lanka" Micro and Small Enterprise Development Program</p>		2000
<p>50% Subsidy for Improving Stowage Facility and Safety Standards of Multiday Boats</p> <p>"Ran Aswenna" concessionary loan of the "Enterprise Sri Lanka" scheme could be accessed to finance the balance 50% of the cost.</p>		300

Description.	Allocation recurrent	Rs.Mn capital
Free Glass of Milk for School Children  A free glass of milk will be provided to students in all rural schools in the Country.	1000	
Providing Sanitary Facilities.		4000
Improve Sanitary Facilities in Bus Terminals and Railway Stations		1000
Providing Salary Subsidy for Recruitment of Disability People by Private Entities  Private entities that recruit at least 5 persons with disabilities will be provided with a salary subsidy of 50% of the salary per person, upto an upper limit of Rs. 15,000/- per person per month for a period of 24 months.	200	
Establish two "Kibbutz style" Farms at Ambepussa and Weerawila  To rehabilitate drug addicted inmates, two "Kibbutz Style" farms will be established under the Prison Authorities.		250
Establish a Training Center for Female Inmates at Dompe  A facility for training and development in spheres, such as arts and crafts, and other productive livelihood skills will be established for Female Inmates.		50
Brick and Mortar Type Housing Scheme in North & East		5500
National Export Strategy  The National Export Strategy includes the implementation of the National Quality Infrastructure Strategy, which is a public-private collaboration that entails upgrading of technical facilities for export product development and import quality testing.		250
Support Sri Lankan Firms to Enter India and China Markets  Trading Houses for priority sectors, in collaboration with private sector in key markets will be established to support Sri Lankan firms in securing distribution networks, buyer linkages, and other ground support.		50
Implementation of the Trade Adjustment Programme  In order to make recommendation on implementing the Trade Adjustment Program, a Trade and Productivity Commission under the Ministry of Development Strategies and International Trade will be established.	50	200

Description.	Allocation recurrent	Rs.Mn capital
<p>Enterprise Innovation Programme</p> <p>Enterprise Innovation Program will support the development of innovative new products and technology by Sri Lanka firms providing matching grants for proof of concept, prototyping, R &amp; D and technology adoption.</p>		50
<p>Infrastructure Facilities for Bingiriya and Wagawatta Industrial Zones</p>		500
<p>Establish Industrial Zones-KKS,Manthai East, Paranthan,Kondachi, Kinniya,Samanthurai&amp;Trincomalee</p>		1000
<p>Curb illegal Smuggling and Narcotic Trade</p> <p>A Consolidated Border Control Unit will be introduced. Marine Division of customs will be re-established in order to stamp-out illegal smuggling and the narcotics trade</p>		250
<p>Establish a Revenue Intelligence Unit</p> <p>A Revenue Intelligence Unit will be established at Ministry of Finance to assist customs, Inland Revenue and Excise.</p>	50	200
<p>Continuous Professional Development (CPD) of Teachers Courses will be conducted during School holidays by the infusion of technology.</p>		100
<p>Contribution to Scholarship for Educational Excellence (SEE) Fund</p> <p>SEE Fund will facilitate the Country's top performers at Physical Science, Biological Science, Technology, Commerce and Arts at the Advanced Level Examination to pursue their undergraduate education at top universities, such as Harvard, MIT, Oxford, Cambridge etc</p>		500
<p>Establish Professorial Units at Kuliyaipitiya and Ratnapura Hospitals</p> <p>Develop Faculty of Allied Health Science at Ruhuna University and Laboratory Facilities at Medical Faculty – Sri Jayawardenapura University</p> <p>To complement the Medical Faculties at the Wayamba and Sabaragamuwa Universities, Professorial units at Kuliyaipitiya and Ratnapura Hospitals will be established. A Faculty of Allied Health Science at the Ruhuna University and a "State of the Art" Laboratory to be set up at the Medical Faculty of the Sri Jayawardenapura University.</p>		600

Description.	Allocation recurrent	Rs.Mn capital
<p>Tamil Medium Teacher Training</p> <p>To promote Tamil Medium Teacher Training through the Ministry of National Integration, Official Languages, Social Progress &amp; Hindu Affairs.</p>		400
<p>Payment of Stipend to Trainees who follow Accredited Training Courses of Health Sector</p> <p>The Private sector to offer internationally accredited training courses for Nurses and the Government to provide a stipend of Rs.10,000/- per month per trainee, for a period of 2 years. Pharmaceutical companies to hire science graduate apprentices for a 1 year program, to be accredited by an appropriate institution, and the Government to provide a stipend of Rs 15,000/- per month per apprentice for that year.</p>	100	
<p>Vocational Training for Youth in Low Income Families</p> <p>Sri Lanka Army to provide vocational training to interested persons especially from low income backgrounds. The trainees to be paid a stipend and also to provide the concessionary season ticket already made available to VTA trainees.</p>	100	
<p>Set up 300 Base Stations for "Suwasariya" Ambulance Service</p> <p>"Suwasariya" Ambulance Service to be expanded Island-wide. 100 base stations to be set up this year and 200 in 2 years.</p>		200
<p>Provide Home Dialysis Machines and Strengthen Hemo-Dialysis Centers with RO Water Plants</p> <p>To provide Home Dialysis Machines and also to strengthen the Hemo-Dialysis Centres in 45 hospitals, together with RO Water Plants.</p>		500
<p>Door-Step Screening for Early Detection of CKDu</p> <p>To strengthen Early detection through Door-step Screening in the most CKDu vulnerable districts in the country</p>		50
<p>Rabies Control through Sterilization Programme for Stray Dogs</p> <p>A comprehensive sterilization program for stray dogs to be introduced by the Dept. of Animal Production and Health (DAPH)</p>		100

Description.	Allocation recurrent	Rs.Mn capital
Capacity Building in Palliative-care To facilitate capacity building in Palliative-care for Doctors, Nurses and other medical professionals.		50
Upgrade two Sports Stadiums The Bernard Aluwihare Sports Stadium in Matale, and the Weerasinghe Mallimarachchi Playground in Kolonnawa, to be upgraded		300
Contribution to National Olympic Fund The National Olympic Fund will be enhanced to support sports, such as Athletics, Volleyball, Table Tennis, etc.		100
“Science at Work” Challenge Programme To introduce the “Science at Work” Challenge, where challenges in the following 5 themes will be posed to the Scientific Community to work on, and viable solutions will be supported to be implemented with the allocation of the required finances.  Reducing post-harvest losses in agriculture and fisheries  Creating global benchmark yields in Paddy and Minor crops  Addressing Human-Elephant conflictCreate a 1,500 sq.ft. low-cost livable Housing Units  Value addition to local medicinal plants and bio-products to position them as Nutra-ceuticals.		50
“Sukithapurawara” Township Development Programme To facilitate the “Sukithapurawara” Township Development Program which covers all 9 Provinces being implemented to enhance inclusive and sustainable urbanization in the country		2,000
Restoration of Water Quality of Beira Lake Beira Lake Cleaning project to be completed in order to restore water quality.		800

Description.	Allocation recurrent	Rs.Mn capital
<p>Reconstruction of Jaffna Town Hall</p> <p>The iconic old Town Hall building in Jaffna to be reconstructed</p>		700
<p>Safeguarding and Protecting Hill Country Heritage</p> <p>To nurture crafts, architecture, cultural aspects, traditions, indigenous medicine and places with historical value, inherent to the Hill country.</p>		900
<p>Bogambara Prison Re-Development Project</p> <p>The Bogambara Prison to be re-developed and re-positioned as a Public Space in 2 years.</p>		700
<p>Township Developments in Kalmunai&amp;Samanthurai</p> <p>To support Township Development work in Kalmunai, Valachanei, ThalaiMannar&amp;Samanthurai .</p>		1000
<p>“PrajajalaAbhiman” Water Supply Scheme</p> <p>Community based water supply scheme -“PrajajalaAbhiman” to cover 1,000 villages, where almost 200,000 families will benefit in the next 2 years.</p>		1,500
<p>“Sahasara Bus Modernization” Programme</p> <p>Under the “Sahasara” Bus Modernization Program private sector bus employees will have EPF ETF contributions and are eligible for loan facilities. A Revenue Support Fund will be established as a transitional arrangement to enable bus owners to be paid on a monthly basis for the kilometer operated, and to introduce starting with the Central and the Western Provinces, pre-paid fare cards, electronic tracking of buses, using GPS and information on next bus and bus schedules, delivered to the palm of the passenger through mobile applications.</p>		1,000
<p>Acquiring 250 New Busses with Modern Facility and User Friendly Standards to SLTB</p> <p>SLTB’s fleet to be expanded with the additional 250 buses with safety &amp; user-friendly standards in the next 2 years. SLTB to introduce buses that are more suited for those with special needs</p>		1,500
<p>“Ran Mawath” Rural Roads Maintenance and Construction Programme</p> <p>For maintenance and construction of, mainly rural roadsthrough the “Ran Mawath” Development Program.</p>		10,000





Description.	Allocation recurrent	Rs.Mn capital
Public Sector quality and productivity improvement through Technology and Modernisation		400
Bribery and Corruption Awareness Programme for the Public		100
e- Government Digital Document Management		100
The digitalization of Government procedures will continue into 2019 with focus on e-Governmental Digital Document Management.		
“Gramashakthi” Production Villages Programme		500
Entrepreneurs in “Gramashakthi” Production Villages will be further assisted through access to technology.		
“Smart Sri Lanka” Programme		500
Youth empowerment through enhancement of skills will be further supported by the ‘Smart Sri Lanka’ project.		
Establish Community based “Green – Clubs” in each Divisional Secretariat		450
These Clubs will be engaged, especially to expedite the planting of 2.5 million trees, cleaning beaches, separation of waste, etc.		
Replanting Mangroves establishing nurseries		50
Allocating provisions to “Disaster Management Contingency Fund”	10,000	
Having experienced many impacts in recent past the victims of disasters, both individual and corporate, will have to be compensated immediately through this fund.		
<b>National Natural Disaster Insurance Scheme</b>	1,000	
It is required to strengthen the natural disaster insurance scheme that the Government introduced in 2016, by allocating an additional Rs.1,000 Mn. from this year, to increase the Annual Government Premium from Rs.500 Mn. to Rs.1,500 Mn.		
Enhance initiatives to Dry Zone Development		250
Improve Infrastructure Facilities at Madhu Church Sacred Area		200

Description.	Allocation recurrent	Rs.Mn capital
Renovate John De Silva Theatre		700
Modernize National Art Gallery		100
Establish World-Class Performance Centre In Moratuwa		300
Communication and Awareness Programs by Secretariat for Coordinating Reconciliation Mechanism(SCRM)		200
Establishment of Office for Reparations	400	300
The Office for Reparations Bill was passed and work will begin in 2019. Required resources will be provided for the office to be set and staffed adequately.		

Description.	Allocation recurrent	Rs.Mn capital
Support for Missing Persons until Establishment of Office of Reparations	500	
The Office of the Missing Persons (OMP) will be adequately resourced to support families of all missing persons island-wide, including the MIA's of the Armed forces and the Police, who have obtained Certificates of Absence.		
Seed Capital for "Palmyrah Fund"		2,500
To fast track development in the North and the East, "Palmyrah Fund" will be established , with an investment of Rs.5,000 Mn spread over 2 years.		
Investment Assistance Programme in North		750
In 2018, significant investment in producer co-operatives sought to urgently create jobs and decent incomes by initiating 50 small industries in the rural economy. This program will be scaled up with another 50 co-operative small industries and take existing industries to the next stage of development.		
Debt Relief Scheme continue through the Co-operative, Rural Banks and Thrift and Credit Cooperative Societies		250
Project for Toddy Bottling and Jaggery Production		100
An Integrated Project to create Industrial Scale production of Toddy Bottling and production of Jaggery will be set up in the Northern Province, in collaboration with relevant Co-operative Societies		

Description.	Allocation recurrent	Rs.Mn capital
<p>Establish a Central Economic Center connecting 10 Satellite Economic Centers</p> <p>To facilitate more efficient trade links between farmers and the market, 10 Satellite Economic Centres connected to a Central Economic Centre will be established in the Northern Province.</p>		100
<p>Rehabilitation of Giant Tank in Mannar</p> <p>The Giant Tank will be rehabilitated, facilitating Agriculture, especially in Mannar.</p>		300
<p>Debt Relief Program for Women in Drought Affected Areas</p> <p>The initial step taken since June 2018 will be followed up with concessionary loans from the "Enterprise Sri Lanka" program and the Cooperative movement</p>		500
<p>Reconciliation and Sustainable Livelihood through Various Programmes</p> <p>Our efforts to ensure reconciliation and provide a sustainable livelihood in the Northern Province, will be further strengthened through the work undertaken by ONUR, including "Sahodara Pasal", "Heal the Past – Build the Future", "Viruliya Shakthi" a Programme for Military Widows, Programmes for Peace through Arts &amp; Culture and the Integrated Village Development Program.</p>		750

## 20. SUMMARY OF BUDGET (2015 – 2019)

Item	Rs. Billion					
	2015	2016	2017	2018 Provisional	2019 Budget	2020 Projection
<b>Total Revenue and Grants</b>	<b>1,534</b>	<b>1,773</b>	<b>1,932</b>	<b>2,025</b>	<b>2,464</b>	<b>2,859</b>
<b>Total Revenue</b>	<b>1,528</b>	<b>1,766</b>	<b>1,924</b>	<b>2,013</b>	<b>2,451</b>	<b>2,844</b>
<b>Tax Revenue</b>	<b>1,356</b>	<b>1,464</b>	<b>1,671</b>	<b>1,712</b>	<b>2,077</b>	<b>2,420</b>
Income Tax	263	259	275	310	385	480
Taxes on Goods and Services	804	842	1,026	1,062	1,293	1,510
Taxes on External Trade	289	363	370	340	399	430
<b>Non Tax Revenue</b>	<b>99</b>	<b>222</b>	<b>161</b>	<b>208</b>	<b>267</b>	<b>302</b>
<b>Provincial Council Tax Sharing and Devolved Revenue</b>	<b>73</b>	<b>80</b>	<b>92</b>	<b>93</b>	<b>107</b>	<b>122</b>
<b>Grants</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>12</b>	<b>13</b>	<b>15</b>
<b>Total Expenditure</b>	<b>2,364</b>	<b>2,413</b>	<b>2,666</b>	<b>2,786</b>	<b>3,149</b>	<b>3,450</b>
<b>Recurrent</b>	<b>1,775</b>	<b>1,837</b>	<b>2,021</b>	<b>2,182</b>	<b>2,415</b>	<b>2,661</b>
Salaries and Wages including Provincial Councils	618	632	660	697	778	863
Other Goods and Services including Provincial Councils	201	169	167	160	178	183
Interest	527	611	736	852	913	1,000
Subsidies and Transfers	428	425	458	473	546	615
<b>Public Investment</b>	<b>603</b>	<b>594</b>	<b>657</b>	<b>625</b>	<b>756</b>	<b>811</b>
Other	(14)	(18)	(12)	(21)	(22)	(22)
<b>Revenue Surplus (+)/Deficit(-)</b>	<b>(247)</b>	<b>(71)</b>	<b>(97)</b>	<b>(169)</b>	<b>36</b>	<b>183</b>
<b>Primary Surplus (+)/Deficit(-)</b>	<b>(303)</b>	<b>(29)</b>	<b>2</b>	<b>91</b>	<b>228</b>	<b>409</b>
<b>Budget Surplus (+)/Deficit(-)</b>	<b>(830)</b>	<b>(640)</b>	<b>(734)</b>	<b>(761)</b>	<b>(685)</b>	<b>(591)</b>
<b>Total Financing</b>	<b>830</b>	<b>640</b>	<b>734</b>	<b>761</b>	<b>685</b>	<b>591</b>
<b>Total Foreign Financing</b>	<b>369</b>	<b>429</b>	<b>382</b>	<b>465</b>	<b>55</b>	<b>120</b>
Foreign Borrowings-Gross	556	574	601	772	720	700
Project and Programme Loans	173	208	220	210	270	300
Foreign Commercial	383	366	381	562	450	400
Debt Repayment	(187)	(145)	(219)	(307)	(665)	(580)
<b>Total Domestic Financing</b>	<b>461</b>	<b>211</b>	<b>352</b>	<b>296</b>	<b>630</b>	<b>471</b>
Non - Bank Borrowings	197	399	120	279	362	295
Foreign Investments in T-Bills and T-Bonds	223	(121)	54	(129)	180	140
Bank Borrowings	41	(67)	133	38	88	36
Divestiture proceeds			45	108	-	
<b>Revenue and Grants/GDP (%)</b>	<b>14.0</b>	<b>15.0</b>	<b>14.5</b>	<b>14.1</b>	<b>15.8</b>	<b>16.8</b>
<b>Total Revenue/GDP (%)</b>	<b>14.0</b>	<b>14.9</b>	<b>14.5</b>	<b>14.0</b>	<b>15.7</b>	<b>16.7</b>
Tax Revenue/GDP	12.4	12.4	12.6	11.9	13.3	14.2
Non Tax Revenue/GDP (%)	0.9	1.9	1.2	1.4	1.7	1.8
PC Tax Sharing and Devolved Revenue/GDP (%)	0.7	0.7	0.7	0.6	0.7	0.7
<b>Grants/GDP (%)</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
<b>Total Expenditure/GDP (%)</b>	<b>21.6</b>	<b>20.3</b>	<b>20.1</b>	<b>19.4</b>	<b>20.2</b>	<b>20.3</b>
Recurrent Expenditure/GDP (%)	16.2	15.5	15.2	15.2	15.5	15.7
Non Interest including Provincial councils/ GDP (%)	11.4	10.4	9.7	9.3	9.6	9.8
Interest/ GDP (%)	4.8	5.1	5.5	5.9	5.9	5.9
Public Investment/ GDP (%)	5.5	5.0	4.9	4.4	4.8	4.8
Revenue Surplus (+)/Deficit (-) GDP (%)	(2.3)	(0.6)	(0.7)	(1.2)	0.2	1.1
Primary Surplus (+)/Deficit (-) GDP(%)	(2.8)	(0.2)	0.0	0.6	1.5	2.4
<b>Budget Surplus (+)/Deficit (-) GDP(%)</b>	<b>(7.6)</b>	<b>(5.4)</b>	<b>(5.5)</b>	<b>(5.3)</b>	<b>(4.4)</b>	<b>(3.5)</b>

## APPENDIX 01

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# Recent Amendments to the **VAT, NBT & ESC Acts.**

# VALUE ADDED TAX AMENDMENT ACT, NO. 25 OF 2018 AS CERTIFIED BY THE SPEAKER ON 16TH AUGUST 2018.

According to the Amendment Act, the significant changes are as follows.

## 1) CHANGING THE PIECE BASE FOR VAT ON CERTAIN GARMENTS

Effective from August 16, 2018 the supply of panties, socks, briefs and boxer shorts (falling together with any other local supplies within the said permitted percentage) has been made liable to VAT at LKR 75/- per six pieces of any such items, and thereby reducing the liability on each such item.

The supply of such garments other than panties, socks, briefs and boxer shorts will continue to be taxed at LKR 75/- per one piece even after the commencement date of new amendment.

## 2) INTRODUCTION OF VAT REFUND SCHEME FOR TOURIST

Appropriate new provisions have been included in the VAT Act, to be effective from 14.09.2018 determined by the Minister (by a Gazete Order), for any tourist (defined) to be eligible for a refund of VAT paid on any prescribed goods purchased in Sri Lanka from an authorized retailer (defined), on the satisfaction of certain other conditions.

## 3) REMOVAL OF EXEMPTION

a) Exemption granted on imports and supply of following goods are terminated and made liable for VAT with effect from August 16, 2018 (unless otherwise stated).

- i) Aircrafts or Helicopters;
- ii) Sunglasses;
- iii) Wood (sawn);
- iv) Fabric for domestic consumption subject to a cess at a specific rate in lieu of chargeability of any other tax payable on importation at the point of entry into the country, as specified in a Gazette Notification issued under the Sri Lanka Export Development Act, No. 40 of 1979.

b) The supply of residential accommodation (other than lease or rent) was exempted from VAT (as per the amendment made by Act No. 20 of 2016). However, in terms of the present amendment, this exemption is terminated effective from August 16, 2018.

Nevertheless, an exemption has been provided on the supply (other than lease or rent), on or after April 1, 2019, of;

- i) Any residential accommodation (other than any condominium housing unit); or
- ii) Any condominium housing unit of a condominium housing project, being a project the price or market value (higher) of any housing unit thereof does not exceed LKR 15 mn.

c) Exemption granted on the imports of following goods are terminated and made liable for VAT with effect from August 16, 2018 (unless otherwise stated).

Aircraft engines or aircraft spare parts identified under specified Harmonized Commodity Description and Coding System Numbers for Custom purposes;

Cinematographic cameras and projector parts and accessories;

Aircraft stimulators and parts;

Green houses, poly tunnels and materials for the construction of green houses, by any grower of agricultural products or plants of any type;

Fabric, specified under the Harmonized Commodity Description and Coding System Numbers for Custom purposes.

#### **4) NEW EXEMPTIONS**

- a) Imports or supply of following goods are exempt from VAT with effect from the date stated.
- i) Exemption for infant milk is being continued as prevailed prior to November 01, 2016;
  - ii) Electrical goods identified under the Harmonized Commodity Description and Coding System Numbers for Custom Purposes with effect from November 1, 2016;
  - iii) Magazines, journals or periodicals with effect from November 11, 2016 as identified under the Harmonized Commodity Description and Coding System Numbers for Custom purposes;
  - iv) Plants, machinery or accessories for renewable energy generation identified under the Harmonized Commodity Description and Coding System Numbers for Custom Purposes with effect from November 11, 2016;
  - v) Medical machinery or medical equipment identified under the Harmonized Commodity Description and Coding System Numbers for Custom Purposes with effect from November 11, 2016;
  - vi) Energy saving bulbs with effect from January 01, 2017; and raw material for the manufacture of energy saving bulbs.
  - vii) Hot air balloons identified under the Harmonized Commodity Description and Coding System Numbers for Custom Purposes with effect from January 1, 2017.
- b) The supply of following goods or services are exempt from VAT with effect from the date stated.
- i) Locally manufactured jewellery for any period from November 22, 2016;
  - ii) All healthcare services provided by medical institutions or professionally qualified persons providing such care other than hospital room charges (exemption applicable for any period from July 02, 2018);
  - iii) Geriatric services or child care services from August 16, 2018;
  - iv) International telecommunication services provided by "External Gateway Operators" to local telecommunication operators from August 16, 2018;

#### **5) EXEMPTION FROM VAT ON FINANCIAL SERVICES (FS)**

Sri Lanka Deposit Insurance Scheme established by regulation made under the Monetary Law Act is exempt from VAT on FS with effect from April 1, 2018.

#### **6) AS PER THE GAZETTE NO. 2095/19 DATED 01.11.2018, SUPPLY OR IMPORT OF WOOD (SAWN) UNDER HS CODE 4407 & 4408 LIABLE TO VAT @ 5%.**

As per Gazette No. 2089/13 dated 17.09.2018 Importation of Fabric identified under the HS Code for custom purposes liable to VAT @ 5%.

# **NATION BUILDING TAX (NBT) AMENDMENT ACT NO. 20 OF 2018 (CERTIFIED ON 30.07.2018)**

## **1) ADDITIONS TO PART I - EXCEPTED ARTICLES**

- a) Locally manufactured coconut milk, coconut oil, poonac, pairing, coconut shells or coconut water at the point of sale by the manufacturer, for a period of three years commencing from 01.04.2018 (i.e. upto 01.04.2021)
- b) Importation of non-motorized equipment and accessories for water sports including Kayaks, Canoes, Kites Surfing, and diving;
- c) Non-powered equipment and accessories for aero sports including hang gliding, ballooning, dirigibles, parachuting and para-gliding, classified under Harmonized Commodity Description and Coding Numbers for customs purposes at the point of importation;
- d) Importation of gem stones for the purpose of re-export upon being cut and polished;
- e) Importation of equipment for greenhouse and poly tunnels and materials for the construction of greenhouses by any grower of agriculture products or plants of any type, subject to the condition that such items are not manufactured in Sri Lanka and are approved by the Director General, Department of Fiscal Policy on the recommendation of the Secretary to the ministry of the Minister assigned the subject of Agriculture;

## **2) ADDITION TO PART- II- EXCEPTED SERVICES**

- a) With effect from 01.04.2018, the services of construction contractor is excepted only if the agreement was executed prior to 01.08.2017.
- b) W.e.f. 01.04.2018, any service provided by Sri Lanka Deposit Insurance Scheme established by regulations made under the Monetary Law Act.

## **3) WITHDRAWAL OF EXCEPT ARTICLES**

- a) From 01.04.2018 Liquor identified under the HS codes and liable to Custom Duty and Cess on the importation, or Excise Duty on the manufacture, as the case may be, including such manufactured liquor in the stock that remains unsold as at October 25, 2014, which would have been otherwise liable to the same duty, if manufactured after October 25, 2014.



# **ECONOMIC SERVICE CHARGE AMENDMENT ACT NO. 33 OF 2018 (CERTIFIED ON 04.10.2018)**

## **1) WITH EFFECT FROM 1ST APRIL 2017**

ESC is charged from the Importers of motor vehicles on the CIF value of such vehicle imports plus Excise Duty if payable before clearance from the Sri Lanka Customs disregarding the threshold for ESC liability.

## **2) WITH EFFECT FROM 01.04.2017**

The relevant turnover is 1/10th of turnover from wholesale (including retail sale) of Petrol, Diesel or Kerosene of any filling station plus the entire turnover of other products (Lubricants etc) and the turnover from services rendered.



Knowing you.

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