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**Our Offices**

**Sri Lanka**

100 Braybrooke Place Colombo 02
T: (+94) 11 771 9700
F: (+94) 11 230 3197

**Republic of Maldives**

H. Thandiraiyange, 3rd Floor Roshanee Magu, Malé
T: (+960) 331 8342
F: (+960) 331 4601

**Who we are**

**Senior Management @ PwC**

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anilika Ranaweeru</td>
<td>Advisory - Business Development</td>
</tr>
<tr>
<td>Zahra Cader</td>
<td>Advisory - Consulting</td>
</tr>
<tr>
<td>Madhura De Silva</td>
<td>Advisory - Consulting - Finance</td>
</tr>
<tr>
<td>Pubudu Rupasinghe</td>
<td>Advisory - Consulting - Finance</td>
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<tr>
<td>Bazil Razik</td>
<td>Advisory - Consulting - Finance</td>
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<tr>
<td>Ruwani Munasinghe</td>
<td>Advisory - CF &amp; SC</td>
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<tr>
<td>Oshani De Silva</td>
<td>Advisory - ERP Implementation</td>
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<td>Shanil Algama</td>
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<tr>
<td>Dilan Walgampaya</td>
<td>Advisory - IT Security</td>
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<td>Janindu De Silva</td>
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<tr>
<td>Nuwan Dishan</td>
<td>Advisory - PwC Academy</td>
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<tr>
<td>Ashinie Perera</td>
<td>Advisory - Software Development</td>
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<td>Kishantha Nanayakkara</td>
<td>Advisory - Software Development</td>
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<tr>
<td>Yvette Ferdinands</td>
<td>Advisory - Technology Support</td>
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<tr>
<td>Anomi Wijesinghe</td>
<td>Audit &amp; Assurance Services</td>
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<tr>
<td>Chamani Jayanath</td>
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<td>Darshanie Senaratne</td>
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<td>Prasanta Misra</td>
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<td>Pushpa Panapitiya</td>
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<td>Tharanga Amarasena</td>
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<tr>
<td>Yamuna Amarapurna</td>
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**Partners & Directors**

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
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<tbody>
<tr>
<td>Yudhisthran Kanagasabai</td>
<td>Chief Executive Officer</td>
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<tr>
<td>Sujewa Mudalige</td>
<td>Assurance Leader</td>
</tr>
<tr>
<td>Channa Manoharan</td>
<td>Chief Operating Officer &amp; Advisory Leader</td>
</tr>
<tr>
<td>Lasanga Abeyasurya</td>
<td>Executive Director</td>
</tr>
<tr>
<td>Ravidu Gunasekera</td>
<td>Partner - Audit &amp; Assurance Services</td>
</tr>
<tr>
<td>Shamuna Hadgjie</td>
<td>Partner - Audit &amp; Assurance Services</td>
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<tr>
<td>Siriyanji Perera</td>
<td>Partner - Audit &amp; Assurance Services</td>
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<td>Thivanka Jayasinghe</td>
<td>Partner - Audit &amp; Assurance Services</td>
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<tr>
<td>Jaliinda Bhatrissy</td>
<td>Partner - Audit &amp; Assurance Services - Maldives</td>
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<tr>
<td>Nishan Mendis</td>
<td>Director - Consulting</td>
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<tr>
<td>Hiranthi C Ratnayake</td>
<td>Director - Tax Services</td>
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<tr>
<td>Charmaine Tillekeratne</td>
<td>Director - Finance &amp; Operations</td>
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<tr>
<td>Tamara Pakthaun</td>
<td>Director - Mergers &amp; Acquisition</td>
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</table>

**PwC Indonesia**

- H. Thandiraiyange, 3rd Floor Roshanee Magu, Malé
- T: (+960) 331 8342
- F: (+960) 331 4601
AUDIT AND ASSURANCE

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Contact:
Sujeewa Mudalige | T: (+94) 11 771 9700 Ext: 3001 | E: sujeewa.mudalige@lk.pwc.com
Thivanka Jayasinghe | T: (+94) 11 771 9700 Ext: 3003 | E: thivanka.jayasinghe@lk.pwc.com

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Contact:
Thulci Aluwihare | T: (+94) 11 771 9700 Ext: 5301 | E: thulci.aluwihare@lk.pwc.com
Channa Manoharan | T: (+94) 11 771 9700 Ext: 5002 | E: channa.manoharan@lk.pwc.com

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Contact:
Lasanga Abeysuriya | T: (+94) 11 771 9700 Ext: 5004 | E: lasanga.abeysuriya@lk.pwc.com

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Contact:
Lasanga Abeysuriya | T: (+94) 11 771 9700 Ext: 5004 | E: lasanga.abeysuriya@lk.pwc.com

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Transfer Pricing
Compliance Services
Indirect Tax
Employment Taxes
International Assignment Solutions

Contact:
Yudhishtran Kanagasabai | T: (+94) 11 771 9700 Ext: 5001 | E: yudhishtran.kanagasabai@lk.pwc.com
Hiranthi C. Rathayake | T: (+94) 11 771 9700 Ext: 4301 | E: hiranthi.c.rathayake@lk.pwc.com
Charmaine Tilakaratne | T: (+94) 11 771 9700 Ext: 4201 | E: charmaine.tilakaratne@lk.pwc.com
Tharanga Amarasena | T: (+94) 11 771 9700 Ext: 4401 | E: tharanga.amarasena@lk.pwc.com

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> Business
> Cost Optimisation with ERP and Processes
> Business integration with ERP IT strategy
> Business Cases for Change

Contact:
Yudhishtran Kanagasabai | T: (+94) 11 771 9700 Ext: 5001 | E: yudhishtran.kanagasabai@lk.pwc.com
Channa Manoharan | T: (+94) 11 771 9700 Ext: 5002 | E: channa.manoharan@lk.pwc.com
Sujeeva Mudalige | T: (+94) 11 771 9700 Ext: 3001 | E: sujeewa.mudalige@lk.pwc.com
Tharanga Amarasena | T: (+94) 11 771 9700 Ext: 4401 | E: tharanga.amarasena@lk.pwc.com
Oshani De Silva | T: (+94) 11 771 9700 Ext: 1401 | E: oshani.desilva@lk.pwc.com
Nishan Mendis | T: (+94) 11 771 9700 Ext: 5101 | E: nishan.mendis@lk.pwc.com
Dilan Walgampaya | T: (+94) 11 771 9700 Ext: 2201 | E: dilan.walgampaya@lk.pwc.com

Yudhishtran Kanagasabai | T: (+94) 11 771 9700 Ext: 5001 | E: yudhishtran.kanagasabai@lk.pwc.com
Channa Manoharan | T: (+94) 11 771 9700 Ext: 5002 | E: channa.manoharan@lk.pwc.com
Sujeewa Mudalige | T: (+94) 11 771 9700 Ext: 5301 | E: sujeewa.mudalige@lk.pwc.com
Thivanka Jayasinghe | T: (+94) 11 771 9700 Ext: 5001 | E: thivanka.jayasinghe@lk.pwc.com
Sujeewa Mudalige | T: (+94) 11 771 9700 Ext: 5301 | E: sujeewa.mudalige@lk.pwc.com
Thilini Aluwihare | T: (+94) 11 771 9700 Ext: 5301 | E: thilini.aluwihare@lk.pwc.com
Sujeewa Mudalige | T: (+94) 11 771 9700 Ext: 5301 | E: sujeewa.mudalige@lk.pwc.com
Nishan Mendis | T: (+94) 11 771 9700 Ext: 5101 | E: nishan.mendis@lk.pwc.com
Oshani De Silva | T: (+94) 11 771 9700 Ext: 1401 | E: oshani.desilva@lk.pwc.com
## Budget Proposals 2016

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**Sri Lanka Budget Focus – 2016**

Minister of Finance stated that the Policy Statement made by the Hon. Prime Minister in Parliament on 5 November 2015 forms the platform for the Budget 2016. The Statement sets out the following medium term strategies:

- Generating one million employment opportunities
- Enhancing income levels
- Development of rural economies
- Ensuring land ownership to rural and estate sectors, the middle class and government employees
- Creating a wide and strong middle class

In pursuance of these strategies, the focus of the Budget 2016 is to establish the economic foundation correctly and introduce reform measures to ensure an environment propitious for economic growth.

A key reform measure is the simplification of the tax system. The simplification of the tax system is sought by removing a large number of existing taxes which were complicating the tax system, rationalising the rate structure of other taxes, withdrawing certain tax exemptions and streamlining the grant of tax concession under the supervision and monitoring of the Ministry of Finance.
Overview of Key Taxation Proposals

1 Corporate Income Tax
(Effective from 01.04.2016)

1.1 Rate Structure

Rate structure to be revised to two tax rates;

I. Standard rate of 15% - all the sectors, other than sectors given below

II. Higher rate 30%:
   a) Betting & Gaming
   b) Liquor
   c) Tobacco
   d) Banking and Finance including insurance, leasing and related activities etc.
   e) Trading activities other than manufacturing or provision of services

1.2 Concessions

Agriculture

I. Locally developed seeds and planting materials

II. Agriculture by a company using drip irrigation method, greenhouse technology and high yielding seeds.

Development of Micro and SME Sector

I. Private Equity Funds or Venture Capital companies on the profits earned by providing funds to upgrade SMEs registered with the SME Board of CSE up to the trading level

II. SMEs, creating incubators for SMEs by investing in designated areas

Thrust Industries

Locally manufacturing of red clay tiles

Other Concessions

I. Academic entity offering internationally accredited courses or training programs aimed at geriatric care or child care;

II. Building housing facilities for the elderly persons;

III. Construction and sale of housing units in collaboration with
the Government, to officers of the government sector.

IV. Any company specifically incorporated for MICE (Meeting, Incentive, Conferences and Exhibitions)

V. The profits generated by a company which is attributable to the expansion carried out by modernization of existing factories which is considered based on the employment generation within a period of one year commencing from 01 April 2016

VI. Investment in lagging region by a new company (not by splitting or reconstruction of an existing company) engaged in manufacturing (other than liquor or tobacco) or provision of services

a) If minimum investment of US$ 10 Mn or 500 new employment
b) If new employment exceeds 800
c) If the investment is in a theme park

1/2 rate of the applicable rate for 3 years

VII. The 50% rate reduction on listing in CSE will be extended by expanding the present deadline of April 1, 2017 for further - 2 years for listing in CSE; or - 3 years for listing in any foreign Stock exchange

VIII. The profits and income from the cultivation of tea or rubber by any plantation company, of which the Government shareholding is in existence

IX. Corporate debt securities

50% reduction of the tax payable

1.3 Removal of Exemptions

Certain exemption on dividends after the completion of the tax holiday period.

Tax and miscellaneous exemptions granted to certain organizations under section 7 and section 13.

Certain exemptions applicable on Institutions.

Miscellaneous exemptions relating to;

I. construction of any Port in Sri Lanka
II. administration of any sports ground, stadium or sports complex

III. to any company abroad from any payment made for the use of any computer software, by Sri Lankan Air Lines Ltd or Mihin Lanka (Pvt) Ltd

IV. any service rendered by any person or partnership in any port in Sri Lanka in the course of any business carried on within such port

V. operation of any port terminal in Sri Lanka

1.4 Qualifying Payments

I. Construction Industry: Cost of acquisition of machinery necessary for purifying sea sand

II. Agriculture: Cost of acquisition of any machinery used for canning fruits and vegetables

III. Cost of acquisition or merger of banks or financial companies under the Banking and Financial institutions consolidation process

1.6 Interest Income

Exemption on the interest income on foreign loans to be restricted on the interest on loans taken from foreign banks or financial institutions.

Withholding Tax deductible by Bank or Financial institutions on interest from deposits at the rate of 2.5% will be removed; such income to form a part of the total statutory income.

Exemption of income from interest on money deposited in banks or financial institutions by senior citizens to continue.

Deduction of Withholding tax on interest income arising to individuals out of Sri Lanka to be at 15% subject to the rate specified under any Double Taxation Avoidance Agreement.

1.7 Investments & Tax exemptions

Exemption from income tax to be granted on foreign currency inflows. Foreign investments to be facilitated by the introduction of the Foreign Exchange Management Act.
Dividends on investment made by non-citizens or foreign companies in listed shares through inward remittance to be exempted.

Granting of tax concessions for any investment to be strictly under the supervision and monitoring of the Ministry of Finance which would be governed by regulations issued by the Minister. BOI or IRD will not grant any new tax holidays other than facilitation and implementation of the concessions.

1.8 Other Amendments

Management fee to be defined for the purpose of insurance industry.

1.9 Administrative Provisions

Any refund claim for any Y/A commencing on or after April 1, 2016, to be finalized within three years from the claim of such refund. If not the refund to be allowed to be set off against future tax liabilities.

The penal provisions to be made more stringent, to strengthen the tax collection and to ensure proper implementation of “transfer pricing”.

Administration of the transfer pricing on domestic transactions will be simplified and the areas will be specified limiting the scope considering the associated cost involved.

2 Personal Income Tax
(Effective from 01.04.2016)

2.1 New System of taxation

The progressive tax rates applicable to individuals will be removed.

The tax free allowance will be increased to Rs. 2.4 million per year (Rs. 200,000/- per month).

Any income over Rs. 200,000 will be liable to income tax at a standard flat rate of 15%.

The above tax treatment will be applicable to both employees, subject to PAYE tax, and self-employed individuals.

The employees who are employed under more than one employer will be liable to tax at the rate of 15%, on their remuneration received from all sources of employments.

Tax on partnerships will also be adjusted, to reflect the simplified income tax structure.

2.2 Interest Income

The present Withholding Tax deductible by Bank or Financial institutions on interest from deposits at the rate of 2.5% will be removed and such income will be considered as part of the total statutory income.

The exemption of income from interest on money
deposited in banks or financial institutions by senior citizens (over 60 years of age) will remain unchanged.

Deduction of Withholding tax on interest income arising to an individual out of Sri Lanka will be reduced from 20% to 15% subject to the rate specified under any applicable Double Taxation Avoidance Agreement.

The 15% interest rate for senior citizens will be extended for all citizens above the age of 55 years and for a total deposit value of Rs. 1.5 million.

2.3 Miscellaneous

Individual Taxpayers who pay Rs. 25 million or more will be granted special privileges and such privileges will be regularized through a Gazette Notification by incorporating the relevant provisions to the Act.

Considering the tax free allowance entitled to be deducted by individuals, charitable institutions etc., other deductions from the total statutory income and the assessable income will be disallowed, except for the losses incurred from trade, business, profession or vocation.

The exemptions on profit from employment referred to in section 8 of the Inland Revenue Act will be removed other than the following:

I. Retiring benefits and pensions paid out of the consolidated fund to Government employees;

II. Earnings in foreign currency on employment out of the country, if such earnings are remitted to Sri Lanka;

III. Exemptions for diplomatic missions and diplomatic personnel;

IV. Release of the provident fund balance at the time of retirement;

V. Compensation for loss of office subject to conditions

All the other cash and non-cash benefits (treated as benefits from employment) are liable to tax, if they exceed the tax free threshold.

3 Economic Service Charge (ESC)

(Effective from 01.04.2016)

ESC rate to be increased from 0.25% to 0.5%.

Present exclusion of ESC on previous year profit making businesses to be removed.

Present maximum liability of Rs. 120 million per year to be removed.

Period for carried forward of ESC to be set off against income tax payable for any period commencing from
April 1, 2016, to be reduced to 3 years.

4  Value added tax (VAT)  
(Effective from 01.01.2016)

4.1 Rate Schedule

<table>
<thead>
<tr>
<th>Rate</th>
<th>Nature of Supplies</th>
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<tr>
<td>0%</td>
<td>Export of goods and provision of services outside Sri Lanka paid/payable in foreign currency</td>
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<tr>
<td>8%</td>
<td>Manufacturing or import and sale of goods (Limitation of input tax is applicable).</td>
</tr>
<tr>
<td>12.5%</td>
<td>Service sector</td>
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</tbody>
</table>

4.2 Threshold

Threshold is reduced to LKR 3 Mn per quarter or LKR 12 Mn p.a.

4.3 Removal of Exemptions

The exemption on the import or supply of telecom equipment or machinery, high tech equipment, including copper cables for the telecom industry, to be abolished.

4.4 Exclusions

Wholesale and retail trade (other than by a manufacturer or importer) will be excluded from chargeability of VAT.

5  Nation Building Tax  
(Effective from 01.01.2016)

5.1 Revision of tax rate

Present rate of NBT of 2% to be increased to 4%.

5.2 Threshold

Threshold will be reduced to LKR 3 Mn per quarter.

Threshold of LKR 25 Mn per quarter to be removed, other than for any locally procured agricultural produce in the preparation for sale.

5.3 Removal of Exemptions

Exemption on the following articles or services will be abolished:

I. Telecommunication service;

II. Supply of electricity;

III. Lubricants

6  Customs Duty  
(Immediate effect)

6.1 Revision of Duty

Present 4 band tariff structure will be changed as follows:

<table>
<thead>
<tr>
<th>Current</th>
<th>Proposed</th>
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<tbody>
<tr>
<td>0%</td>
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<tr>
<td>7.5%</td>
<td>-</td>
</tr>
<tr>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>25%</td>
<td>30%</td>
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</tbody>
</table>

Custom Duty will be revised on Beedi leaves, Beedi, Garments, Foot-wear, Beer, Wine, Whisky, and Ethanol. Agriculture machinery and equipment, dairy industry
machinery and equipment and fishing nets. Sports equipment and Musical instruments. Yachts, caravan carriages, surfing equipment and mini cruise boats identified under specified HS Code No.

6.2 **Negative List**

Certain items in the negative list (tiles, ceramic and sanitary ware) will be removed.

6.3 **Free Trade Representation**

Sri Lanka will complete its commitments on Tariff Liberalization (Phase I) of the South Asian Free Trade Area effective from November 21, 2015. On December 2015 target of commitments on the Tariff Liberalization (Phase II) of the South Asian Free Trade Area effective from November 21, 2015.

7 **Motor vehicle related taxes/levies**

Tax on Luxury and Semi Luxury Motor Vehicle Tax will be removed with effect from 01st April 2016.

Fees charged on valuation certificates obtainable for the purpose of finance facilities will be changed as given below:

- **I.** LKR 5,000 for three wheelers and Motor cycles
- **II.** LKR 25,000 for all other vehicles

A fee on any unregistered vehicle assembled in Sri Lanka to be registered prior to 31st March 2016 is payable to Department of Motor Vehicles (RMV) as follows:

- **I.** LKR 1 Mn for Cars and Vans
- **II.** LKR 0.75 Mn for other vehicles

A fee is imposed in lieu of Motor Vehicle Importers Registration fee payable to CGIR before opening Letters of Credit (LC’s) (w.e.f 1st January 2016) as follows:

- **I.** LKR 2,000 for Motor Cycle/ Three wheeler
- **II.** LKR 15,000 for Motor Car

One-time fee on unique number plate to be LKR 2.5 Mn.

Emission Levy of LKR 5,000 p.a. is payable to Divisional Secretariat at the point of renewal of annual license on every motor vehicle, which is over 3 years.

Motor vehicle License fee will be revised with effect from 01st January 2016.

A fine of LKR 10,000 to be imposed on a person who is responsible on road accidents and cost on damage of government property (if any).

8 **Miscellaneous**
8.1 *Ports and Airports Development Levy (PAL)*

Rate of levy to be increased from 5% to 7.5%.

To encourage spending by tourists, rate to be reduced from 5% to 2.5% on certain electronic and electrical items.

Present rate of 5% on certain machinery to be removed.

---

8.6 *Tourism Development Levy (TDL)*

TDL will be removed.

---

8.2 *Betting and Gaming Levy*

Present entry fee of USD 100 per person who enters Casino entertainment to be removed.

Present annual levy of Rs. 200 million for carrying on the business of playing rudjino to be reduced to Rs. 5 million per year.

Present annual levy of Rs. 200 million for carrying on the business of Casino to be increased to Rs. 400 million per year.

---

8.7 *Excise Duty*

Excise (Special Provisions) Duty rates to be revised.

---

8.3 *Casino Industry Levy*

Directors and shareholders will be personally liable for non-payment or any act which is done to avoid payment of Casino Industry Levy (one off levy).

---

8.8 *Special Commodity Levy (SCL)*

In order to promote local industry SCL to be increased on import of fish related products and the rate to be revised on certain commodities.

---

8.9 *Cess*

Removal of Cess to encourage export of value added products - ‘export Cess’ to be removed on pepper, cloves and nutmeg.

Impose of Cess to encourage local industry - Cess at the rate of 10% to be imposed on import of jewelry.

---

8.10 *Land (Restriction on Alienation) Act*

Restriction on transfer to be removed for certain identified investments.

Tax on leasing of lands to be removed.
8.11 **Mansion Tax**
Mansion tax applicable on condominium units to be removed.

First installment of the Mansion tax is payable on or before March 31, 2016.

8.12 **Telecommunication Levies**
International Telecommunication Operators Levy (ITOL) on incoming calls to be increased US$ Cents 9 to US$ Cents 12 with effect from January 1, 2016.

Environmental Fee to be charged per tower at the rate of Rs.50,000/- per annum with effect from January 1, 2016.

Cess levied at 2% for international transit traffic to be exempted with effect from January 1, 2016.

8.13 **Other Levies and Charges**
Beedi manufacturing License fee to be increased from Rs 1,500/- to Rs 5,000/-.

Embarkation Levy to be increased from US$ 25 to US$ 30.

Passport Fee to be revised to as follows;

I. One Day Service – Adult Rs. 10,000

II. One Day Service – Child Rs. 5,000

III. Normal Service – Adult Rs. 3,000

IV. Normal Service – Child Rs. 2,000

from January 1, 2016.

Application fee for dual citizenship from Rs. 250,000 to Rs. 300,000 and SAARC visa from USD 10 to USD 20.

New Residence Visa fee for foreigners to be introduced to encourage foreign investments as follows;

I. USD 1 million for residence visa (period of 3 years)

II. USD 5 million for residence visa (permanent residence).

Every company registered with the Registrar of Companies to be subjected to an Annual License fee of Private Companies Rs 60,000, Public Quoted Companies Rs 500,000 and Other Rs 100,000 payable to the Registrar of Companies. The present rates to be revised with effect from January 1, 2016.

Rs. 250,000/- to be charged Voluntary liquidation of a company.

All business entities should be registered with their respective local councils at a nominal fee of Rs. 100/- per year.

Present composite tax imposed on sale of garments to the local market by export oriented companies to be increased to Rs200/- per piece. The same rate to be
Budget Proposals 2016

extended to sale of footwear to the local market by export oriented companies.

Applicable rate for sale of fabric and cut pieces remains the same.

The sale of export quality products to the local market by export oriented BOI companies to be restricted to 5% of the total turnover and to be subjected to the tax at the rate specified above.

A charge to be imposed on Airlines on the sale of international tickets at US$ 2.00 per passenger.

9 Regulatory Changes

Strategic Development Act will continue to be effective for existing companies that have availed the concessions under that Act. For new investments, instead of Strategic Development Act, the “New investment” Act will be enacted.

Foreign investments to be facilitated by the introduction of the Foreign Exchange Management Act.

International freight forwarding to be liberalized so that foreign participation could extent up to maximum of 75% with a minimum investment of USD 5 Mn subject to a minimum local employment of 90%.

SIA to be abolished and foreign investment to be channeled through any bank account existing in the formal banking system.

Banks to cease engaging in leasing business from 01 June 2016

Listed Real Estate Trust to be introduced in order to provide capital to real estate and infrastructure development and to enable small investors to directly benefit from the growth of real estate sector.

Listed Real Estate Trust to be introduced in order to provide capital to real estate and infrastructure development and to enable small investors to directly benefit from the growth of real estate sector.
Chapter 1 – Income Taxation

1.1 Tax Exemptions

1.1.1 Strategic Development Projects Act No 14 of 2008 will continue for existing companies. New Investment Act will be enacted for new investments for tax holidays.

1.1.2 Dividend Income

Dividend income on investment made by noncitizens or foreign companies in listed shares through inward remittance will be exempted from income tax.

i.e. No withholding tax will be applicable on such dividend income.

1.1.3 Cultivation of tea or rubber

Profits and income from the cultivation of tea or rubber by any plantation company, of which there is government shareholding, will be exempted from income tax for a period of 2 years commencing from 1 April 2016.

1.2 Tax Concessions

1.2.1 Agriculture

1.2.1.1 50% reduction of tax will be applicable to profit from –

- locally developed seeds and planting materials
- drip irrigation, greenhouse technology and high yielding seeds
by a company for a period of 5 years.

1.2.1.2 Cost of acquisition of any machinery used for canning fruits and vegetables will be treated as a qualifying payment in addition to the depreciation allowance claimable on such machinery.

1.2.2 Equity Funds or Venture Capital Companies

50% reduction of tax will be applicable to profits earned by private equity funds or venture capital companies on providing funds to upgrade SME’s registered with the SME Board of CSE for a period of 5 years.

1.2.3 SME’s

50% reduction of tax will be applicable to profits earned by SME’s by investing in designated areas on creating incubators for a period of 3 years.
1.2.4 **Thrust Industries**

50% reduction of tax will be applicable to profits from the locally manufacturing of red clay tiles for a period of 3 years.

1.2.5 **Other Sectors**

50% reduction of tax will be applicable for a period of 5 years on the profits from the following activities carried out by any person:

- being an academic entity which offers internationally accredited courses or training programs aimed at geriatric care or child care;

- engaged in building housing facilities for the elderly persons;

- construction and sale of housing units in collaboration with the Government to officers of the government sectors.

1.2.6 **Meeting, Incentives, Conferences and Exhibitions (MICE)**

50% reduction of tax will be applicable for a period of 5 years from the commencement of the commercial operations on the profits of any company specifically incorporated for MICE.

1.2.7 **Expansion of existing Factories**

50% reduction of tax will be applicable for a period of 3 years on the profits generated by an existing company which is attributable to the expansion carried out by way of modernization of existing factories based on the employment generation within a period of one year commencing from 1 April 2016.

1.2.8 **Construction Industry**

Cost of acquisition of machinery necessary for purifying sea sand will be treated as a qualifying payment, in addition to the depreciation allowance claimable on such machinery.

1.2.9 **Investment in lagging Region**

50% reduction of tax will be applicable on the profits of any new company set up in any lagging region with the minimum investment of USD 10 million or 500 new employment for manufacturing (other than liquor or tobacco) or provision of services for a period of 5 years from the commencement of commercial operation.

The period will be expanded to 8 years, if the new employment exceeds 800 and to 10 years if the investment is for theme park.
1.2.10 Companies listing in CSE

Date of listing in CSE to qualify the 50% income tax rate reduction will be extended from 1 April 2017 for further –

- 2 years for listing in CSE
- 3 years for listing in any foreign stock exchanges

1.3 Tax Free Allowance for individuals

The current tax free allowance of Rs 500,000, to be deducted by individuals and charitable institutions, will be increased to Rs 2.4 million (Rs 200,000 per month).

Given the above increase of tax free allowance, all the other deductions such as qualifying payments from the total statutory income will be removed.

Effective from 1 April 2016

1.4 Tax Rates

1.4.1 Individuals

Progressive tax rates currently applicable to individuals will be replaced with a flat rate of 15% on taxable income of individuals. This flat rate of 15% will also be applicable to employment income, which is subject to PAYE tax.

1.4.2 Companies

There will be 2 tax rates:

1 15% - standard rate
2 30% - higher rate.

Higher rate of 30% will be applicable for profits and income of –

- Betting and Gaming
- Liquor
- Tobacco
- Banking and Finance including insurance, leasing and related activities
- Trading activities other than manufacturing or providing of services.

Profits and income of all the other sectors will be liable to 15%.
Surtax

25% of surtax will be imposed on the income tax liability of profits on the business of tobacco, liquor and betting and gaming.

1.5 Employment Income

1.5.1 Exemption on profits from employment will be removed, other than the following:

- Retiring benefits and pension paid out of the consolidated fund to government employees;
- Earning in foreign currency on employment out of the country if such earnings are remitted to Sri Lanka;
- Exemptions for diplomatic missions and diplomatic personnel;
- Release of the provident fund balance at the time of retirement;
- Compensation of loss of office subject to conditions.

All the other cash and non-cash benefits are liable to PAYE tax at 15% for example any car allowance, without any limitation, will be liable to tax.

1.5.2 Employment under more than one Employer

Where an employer pays any remuneration or provides any benefits to any employee who is also an employee of another employer, should deduct tax at 15% of such payments.

1.6 Withholding Tax on interest

1.6.1 Present withholding tax deduction at the rate of 2.5% on interest by banks and financial institutions will be removed. Such interest income (other than interest income accruing to senior citizens who are over 60 years) will form part of the total statutory income.

1.6.2 Interest payable to persons outside Sri Lanka

Withholding tax rate applicable to interest payable to persons outside Sri Lanka will be reduced from 20% to 15%, subject to any double tax treaty rate.

1.7 Research and Development expenses

The triple deduction for research and development expenses will be allowed only if a technology advancement and yield development is proved.
1.8 Withdrawal of the exemptions

1.8.1 Interest income

Exemption on the interest income on foreign loans will be restricted to the interest on loans taken from foreign banks or financial institutions.

1.8.2 Dividend income

Exemption on dividend income, after the expiration of the tax holiday period, will be removed.

1.8.3 Removal of exemptions

The following exemptions will be removed. The profits and income arising or accruing to –

- any person from the administration of any sports ground, stadium or sports complex
- any company, partnership or body of person outside Sri Lanka from any payment made for the use of any computer software by Sri Lankan Air Lines Ltd. or Mihin Lanka (Pvt) Ltd.
- any person or partnership from any services in any port in Sri Lanka in the course of any business carried on within such port
- any person from any undertaking for the operation of any port terminal in Sri Lanka.

1.8.4 Institutional exemptions

Present exemptions applicable to local institutions will be restricted only to -

- any Government Department,
- foreign governments,
- Universities,
- Co-operative Societies,
- Central Bank including Monetary Board,
- Charitable institutions (subject to conditions), and
- Government assisted schools.

1.8.5 International institutions

Exemption on the profits and income of any international institution will be restricted to any profits and income, other than profits and income from sources generated by charging any fee or contribution from the public in any other manner.
Chapter 2 – Value Added Tax (VAT)

2.1 Revision of Rate Structure

<table>
<thead>
<tr>
<th>Category</th>
<th>Current Rate</th>
<th>Revised Rate</th>
<th>Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zero Rated</td>
<td>0%</td>
<td>0%</td>
<td>Applies to export of goods and provision of services outside Sri Lanka, for payment in foreign currency.</td>
</tr>
<tr>
<td>Standard Rate</td>
<td>11%</td>
<td>8%</td>
<td>Manufacturing or import and selling of goods</td>
</tr>
<tr>
<td>Higher Rate</td>
<td>12.5%</td>
<td></td>
<td>Services sector</td>
</tr>
</tbody>
</table>

Effective from 1 January 2016

2.2 Reduction of VAT threshold

Threshold of liable supplies for the registration for VAT will be reduced from Rs. 15 million per annum to Rs. 12 million per annum.

Accordingly, every person (individual, company, partnership, joint venture, club association, government institution, local government institution, provincial council etc.) must register for VAT if the value of the total supplies from his/ its taxable activities -

- exceeds Rs. 3 million per quarter for any taxable period, or
- exceeds Rs. 12 million per annum

Effective from 1 January 2016

2.3 VAT on wholesale and retail trade

Wholesale and retail trade, except by manufacturers or importers, will be excluded from chargeability to VAT.

Effective from 1 January 2016
2.4 **Revisions to Import stage taxes on Garments and Footwear**

Current composite tax imposed at the Customs point on sale of garments to the local market by export oriented companies, which is referred to in section 22(1) of the VAT Act, will be increased from 25/- to Rs200/- per piece.

Current composite tax imposed at the Customs point on footwear to the local market by export oriented companies, which is referred to in section 22(1) of the VAT Act, will be increased to Rs200/- per piece.

*Effective from 1 January 2016*

2.5 **Removal of Exemptions**

The present exemptions on the import or supply of telecom equipment or machinery, high-tech equipment, including copper cables for telecom industry, will be removed.

*Effective from 1 January 2016*
Chapter 3 – Nation Building Tax (NBT)

5.1 Revised tax rate

The present rate of NBT will be increased to 4% from the rate of 2%.

5.2 Registration Threshold

Threshold of liable turnover of NBT will be reduced to Rs. 3 million from Rs.3.75 Million per quarter.

Threshold of Rs. 25 million per quarter applicable to a person who-

a. operates a hotel, guest house, restaurant or other similar business;
b. processes any locally procured agricultural produce in the preparation for sale;
c. provides educational services by establishing any local institution for that purpose, or
d. supplies labour (manpower)

will be removed, except for any locally procured agricultural produce in the preparation for sale.

Effective from 1 January 2016

5.3 Exemptions

Exemption granted on telecommunication service, supply of electricity, lubricants will be removed.

Effective from 1 January 2016
Chapter 4 – Economic Service Charge (ESC)

4.1 ESC rate

ESC rate to be increased from 0.25% to 0.5%.

4.2 Removal of exclusion

Present exclusion of profit making businesses from the charge to ESC to be removed.

Accordingly, ESC will be payable by every person or partnership in respect of the relevant turnover of any trade, business, profession or vocation and not limited as at present to a person or partnership who or which is tax exempt or incurs a loss.

Present maximum liability of Rs. 120 million per year to be removed.

4.3 Set off of ESC against income tax

The period for carried forward of ESC to be set off against income tax payable for any period, to be reduced from 5 years to 3 years.

Effective from 1 January 2016
Chapter 5 – Customs, Excise and Cess

5.1 Customs/ Import duty

Tariff structure

<table>
<thead>
<tr>
<th>Prevailing</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>7.5%</td>
<td></td>
</tr>
<tr>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>25%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Revisions on Customs duty

- beedi leaves, beedi, garments, foot-wear, beer, wine, whisky, and ethanol;
- agriculture machinery and equipment, dairy industry machinery and equipment and fishing nets;
- sports equipment and musical instruments, yachts, caravan carriages, surfing equipment and mini cruise boats identified under specified HS Code No;
- certain items in the Negative List (tiles, ceramic and sanitary ware) to be removed;
- customs duty to be increased on the importation of beedi as a finished product.

Free trade agreements

- Sri Lanka will complete its commitments on Tariff Liberalization (Phase I) of the South Asian Free Trade Area effective from November 21, 2015.
- Sri Lanka will fulfil its December 2015 target of commitments on the Tariff Liberalization (Phase II) of the South Asian Free Trade Area effective from November 21, 2015.

[Relevant Gazette will be issued specifying the rate change with effect from November 20, 2016]

Others

- all the regular importers should be registered with the Sri Lanka Customs;
- new Customs Law in place of existing Customs Ordinance to be presented to the Parliament.
5.2 Cess

Export Cess to be removed on pepper, cloves and nutmeg.
Cess of 10% to be imposed on import of jewellery.

5.3 Excise Duty

Excise Ordinance to be amended to make provisions to collect a minimum excise duty of Rs.250 million per month from liquor manufacturers who are having distilleries, and Rs.50 million per month from persons engaged only in liquor manufacturing based on the minimum quantity of liquor required to be manufactured.

The tax on imported foreign liquor and imported ethanol to be increased on par with locally produced liquor-price increased.

Liquor manufacturing License fee and duty rates to be revised:

- a single fee of Rs.150 million to be introduced for liquor manufacturers as an annual licence fee;
- excise duty on liquor to be revised.

5.4 Excise (Special Provisions) duty

Concessions and rates to be revised.

Unit rate on Excise duty (special provisions) for vehicles
- a simple unit rate of excise (special provisions) duty for the vehicles on the basis of cubic centimetres to be introduced.
- duties on the percentage basis on certain vehicles to be revised.

Tax incentive for environment friendly vehicles
- Excise (Special Provisions) duty to be reduced to 2.5% for the vehicles which are run entirely on Solar, Hydrogen or Helium.

With immediate effect
Chapter 6 – Miscellaneous Taxes and Levies

7.1 Betting and Gaming levy

Present levy of USD 100 imposed per person at the entrance to premises for casino entertainment activities to be removed.
Annual levy for carrying on the business of casino to be increased from Rs. 200 million to Rs. 400 million per year.
Annual levy for carrying on the business of playing rudjino to be reduced from Rs. 200 million to Rs. 5 million per year.
Casino industry levy to be strictly enforced by holding the directors and shareholders personally liable for any act of avoidance of payment of tax.

Effective from 1st January 2016

7.2 Ports and Airports development levy

PAL rate to be increased from 5% to 7.5%.
PAL rate to be reduced from 5% to 2.5% on certain electronic and electrical items.
Exemption of PAL on machinery items for following industries:
- Construction
- Dairy
- Agricultural

With immediate effect

7.3 Special commodity levy (SCL)

SCL on import of fish to be increased to Rs. 50.
SCL applicable on vegetable fat to be reduced.
SCL to be reduced on following items:
- Potatoes by Rs. 25
- Big onions by Rs. 25
SCL imposed on dhal to be removed.

With immediate effect

7.4 Land (Restriction on Alienation) tax

Tax imposed on the leasing of land to foreigners to be removed.
Restrictions on ownership on identified investments imposed through the Land (Restriction on Alienation) Act to be removed.

Effective from 1st January 2016
7.5 Stamp duty

Stamp duty of 1.5% imposed on usage of credit cards for local purchases to be removed.
Stamp duty on usage of credit cards for foreign purchases to be increased to 2.5%.
Exemptions from stamp duty to be granted on the following:

I. share certificates
II. stamp duty payable to provincial councils on transfer of real estate assets to a REIT structure that distributes 90% or more of income REIT unit holders.

*Effective from 1st January 2016*

7.6 Mansion tax

Mansion tax on condominium units to be removed.

7.7 Telecommunication levies

Tax levied on incoming calls under the International telecommunication operators levy to be increased from USD 0.09 to USD 0.12.
Environmental fee to be introduced at the rate of Rs. 50,000 per tower per annum.
Exemption to be granted for the Cess earlier levied at 2% on international transit tariff revenue.

*Effective from 1st January 2016*

7.8 Fees for companies

Every company registered with the Registrar of Companies to be subjected to an Annual license fee as follows.

<table>
<thead>
<tr>
<th>Category</th>
<th>Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Companies</td>
<td>Rs. 60,000</td>
</tr>
<tr>
<td>Public Quoted Companies</td>
<td>Rs. 500,000</td>
</tr>
<tr>
<td>Other</td>
<td>Rs. 100,000</td>
</tr>
</tbody>
</table>

Non-functioning companies are also liable to pay above fees.
In the case of voluntary liquidation of a company a charge of Rs. 250,000 to be levied.
All business entities are required to be registered with their respective local councils at a nominal fee of Rs. 100 per year.

*Effective from 1st January 2016*

### 7.9 Fees for motor vehicles

Vehicle valuation certificate fee to be introduced on valuation certificates obtained for finance facilities as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three wheeler/Motor cycle</td>
<td>Rs. 5,000</td>
</tr>
<tr>
<td>All other vehicles</td>
<td>Rs. 25,000</td>
</tr>
</tbody>
</table>

Opening of LCs to be subjected to Vehicle entitlement fee payable to the Commissioner General of Inland Revenue at the following rates in lieu of Motor vehicle import registration license fee.

<table>
<thead>
<tr>
<th>Category</th>
<th>Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor Cycle/Three wheelers</td>
<td>Rs. 2,000</td>
</tr>
<tr>
<td>Motor Cars</td>
<td>Rs. 15,000</td>
</tr>
<tr>
<td>Other vehicles</td>
<td>Rs. 10,000</td>
</tr>
</tbody>
</table>

A charge to be payable to the Divisional Secretariat at the point of renewal of annual license on every motor vehicle which is over 03 years at the rate of Rs. 5,000 per year.

*Effective from 1st January 2016*

### 7.10 Charges on cash withdrawals

Charges to be imposed on cash withdrawals as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 01 million</td>
<td>No charge</td>
</tr>
<tr>
<td>Between 01-10 million</td>
<td>2%</td>
</tr>
<tr>
<td>Above 10 million</td>
<td>3%</td>
</tr>
</tbody>
</table>
7.11 Other levies and charges

Embarkation levy for ship and air passengers to be increased from USD 25 to USD 30.
Passport fee to be revised as follows.

<table>
<thead>
<tr>
<th>Category</th>
<th>Adult</th>
<th>Child</th>
</tr>
</thead>
<tbody>
<tr>
<td>One day service</td>
<td>Rs 10,000</td>
<td>Rs 5,000</td>
</tr>
<tr>
<td>Normal Services</td>
<td>Rs 3,000</td>
<td>Rs 2,000</td>
</tr>
</tbody>
</table>

Application fee for dual citizenship to be increased from Rs. 250,000 to Rs. 300,000.
Application fee for SAARC Visa to be increased from USD 10 to USD 20.
New residence visa fee for foreigners to be introduced as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>For a period of 3 years</td>
<td>USD 1 million</td>
</tr>
<tr>
<td>For permanent residence</td>
<td>USD 5 million</td>
</tr>
</tbody>
</table>

In case of road accidents a fine of Rs. 10,000 to be payable by the persons responsible for the road accidents in addition to damages to public properties.
A charge of USD 2 per passenger to be imposed on airlines on the sale of international tickets.
Exemption to be granted for Tele-drama levy on English tele-dramas, films and advertisements.
Exemption to be granted for ground handling charges and other fees on airlines using domestic airports, and instead they will be liable for an annual license fee of Rs. 1.5 million.

7.12 Taxes Rescinded

Share transaction levy is to be removed with effect from 1 January 2016.
Construction industry guarantee fund levy to be removed with effect from 01 January 2016.
Luxury and semi-luxury motor vehicle tax to be removed with effect from 01 April 2016.
Tourism development levy to be removed.
### Chapter 7 – Income Tax Exemptions and Incentives

#### 7.1 Tax Concessions

<table>
<thead>
<tr>
<th><strong>Agriculture</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Locally developed seeds and planting materials by a company</td>
</tr>
<tr>
<td>Company using drip irrigation, greenhouse technology and high yielding seeds</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Development of Micro and SME Sector</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Equity Funds or Venture Capital companies on the profits earned by providing funds to upgrade SMEs registered with the SME Board of CSE up to the trading level</td>
</tr>
<tr>
<td>SMEs, creating incubators for SMEs (not by splitting or reconstruction of an existing SME) by investing in designated areas</td>
</tr>
<tr>
<td>For this purpose ‘SME’ and the ‘identification of activities of Venture capital companies and Equity Funds’ will be specified.</td>
</tr>
</tbody>
</table>

#### Thrust Industries
## Local manufacture of red clay tiles

<table>
<thead>
<tr>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction of 50% of the tax payable on the profits for a period of 3 years.</td>
</tr>
</tbody>
</table>

### Other sectors

- **Academic entity which offer internationally accredited courses or training programs aimed at geriatric care or child care;**

  Reduction of 50% of the tax payable on the profits for a period of 5 years.

- **Building housing facilities for the elderly persons**

- **Construction and sale of housing units in collaboration with the Government, to officers of the government sector.**

  \[ \text{Profits generated by a company which is attributable to the expansion carried out by modernization of existing factories based on the employment generation, within a period of one year commencing from April 1, 2016} \]

  \[ \text{½ rate of applicable rate for 3 years} \]

- **Commercial operations by any company specifically incorporated for MICE (Meeting, Incentives, Conferences and Exhibitions).**

  \[ \text{The 50% rate reduction available under the IR Act, for listing in CSE will be extended by expanding the present deadline of April 1, 2017} \]

  \[ \text{- 2 years for listing in CSE} \]

  \[ \text{- 3 years for listing in any foreign Stock Exchanges} \]

- **Profits and income from the cultivation of tea or rubber by any plantation company, of which the Government shareholding is in existence**

  Exempted for a period of 2 years commencing from April 1, 2016.
50% reduction of the tax payable by a new company (not by splitting or reconstruction of an existing company) set up in any lagging region engaged in the business of manufacturing (other than liquor or tobacco) or provision of services:

- If minimum investment of US$ 10 Mn or 500 new employment (with new EPF Nos) 5 years from the commencement of commercial operation.

- if the new employment exceeds 800 8 years from the commencement of commercial operation.

- if the investment is for theme park 10 years from the commencement of commercial operation.

### Qualifying payments

#### Construction Industry
The cost of acquisition of machinery necessary for purifying sea sand

#### Fruit and Vegetable Industry
The cost of acquisition of any machinery used for canning fruits and vegetables

### Triple deduction

#### Endowments given to National Universities to engage in research
Triple tax deduction
7.4 Tax exemption

New Foreign Exchange Management Act (FEME): A new Act named ‘Foreign Exchange Management Act’ will be introduced to facilitate foreign investments. The Inland Revenue Act will also be amended to accommodate such investments (where necessary) and to exempt income tax on foreign currency inflows. Income from dividends on investment made by non-citizens or foreign Companies in listed shares through inward remittance will be exempted from income tax.

7.5 Tax holidays - strategy

Strategic Development Act will continue to be effective for existing companies that have availed the concessions under that Act. For new investments, instead of Strategic Development Act, the “New investment” Act will be enacted. Granting of tax concessions for any investment to be strictly under the supervision and monitoring of the Ministry of Finance which would be governed by regulations issued by the Minister. BOI or IRD will not grant any new tax holidays other than facilitation and implementation of the concessions.

Effective from 1 April 2016
Chapter 8 – Tax Administration

8.1 Three year time bar to finalise the refund claim

Any refund claim for any year of assessment, commencing on or after 1 April 2016, should be finalised within 3 years from the claim of such refund; if not, the refund would be allowed to be set off against future tax liability.

8.2 Definition of the “Approved Accountant”

Inclusion of the AAT member to the definition of the “approved accountant” will be revisited, by restricting the area of audits to the turnover limit not exceeding Rs 100 million and making provision to grant approval by the Commissioner General of Inland Revenue having satisfied that the respective individual has acquired necessary competencies to perform the required work under the Inland Revenue Act in conformity with an appropriate regulatory mechanism in place.

8.3 Transfer pricing on domestic transactions

Administration of the transfer pricing on domestic transactions will be simplified and the areas will be specified to avoid the associated cost involved.

8.4 Special privileges to large taxpayers

Individual taxpayers who pay Rs 25 million or more will be granted special privileges, and such privileges will be regularised through a Gazette Notification by incorporating the relevant provisions to the Act.

8.5 Penal provisions

The penal provisions will be –

- amended to strengthen the tax collection and compliance by the taxpayers and tax practitioners, and
- introduced to ensure proper implementation of transfer pricing.

8.6 Implementation of RAMIS

For the implementation of the Revenue Administration Management Information System (RAMIS) for automated return filing and tax payments, the relevant amendments will be incorporated to the Inland Revenue Act.

8.7 Definition of “Management fee”

Management fee will be defined for the purpose of insurance industry.
8.8 **Business Transactions to record TIN and BRN**

Mandatory inclusion of the Taxpayer Identification Number (TIN) and Business Registration Number (BRN) in records relating to business transactions.

8.9 **Redrafting tax law**

Project to redraft tax laws with IMF technical assistance to be undertaken.
Chapter 9 – Economic, Social and Other Reforms

9.1 Encouraging Micro, Small and Medium Enterprises

Bill to govern Micro Finance business will be presented and a Regulatory Authority will be established to streamline this MSME (Micro, Small and Medium Enterprises) sector.
Micro Financing Agencies be registered with this proposed Authority for an annual fee of Rs. 25,000/- per unit.
Credit Guarantee Scheme to be implemented and contributed with Rs.500 million by the government as initial capital together with the assistance of selected financial institutions.
A credit facility of USD 100 million will be obtained from the ADB to support MSME lending at concessional rates.
Venture capital approach for providing equity financing facilities to SMEs through the establishment of one fund that will be a “Fund of Funds”.
Reduction in Corporate Income Tax by 50% for SMEs for a period of 5 years from 1 April, 2016 for providing incubators for MSME’s.

9.2 Agriculture

Unutilized state land would be allocated to produce high quality seeds to improve the productivity in agricultural sector.
Half tax holidays will be granted to companies that use drip irrigation methods, greenhouse technology and endeavor to introduce high yielding seeds.
Remove the import duties of agriculture machinery and equipment.
Guaranteed price will be given for paddy
Small scale paddy farmers also get covered under existing fertilizer subsidy scheme.

9.3 Fruit and Vegetable Industry

Extend interest support on 50% of the interest on loans to be taken from Banks by individuals or companies entering into the industry.
Import duty free allowance and qualifying payment allowance for machineries utilised for fruit and vegetable industry.

9.4 Dairy Industry

Propose to reduce the maximum retail price of a 400g domestically manufactured powdered milk packet to Rs.295 from the existing price of Rs.325 and provide the domestic manufacturers with a subsidy of Rs.30 for which Rs. 1000 million will be allocated.
A reduction of import taxes and upfront depreciation on the machinery and equipment.
9.5 Fisheries

A life insurance cover of Rs.1 million for the fishermen.
Special Commodity Levy (SCL) on the import of fish to be increased to Rs. 50/- and import duty on fishing nets to be reduced.
Rs. 750 million will be allocated for the development and upgrade local fisheries harbours.
Allocate Rs.100 million to National Aquaculture Development Authority (NAQDA) to undertake programmes to enhance fish breeding capacity.

9.6 Plantation Economy

Lease of Regional Plantation Companies to be extended for 50 years.
Two years of tax relief for rubber and tea plantation.
Allocate Rs.250 million to coconut cultivation rehabilitation programme.
A sum of Rs.200 million will be allocated within 2 years for Tea, Rubber and Coconut Research Institutes.

9.7 Spices and Allied Products

Rs. 150 million will be allocated to undertake a branding exercise of Sri Lankan spices globally.

Rs. 50 Million each to be allocated for the Cinnamon Training School, Cinnamon Development Authority and National Science Foundation for the development of cinnamon industry.

9.8 Revival of the Rural Economy

Propose to allocate a sum of Rs.200 million to establish a new economic zone in Vavuniya.

Rs.2,000 million to rehabilitate small tanks and canals to support rural agriculture.

9.9 National Environment Conservation Programme

Rs.2,000 million to be allocated to A National Environmental Conservation Programme which has been initiated on all spheres of life while managing the Carbon foot print and also for additional programme relating to child protection, drug prevention, agriculture.
Rs. 4,000 million to be utilized within three years to programmes aimed specially at protecting wild life.

9.10 Gem and Jewellery

International exposure to the trainers and scholarships will be granted to students in gem and jewellery industry.

To protect the world class local jewellery craftsman, a 10% cess on imported jewellery will be imposed.

9.11 Gold

Central Bank to adopt a scheme where 50 licenses will be issued allowing import of gold free of all import duties. No person will be permitted to trade gold without the said license.

9.12 Digitalization of the Economy

Propose to introduce a National Digital Identity (NDI) and a unique number in all other relevant data bases, namely, passports, tax file, customs documents, vehicle registration, voter registers, welfare registers, bank data bases, utility bills etc.

200 smart digital classrooms will be established by 2016 and another 1,000 digital classrooms by 2017.

Allocate Rs. 10,000 million for the purpose of implementing an advanced digitalization programme of economy.

9.13 Investment Promotion

Remove the tax imposed on the leasing of land to foreigners and also to consider the removal of restrictions on ownership on identified investments imposed through the Land (Restrictions on Alienation) Act.

Introduce an investor friendly Foreign Exchange Management Bill (FEMB), which would help attract foreign investment inflows.

Income from dividends on investment made by non-citizens and foreign companies in listed shares through inward remittances will be exempted from income tax.

An export import bank to be setup and to be listed at the CSE.

Grant a 50% tax reduction for a period of 5 years to any new company setting up
facilities in lagging regions of the country with a minimum investment of US dollars 10 million or 500 new employment opportunities and period will be extended to 8 years if the number of employees exceeds 800.
Modernization of existing business by investing in machineries and based on the creation of new employment the profits from such expansion will be subjected to half tax rate for 3 years.
New investments, instead of Strategic Development Project Act, a new investment Act will be enacted.
Extend tax incentives to those private sector companies who wish to invest in mixed development projects that will have a significant impact on the landscape. Abolish Securities Investment Account (SIA) and investors should be allowed to bring in money to Sri Lanka through any bank account.

9.14 Housing
Freeing unutilized and underutilized government land to build houses for all.
Provide 100,000 units of housing through private public partnerships (PPP) within a period of 5 years to shanty dwellers.
Provide middle level government and private sector employees with 150,000 housing units while senior officials of the government sector will be provided with 5,000 housing units at reasonable prices.
Rates charged by local bodies should not exceed 15 percent of the annual value of commercial entities.
Foreigners will be allowed to borrow 40 percent of their investment in condominiums from banks in local currency.
Remove the Construction Industry Guarantee Fund Levy, to encourage small and medium scale contractors and to create an improved level playing field.

9.15 Tourism
3000 youth to be trained every quarter in hospitality industry and 100 million to be provided for this purpose.
50 per cent tax holiday for 5 years for companies incorporated specifically to engage in "MICE" (Meetings Incentives Conferencing and Exhibitions) activities and propose to allocate Rs.3,000 million for this purpose.
All hotels be mandatorily registered under the Tourism Development Authority by 1 June 2016.
Remove import duties on the caravan carriages, yachts, surfing equipment, speed boats and mini cruise boats.
9.16 Banking and Finance

Propose to merge the HDFC Bank and State Mortgage and Investment Bank (SMIB) to create a much stronger and larger "National Housing Bank", Lankaputhra Development Bank (LDB) to be merged with Regional Development Bank (RDB) to create the "Lanka Enterprise Development Bank", and also Sri Lanka Savings Bank to be merged with National Savings Bank.

Link the Divinaguma Bank to the National Savings Bank for the protection of the fund ensuring professional management.

Licensed banks should cease in engaging in leasing business from 01 June, 2016.

Lend at least 10 percent of their loan portfolio to Agriculture, 5 percent to SME and 5 percent to Women and Youth.

Banking sector to limit their pawning business to a maximum of 5 percent of their loan portfolios.

Propose to consider the situations where cheques are retuned as a criminal offence and enforce stringent legal action against such offences.

Repatriation of monies as interest payments, will be monitored by the Central Bank to avoid any malpractices.

Exposure on Government securities for non-residents from 12.5 per cent to 10 per cent of the total outstanding stock of Treasury Bills and Bonds.

Impose following charges on cash withdrawals.

- Less than 1 million : No charge
- Between 1 million and 10 million : 2 percent
- Above 10 million : 3 percent

9.17 Finance Companies

100 percent guarantee on all deposits of all the registered finance companies by end January 2016.

9.18 Fixed Deposits of Senior Citizens

Propose to expand benefit to citizens above 55 years of age and the 15 percent interest rate to be applicable to deposits up to Rs. 1.5 million.
9.19 **Capital Market to Stimulate Growth**

Local companies listing in the CSE will receive tax concessions for 2 years while the concessions will be extended to 3 years if listed in a foreign stock exchange.

Facilitate the expansion of the corporate debt securities market, it is proposed to waive the income tax and withholding tax applicable to those activities into 2016.

Share Transaction Levy which charges 0.3 percent from the buyer and seller on each share transaction will be removed.

9.20 **Education**

Introduce new degree courses in Marine Biology, Marine Recreation and Sea Port, Boat/Ship building, Integrated Coastal Resource Management etc. by the Ocean University.

Post Graduate Institute of Pali and Buddhist Studies will be provided with the necessary infrastructure including a new building and allocate a sum of Rs. 500 million for this purpose.

Provide laptops for university students on an interest free 3 year loan. Also free wi-fi zones will be provided for all universities and allocate Rs. 300 million for this purpose.

9.21 **Empowering Youth through the Youth Corp**

It is proposed to revive and strengthen the National Youth Corp.
It is proposed that the National Youth Corp to provide youth with personal development via leadership training etc. and to connect them to Vocational Training Institutes for technical education.
Consequently, it is proposed that the Sri Lanka Vocational Training Authority and other relevant entities to be engaged in the services of vocational training and be linked to the National Youth Corp.
It is proposed to allocate an additional sum of Rs 3,000 million to perform aforementioned tasks.
It is proposed to introduce a mechanism where the commercial banks will finance projects such as mushroom farming, furniture industry, vehicle electricity-charging stations, food industry, ornamental fish farming, dairy industry, bee honey industry etc. at a concessionary interest rate for youth who have created a unit consisting of at least 50 members. Further, it is also proposed to provide state land depending on the size of the aforesaid projects.
9.22 Health – Modern Healthcare

It is proposed to immediately form 1,000 kidney dialysis centres in CKDU prevalent areas at a cost of Rs.6,500 million.

It is proposed to construct a hospital specializing in kidney disease management in Minneriya for which by allocating a sum of Rs.2,000 million.

It is proposed to allocate Rs.3,000 million to be utilised for the construction of 3 cancer hospitals in Nallur, Kandy and Matara.

It is proposed to upgrade the Anuradhapura, Kurunegala and Jaffna Hospitals by allocating Rs. 3,000 million for this purpose.

It is proposed to allocate a sum of Rs.200 million for developing the mobile hospitals

It is proposed to allocate Rs.250 million to train specialist doctors in Pathology, emergency medicine, geriatrics, paediatrics and also geriatric nurses, and medical staff.

It is proposed to allocate a sum of Rs.5,000 million to build and equip 10 district-based stroke centres and to strengthen the accident and emergency care services in the hospitals.

It is proposed to allocate Rs.250 million to the National Science Foundation (NSF) to aid and assist research in Diabetes, Dengue, CKDU and Cancer.

It is proposed to allocate Rs. 1,500 million to Sri Jayawardenapura hospital in order to refurbish and expand. Further, it is proposed to allocate a sum of Rs. 2,500 million to train 2,000 nurses per annum at the Nursing school affiliated to the Jayawardenapura hospital.

9.23 Encouraging Indigenous Medicine

It is proposed to allocate government land to 2,000 farmers and also to make available concessional funding to encourage the cultivation of short term herbs such as Katuwelbatu, Vishnukranthi etc.

9.24 Research and Development for an Innovation led Economy

It is proposed to allocate Rs 100 million to set up a National Innovation Centre in the Ministry of Science while another Rs.3,000 million will also be provided within a period of 3 years.
It is proposed to allocate Rs. 100 million to upgrade selected Nenasala centers in 2016. These upgraded centres in addition to their usual task of facilitating ICT empowerment will also drive local entrepreneurship and provide technology support to SMEs.

It is proposed to allocate a sum of Rs.100 million to the Intellectual Property Office to facilitate the accession to the Madrid system by amending the trade mark law and upgrading of physical and human capital.

It is proposed that the cost incurred by the inventors of Sri Lanka Inventors Commission (SIC) to be borne by the government up to a maximum of USD 100,000.

### 9.25 Protecting the Ageing Population

To develop the aged care market in Sri Lanka a multi-pronged strategy which consists of the following were proposed;

- to allocate a sum of Rs.10 million from the Consolidated Fund to create a national policy on elders having discussed with all stakeholders of National Council for Elders.

- any private academic entity that will offer internationally accredited courses aimed at geriatric care will be given 50% tax reduction for a period of 5 years.

- half tax holidays will be granted to private individuals and companies who engage in construction housing facilities especially focused for the elderly. Further, government will support such ventures by providing government land.

- it is compel all Insurance Companies to issue medical insurance covers to all citizens up to 75 years.

- all citizens above the age of 65 years will be provided public transport free of charge when the National Digital Identity (NDI) is issued.

### 9.26 Protecting the Children, Our Future

The government has entered into an agreement with the World Bank on Early Childhood Development (ECD) project at a cost of USD 50 million or Rs.7,000 million
The private sector is encouraged to start childcare centres which will be regulated by the National Childcare and Protection Authority by proposing to allow such expenditure as qualifying payment.

The government’s commitment to protecting children given the ramifications for the future, the following are proposed:
- to strengthen the National Child Protection Authority (NCPA) and to expand its role tremendously with the aim to provide quality, safe and caring childcare facilities and caregivers to the society the government has decided to allocate Rs. 100 million.

- the Sri Lanka Vocational Training Authority together with the NCPA will be allocated Rs.50 million to formulate accredited child caregiver.

8.26 Land

Propose to introduce a “land bank” which is an electronic database of state-owned lands and to allocate Rs. 500 million for this purpose.

9.28 Encouraging Micro, Small and Medium Enterprises

Bill to govern Micro Finance business will be presented and a Regulatory Authority will be established to streamline this MSME (Micro, Small and Medium Enterprises) sector .
Micro Financing Agencies be registered with this proposed Authority for an annual fee of Rs. 25,000/- per unit.
Credit Guarantee Scheme to be implemented and contributed with Rs.500 million by the government as initial capital together with the assistance of selected financial institutions.
a credit facility of USD 100 million will be obtained from the ADB to support MSME lending at concessional rates.
Venture capital approach for providing equity financing facilities to SMEs through the establishment of one fund that will be a “Fund of Funds”.
Corporate Income Tax by 50 percent for Venture Capital Firms for a period of 5 years. This will commence by 1 April, 2016.

9.29 Agriculture

unutilized state land would be allocated to produce high quality seeds to improve the productivity in agricultural sector.
Half tax holidays will be granted to companies that use drip irrigation methods, greenhouse technology and endeavour to introduce high yielding seeds.
Remove the import duties of agriculture machinery and equipment.
Guaranteed price will be given for paddy
Small scale paddy farmers also get covered under existing fertilizer subsidy scheme.

9.30 Fruit and Vegetable Industry

Extend interest support on 50% of the interest on loans to be taken from Banks by individuals or companies enter in the industry.
Import duty free allowance and qualifying payment allowance for machineries utilised for fruit and vegetable industry.

9.31 Dairy Industry

Subsidy will be given for domestic manufacturers.
a reduction of import taxes and upfront depreciation on the machinery and equipment.

9.32 Fisheries

a life insurance cover of Rs.1 million for the fishermen.
Special Commodity Levy (SCL) on the import of fish to Rs. 50/- and import duty on fishing nets will also be reduced.
Rs. 750 million will be allocated for the development and upgrade local fishery harbours.
allocate Rs.100 million to National Aquaculture Development Authority (NAQDA) to undertake programmes to enhance fish breeding capacity.

9.33 Plantation Economy

Lease of Regional Plantation Companies to be extended for 50 years.
Two years of tax relief for rubber and tea plantation.
allocate Rs.250 million to coconut cultivation rehabilitation programme.
a sum of Rs.200 million will be allocated within 2 years for Tea, Rubber and Coconut Research Institutes.

9.34 Spices and Allied Products

Rs. 150 million will be allocated to undertake a branding exercise of Sri Lankan spices globally.
Rs. 50 Million each to be allocated for the Cinnamon Training School, Cinnamon Development Authority and National Science Foundation for the development of cinnamon industry.

9.35 Revival of the Rural Economy

Propose to allocate a sum of Rs.200 million to establish a new economic zone in Vavuniya.
Rs.2,000 million to rehabilitate small tanks and canals to support rural agriculture.
9.36  **National Environment Conservation Programme**

Rs.2,000 million to be allocated to a National Environmental Conservation Programme which has been initiated on all spheres of life while managing the Carbon footprint and also for additional programme relating to child protection, drug prevention, agriculture.

Rs. 4,000 million to be utilized within three years to programmes aimed specially at protecting wild life.

9.37  **Gem and Jewellery**

International exposure to the trainers and scholarships will be granted to students in gem and jewellery industry.

To protect the world class local jewellery craftsman, a 10% cess on imported jewellery will be imposed.

9.38  **Gold**

Central Bank to adopt a scheme where 50 licenses will be issued allowing import of gold free of all import duties. No person will be permitted to trade gold without the said license.

**Digitalization of the Economy**

Propose to introduce a National Digital Identity (NDI) and a unique number in all other relevant data bases, namely, passports, tax file, customs documents, vehicle registration, voter registers, welfare registers, bank data bases, utility bills etc.

200 smart digital classrooms will be established by 2016 and another 1,000 digital classrooms by 2017.

Allocate Rs. 10,000 million for the purpose of implementing an advanced digitalization programme of economy.

9.40  **Investment Promotion**

Remove the tax imposed on the leasing of land to foreigners and also to consider the removal of restrictions on ownership on identified investments imposed through the Land (Restrictions on Alienation) Act.

Introduce an investor friendly Foreign Exchange Management Bill (FEMB), which would help attract foreign flows.

Income from dividends on investment made by non-citizens and foreign companies in listed shares through inward remittances will be exempted from income tax.

An export import bank to be setup and to be listed at the CSE.

Grant a 50 % tax reduction for a period of 5 years to any new company setting up facilities in lagging regions of the country with a minimum investment of
US dollars 10 million or 500 new employment opportunities and period will be extended to 8 years if the number of employees exceeds 800. Modernization of existing business by investing in machineries and based on the creation of new employment the profits from such expansion will be subjected to half tax rate for 3 years.

New investments, instead of Strategic Development Project Act, a new investment Act will be enacted.

Extend tax incentives to those private sector companies who wish to invest in mixed development projects that will have a significant impact on the landscape.

Abolish Securities Investment Account (SIA) and investors should be allowed to bring in money to Sri Lanka through any bank account.

9.40 Housing

Freeing unutilized and underutilized government land to build houses for all.

Provide 100,000 units of housing through private public partnerships (PPP) within a period of 5 years to shanty dwellers.

Provide middle level government and private sector employees with 150,000 housing units while senior officials of the government sector will be provided with 5,000 housing units at reasonable prices.

Rates charged by local bodies should not exceed 15 percent of the annual value of commercial entities.

Foreigners will be allowed to borrow 40 percent of their investment in condominiums from banks in local currency.

Remove the Construction Industry Guarantee Fund Levy, to encourage small and medium scale contractors and to create an improved level playing field.

Tourism

3000 youth to be trained every quarter in hospitality industry and 100 million to be provided for this purpose.

50 per cent tax holiday for 5 years for companies incorporated specifically to engage in "MICE" (Meetings Incentives Conferencing and Exhibitions) activities and propose to allocate Rs.3,000 million for this purpose.

All hotels be mandatorily registered under the Tourism Development Authority by 1 June 2016.

Remove import duties on the caravan carriages, yachts, surfing equipment, speed boats and mini cruise boats.

9.42 Banking and Finance

Propose to merge the HDFC Bank and State Mortgage and Investment Bank (SMIB) to create a much stronger and larger "National Housing Bank",
Lankaputhra Development Bank (LDB) to be merged with Regional Development Bank (RDB) to create the "Lanka Enterprise Development Bank", and also Sri Lanka Savings Bank to be merged with National Savings Bank.
Link the Divinaguma Bank to the National Savings Bank for the protection of the fund ensuring professional management.
Licensed banks should cease in engaging in leasing business from 01 June, 2016.
Lend at least 10 percent of their loan portfolio to Agriculture, 5 percent to SME and 5 percent to Women and Youth.
Banking sector to limit their pawning business to a maximum of 5 percent of their loan portfolios.
Propose to consider the situations where cheques are retuned as a criminal offence and enforce stringent legal action against such offences.
Repatriation of monies as interest payments, will be monitored by the Central Bank to avoid any malpractices.
Exposure on Government securities for non-residents from 12.5 per cent to 10 per cent of the total outstanding stock of Treasury Bills and Bonds.
Impose following charges on cash withdrawals.
- Less than 1 million: No charge
- Between 1 million and 10 million: 2 percent
- Above 10 million: 3 percent

9.43 Finance Companies

100 percent guarantee on all deposits of all the registered finance companies by end January 2016.

9.44 Fixed Deposits of Senior Citizens

Propose to expand benefit to citizens above 55 years of age and the 15 percent interest rate to be applicable to deposits up to Rs. 1.5 million.

Capital Market to Stimulate Growth

Local companies listing in the CSE will receive tax concessions for 2 years while the concessions will be extended to 3 years if listed in a foreign stock exchange.
facilitate the expansion of the corporate debt securities market, it is proposed to waive the income tax and withholding tax applicable to those activities into 2016.
Share Transaction Levy which charges 0.3 percent from the buyer and seller on each share transaction will be removed

9.46 Education

introduce new degree courses in Marine Biology, Marine Recreation and Sea Port, Boat/Ship building, Integrated Coastal Resource Management etc. by the Ocean University.
Post Graduate Institute of Pali and Buddhist Studies will be provided with the
necessary infrastructure including a new building and allocate a sum of Rs. 500 million for this purpose.
provide laptops for university students on an interest free 3 year loan. Also free wi-fi zones will be provided for all universities and allocate Rs. 300 million for this purpose

**9.47 Empowering Youth through the Youth Corp**

It is proposed to revive and strengthen the National Youth Corp.
It is proposed that the National Youth Corp to provide youth with personal development via leadership training etc. and to connect them to Vocational Training Institutes for technical education.
Consequently, it is proposed that the Sri Lanka Vocational Training Authority and other relevant entities to be engaged in the services of vocational training and be linked to the National Youth Corp.
It is proposed to allocate an additional sum of Rs 3,000 million to perform aforementioned tasks.
It is proposed to introduce a mechanism where the commercial banks will finance projects such as mushroom farming, furniture industry, vehicle electricity-charging stations, food industry, ornamental fish farming, dairy industry, bee honey industry etc. at a concessionary interest rate for youth who have created a unit consisting of at least 50 members. Further, it is also proposed to provide state land depending on the size of the aforesaid projects.

**9.48 Health – Modern Healthcare**

It is proposed to immediately form 1,000 kidney dialysis centres in CKDU prevalent areas at a cost of Rs.6,500 million.
It is proposed to construct a hospital specializing in kidney disease management in Minneriya for which by allocating a sum of Rs.2,000 million.
It is proposed to allocate Rs.3,000 million to be utilised for the construction of 3 cancer hospitals in Nallur, Kandy and Matara.
It is proposed to upgrade the Anuradhapura, Kurunegala and Jaffna Hospitals by allocating Rs. 3,000 million for this purpose.
It is proposed to allocate a sum of Rs.200 million for developing the mobile hospitals
It is proposed to allocate Rs.250 million to train specialist doctors in Pathology, emergency medicine, geriatrics, paediatrics and also geriatric nurses, and medical staff.
It is proposed to allocate a sum of Rs.5,000 million to build and equip 10 district-based stroke centres and to strengthen the accident and emergency care services in the hospitals.
It is proposed to allocate Rs.250 million to the National Science Foundation (NSF) to aid and assist research in Diabetes, Dengue, CKDU and Cancer.
It is proposed to allocate Rs. 1,500 million to Sri Jayawardenapura hospital in order to refurbish and expand. Further, it is proposed to allocate a sum of Rs.
2,500 million to train 2,000 nurses per annum at the Nursing school affiliated to the Jayawardenapura hospital.

9.49 Encouraging Indigenous Medicine

It is proposed to allocate government land to 2,000 farmers and also to make available concessional funding to encourage the cultivation of short term herbs such as Katuwelbatu, Vishnukranthi etc.

9.50 Research and Development for an Innovation led Economy

It is proposed to allocate Rs 100 million to set up a National Innovation Centre in the Ministry of Science while another Rs.3,000 million will also be provided within a period of 3 years.

It is proposed to allocate Rs. 100 million to upgrade selected Nenasala centers in 2016. These upgraded centres in addition to their usual task of facilitating ICT empowerment will also drive local entrepreneurship and provide technology support to SMEs.

It is proposed to allocate a sum of Rs.100 million to the Intellectual Property Office in order to facilitate the accession to the Madrid system by amending the trade mark law and upgrading of physical and human capital.

It is proposed that the cost incurred by the inventors of Sri Lanka Inventors Commission (SIC) to be borne by the government up to a maximum of USD 100,000.

9.51 Protecting the Ageing Population

To develop the aged care market in Sri Lanka a multi-pronged strategy which consists of the following were proposed;

- to allocate a sum of Rs.10 million from the Consolidated Fund to create a national policy on elders having discussed with all stakeholders of National Council for Elders.
- any private academic entity that will offer internationally accredited courses aimed at geriatric care will be given 50% tax reduction for a period of 5 years.

half tax holidays will be granted to private individuals and companies who engage in construction housing facilities especially focused for the elderly.
Further, government will support such ventures by providing government land.
- It is compel all Insurance Companies to issue medical insurance covers to all citizens up to 75 years.
- All citizens above the age of 65 years will be provided public transport free of charge when the National Digital Identity (NDI) is issued.

9.52 Protecting the Children, Our Future

- The government has entered into an agreement with the World Bank on Early Childhood Development (ECD) project at a cost of USD 50 million or Rs.7,000 million.
- The private sector is encouraged to start childcare centres which will be regulated by the National Childcare and Protection Authority by proposing to allow such expenditure as qualifying payment.
- The government’s commitment to protecting children given the ramifications for the future, the following are proposed:
- To strengthen the National Child Protection Authority (NCPA) and to expand its role tremendously with the aim to provide quality, safe and caring childcare facilities and caregivers to the society the government has decided to allocate Rs. 100 million.
- The Sri Lanka Vocational Training Authority together with the NCPA will be allocated Rs.50 million to formulate accredited child caregiver.

9.53 Public Order and Safety

An additional allocation of Rs. 1,000 million to increase the number of police stations to 600 from the existing 428 stations in order to improve the security, law and order at village level
allocate Rs. 100 million to provide continuous training in core policing sectors including modern traffic management systems, both domestically and internationally in order to strengthen the National Police Training Academy in the country
allocate Rs.250 million for the deployment of networked communications through which Police can coordinate its emergency responses and enhance communication between state agencies and citizens
address the salary issues in the police service within a period of 2 years and allocate a sum of Rs.3,000 million for 50% of the due payments.

9.54 State Owned Enterprises

Instead of simply privatizing SOEs to increase revenues, the government would follow a more strategic approach where SOEs would be strengthened and made independent. As such,

all SOEs will be brought under a Government owned holding company formed similar to that of the Temasek Holdings of Singapore.
The shares of these enterprises will be passed onto a Public Wealth Trust (PWT), where the Secretary to the Treasury and the Governor of the Central Bank will be the custodians.
Key SOEs will also be encouraged to adopt a rating mechanism which will also facilitate the entities to access the domestic and foreign capital markets through various instruments for their capital requirements.
provide legislative backing to broaden and strengthen the Public Utilities Commission of Sri Lanka (PUCSL) to include the National Water Supply and Drainage Board (NWSDB) and the Ceylon Petroleum Corporation (CPC) enabling a more cost reflective transparent pricing mechanism.
government to streamline its portfolio of investments and will therefore exit partially or fully from those non-strategic investments in Lanka Hospitals, Hotel Developers PLC (Colombo Hilton), Hyatt Residencies, Waters Edge, Grand Oriental Hotel, Ceylinco Hospital and Mobitel by listing such investments in the Colombo Stock Exchange during 2016. The monies generated through such listings will be used to retire high cost debt accrued and monitor the market and will also not hesitate to invest in strategic assets locally and internationally should it align with the economic policy of the country.
Lak Sathosa debt to be restructured and a sum of Rs.1,000 million to be allocated in expanding and increasing the number of outlets upto 500.
Establish a Special Purpose Vehicle (SPV) for the Southern Expressway and the Katunayake Expressway whereby Private investors will be invited to invest into the SPV for which the government will guarantee a minimum return.
Funds generated from the SPV investments would be used to clear the country’s debt.
Establish a SPV for the Norochcholai coal fired power plant to be securitized thereby improving the CEB’s liquidity and enable its expansion activities.

### 9.56 Aviation Sector

An open sky policy with restriction free traffic to be implemented thereby inviting international airlines to make Sri Lanka a preferred destination.
Improve the domestic air transportation, three new domestic airports will be established at Digana, Badulla and Puttlam through a Public Private Partnership arrangement.
Create strategies to attract stopovers in Sri Lanka from tourists travelling from the East to the West.
airlines using domestic airports to be exempted from ground handling charges and other fees. They will be liable to pay only a license fee of Rs.1.5 million per annum.
increase the over flying charges of commercial planes by 20 percent from 01, January 2016.

### 9.57 Sri Lankan Airlines

restructure and reposition SriLankan Airlines, with professional
management inclusive of local and foreign experts to be a regional airline focused on profitable destinations.

Ground handling and catering operations which at present are profitable will be managed as separate institutions serving all airlines and operate as independent entities running as a common service provider to all airlines.

58 Mihin Lanka

Mihin Lanka to be positioned as a “no frills” budget airline and concentrate its operations mainly on domestic routes whilst limiting its operations to selected international routes.

9.59 Mattala Airport

Through a private public partnership, utilize the Mattala Airport for pilot training, logistic aero warehouse activities, cargo services etc.

Utilize the Mattala airport as a cargo hub, especially for air freight and throughput charges to be fixed at USD four (04) cents per kilogramme whilst inviting integrated courier companies to utilise Mattala airport for their hub operations.

Encourage the private sector to set up flying training school and Maintenance, Repairs and Overhaul (MRO) facilities within the Mattala Airport.

9.60 Effective Social Security Networks

Proposed allocation on household transfers including social security schemes such as Samurdhi, fertilizer subsidy, pensions, etc increased to Rs.420 billion.

Welfare Benefits Act - social networks consisting of senior citizens and dignitaries together with the Grama Niladaris be included to assist the government to identify those who actually needs to be included in our social protection schemes and all such payments to be made through the banking system which has significant branch outreach in the country a seamless transfer of benefits without interference, leakages and corruption. All social security schemes be monitored under one entity under the Ministry of Home Affairs.

9.61 Public Finance

A Central Procurement Secretariat to be established which will oversee the awarding of tenders and handle all purchases over a specific value.

A committee appointed to educate and guide companies and contractors on the method that should be followed in applying for state tenders.

Brass, Copper and Steel unused items lying idle in the form of scrap at Ministries and Departments should be offered for sale through a transparent tendering or auctioning process bringing in proceeds around Rs. 1,500 million from sale of brass and Rs. 1,000 million from the sale of steel.
Chief Accounting Officers and Accounting Officers including Revenue Accounting Officers in the public sector entities to review fees and charges levied by different government entities every three years.

A National Asset Register to be maintained at the Department of Public Finance.

Increase the guarantee limit under the Fiscal Management (Responsibility) Act (FMRA) from current 7 percent of GDP to 10 percent of GDP, enabling the issuance of guarantees to Public Private Partnerships in which the government holding is less than 50 percent, at a fee. Treasury Guarantees to be issued on a fee basis.

**Improving Treasury Operations**

Establish a Revenue Efficiency and Investigation Unit at the Treasury, to investigate all revenue related matters Customs, Excise, Inland Revenue and Valuation.

A sum of Rupees 2,000 million to be allocated for a new state of the art building which can house the Inland Revenue Department, Excise Department, Postal Department and the National Lotteries Board to be constructed at the Tripoli market.

A sum of Rs.50 million to be allocated to establish an Institute under the Ministry of Finance to provide professional qualifications to public sector Accountants.

To create a Space Management Unit to ensure better space management in government offices.

**9.63 Public Administration**

Propose not to purchase vehicles but instead obtain vehicles on an 'operational lease' where the lessor bears all the maintenance expenditure including insurance premiums and other fees related to vehicles. Officers willing to use their own vehicles will be granted a maximum allowance of Rs. 50,000 per month in addition to the fuel allowance. This would yield saving of at least Rs. 10,000 million per annum.

A sum of Rs.150 million to be allocated for the government to bear the total cost of the secondary school education for the first child and bear 80 percent of the cost from the second child onwards.

Public sector cadres to be reviewed every 5 years.

A lump sum payment per person of Rs. 250,000/- proposed for July strikers and a sum of Rs. 500 million to be allocated for this purpose.

**9.64 Justice**

improve the court administration and automated case management systems utilising audio recording, I propose to allocate Rs.500 million for this purpose. Introduction of such a two shift system at our courts will ensure that
cases could get resolved expeditiously.

Ministry of Justice to examine the existing laws and propose amendments where ever necessary. For the purpose of legal reforms, I propose to allocate a further sum of Rs.500 million to allocate a sum of Rs.500 million to strengthen the capacity of the Judicial Training Institute, increase the number of judicial officers and capacity building of the office of the Attorney General, Legal Draftsman and the Government Analyst's Department.

**Superannuation Funds**

The existing regulation and supervision of APPFs by the Commissioner General of Labour is weak. Propose to entrust the regulation of these pension funds to a regulatory body of Sri Lanka. Propose to introduce legislation on the regulation of superannuation funds.

Contributory pension system will be introduced to new recruits to the public sector from 01 January 2016 which would ensure a pension at their retirement. The contributions will be directed to a Public Pension Fund. Honourable Prime Minister's economic policy statement made reference to the amalgamation of the EPF and ETF, I wish to inform this house that such strategy will only be pursued once a consensus has been reached between the government and the trade unions to provide a health insurance scheme covering accidents, critical illness and surgeries up to a maximum of Rs.150,000 per child, to the children (up to the age of 18 years) of the members of EPF, at a nominal contribution of Rs.100 per month, per active member.

9.66 **Women Empowerment**

To increase the representation of women in elected political institutions to 25 per cent.

9.67 **Optimizing Potential in Business Process Management (BPM)**

It is estimated that the BPM sector will generate export revenues of USD 1 billion and 100,000 employment opportunities by 2016 and by 2020, this industry is estimated to be able to generate USD 5 billion of export earnings.

In achieving the aforementioned the country will need a considerable number of skilled IT professionals. As such, I invite internationally recognized IT educational entities including IT Universities into the country and propose to continue the tax concessions that such companies are privy to at present. These universities will be established as a Public Private Partnership (PPP) arrangement and government contribution could be by way of land or
other infrastructure facilities.
to facilitate the takeoff in the IT industry, it is proposed that the country undertakes an international promotional and benchmarking exercise for which the government, through the Export Development Board (EDB), will provide 50 percent or Rs.100 million out of the total budgeted cost of the benchmarking and promotional activity while the Sri Lanka Association for Software and Services Companies (SLASSCOM) will match the effort by infusing another Rs.100 million. An oversight Committee consisting of SLASSCOM officials and government officials will engage in overseeing this activity.

.68 Business Start-ups –

Proposed to initiate a loan scheme through the state banks that provides loans up to a maximum of Rs1.5 million per viable idea per person with tenure of 3 years. The facility to be made available to at least 1,000 graduates. The loans will be fully guaranteed by the government. It is hoped that we will be able to create at least 100 business start-ups per annum.

9.69 Road Transportation

Propose to make available a concessional loan of Rs 150,000 for the conversion purpose, for fare-metered three wheelers. I propose to allocate Rs. 50 million for this purpose. This will help better management of traffic, deter theft and improve security. As such I propose to allocate a sum of Rs.500 million for this purpose.

9.70 Railways

Rs. 1,000 million to the Ministry of Transport to engage in the improvement of the railways, bus transport in selected towns such as Jaela, Avissawella, Panadura, Kadawatha and Piliyandala. When the concept of "Park and Ride" is established the vehicles coming to the city will be required to carry a minimum of 4 passengers and any vehicle that does not will be imposed a fee. This mechanism will be implemented before the end of September 2016. At the same time we encourage freight transport by railways which will reduce the cost of transport.
Jaffna Railway line from Maho to Vavuniya for which to allocate a sum of Rs. 200 million.
9.71 Transportation on Waterways

To improve water transport in the country, I propose to allocate Rs. 250 million.

9.72 Shipping

We need to set a realistic target to be within the top 20 trans-shipment ports in the world by 2025.

9.73 Freight Forwarding

Foreign participation could extend up to a maximum of 75 percent with a minimum investment of USD 5 million. But such companies should have at least

90 percent of local employment.
Rs.50 million to strengthen the activities of Indian Ocean Marine Affairs Cooperation.
Sri Lanka Ports Authority premises are subject to bureaucratic red tape. I therefore propose to liberalize the vehicle movement activities and introduce a license fee of Rs.100,000/- per vehicle per year.

9.74 Industrial Estates and Parks

We have 27 industrial estates in the country. The facilities in these estates have not been upgraded thus hampering the activities of the industrialists. In addition, we will establish Industrial Development Zones (IDZs), in Hambantota, Raigama, Mahaoya and Trincomalee along with Information and Agricultural Technology Zones (IATZs) in Kandy. To allocate Rs.500 million to rehabilitate and improve the facilities in these estates.

9.75 Water Supply

Our policy is to enhance access to pipe borne water to 60 percent by 2020. Government has undertaken 29 large scale water supply projects all over the country at a cost of Rs 94 billion. At the same, time 5 major sewerage projects are also being implemented in the country to improve related facilities.

9.76 Roads Network

Rs. 15,000 million for the expansion of the road network which includes the expansion of the Ruwanpura Expressway, extension of Marine drive up to
Panadura, extension of the Pamankada-Ratmalana Road, new bridge construction over the Kelani River, reconstruction of 25 bridges and 3 flyovers etc.
Rs.10,000 million to be the government contribution.
Rs.4,000 million to be utilized within a period of 2 years.

**9.77 Connecting the Country – North East Expressway**

Rs.1,000 million in 2016 as seed capital of the proposed IDA. It is also proposed to provide guarantees to the IDA, should the company be engaged in raising debt finance domestically or internationally.

**9.78 Irrigation Projects**

Rs. 2,000 million for the rehabilitation and improvement of small scale tanks and canals, I propose to allocate a further Rs.1,000 million to expedite the Yaan Oya irrigation project.

**Power and Energy**

CEB for Non-Conventional Renewable Energy projects (NCRE) that has already been issued but unutilized for more than 1 year as at 31. December, 2015 will cease to be operational.

**9.80 Megapolis and Urban Development**

Rs.1 0,000 million for projects such as township development, urban solid waste management, etc.
**Urban Development** - Further, so as to improve access to clean water, provision of sewerage, and urban development, I propose to allocate Rs.2,500 million to the Ministry of City Planning and Water Supply.

**9.81 Southern Development**

The contribution to the economy from the Southern province is only about 15 per cent. However, I believe that there is much scope for improvement. our efforts in Southern Development will be concentrated mainly on developing seaport and airport logistic support services, agro based industries, agriculture support services improvement, urban facility improvement, rural sanitation facility etc. For this purpose, I propose to allocate Rs.1,000 million.

**9.82 Wayamba Development**
Honourable Speaker, I propose to allocate Rs.2,500 million for the implementation of drinking water projects, improvement of irrigation facilities, fisheries development etc. in the North Western Province.

9.83 Estate Infrastructure

160,000 plantation worker families still reside in the age old line rooms. Our Government will undertake housing programmes to build low cost houses and amenities for the plantation community for which I propose to allocate Rs.1,000 million.

9.84 Strengthening Local Government authorities

Rs.1,500 million for local government authorities to be utilized for the upgrading of infrastructure facilities.

9.85 Special Projects

Rs.150 million to the recently instituted Ministry of Special Assignments. National Unity government. They were keen to increase the decentralized budget to Rs.1.5 million per Parliamentarian. As such, I propose to allocate a sum of Rs. 3,375 million for this purpose.

Culture and Arts

Association of Artists to initiate a mechanism for a contributory pension scheme for which I propose to allocate Rs. 15 million as the government's contribution.

9.87 Sport

Rs.1,000 million for the above proposals while removing import taxes applicable on sports goods.

9.88 Foreign Employment

Sri Lanka Foreign Employment Bureau to engage with foreign countries who are desirous of employing our labour to agree to a minimum monthly wage of at least USD 300 for unskilled and semi-skilled migrant workers. Increase the agent fee per worker collected by the Sri Lanka Foreign Employment Bureau to Rs. 15,000 per worker. All the migrant workers prior to departure should possess a bank account, insurance cover and information with regard to contact details.
9.89 A Strong Regulatory Framework for Sustainable Growth

Propose that Sri Lanka Standards Institute, Industrial Technological Institute and Pharmaceuticals Research Laboratory be strengthened by increasing the technical cadre and the laboratory facilities for which I allocate Rs.200 million.

To establish a Competition Authority to regulate the market for anti-competitive behavior of businesses which includes unfair monopolies, dumping, exclusive dealings, price fixing, etc.

9.90 Satellite Space of Sri Lanka

Our satellite space which has not been used will be tendered internationally through a transparent procedure.

9.91 Apparel Mall

Propose to assist this brand journey by establishing a wholesale and retail mall exclusively for domestic apparel brands as a Public Private Partnership at a cost of Rs. 2,500 million where the Government would offer a plot of leased land for the construction of a mall with a floor area of at least 400,000 square feet.

9.92 Project Monitoring

Rs.200 million to the Ministry of National Policies and Economic Affairs to enhance the policy formulation and policy analysis mechanism of the country to enable better design and monitoring of development polices.

All branding activities that is undertaken as private public partnerships will be coordinated by the Ministry of National Policies and Economic Affairs.

9.93 Allowances

Rs.10,000 per month that has been made available to the public sector employees as a promise of our government. This allowance and the previously granted two interim allowances will be considered for the pension payment at the time of retirement.

9.94 Parliamentary Affairs

Propose to allocate a sum of Rs. 250 million. Rs.50 million to the J R Jayawardene Centre to be utilized to strengthen the capacities of the members of the parliament.
9.95 Revisions to Motor Vehicle Taxes

Reported that there are over 6 million vehicles in service in the country. Road accidents are also on the rise.

9.96 Unit Rate on Excise for Vehicles

Introduce a simple unit rate of excise duty for the vehicles on the basis of cubic centimeters. Duties on the percentage basis on certain vehicles will also be revised.

9.97 Tax Incentives for Environment Friendly Vehicles

Reduce Excise duty to 2.5 percent for the vehicles which are run entirely on Solar, Hydrogen or Helium.

9.98 Motor Vehicle Entitlement Certificate

Vehicle Entitlement Certificate fee of Rs. 2,000 per Motor Cycle and Three Wheeler, Rs. 15,000/- for a Motor Car and Rs. 10,000/- per vehicle for all other vehicles.

Revenue License and Emission Test

Revise revenue license fee for motor vehicles. A fee charged on the certificate of emission test will be enhanced to Rs. 5,000. Issuance of vehicle emission certificates will be liberalized and opened up for competition by allowing more players to come in.

100. Registration of Vehicles

Department of Motor Traffic Department due to various reasons. I urge the owners of such vehicles to register their vehicles by 31 March 2016, by paying a fee of Rs. 750,000 for commercial vehicles and Rs. 1 million for motor cars.

Introduce a unique vehicle number plate system which could be auctioned.

Concessionary Permit Schemes

Vehicle permit schemes have been politicized and misused and have created a huge revenue loss over Rs. 40 billion a year to the government.

Stamp Duty Reduction on Credit Cards

Presently stamp duty is levied at 1.5 percent for purchases using a credit card. Remove stamp duty on credit cards for local purchases and stamp duty for
foreign purchases will be increased to 2.5 percent.

**Mansion Tax**

Provisions in relation to Mansion Tax which was introduced in the interim budget will continue to be applicable except for condominium units.

**Rationalization of Customs Duty Structure**

Presently 4 tariff bands are applied for customs duty i.e. exempt, 7.5 present, 15 present, 25 present and a fixed higher rate. Out of around 7,000 HS codes, nearly 50 present of the items are at 0 present. Only 2 present of items are in 7.5 present band. To simplify the tariff bands further, I propose to remove the 7.5 present band and increase the 25 present band to 30 present. Accordingly, Sri Lanka will have a 3-band structure of exempt, 15 present and 30 present.

**Ports and Airports Development Levy (PAL)**

To increase the PAL from 5 present to 7.5 present, other than plant and machineries used for construction, dairy and agricultural industries which will be exempted.

**Taxes on Liquor**

Revenue collection from liquor is about Rs.100 billion in 2015. If we are able to curtail such illicit liquor circulation we can focus on the collection of another Rs. 100 billion.

**Fool-proof Sticker**

The enforcement of this transparent measure will help stop unregulated liquor being made available to consumer.

**Increasing Liquor Manufacturing License Fee**

To increase the annual manufacturing license fee for a distillery to Rs.1 50 million. To impose a single fee of Rs.1 50 million for liquor manufacturers as an annual licence fee instead of the present complicated per bottle license fee system.

**Simplification of Licensing Scheme**
The complicated licensing scheme will be simplified and certain time restrictions applicable on the sale will be removed.

**Minimum Excise Duty Payable**

Necessary amendments to the Excise Ordinance will be introduced to make provisions to collect a minimum Excise Duty of Rs.250 million per month from liquor manufacturers who are having distilleries and Rs.50 million per month from persons engaged only in liquor manufacturing based on the minimum quantity of liquor required to be manufactured.

**Increasing Import Duty on Liquor**

Propose that tax on all types of foreign liquor and imported ethanol be increased on par with locally produced liquor-price increase.

**Imported Foreign Liquor License**

At present, permission is granted to transport only 10 bulk litres of locally manufactured liquor and there are no restrictions in place on the transportation of imported liquor.

**Customs Duty on Beedi Leaves**

On the contrary, importation of beedi leaves has led to growing trends in beedi production. Although cigarettes prices were increased every year, beedi price has not been increased. In view of discouraging the consumption of tobacco and establishing a minimum price, I propose to increase Customs Duty on beedi leaves. Further, beedi manufacturing licence fee also to be increased from Rs.1 500/- to Rs.5,000/-. I also propose to discourage the importation of beedi as a finished product, by increasing Customs Duty. This will be an indirect benefit for the beedi manufactures.

**Increase of Embarkation Levy**

To increase the Embarkation Levy from USD 25/- to USD 30/-. This will be applied for both ship and air passengers. I also propose to increase the contribution to the Consolidated Fund from the Embarkation Levy from present one third to two thirds of the total collection through this levy.

**Passport Fee**
To increase one day service of passports from Rs.7,500/- to Rs.10,000/- per application. Further, I propose to increase application fee for dual citizenship from 250,000 to Rs.300,000/- per application and SAARC Visa fee to USD 20/- per application.

**Introduction of Residence Visa**

To introduce a fee of USD 250,000 for residence visa for a three year period and USD 5 million for a permanent residence visa for foreigners, with the approval of the Cabinet of Ministers.

**Tax on Telecommunication industry**

International Telecommunication Operator Levy (ITOL) was charged on incoming international calls on per minute basis by USD Cents 9 per minute. Out of the amount, only USD Cents 3 per minute is credited to the Consolidated Fund by operators. In addition to I propose to increase ITOL from USD Cents 9 to USD Cents 12 and total increase to be credited to the Consolidated Fund. The TRCSL has requested that the transit tariff revenue be exempted from the gross turnover for the purpose of cess payment in order to increase the competitiveness for international transit traffic and thus increasing the inflow of foreign revenue. Considering the negative environmental impact, I also like to propose an annual fee of Rs.50,000/- per tower.

**Sale in the Domestic Market by Export Oriented Companies**

Export oriented BOI companies will be permitted to supply to the local market only 5 present of its products.

**Introduction of an Annual Registration Fee on Companies**

In order to make such companies activated, I propose to impose an annual fee on all the registered companies collectible by the Registrar of Companies. Further in order to discourage voluntary registration, I propose to charge Rs. 500,000/- on voluntary liquidation of companies.

With effect from January 01, 2016, all business entities should be registered with their respective local councils at a nominal fee of Rs. 100 per year. **Teledrama Levy**

English being a link language in Sri Lanka, levies currently exempted on Tamil teledramas, films and advertisements will also be extended to English telegrams, films and advertisements as well.

**Inland Revenue Department**

Revenue Administration Management Information System (RAMIS), to enable the automated services for filing of returns, payment of taxes, etc., will be effective from 1 January 2016.
Mandatory inclusion of the Taxpayer Identification Number (TIN) or the Business Registration Number (BRN) in all transactions in capturing all business transactions, leading to increased tax collection.

The recommendations of the Taxation Commission will be reviewed and simplification of procedures, application of lower tax rates targeting broader tax base will be at utmost importance. Steps will be initiated to ensure the revenue collection at Divisional Secretariat level.

Personal taxpayers who pay more than Rs. 25 million per year will be granted with special privileges such as VIP counter at the airport, priority treatment at government institutions and hospitals, special invitations for state functions.

The income tax return will be simplified into a one-page document, which would be more tax-payer friendly and would lead to higher compliance. Provisions will be incorporated in relevant tax statutes to avoid the misuse and manipulation of tax provisions.

The triple deduction of Research and Development expenses will be allowed only if there is a technology advancement and yield development.

The exemption of the interest on foreign loans will be restricted on the interest on loans taken from foreign banks or financial institutions.

Certain exemptions on dividends, after the completion of the tax holiday period, will be removed.

Inland Revenue Department within 3 years. If not, that amount would be allowed to be set off against future tax payable.

**Tax Appeals Commission**

Steps will be taken to ensure the independency of the tax appeals commission and the appellate procedure, adhering to the principles of natural justice.

**Sri Lanka Customs (SLC)**

Sri Lanka Customs collects almost 60 present of the Government revenue. SLC. Also, the SLC plays a pivotal role in facilitating international trade. Approximately 80 present of our imports are inputs for local and export oriented industries.
New scanning machines will be installed at all the clearing points at the Sri Lanka Customs. This will no doubt enhance the confidence on Sri Lanka Customs as well.

Import Customs Declarations electronically will be implemented by June 2016. The government agencies which provide authorization will be linked online to the SLC by 1 January 2016.

CCTV systems will be operated in every customs bonding areas, ensuring transparency and elimination of waste and corruption. These apparatus will be linked to the SLC headquarters. Any new bonding

warehouses that come into operation after 1 April 2016 should have a minimum floor area of 50,000 square feet.

A new valuation system will be introduced to curb under invoicing of motor spare parts, tiles, tires etc with effect from January 01, 2016.

To avoid Sri Lanka being a dumping ground, the importation of used washing machines, used TVs and used mobile phones will be banned with effect from January 01, 2016.

Streamline the Customs activities and as a revenue protection measure, all the regular importers should be registered with the SLC from January 01, 2016.

Ports and Airports should be operated on joint venture basis with local or foreign counterparts. Accordingly..

A new Customs Law in place of existing Customs Ordinance will be presented to the Parliament.

**Charges for Road Accidents**

Propose to impose a fine of Rs. 10,000/- in addition to the damages to the public property, in case of a road accident.

**Incentives for Thrust Industries**

Sri Lanka would be free of Asbestos by 2018. In this background, we have to find environment friendly roofing materials by 2018. To encourage the manufacturing of red clay tiles, the red clay industry will be granted a half tax holiday on income tax for a period of 3 years.

**Import Taxes on Garments and Footwear**

A uniform rate will be applicable for garments and footwear imported or manufactured and supplied to local market by export oriented companies.

**Special Commodity Levy**
In order to protect the local confectionery industry the Special Commodity Levy applicable on vegetable fat will be reduced.

**Multi-tasking Officers**

Graduates attached to the Divisional Secretariats (DS) will be deployed as Multi-Tasking Officers. They will be assigned with special tasks, to ensure the government revenue collection at DS level.
## Sri Lanka Economy at a Glance

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<tr>
<td>Budget deficit (% of GDP)</td>
<td>-0.6</td>
<td>-0.5</td>
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<td>Balance of payments</td>
<td>1368.9</td>
<td>985</td>
<td>151</td>
<td>-1,061</td>
<td>921</td>
<td>2,725</td>
<td>-1,385</td>
<td>531</td>
<td>204</td>
<td>501</td>
<td>-205</td>
<td>502</td>
<td>338</td>
<td>220</td>
<td>-522</td>
<td>-263</td>
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<td>Total international reserves (USD million)</td>
<td>9,884</td>
<td>8,573</td>
<td>8,585</td>
<td>7989</td>
<td>8,621</td>
<td>7,030</td>
<td>3,640</td>
<td>4,956</td>
<td>4,905</td>
<td>4,201</td>
<td>3,439</td>
<td>3,218</td>
<td>2,495</td>
<td>2,238</td>
<td>2,131</td>
<td>2,582</td>
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<td>Total reserves (Colombo Consumer Price Index 2006/07 = 100)</td>
<td>6.1</td>
<td>5.7</td>
<td>5.4</td>
<td>4.7</td>
<td>7.7</td>
<td>8.3</td>
<td>3.1</td>
<td>5.3</td>
<td>4.7</td>
<td>5.7</td>
<td>5.2</td>
<td>5.8</td>
<td>4.9</td>
<td>4.5</td>
<td>3.5</td>
<td>5.2</td>
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<td>Unemployment %</td>
<td>4.3 (a)</td>
<td>4.4 (a)</td>
<td>4.0 (a)</td>
<td>4.2 (b)</td>
<td>4.2 (b)</td>
<td>5.8 (b)</td>
<td>5.4 (b)</td>
<td>6.0 (b)</td>
<td>6.5 (b)</td>
<td>7.2 (b)</td>
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<td>8.8 (b)</td>
<td>7.9 (b)</td>
<td>7.6 (b)</td>
<td>8.6 (b)</td>
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<td>GDP at market prices (Rs billion)</td>
<td>9,785</td>
<td>8,674</td>
<td>7,579</td>
<td>5,643</td>
<td>5,045</td>
<td>4,835</td>
<td>4,411</td>
<td>3,579</td>
<td>2,039</td>
<td>2,453</td>
<td>2,090</td>
<td>1,822</td>
<td>1,582</td>
<td>1,407</td>
<td>1,258</td>
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<tr>
<td>GDP at market prices (USD billion)</td>
<td>74.9</td>
<td>47.2</td>
<td>32.1</td>
<td>25.4</td>
<td>20.3</td>
<td>16.6</td>
<td>14.3</td>
<td>11.9</td>
<td>9.5</td>
<td>8.3</td>
<td>7.1</td>
<td>6.5</td>
<td>5.8</td>
<td>5.1</td>
<td>4.1</td>
<td>3.3</td>
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<tr>
<td>Mid-year population (million persons)</td>
<td>20.7</td>
<td>20.5</td>
<td>20.3</td>
<td>20.9</td>
<td>20.6</td>
<td>20.4</td>
<td>20.2</td>
<td>19.9</td>
<td>19.7</td>
<td>19.5</td>
<td>19.3</td>
<td>19</td>
<td>18.8</td>
<td>19.1</td>
<td>19</td>
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<tr>
<td>Per capita GDP at market price (USD)</td>
<td>3,625</td>
<td>3,280</td>
<td>2,922</td>
<td>2,836</td>
<td>2,400</td>
<td>2,057</td>
<td>2,014</td>
<td>1,617</td>
<td>1,421</td>
<td>1,241</td>
<td>1,062</td>
<td>981</td>
<td>870</td>
<td>841</td>
<td>869</td>
<td>863</td>
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<td>Real GDP growth rate (%)</td>
<td>3.2</td>
<td>5.9</td>
<td>6.7</td>
<td>6.2</td>
<td>6.2</td>
<td>6.2</td>
<td>5.9</td>
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<tr>
<td>AWPR (Average Weighted Deposit Rate) - Monthly Interest rate</td>
<td>6.2</td>
<td>9.37</td>
<td>10.1</td>
<td>7.24</td>
<td>6.23</td>
<td>8.01</td>
<td>11.63</td>
<td>10.31</td>
<td>7.6</td>
<td>6.24</td>
<td>5.3</td>
<td>7.3</td>
<td>10.8</td>
<td>9.9</td>
<td>9.1</td>
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<tr>
<td>AWPR (Average Weighted Prime Lending Rate) - Monthly Exchange rate</td>
<td>6.35</td>
<td>9.96</td>
<td>14.3</td>
<td>10.49</td>
<td>9.27</td>
<td>10.91</td>
<td>18.5</td>
<td>17.95</td>
<td>15.19</td>
<td>12.24</td>
<td>10.2</td>
<td>8.05</td>
<td>12.2</td>
<td>14.3</td>
<td>21.46</td>
<td>15.9</td>
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<td>Exchange rate (US$/Rs) (Annual average)</td>
<td>130.56</td>
<td>129.11</td>
<td>127.6</td>
<td>110.57</td>
<td>113.06</td>
<td>114.94</td>
<td>108.33</td>
<td>110.62</td>
<td>103.96</td>
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<td>101.19</td>
<td>95.62</td>
<td>89.36</td>
<td>75.78</td>
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<td>Capital Market Index</td>
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<td>All Share Price Index</td>
<td>7,299.00</td>
<td>5,012.80</td>
<td>5,432.00</td>
<td>6,071.40</td>
<td>6,655.90</td>
<td>3,858.60</td>
<td>1,503.00</td>
<td>2,541.00</td>
<td>2,722.40</td>
<td>1,922.20</td>
<td>1,506.90</td>
<td>1,062.10</td>
<td>815.1</td>
<td>621</td>
<td>447.6</td>
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<td>Milanka Price Index</td>
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<tr>
<td>S &amp; P Index</td>
<td>5,604</td>
<td>4,411</td>
<td>3,218</td>
<td>2,495</td>
<td>2,238</td>
<td>2,131</td>
<td>2,582</td>
<td>2,238</td>
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<tr>
<td>S &amp; P Index</td>
<td>4,583.9</td>
<td>3,858.60</td>
<td>3,218</td>
<td>2,495</td>
<td>2,238</td>
<td>2,131</td>
<td>2,582</td>
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<td>2,582</td>
<td>2,238</td>
<td>2,131</td>
<td>2,582</td>
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</tbody>
</table>

Source: Central Bank of Sri Lanka
Budget Estimates

The Budget 2016 estimates total revenue and grants of Rs. 2,047 billion (2015- Rs. 1,477) consisting of tax revenue from income tax Rs. 233 (2015- Rs.249 billion), taxes on goods and services Rs. 993 billion (2015- Rs. 786 billion), taxes on external trade Rs. 358 billion(2015-Rs. 248 billion) non-tax revenue Rs. 378 billion (2015 -Rs. 126 billion), provincial councils tax sharing and devolved revenue Rs.70 billion (2015 - Rs. 58 billion) and grants of Rs. 15 billion (2015 - Rs.10 billion) against a total estimated expenditure of Rs. 2,787 billion (2015- Rs. 2153 billion). The estimated expenditure consists of recurring expenditure Rs. 1928 billion (2015 Rs.1648 billion) and public investment of Rs. 868 (2015 -Rs. 517 billion). The resulting budget deficit of Rs. 740 billion (2015 – Rs. 675 billion) is expected to be financed by foreign financing of Rs. 183 billion (2015 – Rs. 156 billion) and domestic financing of Rs. 557 billion (Rs. 519 billion).

The pie charts below depict the revenue and expenditure estimates of 2015 and 2016 respectively.
Lets talk

**Yudhishtaran Kanagasabai**  
Tax Services Leader  
T: +94 11 771 9700 ext. 5001  
E: yudhishtaran.kanagasabai@lk.pwc.com

**Hiranthi C Ratnayake**  
Director - Tax Services  
T: +94 11 771 9700 ext. 4301  
E: hiranthi.c.ratnayake@lk.pwc.com

**Charmaine Tillekeratne**  
Director - Tax Services  
T: +94 11 771 9700 ext. 4201  
E: charmaine.tillekeratne@lk.pwc.com

**Tharanga Amarasena**  
Associate Director - Tax Services  
T: +94 11 771 9700 ext. 4401  
E: tharanga.amarasena@lk.pwc.com

🏠 P.O Box 918, 100 Braybrooke Place Colombo 00200, Sri Lanka  
🌐 www.pwc.lk

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