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2019 மார்ச் 05 ஆந் திகதி  
இலங்கை பாராளுமன்றம்

05<sup>th</sup> March 2019  
Parliament of Sri Lanka



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**Preamble**

1. Honorable Speaker, it is my pleasure to present my second National Budget to this house.
2. I am happy to note that after a tumultuous end to 2018, the economy has stabilized and we are beginning to see an up-swing in growth. It has taken a great deal of hard work to bring us back to stability after 52 of the darkest days in Sri Lanka's post-independence history.
3. In the lead up to 26<sup>th</sup> October 2018, the economy had been adversely affected by successive years of drought that decimated rural incomes and hurt the entire economy. Global oil prices had also doubled, and the US Federal Reserve was rapidly raising interest rates. In spite of these domestic and global challenges, our Government brought stability to the economy.
4. From the end of October 2018, global oil prices began to decline sharply, the Federal Reserve signaled lower rates, and consumption began to recover. Without any disruptions, Sri Lanka would have enjoyed a boost to the economy, leading up to 2019. Unfortunately, Sri Lanka was deprived of the opportunity to benefit from these tailwinds as we got engulfed in a debilitating political crisis.
5. The resulting loss in confidence, spiraled into a wave of capital flight from our debt and equity markets – bleeding a billion dollars within those 52 days from our hard-earned foreign reserves. As a result, the currency depreciated to an all-time low, at a time when other emerging market currencies were recovering.

6. Sri Lanka's credit ratings were down-graded, resulting in our external borrowing cost surging into double digit levels. The timing could not have been worse, since we had to re-finance US\$ 5.9Bn of external debt repayments in 2019. Tourist arrivals stalled soon after Sri Lanka was adjudged the best travel destination by "Lonely Planet" and a new campaign had just been launched.
7. It was in this context that we came back into power on 17<sup>th</sup> December 2018. We have now repaired the damage to our external sector, and markets have regained confidence in the last 2 months. Today our external borrowing costs have declined by over 200 basis points, foreign capital is now flowing back into the economy with Rs. 3,400 Mn inflows into Government Securities since January - and the Rupee has also appreciated 1.5% year to date.
8. Therefore, a lot of the damage from the coup has been addressed and the economy has again been stabilized. We now have the opportunity to continue the work we had done to rebuild the economy.
9. Fiscal management continues to improve. We achieved a primary surplus for the first time in 5 decades in 2017 and improved it to 0.6% of GDP. This was a major improvement from -2.9% in 2015. Inflation has been brought under control in spite of rising prices of key global commodities. In 2017, we achieved our best ever exports and FDI, and that momentum increased in 2018. This is exactly in line with the objective of this Government to re-orient the economy towards greater external inflows.
10. Mr. Speaker, we have achieved this economic stabilization and successful rebalancing, after having inherited an economy in 2015, that can only be described as a 'ticking' time bomb. The previous regime was characterized by wasteful expenditure, financed by expensive foreign debt, with no rational plan of repaying this debt. Tax revenue

had dwindled to 10% of GDP and exports had crashed to 14% of GDP in 2014. A dismal decline over two decades - in the year 2000 tax revenue was 15% of GDP and exports 30% of GDP. The economy was over-leveraged and distorted.

11. This Government believes in growth led by private enterprise. This is the concept of “Enterprise Sri Lanka” that was introduced in the previous “Blue Green Budget”. However, by private enterprise, what I mean is the genuine entrepreneur who uses his ingenuity to compete in a fair market, the small and mid-size businesses that embody the spirit of Sri Lankan trade and commerce, and the Sri Lankan companies that compete on the global stage and win.
12. There is also the other segment of the private sector, which is averse to competition and fair markets. The beneficiaries of a crony capitalism that thrived in a kleptocracy, which enriched those connected to the previous regime. These companies grew rich on the rents from walls of tariff, protection by driving up costs for 20 million citizens. They benefited from inflated Government contracts, the costs of which are still being paid-off today. Some of these oligarchs yearn for the return of a dictatorship, which funneled so much wealth into their companies and private accounts. This is a small but powerful and influential segment of the private sector. This is not the private sector that we want to see as the engine of economic growth, but is a vestige of a bygone era.
13. We are creating a new breed of private enterprise, where success is through merit and the market operates on a rules-based level playing field. Sri Lanka needs a private sector free from the protectionist mind-set that continues to hold back our country’s development and modernization. In last year’s Budget I presented a program of economic liberalization, buttressed by a robust safety net, and state intervention

to address market failures and ensure social justice. We will continue this framework and strengthen its key elements.

14. Our determination to pursue a liberal outward oriented economy is more steadfast than ever. Towards this end, we are continuing the phasing out of para-tariffs and reducing barriers to trade. At the same time, we have built in safeguards with the passage of anti-dumping legislation and the creation of a Trade Adjustment Program, to support firms and workers, in meeting the challenges of competition.
15. We will also invest more in social infrastructure and a social safety net. Whilst committing more funds to education and health where the quality of that spending will take precedence. It is also time to revamp our social safety net, which have had a dismal track record in targeting and efficacy. The focus must shift to graduating beneficiaries into self-sufficient and empowered citizens.
16. The empowerment of our citizens has been a fundamental objective of our Government. This has been through political empowerment, social empowerment and economic empowerment. This year's Budget, "Enterprise Sri Lanka -Empowering the People and Nurturing the Poor" is about creating a nation enriched by extending a helping hand to our people, to help themselves, while protecting and nurturing the poor and the weak, with a strong well targeted social safety net.

#### **"Gamperaliya" – Accelerating Village Development**

17. The Gamperaliya Scheme was launched in June 2018, to address critical lacunas in infrastructure needs that have thus far, prevented our villages and cities from becoming the growth centres that they have the potential to be. This initiative was one of the first victims of the 52 day 'Coup', when the illegal Cabinet stopped the scheme at its very first

Allocated Rs. 48,000 Mn
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meeting. However, this landmark project was revived by our Government in January this year. The allocation for 2019 has been increased from Rs.200Mn to Rs.300Mn per electorate. Towards this, Rs 48,000 Mn has been allocated for 2019. The scope has also been widened. For example, the allocation [Expl. Note III (a)-10] for places of worship has been increased from Rs.500,000/= to Rs.1Mn.

### **“Enterprise Sri Lanka” Taking-off**

18. Mr. Speaker, we have also launched the “Enterprise Sri Lanka” Loan Schemes on an Island-wide basis in 2018, to create an entrepreneurial society, particularly amongst our youth, by providing access to capital at concessionary interest rates, based on projects that are presented to our Banks. This scheme has been further expanded and deepened, and will be aggressively promoted through awareness and other programs Island-wide. National Youth Council certificate holders will be given preference for Enterprise Sri Lanka Loans.
19. Mr. Speaker, in the last few months, more than 30,000 entrepreneurs have benefitted from the “Enterprise Sri Lanka” Loan Schemes, with almost Rs.60,000 Mn. being disbursed. A full list of all these loan schemes with details, is annexed herewith.[Expl. Note III (b)].
20. However, in spite of the Government bearing a significant portion of the interest of these loans of the “Enterprise Sri Lanka” Schemes, the small entrepreneurs are still faced with the challenge of providing collateral as demanded by the Banks. As such, I propose to establish a Fund under the Central Bank of Sri Lanka (CBSL) to provide guarantees to the SME Sector, for which necessary allocations will be made.

Proposed Rs. 500 Mn
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21. We also to get complaints of Bank officers discouraging new entrepreneurs. Therefore, we have also commissioned a Call Center – ‘1925’, to receive such complaints.
22. In addition to addressing costs of finance, “Enterprise Sri Lanka” will support start-ups and small businesses to connect with markets, in product development and business management. “Enterprise Sri Lanka” customers will be linked with relevant Government institutions such as ITI, ICTA, EDB, and the universities, along with larger private sector companies, to build capacity in these areas. “Enterprise Sri Lanka” would become a larger eco-system for start-ups and small businesses to thrive.
23. As a further measure to support the growth of SMEs and small businesses, it is necessary for Government procurement to provide better opportunities for SMEs. I propose that all ministries and departments earmark at least 10% of the value of procurement to Sri Lankan SMEs. The necessary amendments to procurement guidelines will be drafted. In addition, excise duties on small trucks will be reduced along with LTV which will be increased to enable better affordability for SMEs.

### **Growth through Supporting Livelihood Development**

24. Mr. Speaker, the performance of Agriculture, Fisheries and Plantation Sectors can increase their productivity with the infusion of technology and change in systems, which will result in higher yields and better quality of products.
25. Building on the success of Agriculture Technology, Demonstration Parks are now being established by the Agriculture Sector Modernization Project, which will support the linkage of farmers with

Proposed Rs. 250 Mn
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agri-business value chains for the infusion of technology and developing high value crops. The program will be extended to 5 Districts – Hambantota, Kurunegala, Puttalam, Ratnapura, and Kegalle.

26. A key requirement in agriculture is effective storage and warehousing facilities to minimize post-harvest losses. Following the completion of the first such establishment in Dambulla, the Government will invest in setting up modern climate-controlled warehousing facilities in Katunayake, Embilipitiya, Jaffna, and Keppetipola. Private enterprise will be invited to manage and operate these facilities. Additionally, private investment in climate-controlled logistic facilities will be facilitated by removing up-front costs in establishing such facilities.

Proposed Rs.  
400 Mn

27. The “Diri Saviya” Loan Scheme [Expl. Note III(b)- 1.7] initially introduced to support poultry producers to expand their distribution network, will be extended to support those in small scale animal husbandry activities and the self-employed who engage in manufacturing activities.

28. The lack of latex has become an issue for the value added rubber-based industries, such as, tyre producers in the country. As such, to facilitate replanting and new planting of rubber, we have doubled the incentives given, for which Rs.800 Mn has already been allocated.

Allocated Rs.  
800 Mn

29. At present local tyre producers have no access to testing and prototyping in the country. As such, I propose, that the Export Development Board (EDB) facilitates the private sector, to establish a fully-fledged research facility.

Proposed Rs.  
500 Mn

30. While there are significant opportunities for value addition in the Coconut Industry, the regulatory framework has become a hindrance in

facilitating entrepreneurs to invest in the industry. As such, the existing licensing mechanism for the processing of desiccated coconut, coconut chips, charcoal, etc., will be re-visited with a view to simplification.

31. The ceramic industry has faced similar issues in mining and transport of raw materials such as clay. It is proposed to review these regulations with a view to facilitating the industry whilst ensuring necessary environmental protections.

32. Ceylon Cinnamon, the finest in the world, is faced with many issues, compromising its competitive advantage in the global market. We will make it mandatory for all Cinnamon Exporters to be subjected to certified quality control testing, at the point of export. However, those who fail such certified tests, will be supported to improve their operations within 12 months, as part of the Export Market Access Program. EDB will facilitate.

33. The Cinnamon Training Academy at Kosgoda - Balapitiya, will be supported to be fully operationalized, which will address the lack of Cinnamon Peelers.

Proposed Rs.  
75 Mn

34. Ceylon Cinnamon will be supported to obtain and maintain Geographical Indications (GI), in line with the country's policy to protect the identity of its products.

Proposed Rs.  
50 Mn

35. To support the Agriculture and the Plantation Sectors, in ensuring better water management, the work at the Moragahakanda - Kalu Ganga Multi-Purpose Development Project will be completed in 2020. Work will commence on the Wayamba Maha Ela, Minipe and NCP canals, which are expected to facilitate the movement of water from the Moragahakanda Reservoir to the water scarce regions, ensuring

Allocated Rs.  
12,000 Mn

cultivation during both the Yala and the Maha seasons. To undertake these activities, we have already allocated Rs.12,000 Mn. Further, in order to urgently resolve the wage issue of the plantation workers, we will discuss an acceptable solution with the Tea Board and implement on an urgent basis.

36. I propose supporting the “Nangwamu Lanka” Micro and Small Enterprise Development Program.

Proposed Rs.  
2,000 Mn

37. Further Rs.2,410Mn has been allocated to complete the canals and head works of 7 major projects in 2019, including the Deduru Oya Project, the Menik Ganga Reservoir Project and the Morana Reservoir Project, which will directly benefit almost 21,000 families engaging in Agriculture.

Allocated Rs.  
2,410 Mn

38. Mr. Speaker, with the European Union (EU) opening its markets to Sri Lanka’s Fisheries Products, the total sea food exports to EU alone, has increased by 14% to USD.290Mn in 2018. The supply,however, remains constrained, mainly due to the inability to maintain the required standards in the products.

39. Rs.1,300Mn has already been allocated to complete the on-going rehabilitation of harbors, anchorages & landing sites, and work will also commence at 2 new harbors at Point Pedro & Pesalai and an anchorage in Mandathivu.

Allocated Rs.  
1,300 Mn

40. The artisanal long liners and multi-day boats will be supported to improve their stowage facilities and safety standards. As such, the Government will bear 50% of such cost, while the “Ran Aswenna” Concessionary Loan of the “Enterprise Sri Lanka” Scheme,[Expl. Note III(b)- 1.1] could be accessed to finance the balance 50% of the cost of

Proposed Rs.  
300 Mn

acquiring and installing Chilled Sea Water (CSW) and Refrigerated Sea Water (RSW) Systems, thereby improving the quality of the catch and also safety devices, such as Vessel Monitoring Systems, Man-overboard Smart-finding Devices, Emergency Position Indicating Radio Beacons, etc.

### A Caring Society

41. We will further support the primary school childrens' nutrition effort by providing a free glass of milk to students in all rural schools in the country.

Proposed Rs.  
1,000 Mn

42. Mr. Speaker, in ensuring the rights of all, we recognize that especially the rights of the vulnerable and the marginalized, must be up-held. We must address the inequalities in our society that prevents economic freedom and empowerment of these people.

43. Mr. Speaker, in spite of the country reaching middle income status, and in spite of millions of rupees being invested in sophisticated expressway projects, city developments, etc., almost 260,000 houses in the country are without sanitary facilities. For example, the Hambantota District, which saw a splurge of mega projects in the form of California style Highways, Chinese style Conference Halls and Sports Stadiums, have over 15,000 people without even the most basic of sanitary facilities. As such, we will provide all such houses in the country with sanitation facilities within two years, benefitting almost 1 million of our citizens.

Proposed Rs.  
4,000 Mn

44. Many Bus Terminals and Railway Stations' sanitary facilities are also in an atrocious condition. Therefore, funds will be allocated to improve them. Such facilities will be provided for men, women and those with special needs. Once built, the private sector will be invited to maintain these facilities.

Proposed Rs.  
1,000 Mn

45. Mr. Speaker, whilst we are proud that the female student population at our universities constitute almost 50% or more, women constitute only about 30% of the labour force, often making them financially dependent and thereby dis-empowered. The lack of child & elderly care facilities and inflexible labour laws have been identified to be the reasons that women leave the labour force or never enter it at all.
46. As such, I encourage commercial establishments with more than 250 employees, to provide child-care facilities. Also selected schools will be supported to establish After-School and Vacation Centres (ACVC) within the school itself, while the private sector will also be facilitated to establish child-care facilities, through the “Rekawarana” Concessionary Loan Schemes of “Enterprise Sri Lanka”. [Expl. Note III (b)-1.15].
47. The Ministry of Women and Child Affairs will issue the necessary guidelines and the regulations for establishment and operation of Child-Care Centers, After-School & Vacation-Carecenters, and similar facilities.
48. The limited participation of women in the workforce is a clearly identified growth constraint. We will encourage the private sector to support our working mothers, by allowing 50% of the salary cost of the mandatory 3 months maternity leave granted, as an additional deduction, in calculating their corporate taxation, subject to a maximum of Rs.20,000/= per employee per month. We will extend this to an additional deduction of 100%, for the 4<sup>th</sup> month of maternity leave, if so granted. The concession would apply for a 5 year period.

49. Whilst constituting over 50% of the population, the presence of women in senior positions in business is very limited. This has come about due to, numerous social structural and business practices, that result in the exclusion of women from important decision-making roles in society. As such, I propose a sequenced approach to enable greater participation of women in boards of listed companies. The Securities and Exchange Commission will be encouraged to implement this proposal.
50. I request this House to support amending the labor laws to allow part-time, flexi hours, home-working, etc., which will facilitate more women to be active participants in our economy.
51. Mr. Speaker, the quality of the elderly-care in the country varies sharply in the absence of a proper regulatory framework and the lack of an adequate supply of such services. As such, while strengthening the National Elders Secretariat (NSE), we urge the NSE to create a proper regulatory framework and we will also incentivize the private sector to invest in elder-care facilities by making available to them, the “Rakewarana” concessionary loans of “Enterprise Sri Lanka”.
52. At present, differently-abled individuals are paid an allowance of Rs.3,000/- per month. Whilst increasing the allowance to Rs.5,000/- per month, we will expand funding to accommodate almost the 72,000 eligible low-income individuals. Rs.4,320 Mn has been allocated for this. This allocation will enable us to eliminate the waiting list.
53. In order to encourage more inclusive employment, private entities that recruit at least 5 persons with disabilities, will be provided with a salary subsidy of 50% of the salary per person, up to an upper limit of Rs.15,000/- per person per month for a period of 24 months.

Allocated Rs.  
4,320 Mn

Proposed Rs.  
200 Mn



54. Also, at present, only 21,000 CKDu patients are paid an allowance of Rs.5,000/per month. We will expand the scheme to cover a further 5000 patients, thereby eliminating the waiting list, for which Rs.1,840Mn is allocated.

Allocated Rs.  
1,840 Mn

55. Often, our prisons are inundated, not with the drug kingpins, but the innocent victims of the drug mafia, most of whom are less than 30 years of age. Putting them together with hardened criminals is not the best method of weaning them away from this dangerous addiction. To rehabilitate such inmates, 2 Kibbutz stylefarms, under the Prison Authorities, with the required facilities, will be established in Ambepussa and Weerawila. We encourage civil society/private sector to participate in these ventures.

Proposed Rs.  
250 Mn

56. Today, the prisons are also congested with women convicted for minor offences. Left alone, without any transformation, we will surely turn most of them into hardened criminals. As such, to ensure more humane conditions, it is proposed to identify a specified area in Dompe to establish a facility for training and development in spheres, such as arts & crafts, and other productive livelihood skills.

Proposed Rs.  
50 Mn

57. Mr. Speaker, during 2018, significant progress has been made in meeting the housing needs of the people. Our strategy has also been to address the issue of providing better housing for, specially the most vulnerable sectors of the society, including the low income groups in Urban, Rural and Estate sectors and the North and the East, mainly through the Urban Re-generation Project (URP) and Model Village Program, for which Rs.24,500 Mn. has already been allocated in 2019.

Allocated Rs.  
24,500 Mn

58. At the same time, work on 15,000 brick & mortar houses in the Northern and Eastern Provinces will commence in 2019, with an

Allocated Rs.  
4,500 Mn

allocation of Rs.4,500Mn being already made. A further Rs.5,500Mn. will be made available for these initiatives. On-going work to address the issues of re-settlement of Muslims, who were once forcibly evicted from the North will continue and resources will be channeled accordingly.

Proposed Rs. 5,500 Mn
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59. Several middle-income housing projects, which are reasonably priced, have already been completed, while a few more are about to be completed or about to start work in 2019, in Wadduwa, Ragama, Yakkala, Kundasale, Borella, Pannipitiya, etc., by the NHDA and the UDA.
60. However, to support, especially the middle-income first-time home buyers, the Government will launch a concessionary loan up to Rs. 10 Mn, at a 6% interest rate with a repayment period of 25 years called “Home Sweet Home” Loan. This will be for young couples buying or building their first home. This “Enterprise Sri Lanka” loan scheme will be extended to also purchase mid-range apartments and houses built by private entities.[Expl. Note III (b)-1.14].
61. Our migrant workers are faced with significant issues in building a house. As such, we will introduce the “Sihina Maliga” loan scheme, in order to make their ‘dream home’ a reality, under “Enterprise Sri Lanka”. Migrant workers, registered with the Foreign Employment Bureau and currently working abroad, will be able to get a loan of Rs.10Mn where the Government will bear 75% of the interest cost and where the tenure of the loan will be a maximum of 15 years, with a two year grace period.[Expl. Note III (b)-1.17]. As a further measure to support families of migrant workers the International Telecommunication Levy will be removed.

## Integration to Global Markets – Exports

62. The acceleration of exports and other sources of foreign income are crucial to sustainable economic growth and debt service capability. In the 2018 Budget, we announced the launch of the Export Market Access Scheme, and the National Export Strategy. Support will continue this year with Rs.400 Mn. allocated for the Export Market Access Program and Rs.250Mn will be allocated for the National Export Strategy. The NES includes the implementation of the National Quality Infrastructure Strategy, which is a public-private collaboration that entails upgrading of technical facilities for export product development and import quality testing.
63. The Government is committed to the strategy of a network of trade agreements to link into regional value chains. With the successful completion of the Singapore FTA, we will review progress in, on-going FTA negotiations with India, China, & Thailand, and build on learning from the Singapore FTA process.
64. A “Break into India” and “China Market Entry Strategy” are being prepared, building on success stories from Sri Lankan enterprises in those markets. This will be further supported by establishing Trading Houses for priority sectors, in collaboration with the private sector in key markets. These trading houses will support Sri Lankan firms in securing distribution networks, buyer linkages, and other ground support.
65. As a measure to bring down cost of living and improve economic competitiveness, in last year’s Budget, it was proposed to phase-out all para-tariffs, starting with 1,200 para-tariffs that were removed in November 2017. This process will continue in 2019, where all HS codes with an import Cess will be subject to a phasing out. In order to allow

Allocated Rs.  
400 Mn

Proposed Rs.  
250 Mn

Proposed Rs.  
50 Mn

more time for industry adjustment, it is proposed that the para-tariff phase-out takes place over a 5 year period.

66. In order to reduce the up-front costs for business and investment, I propose to reduce the Ports and Airport Development Levy for machinery and equipment items (HS Code Chapters 84 and 85) to a maximum of 2.5%. I also propose an accelerated Cess reduction program for intermediate goods that drive up costs in sectors such as, the Construction Sector, Tourism, and Manufacturing. These items will have Cess phased-out over a 3 year period.

67. In this process it is essential to support domestic industries that will face greater competition from imports. Legislation on anti-dumping and safeguards has already been passed by this House. In addition, a Trade Adjustment Program has been formulated, which will provide vulnerable firms and workers with financial support to meet costs of upgrading technology and training, respectively. We will also ensure that 10% of all HS codes, considered to be sensitive items, will not be subject to a complete para-tariff phase-out. Necessary improvements to the National Quality Infrastructure are also being made in order to ensure quality standards of all products including imported products.

68. In order to make recommendations on implementing the Trade Adjustment Program, I propose to establish a Trade and Productivity Commission under the Ministry of Development Strategies and International Trade. I propose to allocate Rs.500 Mn over 2 years for the implementation of the Trade Adjustment Program.

Proposed Rs.  
250 Mn

69. We are launching the Enterprise Innovation Program, which will support the development of innovative new products and technology by Sri Lankan firms. The Program will be implemented over 3 years,

Proposed Rs.  
50 Mn

providing matching grants for proof of concept, prototyping, R&D and technology adoption.

70. In order to support financing for start-ups, it was proposed to introduce Limited Liability Partnership structures in the last Budget. The initial drafting has been completed and this will be developed into legislation this year.
71. Sri Lanka needs to develop capital markets beyond bank financing. The back-bone of a deep and liquid debt capital market is a robust government securities market. We will introduce script-less Sri Lanka development bonds and enable coupon stripping of Treasury bonds. We will work with the CBSL to invest in the necessary infrastructure towards this end.
72. Whilst Sri Lanka achieved its best ever FDI in 2017 and 2018, it is essential to further expand investment into the country. Therefore, an incentive package to attract high value investments is proposed. This includes significant capital allowances of up to 150% of investment value and removal of up-front taxes for investments over USD 50 Mn, USD 100 Mn & USD 1,000 Mn. [Expl. Note III (c)]
73. Subsequent to consultations with the private sector, we propose to make some adjustments to the Inland Revenue Act to facilitate implementation and address some pertinent concerns of industry. These are outlined in the technical notes.
74. Work on the Bingiriya and Wagawatte Industrial Zones will be supported to further facilitate our export drive.

Proposed Rs. 500 Mn
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|---|----------------------------------|
| <p>75. We will establish industrial estates under Industrial Development Board (IDB) in KKS, Manthai East, Paranthan, Kondachi, Kinniya, Samanthurai &amp; Trincomalee.</p>   | <p>Proposed Rs.<br/>1,000 Mn</p> |
| <p>76. The “IT Initiative” will be expanded to facilitate the “Arts to Science Internship” Program, where the industry will train 1,000 unemployed, mostly Arts Graduates through internships, for an year in IT-BPM, KPO firms, where 50% or up to a maximum of Rs.25,000/- of the monthly salary for a period of 12 months, will be borne by the Government. Rs.300Mn has already been allocated.</p>   | <p>Allocated Rs.<br/>300 Mn</p>  |
| <p>77. We will remove the minimum employment requirement imposed on the companies predominantly engaged in the Information Technology Services, to be eligible for the special additional deduction of 35% on the salary expenses incurred.</p>   |                                  |
| <p>78. We will introduce a Consolidated Border Control Unit that includes the Navy, Customs, Immigration, Quarantine and other National Quality Assurance entities such as ITI, SLSI &amp; NARA. Customs will also re-establish the Marine Division in order to stamp-out illegal smuggling and the narcotics trade.</p>  | <p>Proposed Rs.<br/>250 Mn</p>   |
| <p>79. The Government is in the process of drafting a new Customs Act. However, in the interim, it is proposed to introduce some of the key amendments that are relevant to improving trade facilitation by enhancing transparency and consultation, developing appeals process and risk management. In the spirit of consultation that is espoused among these amendments, the proposed amendments will be subject to stake-holders consultation, prior to implementation.</p> |                                  |

80. A Revenue Intelligence Unit will be established at Ministry of Finance, to take steps to assist our main Revenue Collection Departments, such as, Customs, Inland Revenue and Excise, to broaden their revenue collection bases, increase total revenue collected and minimize leakages & evasion.
81. Customs will launch the Authorized Economic Operators (AEO) Program in 2019, which will provide expedited clearance for identified low risk traders and clearing agents. Risk-based clearance of this nature will enable Customs to focus resources on higher risk cargo, whilst facilitating compliant traders.
82. The Government has imposed administered prices for certain items for consumer protection. However, it is also necessary to enable reasonable price adjustments to ensure unhindered supply. Towards this end, the Government will introduce a mechanism to review administered prices on a quarterly basis, to take into account, exchange rate fluctuations and other variables.
83. The Gem and Jewelry Industry will be supported with the PAL and Customs Duty on the importation of machinery used in lapidaries and the PAL on the un-cut gems imported, will be reduced from 7.5% to 2.5%.
84. Tourism is a key sector with high potential to contribute to growth in the short term. Recognizing the costs inherent in the sector, Nation Building Tax (NBT) on foreign currency receipts by tourist hotels registered by the Sri Lanka Tourism Development Authority (SLTDA) will be removed.

Proposed Rs. 250 Mn
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85. It is proposed to make it mandatory for travel agents to remit funds to hotels in US Dollars when invoiced in US Dollars. The Central Bank will issue directions in this regard.
86. Mr. Speaker, the infusion of technology, especially in facilitating on-line hotel reservations, has changed the traditional hospitality industry with the informal sector growing and remaining unregulated.
87. In this regard, whilst we recognize the benefits of on-line reservation systems, we are mindful of the need to gradually integrate the SME tourism sector into the formal economy. As such, from 1<sup>st</sup> April 2020, any online booking/reservation website, can register hotels and similar establishments offering more than 5 rooms per property, only if such establishments are registered with the Sri Lanka Tourism Development Authority (SLTDA). The registration process of the SLTDA will be further simplified to facilitate this.
88. At the same time, in keeping with our policy of supporting the industry to diversify into new frontiers, such as sports tourism, I encourage the private sector, together with the Sri Lanka Tourism Development Authority (SLTDA), to promote Sri Lanka as a preferred destination in International Go Kart Racing. As such, I propose to remove Customs Import Duty (CID) and Cess on Go Karts and the tyres used in Go Karts.
89. Economic Service Charge (ESC) applicable for export sectors which are subject to Corporate Income Tax of 14%, will be reduced to 0.25% from 0.5%. This will be a major boost to exports, IT and tourism.
90. To support the refurbishment of hotels, the applicable Cess rates will be reduced on selected items.



91. The Central Cultural Fund will provide necessary funds to improve and establish common facilities including rest rooms, sign boards, security booths, information booths, etc., as tourist attractions, which are at present in a deplorable state.
92. The entrance fees at National Parks and Cultural Sites will be reduced by 50% for international tourists with student identification and those under 18 years of age, with effect from 1<sup>st</sup> June 2019.
93. To support the local construction companies, no foreign construction company will be allowed to tender for Government projects, unless the project is fully foreign financed, without forming a joint venture with a local construction or consultancy company. This will support the local companies to benefit from the transfer of technology.
94. The cost of construction will reduce with the proposed para-tariff revisions and the removal of NBT on the main construction contractor.
95. In order to further support the Property Development Sector, I propose to :
  - a. Grant residential visas for 3 years to foreign nationals who invest USD 400,000/= or more in condominiums. This process will be implemented this year. This residential visa will not be valid when the foreigner exits from this investment.
  - b. Cess on imported construction material will be reduced by 30%.
96. Sustainable Energy Authority will introduce minimum standards in energy, to be established for all commercial buildings in 2019, where

existing commercial buildings will be given 5 years from 2019, to transit to be compliant with the minimum standards issued.

97. At the same time, Mr. Speaker, we do not have minimum standards imposed on many of the building materials used in the construction industry, giving rise to several negative impacts, including compromise in the stability and the sustainability of the buildings and other constructions undertaken. As such, the Sri Lanka Standards Institute will update and implement minimum standards on sanitary ware, taps, showers and pipes by April 2020. This will address major source of water wastage.

### Knowledge Driven Skilled Society

98. Mr. Speaker, our investment strategy in the educational sector is driven by the twin objectives of ensuring the availability of infrastructure and creating opportunities for students to excel through improvements in the curricula and teacher training.

99. Our Government's program of ensuring "13 years of Education" for every child will be further supported this year. As such, we have already allocated Rs.32,000 Mn. to improve the laboratories, class rooms, libraries, sanitary & water facilities, teachers' quarters, etc.,

Allocated Rs.  
32,000 Mn

100. At the same time, the implementation of the Continuous Professional Development (CPD) in teachers, facilitated by the infusion of technology, will be supported using existing facilities. These courses will be conducted during school holidays.

Proposed Rs.  
100 Mn

101. Mr. Speaker, our curricula will be modernized with a focus on more analytical and creative learning, as opposed to rote learning. Our future investments will be guided by the STEM+A master plan, which is being

finalized. This will allow students to pursue a combination of subjects such as Mathematics with Music or Biology with English.

102. Mr. Speaker, I am also delighted to announce the launch of the Scholarship for Educational Excellence - SEE Fund, to facilitate the country's top performers at Physical Science, Biological Science, Technology, Commerce and Arts, at the Advanced Level Examinations held each year to pursue their undergraduate education at top universities, such as Harvard, MIT, Oxford, Cambridge, etc. The first batch will be chosen from the results of the 2019 'A' Levels in August. 14 scholarships will be given this year to those who top their respective areas. Those selected will be required to return and serve at least 15 years in Sri Lanka. We will also expand the scholarships given in the coming years.

Proposed Rs. 500 Mn
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103. Investment in pre-school education has been neglected. We wish to encourage private investment in this sector, with the Government taking a more robust role as a regulator, by defining and ensuring compliance with minimum quality standards.

104. Towards this end the Government will introduce a legal framework for regulation and governance of pre-school education in Sri Lanka. A national curriculum framework for pre-school education will be implemented along with enhancement of teacher training and working conditions.

105. Those with the required qualifications will be facilitated to establish and repair Government registered pre-schools, for which, we will introduce a concessionary loan scheme "Singithi Pasala" under the "Enterprise Sri Lanka" Scheme, where the Government will bear a 50% interest subsidy. [Expl. Note III (b)-1.16].

106. Already Rs.25,000 Mn. has been allocated to meet the infrastructure gaps at our universities with investments, in Theatre Complexes, Professorial Units, Departmental Complexes, Libraries and Canteens. To complement the Medical Faculties at the Wayamba and Sabaragamuwa Universities, professorial units will be established at Kuliypitiya and Ratnapura Hospitals, while a Faculty of Allied Health Science at the Ruhuna University will also be established, which will enable students to pursue careers in medical related services, which is an urgent requirement in our country. A "State of the Art" Laboratory for research in areas such as cancer, diabetes and infectious diseases will be set up at the Medical Faculty of the Sri Jayawardenapura University.

Allocated Rs.  
25,000 Mn

Proposed Rs.  
600 Mn

107. Mr. Speaker, only around 30,000 students enter universities from over 300,000 who sit for the 'A' Levels. We will introduce a loan scheme, "My Future" under "Enterprise Sri Lanka" which enables our students to pursue Undergraduate Education at Non-State Universities. A student can draw up to Rs.1.1 Mn. at zero interest, with the repayment starting only after 2 years of graduation, to be repaid over a period of 12 years. [Expl. Note III(b)- 1.11] Rs.200Mn has already been allocated to meet the interest subsidy.

Allocated Rs.  
200 Mn

### Skills for Work

108. Mr. Speaker, although the Government has been investing heavily into the vocational training sector, the industry demands remain largely unmet on two fronts – i.e. the inadequate number of skilled and self-reliant craftsmen, technicians and technologists, and the lack of necessary skills. Clearly an integrated solution led by the industry will be more effective. As such, the following are proposed :

109. Selected Vocational Training Institutions, where the resources are not fully utilized, will partner with selected industry associations in Information Technology, Construction, Tourism, etc., to conduct training as required by the industries themselves.

110. There is also a requirement to promote Tamil Medium Teacher Training as a matter of priority. I propose Rs.400Mn to be provided to the Ministry of National Integration, Official Languages, Social Progress & Hindu Affairs.

Proposed Rs.  
400 Mn

111. We will support CIDA to train the required skilled and semi-skilled workers for the Construction Industry. Rs.300Mn has already been allocated.

Allocated Rs.  
300 Mn

112. There is an urgent need to develop relevant skills in the healthcare sector. We encourage, the private sector to offer internationally accredited training courses for Nurses, where the Government will provide a stipend of Rs.10,000/- per month per trainee, for a period of 2 years. These qualified Nurses will be able to seek employment in non-governmental institutions. A similar apprenticeship program will be encouraged for pharmaceutical professionals. Pharmaceutical companies will hire science graduate apprentices for a 1 year program, to be accredited by an appropriate institution, and the Government will provide a stipend of Rs 15,000/- per month per apprentice for that year. The success of such apprenticeship programs will enable replication for other industries going forward.

Proposed Rs.  
100 Mn

113. The Sri Lanka Army has come forward to support the Government's drive to effectively train those interested, especially those from low income backgrounds in agriculture, animal husbandry, ornamental fish, use of heavy machines such as Backhoe's, Motor Graders, Dozers and

Proposed Rs.  
100 Mn

also undertake training of electricians, welders, air-conditioning technicians, catering assistants, stewards, carpenters, masons and plumbers. These training courses will be NVQ certified and the training will be undertaken at selected Army camps. The trainees will be given the stipend and the concessionary season ticket already made available to VTA trainees.

114. The Army will also train our youth in selected sports at their camps in different parts of the country.

### A Healthy Society

115. Mr. Speaker, we have allocated Rs.24,750 Mn in improving the quality of infrastructure, with allocations being provided for the investments in new equipment, rehabilitation of buildings and other infrastructure at hospitals and other such facilities. This is an 38% increase in the provision compared to last year.

Allocated Rs.  
24,750 Mn

116. Rs.1,625 Mn. has been already allocated to strengthen the Primary Health-care Units, especially in the Uva, Sabaragamuwa Central and the North Central Provinces, with the introduction of systems to coordinate patient-care over time and through the referral networks, facilitating the ability to follow up on patients at risk, which will also support to avoid duplication between providers.

Allocated Rs.  
1,625 Mn

117. Our “Suwasariya” Ambulance Service has been a resounding success, bringing an essential service to our citizens. This service will be supported to expand Island-wide. Towards this end, 300 Base Stations will be set up in 2 years, at a cost of Rs.600 Mn. 100 Base Stations will be set up this year and I propose to allocate Rs.200 Mn for this in 2019.

Proposed Rs.  
200 Mn

- |  |                           |
|--|---------------------------|
| 118. Mr. Speaker, we continue to allocate resources to address the issues in CKDu. As such, we will provide Home Dialysis Machines, while also strengthening the Hemo-Dialysis Centres in 45 hospitals, together with RO Water Plants.   | Proposed Rs.<br>500 Mn    |
| 119. Early detection through Door-step Screening will be further strengthened in the most CKDu vulnerable districts in the country.  | Proposed Rs.<br>50 Mn     |
| 120. The Rabies Control Program to eradicate Rabies from the country, will be strengthened by also engaging the Non-Governmental Organizations, in this effort as well. A comprehensive sterilization program for stray dogs will be introduced by the Dept. of Animal Production and Health (DAPH). An allocation of Rs.100Mn will be made. | Proposed Rs.<br>100 Mn    |
| 121. The incidence of Non-Communicable Diseases (NCDs) in particular, together with an ageing population, has given rise to the need for proper Palliative-care being introduced. As such, we will facilitate capacity building in Palliative-care for Doctors, Nurses and other medical professionals.                                      | Proposed Rs.<br>50 Mn     |
| 122. Mr. Speaker, Sports is an integral part of a healthy society and also builds leadership and team spirit. We have already allocated Rs.3800 Mn. towards sports. In addition, I propose:  | Allocated Rs.<br>3,800 Mn |
| 123. The Bernard Aluwihare Sports Stadium in Matale, and the Weerasinghe Mallimarachchi Playground in Kolonnawa, will be upgraded to support our rural youth in sports. Towards this Rs.300Mn each will be provided over 2 years.  | Proposed Rs.<br>300 Mn    |

124. The National Olympic Fund will be enhanced to support sports, such as Athletics, Volleyball, Table Tennis, etc.

Proposed Rs.  
100 Mn

### Culture of Research & Development

125. While there are a number of research institutes, both state and non-state, in the country, most research has not been converted to applicable or commercial solutions, giving rise to questions about the effectiveness of the investments made thus far. As such, our approach in research and investments will be driven by results and also investments into futuristic sciences, so as to be prepared for the needs of the years to come.

126. We will introduce the “Science at Work” Challenge, where challenges in the following 5 themes will be posed to the Scientific Community to work on, and viable solutions will be supported to be implemented with the allocation of the required finances.

Proposed Rs.  
50 Mn

- (a) Reducing post-harvest losses in agriculture and fisheries
- (b) Creating global benchmark yields in Paddy and Minor crops
- (c) Addressing Human-Elephant conflict
- (d) Create a 1,500 sq.ft. low-cost livable Housing Units
- (e) Value addition to local medicinal plants and bio-products to position them as Nutra-ceuticals.

### Making our Cities Smarter

127. Mr. Speaker, I am sure this House will agree that our Cities are slowly transforming themselves into citizen friendly, sustainable and socially equitable spaces. Colombo is now being called the “Garden City of Asia”.

128. Under the Urban Re-generation Project (URP), over 8,000 houses have already been completed and over 7,500 houses are being constructed,

Allocated Rs.  
8,000 Mn



while another 5,000 houses will commence construction. Rs.8,000Mn is allocated.

129. "Sukithapurawara" Township Development Program which covers all 9 Provinces is being implemented to enhance inclusive and sustainable urbanization in the country. Rs.3,000 Mn. has been already allocated. I propose to allocate a further Rs.2,000 Mn. to facilitate this Program.

Allocated Rs.  
3,000 Mn

Proposed Rs.  
2,000 Mn

130. "Beira Lake Cleaning", a project that initially commenced in 2000 with US aid, will be completed in order to restore water quality.

Proposed Rs.  
800 Mn

131. Solid Waste Management that has been a key issue in the city of Colombo is now being addressed with Government investments in Aruwakkalu with an investment of almost Rs.7,600 Mn. in 2019. Private sector investments are also in progress.

Allocated Rs.  
7,600 Mn

132. Flood and Drainage Management, Enhancement of Drainage Capacity in the Colombo Water Basin, Beira Lake Linear Park & Beddagana Park and the Weras Ganga Projects are designed to mitigate floods within Colombo and the Greater Colombo areas, for which, Rs.10,900Mn is already allocated.

Allocated Rs.  
10,900 Mn

133. Mr. Speaker, we have extended our investments beyond the Colombo City into Galle, Kandy and Jaffna Cities, which includes traffic management measures, rehabilitation of major drains & flood reduction measures, urban upgrading, restoration & adaptive re-use of historic & landmark buildings and coastal erosion reduction measures for selected areas. An allocation of Rs.9,225 Mn. has been made.

Allocated Rs.  
9,225 Mn

134. The iconic old Town Hall building in Jaffna was destroyed during the conflict. It is now a timely requirement to reconstruct the Jaffna Town Hall. I propose Rs.700Mn for this effort.
- Proposed Rs.  
700 Mn
135. Whilst safeguarding and protecting our hill country heritage, special attention will be paid to nurturing crafts, architecture, cultural aspects, traditions, indigenous medicine and places with historical value, inherent to the Hill country.
- Proposed Rs.  
900 Mn
136. The Bogambara Prison – a heritage building – will be re-developed and re-positioned as a Public Space in 2 years. Rs.750Mn will also be provided towards this work, this year.
- Proposed Rs.  
750 Mn
137. Township Development work in Kalmunai, Valachanei, Thalai Mannar & Samanthurai will be further supported.
- Proposed Rs.  
1,000 Mn
138. Mr. Speaker, all Government and Private commercial buildings in the country will be “Disability Friendly” by 2023. It is envisaged that this will be a mandatory requirement for new building approvals from 1st January 2020. All State buildings will be made “Disability Friendly” by 2022.
139. In line with the objective of increasing the reach of pipe-borne water at least to 60% by 2020, we have undertaken Rs.45,000 Mn worth of water projects covering all Districts. We will extend our support further, through community-based Water Supply Schemes - “Praja Jala Abhiman” – to cover 1,000 villages, where almost 200,000 families will benefit in the next 2 years.
- Proposed Rs.  
1,500 Mn
140. Mr. Speaker, huge traffic jams have become the order of the day. Our transport sector is yet not meeting the needs of a middle-income

county. Our public transport system needs urgent attention, with investments made in a more integrated manner.

141. The “Sahasara” Bus Modernization Program will get priority in the next 5 years to transform bus services across the country. Private Sector Bus Employees will now have better job security with EPF and ETF contributions being made and being eligible to get loan facilities as an incentive for better service towards passengers. A Revenue Support Fund will be established as a transitional arrangement to enable bus owners to be paid on a monthly basis for the kilometer operated, rather than the highly unsatisfactory competition that exists, causing inconvenience to the public, accidents and chaos on our roads. We also commit to introducing within the next few months, starting with the Central and the Western Provinces, pre-paid fare cards, electronic tracking of buses, using GPS and information on next bus and bus schedules, delivered to the palm of the passenger through mobile applications.

Proposed Rs.  
1,000 Mn

142. Modern multimodal passenger terminals will become a reality starting from Makumbura and will include Kandy, Kadawatha, Pettah and Moratuwa. We will ensure the 40% share of the SLTB market and improve efficiency of both the SLTB and private bus operations, by establishing a joint Bus Operation Control Centre connected to live digital data streams throughout the Country, so that bus transport will become an attractive option for the 21<sup>st</sup> Century. Rs.1,300Mn has been allocated to support these investments.

Allocated Rs.  
1,300 Mn

143. SLTB’s fleet will be expanded with the addition of 250 buses with safety & user-friendly standards in the next 2 years. SLTB will also introduce buses that are more suited for those with special needs.

Proposed Rs.  
1,500 Mn

144. A concessionary loan “City Ride”, under “Enterprise Sri Lanka”, will be introduced, where the Government will bare 75% of the interest cost for private bus fleet owners to expand their fleets by a total of 1,000 luxury buses. [Expl. Note III (b)- 1.4].
145. At the same time, Three-wheelers will be supported through a concessionary loan "Mini Taxi-Electric Three Wheeler" under “Enterprise Sri Lanka” Loan Scheme to upgrade into electric three-wheelers and small cars that will be more environmentally friendly, safer and more comfortable. Government will bear 75% of the interest rate and the existing three-wheeler should be disposed. [Expl. Note III (b- 1.5)].
146. Mr. Speaker, our railways are grossly under-utilized. There is a significant demand for an improved railway service, which we believe can be better provided in conjunction with the private sector. In this regard, we will allow the private sector to lease/rent Sri Lanka Railway’s carriages, and improve their facilities in the 4 main lines.
147. Work on the Colombo City Light Rail Transit (LRT) will commence in 2019, connecting Malabe to Fort, for which Rs.5,000 Mn. is already allocated.
148. Mr. Speaker, the Southern Expressway’s extension and the Outer Circular Road will be completed in 2019, and work on the Central Expressway Section I and III will commence, while continuing work on Section II. To further improve connectivity, work on the Ruwanpura Expressway, connecting the Ratnapura District to the Southern Expressway, will commence in 2019.

Allocated Rs. 5,000 Mn
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149. “Ran Mawath” Program – Mr Speaker, The Government has invested a significant amount of resources to construct roads and expressways. Since 2015, we have spent around Rs.700,000 Mn. for roads alone. Despite the amounts spent, there are many more roads that need to be constructed. Under the “Gamperaliya” Program, provisions are allocated for rural road construction. Yet, considering the national importance of further rural and other road development, I propose to allocate a further Rs.10,000 Mn. for the maintenance and construction of, mainly rural roads, through the “Ran Mawath” Development Program.

Proposed Rs.  
10,000 Mn

### Public Sector Service Delivery

150. In 2016, our Government took steps to absorb the monthly Interim Allowance of Rs.10,000/- and the Special Allowance to the basic salary of the public sector employees in 5 phases, from 2016 to 2020, by maintaining the 1:4.07 ratio, which resulted to increase the public sector salary by 107% within the same period. In fact Rs. 40 billion has been allocated in the appropriation bill of 2019 for this purpose. As a result of this, the monthly salary of a lower grade government employee will increase from Rs. 11,730 in 2015 to Rs. 21,400 in 2020.

Proposed Rs.  
20,000 Mn

#### Basic Salary Increase of Public Sector 2015-2020

Category	2015 Salary	2016		2017		2018		2019		2020	
		Salary	Increase	Salary	Increase	Salary	Increase	Salary	Increase	Salary	Increase
Office Assistant	11,730	14,234	2,504	16,738	5,008	19,242	7,512	21,746	10,016	24,250	12,520
Nurse Graduate Teacher	15,620	19,001	3,381	22,382	6,762	25,763	10,143	29,144	13,524	32,525	16,905
Secretary	16,100	19,540	3,440	22,980	6,880	26,420	10,320	29,860	13,760	33,300	17,200
	47,515	57,742	10,227	67,969	20,454	78,146	30,631	88,423	40,908	98,650	51,135

Expl. Note Part II -1.4

Furthermore, the government will implement the report of the Special Salary Commission appointed by HE the President as soon as the technical committee recommendations are out. Therefore, I propose a

monthly allowance of Rs. 2,500 with effect from July 1st 2019 as an interim measures.

151. There are around 560,000 pensioners, who have retired before 31<sup>st</sup> December 2015 and whose pensions are calculated based on the Public Administration Circular No. 06/2006. In addition to that, around 71,000 pensioners retired during the period of 1<sup>st</sup> January 2016 to 31<sup>st</sup> December 2018, and are drawing pensions based on their eligible basic salary at the time of retirement, based on the Public Administration Circular No. 03/2016. There is a disparity of pensions drawn by the pensioners, who have retired before 1<sup>st</sup> January 2016 and the ones who were entitled to different phases of the salary increases given by the Public Administration Circular No. 03/2016. Therefore, I propose a pension revision, having incorporated the first 2 phases of the Public Administration Circular 03/2016 to the basic salary obtained by the pensioner, at the time of retirement with effect from 1<sup>st</sup> July 2019. I propose to allocate an additional sum of Rs.12,000 Mn for that revision this year, to rectify the pension anomalies. This will benefit around 585,000 affected pensioners. For an example, a lower grade government employee's pension will increase by at least Rs.1,600/- per month. A Grade I teacher will have a Rs 4,600/= increase in the monthly pension and the pension of a Secretary to a Ministry will increase by Rs.12,000/- per month. This is based on 25 years' service and retirement prior to 31<sup>st</sup> December 2015.

Proposed Rs.  
12,000 Mn

152. In 2017 and 2018, allowances of the Police Department were increased. However, Commando Allowance, Uniform Allowance, Rent Allowance and the Good Conduct Allowance of the Armed Forces, where some have not been increased in some instances, for over 20 years, will be increased from 1st July 2019.

Proposed Rs.  
1,175 Mn

**i. Good Conduct Pay Allowance will be paid as follows;**

Badge	Rs. per day
1 <sup>st</sup> Badge	3.00
2 <sup>nd</sup> Badge	6.00
3 <sup>rd</sup> Badge	9.00
4 <sup>th</sup> Badge	15.00
5 <sup>th</sup> Badge	20.00

**ii. The Rate of Housing Rent Allowance paid in the month of January 2019 will be increased by 100%**

**iii. Uniform Upkeep Allowance will be increased as follows;**

Rs. per month

Description	Present rate	New rate
Brigadier or equal rank and above	255.00	600.00
Colonel or equal rank and below	255.00	525.00
Other ranks	170.00	350.00

**iv. Commando Allowance will be increased from Rs. 1,000/- to Rs. 5,000/- per month**

( Apply to equal ranks of Sri Lanka Navy and Sri Lanka Air Force)

153. Mr. Speaker, we need to enhance the quality and productivity of our public sector through technology and modernization. I propose to continue to support this process.

Proposed Rs.  
400 Mn

154. The Commission to Investigate the Allegations of Bribery or Corruption, will be strengthened, especially to engage in Awareness programs amongst the Public.

Proposed Rs.  
100 Mn

155. Mr. Speaker, the digitalization of Government procedures has already begun and will continue into 2019 as well, with focus on e-Governmental Digital Document Management, towards a society with better Governance and Accountability and over Rs.800Mn has been allocated to implement these activities.

Allocated Rs.  
800 Mn

Proposed Rs.  
100 Mn

156. Entrepreneurs in “Gramashakthi” Production Villages will also be further assisted through access to technology.

Allocated Rs.  
3,000 Mn

Proposed Rs.  
500 Mn

157. Youth empowerment through enhancement of skills will be further supported by the ‘Smart Sri Lanka’ project.

Proposed Rs.  
500 Mn

158. The Fiscal Management (Responsibility) Act No.3 of 2003 will be amended, with a view to strengthening Fiscal Rules with legally binding Fiscal Targets, a clearly defined escape clause and correction mechanisms, in case of a target breach.

159. The new Monetary Law Act as proposed in the last Budget has been drafted. This is a landmark legislation that will introduce disciplines to help eliminate the monetary and fiscal profligacy that has plagued our country for decades.

160. Gender Based Budgeting – the Government is committed to gender responsive budgeting and initial steps have already been taken by issuing an addendum to the budget call of 2018 with the objective of improving the participation of women in the workforce. 12 key performance indicators have been identified and action will be initiated to achieve this. I also propose to establish a focal point on gender perspectives under each ministry, to aggregate relevant data.

### **Social Safety Net**

161. Unfortunately, Sri Lanka’s Apex Welfare System – “Samurdhi”, which was established in 1994 to facilitate the poor graduate to a higher income level, has failed to, not only protect the vulnerable, but also to strengthen and support them. It has now become politicized to such an extent that many “Samurdhi” officials are strongly affiliated to a certain political party.

Allocated Rs.  
50,000 Mn



162. As such, this has resulted in the deserving, not benefitting from this scheme, while those who do not deserve, mostly card carrying members of a particular political party, continue to enjoy these free subsidies for merely supporting the politics of the day, resulting in the “poor remaining poor”. This has severely compromised the economic freedom of our weakest. Therefore, I propose to develop an objective, transparent and measurable criteria, to streamline the “Samurdhi” Program in a more effective manner, which will actually facilitate the addition of around 600,000 deserving households. Rs.10,000 Mn. has been allocated for this. Many deserving families have been left out, merely because of their loyalty to other political parties.

163. Mr. Speaker, “Samurdhi” beneficiaries have accumulated significant funds in the “Samurdhi” and other Banks. They have got minimal returns on this investment, with no recourse to any withdrawals. This is their money. Therefore, I propose to allow all Samurdhi beneficiaries to withdraw up to Rs. 30,000/= each from their “Samurdhi” Compulsory Savings in banks, in two installments in April and November this year, as a dividend for the Sinhala/Tamil New Year and Christmas.

164. Sri Lanka faces a growing challenge due to its ageing population. To address this issue in a holistic manner, the Government will take steps to introduce a National Pension Plan with a sustainable financing structure.

### **Clean, Green and a Sustainable Environment**

165. Conservation and Protection will only be effective if society is an active part of this endeavor. As such, community-based “Green Clubs” will be established in every Divisional Secretariat, consisting of volunteers, especially students. These Clubs will be engaged, especially to expedite

Proposed Rs.  
450 Mn

the planting of 2.5 million trees, cleaning beaches, separation of waste, etc.

166. We will continue investments in creating “Green & Clean” Public Spaces such as, “Haritha Udyana” (eco-friendly parks), which will enable the greening of our cities and villages, whilst facilitating stronger bonds in communities. We will partner the Colombo Municipal Council in its ‘City Beautification’ endeavor. Rs.1000Mn. has already been allocated.

Allocated Rs.  
1,000 Mn

167. Further, the “Nilwala Eliya” Model Park and Mega Zone will also be completed in 2019. Rs.1,000Mn has already been allocated.

Allocated Rs.  
1,000 Mn

168. Mangroves are eco-systems that stabilize coastlines, provide critical habitats for many animals and sequester more carbon-dioxide than other kinds of forests, making them indispensable in combating climate change. However, our mangroves are fast receding and as such, we will support the replanting of mangroves, where nurseries will be established at the first stage.

Proposed Rs.  
50 Mn

169. Rs.2,000Mn will be channeled to facilitate the rehabilitation of houses and other infrastructure facilities affected by disasters, while also introducing disaster resilient houses in selected high-risk districts.

Allocated Rs.  
2,000 Mn

170. Mr. Speaker, in the recent past, we have experienced the impact of droughts and floods resulting in the loss of lives, loss of income and property. The victims of such disasters, both individuals and corporate, will have to be compensated immediately and to mitigate the impact of the loss and to facilitate a more efficient and effective method of doing so, we will allocate Rs.20,000 Mn. over the medium-term as a Disaster Management Contingency Fund.

Proposed Rs.  
10,000 Mn

171. Sri Lanka has been categorized by the NFORM Global Risk Index as a high-risk country, prone to natural disasters. In the past few years we have seen that, while one part of the country was faced with severe droughts, other parts of the country experienced heavy floods, during the same period of the year. Hence, it has become a timely need to take proactive measures to allocate resources to mitigate both the vulnerability of natural disasters and to compensate the affected people and properties. Therefore, it is required to strengthen the natural disaster insurance scheme that the Government introduced in 2016, by allocating an additional Rs.1,000 Mn. from this year, to increase the Annual Government Premium from Rs.500 Mn. to Rs.1,500 Mn.

Proposed Rs.  
1,000 Mn

172. The Ministry of Women, Child Affairs and Dry Zone Development will be allocated Rs.250Mn to enhance initiatives to develop the dry zones, in addition to the “Gamperaliya” and other development initiatives, already in place and proposed.

Proposed Rs.  
250 Mn

173. The proliferation of single use plastic products, including plastic bags, packaging, plastic bottles, lunch sheets, have led to significant environmental costs. As a first step in introducing appropriate regulation for this sector, it will be mandatory for any entity, manufacturing or importing single use plastics (as defined by the Central Environment Authority) to register with the Ministry of Industry and Commerce before the 1<sup>st</sup> of September 2019.

174. Sri Lanka will develop a consolidated plan for Marine Conservation to protect and sustainably manage its marine resources. We will progress towards declaring the Exclusive Economic Zone of Sri Lanka as a Marine Conservation Area, entailing measures to sustainably manage marine biodiversity, to enhance socio-economic benefits to the country.

## Religion, Arts and Culture

175. We recognize the unique contribution of artists, writers and musicians, towards enriching our society and enhancing Sri Lanka's cultural value. Thus, our Government has continually supported the development of culture and arts in Sri Lanka. We will also introduce and implement a fair scheme of royalty payments for our artists, so that they continue to benefit from their creations, when such creations are aired/telecast or otherwise publicized. This will protect their creations and provide them with a continuous income source. To further support this initiative, we have made royalty income up to Rs.50,000/- per month, exempt from withholding tax.

176. Mr. Speaker, we have undertaken the Rehabilitation of Buddhist Temples and other religious places of worship, under the "Gamperaliya" Scheme and for the year 2019, we have increased the allocation to Rs.1Mn from Rs.500,000/- per place of worship.[Expl Note III(a)- 10]

177. Solar Power will also be provided under "Gamperaliya" for places of worship to further mitigate their energy costs and relieve the burden on our national electricity grid. [Expl Note III(a) -11]

178. The infrastructure facilities at the Madhu Church will also be improved.Rs.200Mn has been provided for this purpose.

Proposed Rs.  
200 Mn

179. The renovation work at the John De Silva Theatre will be completed by 2020, with the installation of 'State of the Art' equipment.

Proposed Rs.  
700 Mn

180. The National Art Gallery will be modernized and a new wing for Modern Art will be established.

Proposed Rs.  
100 Mn

Proposed Rs.  
300 Mn

181. Work on the world-class Performance Centre in Moratuwa will commence in 2019.

### Reconciliation through Economic Empowerment

182. Mr. Speaker, last year we initiated a multi-pronged strategy to address the key issues faced, in particular, by our people in the North and the East. Our strategy was driven by the objective of creating sustainable livelihoods, including assisting those heavily indebted and assisting the marginalized. This will also be complemented by the Government's commitment to ensuring a framework, where there is justice for all stakeholders, ensuring that the violence of the past will not recur again. We have just launched the Economic Development Framework for the Northern Province, along with stakeholders and the Central Bank of Sri Lanka (CBSL). Steps are now being taken to convert this into a concrete work plan, which will benefit all the citizens in the North. We will extend this framework to other similarly affected districts in the country. Office of National Unity & Reconciliation (ONUR) will be requested to participate in this national effort.

183. Communicating our reconciliation efforts in a stronger and more meaningful manner is critical for sustainability of all our endeavors in this area. Towards this end, I propose to allocate Rs.200Mn to the Secretariat for Coordinating Reconciliation Mechanisms (SCRM), which comes under the Hon Prime Minister's Office, for Communication and Awareness programs in this regard.

Proposed Rs.  
200 Mn

184. The Office for Reparations Bill was passed by this House and work will begin in 2019. We will provide the required resources for the office to be set and staffed adequately.

Proposed Rs.  
700 Mn

185. The Office of the Missing Persons (OMP) will be adequately resourced to support families of all missing persons island-wide, including the MIA's of the Armed forces and the Police, who have obtained Certificates of Absence. They will be provided Rs.6,000/-per month, until the Office of Reparation is established and their cases are resolved. These families will also be given preferential access to relevant "Enterprise Sri Lanka" Loan Schemes and will be required to join the livelihood programs coordinated by (ONUR).

Proposed Rs.  
500 Mn

186. Mr. Speaker, to fast track development in the North and the East, we will establish the "Palmyrah Fund", with an investment of Rs.5,000 Mn spread over 2 years. We invite well-wishers, philanthropists, especially in the Diaspora, to also contribute to this Fund, which will be administered by the Treasury. The funds will be routed through the Government Agents for development activities in the war affected areas. In addition to these development activities, the fund will also channel resources towards programs that addresses alcoholism, drug abuse, youth unemployment, civil society-initiated counseling and support programs.

Proposed Rs.  
2,500 Mn

187. In 2018, significant investment in producer co-operatives sought to urgently create jobs and decent incomes by initiating 50 small industries in the rural economy. The groundwork laid last year, allows us to scale up this program rapidly with another 50 co-operative small industries and take existing industries to the next stage of development. Tech Ceylon Social Ventures, a non-profit company of mainly young Sri Lankan engineering and technology graduates, have provided voluntary technical services driving our flagship small industries producer co-operatives program in the North. This support has been invaluable for successful Government investment, and I hope young

professionals in other regions will also make a similar contribution to our national economy.

- |  |                           |
|--|---------------------------|
| 188. The Debt Relief Scheme will be continued through the Cooperative Rural Banks and Thrift and Credit Cooperative Societies.   | Proposed Rs.<br>250 Mn    |
| 189. An Integrated Project to create Industrial Scale production of Toddy Bottling and production of Jaggery will be set up in the Northern Province, in collaboration with relevant Co-operative Societies.   | Proposed Rs.<br>100 Mn    |
| 190. To facilitate more efficient trade links between farmers and the market, 10 Satellite Economic Centres connected to a Central Economic Centre will be established in the Northern Province.   | Proposed Rs.<br>100 Mn    |
| 191. The Giant Tank will be rehabilitated, facilitating Agriculture, especially in Mannar.   | Proposed Rs.<br>300 Mn    |
| 192. Rs.2,000 Mn. has been allocated to provide facilities such as Water, Electricity, etc., for the already built houses and to support for partly-built or destroyed houses in the North and the East.   | Allocated Rs.<br>2,000 Mn |
| 193. We have provided debt relief to around 45,000 women who are residents of the drought affected districts of Trincomalee, Ampara, Batticaloa, Jaffna, Mulaitivu, Kilinochchi, Vauvuniya, Mannar, Kurunegala, Puttalam, Anuradhapura and Polonnaruwa, who have availed themselves of micro-finance loans, upto a maximum of Rs.100,000 (initial capital) and outstanding for at least 3 consecutive months, since June 2018. This initial step will be followed up with concessionary loans from the “Enterprise Sri Lanka” program and the Cooperative movement, in order that this situation is mitigated in the future. | Proposed Rs.<br>500 Mn    |

194. Our efforts to ensure reconciliation and provide a sustainable livelihood in the Northern Province, will be further strengthened through the work undertaken by ONUR, including “Sahodara Pasal”, “Heal the Past – Build the Future”, “Viruliya Shakthi” a Programme for Military Widows, Programmes for Peace through Arts& Culture and the Integrated Village Development Program. ONUR will be further supported to carry out and enhance these programs and design and implement new ones.

Proposed Rs.  
750 Mn

## Revenue

195. Mr. Speaker, Sri Lanka’s tax-to-GDP ratio fell to one of the lowest in the world and the nation’s tax efficiency ratio is also below that of peer countries. In this context, I propose the following revenue proposals to enhance the fiscal revenue in the year 2019, and also to address certain anomalies in the taxation system.
196. Revision of Excise duty on Cigarettes effective from 6<sup>th</sup> March 2019 and introduction of Nation Building Tax on manufacturer of Cigarettes effective from 1<sup>st</sup> June 2019. Accordingly, Excise duty on Cigarettes, which are more than 60 mm, will be increased by 12%, resulting in an increase of Rs.5 per stick on average. Excise duty on cigarettes will now be based on indexation with a minimum annual duty increase capturing annual inflation and GDP growth. This will ensure revenue protection and control affordability.
197. Revision of Excise duty and implementation of luxury tax on motor vehicles effective from 6<sup>th</sup> March 2019. The revision of the excise duty will have a minimal impact on smaller personal vehicles. In addition, the 200% cash margin requirements on motor vehicle imports will be removed in the near future.



198. Revision of Cess duty on importation of Tendu Leaves (Beedie Leaves) from Rs. 2,500 to Rs. 3,500 per Kg, effective from 6<sup>th</sup> March 2019.
199. Revision of Embarkation Fee by USD 10 per person. This increased embarkation fee shall be credited to the Consolidated Fund effective from 1<sup>st</sup> April 2019.
200. Introduction of 3.5% of Nation Building Tax in place of existing Stamp duty, on all foreign payments made by using any Credit Cards and Debit Cards. This will be made effective from 1<sup>st</sup> June 2019. This proposal will also help address taxation of off-shore digital services.
201. Revision of fee on alteration of passports and issuance of passports effective from 1<sup>st</sup> April 2019.

No	Description	Existing Fee	Proposed Fee
1	Alteration of Passport	Rs. 500 Per Passport	Rs.1,000 Per Passport
2	One Day Service	Rs.10,000 Per Passport	Rs.15,000 Per Passport
3	Normal Service	Rs. 3,000 Per Passport	Rs. 3,500 Per Passport

202. Revision of the price of special number plates for motor vehicles, issued by the Department of Motor Traffic, effective from 1<sup>st</sup> June 2019.

No.	Type of Number Plate	Existing Fee / Unit	Proposed Fee / Unit
1	Special Number Plate		
	Category 1	Rs.50,000	Rs.70,000
	Category 2	Rs.60,000	Rs.90,000
	Category 3	Rs.70,000	Rs.100,000
	Personalized Plate with Name	N/A	Rs.1,000,000

203. Revision of Excise duty on liquor manufactured locally will be based on indexation, effective from 6<sup>th</sup> March 2019, where the minimum annual duty increase is according to an index capturing annual inflation and GDP growth.

Increase of Excise duty on hard liquor manufactured locally by 08% (Excise duty on Special Arrack remains without change) and malt

liquor by 12% will be done based on indexation effective from March 06, 2019 where the minimum annual duty increase is according to an index capturing annual inflation and income growth (GDP change).

No	Type of Alcohol	Existing Duty	Proposed Duty
1	Special Arrack	Rs.3,300 / Ltr	No Change
2	Other Arrack	Rs.3,300 / Ltr	Rs.3,550 / Ltr
3	Country made Foreign Liquor	Rs.3,300 / Ltr	Rs. 3.550 / Ltr
4	Beer less than 5%	Rs.2,400 / Ltr	Rs.2,700 / Ltr
5	Beer more than 5%	Rs.2,400 / Ltr	Rs. 2,700 / Ltr
6	Local Wine	Rs. 100 / Bulk Ltr	Rs.600 / Absolute Ltr

204. Peice based VAT rate on disposal of garments by BOI approved enterprises will be revised from Rs. 75 to Rs. 100 on the basis of inflation indexation, effective from 1<sup>st</sup> June 2019.
205. 15% increase of all fees and charges which have not been revised since 2016.
206. Increase of toll on expressways by Rs.100 during peak hours effective from 1<sup>st</sup> April 2019.
207. Increase of license fee of casino's from Rs. 200 mn to Rs. 400 mn per annum and rudjino games to Rs. 1,000,000 per annum. The casino turnover levy will be charged at 15%. These new charges will be effective from 1st April 2019
208. A casino entrance fee of USD 50 per person, will be charged, effective from 1<sup>st</sup> June 2019.
209. Revision of economic service charge (ESC) on selected imported goods.
210. Revision of unit rate based custom import duty on selected goods including fruit drink, liquor and tobacco effective from 6<sup>th</sup> of March 2019.
211. Mr. Speaker, the details of the Revenue and Expenditure proposals are described in the technical note.

212. The relevant amendments to the Borrowing Limit for the 2019 Appropriation Bill for the financial year 2019, is presented in Annexure III. The Revenue Proposals are presented in Annexure I. Further the underlying Fiscal Framework is presented in Annexure IV. Considering the administrative processes that needs to be followed in executing the mandated work, I propose a saving of 10% to 15% from Capital and Goods and Services expenditure. The document under the FMR Act No. 03 of 2003, which has to be submitted along with the second reading of the Budget, is also tabled.

213. Mr. Speaker, I wish to thank H.E. the President and the Hon. Prime Minister for the guidance given. I wish to thank my State Minister - Hon. Eran Wickramaratne for his support. I wish to also thank all those who sent in their Proposals, which guided this Budget. I am grateful to my colleagues at the Cabinet and all Members of Parliament for the support extended. Last but not the least, I wish to thank the Secretary to the Treasury and all the officials who worked hard in preparing this Budget. Mr. Speaker, often times, our Economic Policies have been guided by short termism, which has created uncertainty and chaos in our systems. This has prevented the country from reaping the benefits of its true potential. In fact, our people have had a raw deal. We, in this House, has the power to change this and create a new paradigm that will enable the people that we represent to be prosperous.

Thank you!

Annexures		
Description		Annexure
Revenue Proposals - 2019		I
Expenditure Proposals - 2019		II
Gross Borrowings Requirement - 2019		III
Summary of the Budget (2015-2019)		IV
Quarterly Budget Estimates 2019		V
Government's Medium Term Fiscal Projection		VI
Tax Expenditure Statement		VII
Estimated cost of SOBEs' Non-Commercial Obligations		VIII
Technical Notes		
Part I	Revenue Proposals	IX
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Part III	Explanatory Notes	
	(a) Gamperaliya Programme	
	(b) Enterprise Sri Lanka Schemes	
	(c) High Value Investment Incentives	
	(d) Women on Boards	

## Revenue Proposals – 2019\*

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

*Compiled by Department of Fiscal Policy*

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

## ANNEXURE - II

### Expenditure Proposals-2019

Paragraph No.	Description	Allocation - Rs. Mn	
		Recurrent	Capital
20	Establish a SME Guarantee Fund		500
25	Agri-business Supporting Scheme for Farmers		250
26	Establish Warehousing Facilities in Katunayake, Embilipitiya, Jaffna and Keppetipola		400
29	Facilitate Establishment of a Research Facility for Tyre Testing & Development by the Private Sector		50
33	Support for Cinnamon Training Academy at Kosgoda for Technology Transfer to Farmers		75
34	Obtain and Maintain Geographical Indications (GI) for Ceylon Cinnamon		50
36	"Nangwamu Lanka" Micro and Small Enterprise Development Programme		2,000
40	50% Subsidy for Improving Stowage Facility and Safety Standards of Multiday Boats		300
41	Free Glass of Milk for School Children	1,000	
43	Providing Sanitary Facilities for Needy People		4,000
44	Improve Sanitary Facilities in Bus Terminals and Railway Stations		1,000
53	Providing Salary Subsidy for Recruitment of Disability People by Private Entities	200	
55	Establish two "Kibbutz style" Farms at Ambepussa and Weerawila		250
56	Establish a Training Center for Female Inmates at Dompe		50
58	Brick and Mortar Type Housing Scheme in North & East		5,500
62	National Export Strategy		250
64	Support Sri Lankan Firms to Enter India and China Markets		50
68	Implementation of the Trade Adjustment Programme	50	200
69	Enterprise Innovation Programme		50
74	Infrastructure Facilities for Bingiriya and Wagawatta Industrial Zones		500
75	Establish Industrial Zones-KKS, Manthai East, Paranthan, Kondachi, Kinniya, Samanthurai&Trincomalee		1,000
78	Curb illegal Smuggling and Narcotic Trade		250
80	Establish a Revenue Intelligence Unit	50	200
100	Continuous Professional Development (CPD) of Teachers		100
102	Contribution to Scholarship for Educational Excellence (SEE) Fund		500
106	Establish Professorial Units at Kuliyaipitiya and Ratnapura Hospitals		600
	Develop Faculty of Allied Health Science at Ruhuna University and Laboratory Facilities of Medical Faculty - Sri Jayawardenapura University		
110	Tamil Medium Teacher Training		400
112	Payment of Stipend to Trainees who follow Accredited Training Courses of Health Sector	100	
113	Vocational Training for Youth in Low Income Families	100	
117	Set up 300 Base Stations for "Suwasariya" Ambulance Service		200

118	Provide Home Dialysis Machines and Strengthen Hemo-Dialysis Centers with RO Water Plants		500
119	Door-Step Screening for Early Detection of CKDu		50
120	Rabies Control through Sterilization Programme for Stray Dogs		100
121	Capacity Building in Palliative-care		50
123	Upgrade two Sports Stadiums - Bernard Aluwihare Stadium in Matale and WeerasingheMallimarachchi Playground in Kolonnawa		300
124	Contribution to National Olympic Fund		100
126	"Science at Work" Challenge Programme		50
129	"Sukithapurawara" Township Development Programme		2,000
130	Restoration of Water Quality of Beira Lake		800
134	Reconstruction of Jaffna Town Hall		700
135	Safeguarding and Protecting Hill Country Heritage		900
136	Bogambara Prison Re-Development Project		750
137	Township Developments in Kalmunai&Samanthurai		1,000
139	"PrajaJalaAbhiman" Water Supply Scheme		1,500
141	"Sahasara Bus Modernization" Programme		1,000
143	Acquiring 250 New Busses with Modern Facility and User Friendly Standards to SLTB		1,500
149	"Ran Mawath" Rural Roads Maintenance and Construction Programme		10,000
150	Rs.2,500/- p.m. Interim Allowance for Public Sector Employees	20,000	
151	Pension Revision	12,000	
152	Revising Commando, Uniform, Rent and Good Conduct Allowances of the Armed Forces.	1,175	
153	Public Sector quality and productivity improvement through technology and modernization		400
154	Bribery and Corruption Awareness Programme for the Public		100
155	e- Governmental Digital Document Management		100
156	"Gramashakthi" Production Villages Programme		500
157	"Smart Sri Lanka" Programme		500
165	Establish Community based "Green-Clubs" in each Divisional Secretariat		450
168	Replanting of Mangroves		50
170	Allocating Provisions to"Disaster Management Contingency Fund"	10,000	
171	National Natural Disaster Insurance Scheme	1,000	
172	Enhance Initiatives to Dry Zone Development		250
178	Improve Infrastructure Facilities at Madhu Church Sacred Area		200
179	Renovate John De Silva Theatre		700
180	Modernize National Art Gallery		100
181	Establish World-Class Performance Centre In Moratuwa		300
183	Communication and Awareness Programs by Secretariat for Coordinating Reconciliation Mechanism(SCRM)		200
184	Establishment of Office for Reparations	400	300
185	Support for Missing Persons until Establishment of Office of Reparations	500	
186	Seed Capital for "Palmyrah Fund"		2,500
187	Investment Assistance Programme in North		750

188	Debt Relief Scheme implement through the Co-operative Rural Banks and Thrift and Credit Cooperative Societies		250
189	Project for Toddy Bottling and Jaggery Production		100
190	Establish a Central Economic Center connecting 10 Satellite Economic Centers		100
191	Rehabilitation of Giant Tank in Mannar		300
193	Debt Relief Program for Women in Drought Affected Areas		500
194	Reconciliation and Sustainable Livelihood through Various Programmes		750

*Compiled by the Department of National Budget*



## ANNEXURE - III

### Gross Borrowings Requirement - 2019 (Provisioning for Accounting Transactions)

Item	Rs. Billions
Total Revenue Receipts and Grants	2,403
Total Payments, including Repayments	4,640
Provision for Advance Account Operations	6
<b>Total Gross Borrowings Requirement to be Recorded in Government Accounts</b>	<b>2,079</b>

*Compiled by the Department of Fiscal Policy*

## ANNEXURE - IV

Summary of the Budget (2015-2019)<sup>1</sup>

Rs. Billion

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

Compiled by Department of Fiscal Policy

<sup>1</sup> Including revenue and expenditure transfers to Provincial Councils

## ANNEXURE - V

## Quarterly Budget Estimates - 2019

Rs. Billion

Item	Q1	Q2	Q3	Q4	Total
<b>Total Revenue &amp; Grants</b>	<b>545</b>	<b>557</b>	<b>640</b>	<b>722</b>	<b>2,464</b>
<b>Total Revenue</b>	<b>544</b>	<b>555</b>	<b>637</b>	<b>715</b>	<b>2,451</b>
<b>Tax Revenue</b>	<b>473</b>	<b>486</b>	<b>545</b>	<b>573</b>	<b>2,077</b>
Income Tax	80	82	120	103	385
Taxes on Goods & Services	298	312	330	353	1,293
Taxes on External Trade	95	92	95	117	399
<b>Non-Tax Revenue</b>	<b>50</b>	<b>45</b>	<b>64</b>	<b>108</b>	<b>267</b>
<b>Provincial Council Tax Sharing and Devolved Revenue</b>	<b>21</b>	<b>24</b>	<b>28</b>	<b>34</b>	<b>107</b>
<b>Grants</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>7</b>	<b>13</b>
<b>Total Expenditure</b>	<b>720</b>	<b>709</b>	<b>863</b>	<b>857</b>	<b>3,149</b>
<b>Recurrent</b>	<b>555</b>	<b>554</b>	<b>671</b>	<b>635</b>	<b>2,415</b>
Salaries and Wages including Provincial Councils	180	185	198	215	778
Other Goods and Services including Provincial Councils	25	36	55	62	178
Interest	225	202	278	208	913
Subsidies and Transfers	125	131	140	150	546
<b>Public Investment</b>	<b>167</b>	<b>159</b>	<b>200</b>	<b>230</b>	<b>756</b>
Other	(2)	(4)	(8)	(8)	(22)
<b>Revenue Surplus (+)/Deficit(-)</b>	<b>(11)</b>	<b>1</b>	<b>(34)</b>	<b>80</b>	<b>36</b>
<b>Primary Surplus (+)/Deficit(-)</b>	<b>50</b>	<b>50</b>	<b>55</b>	<b>73</b>	<b>228</b>
<b>Budget Surplus (+)/Deficit(-)</b>	<b>(175)</b>	<b>(152)</b>	<b>(223)</b>	<b>(135)</b>	<b>(685)</b>
<b>Total Financing</b>	<b>(79)</b>	<b>515</b>	<b>129</b>	<b>120</b>	<b>685</b>
<b>Total Foreign Financing (Net)</b>	<b>(230)</b>	<b>340</b>	<b>(60)</b>	<b>5</b>	<b>55</b>
Gross Borrowings	40	560	40	80	720
Repayments	(270)	(220)	(100)	(75)	(665)
<b>Total Domestic Financing (Net)</b>	<b>151</b>	<b>175</b>	<b>189</b>	<b>115</b>	<b>630</b>
Non - Bank Borrowings	90	110	120	42	362
Foreign Investments in T-Bills and T-Bonds	36	45	54	45	180
Bank Borrowings	25	20	15	28	88
<b>Revenue and Grants/GDP (%)</b>	<b>3.4</b>	<b>3.6</b>	<b>4.1</b>	<b>4.6</b>	<b>15.8</b>
<b>Total Revenue/GDP (%)</b>	<b>3.4</b>	<b>3.6</b>	<b>4.1</b>	<b>4.6</b>	<b>15.7</b>
Tax Revenue/GDP	3.0	3.1	3.5	3.7	13.3
Non Tax Revenue/GDP (%)	0.3	0.3	0.4	0.7	1.7
PC Tax Sharing and Devolved Revenue/GDP (%)	0.1	0.2	0.2	0.2	0.7
<b>Grants/GDP (%)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>
<b>Total Expenditure/GDP (%)</b>	<b>4.5</b>	<b>4.6</b>	<b>5.6</b>	<b>5.5</b>	<b>20.2</b>
Recurrent Expenditure/GDP (%)	3.5	3.6	4.3	4.1	15.5
Non Interest/ GDP (%)	2.1	2.3	2.5	2.7	9.6
Interest/ GDP (%)	1.4	1.3	1.8	1.3	5.9
Public Investment/ GDP (%)	1.1	1.0	1.3	1.5	4.8
<b>Revenue Surplus (+)/Deficit (-) GDP (%)</b>	<b>(0.1)</b>	<b>-</b>	<b>(0.2)</b>	<b>0.5</b>	<b>0.2</b>
<b>Primary Surplus (+)/Deficit (-) GDP(%)</b>	<b>0.3</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>1.5</b>
<b>Budget Surplus (+)/Deficit (-) GDP(%)</b>	<b>(1.1)</b>	<b>(1.0)</b>	<b>(1.4)</b>	<b>(0.9)</b>	<b>(4.4)</b>

Compiled by the Department of Fiscal Policy

## ANNEXURE- VI

### Government's Medium Term Fiscal Projection

As a % of GDP

	2018	2019	Projection				
	Provisional	Budget	2020	2021	2022	2023	2024
Primary Balance	0.6	1.5	2.4	3.0	3.3	3.4	3.4
Overall Budget Balance	(5.3)	(4.4)	(3.5)	(2.8)	(2.4)	(2.2)	(2.0)
Government Debt	84	83	81	75	70	66	61
Public debt (including Guarantees)	91	89	87	82	77	72	68
Real GDP Growth	3.0	3.5	4.0	4.3	4.5	4.6	4.8

*Compiled by the Department of Fiscal Policy*

### Tax Expenditure Statement

This annexure presents government's latest estimates of the fiscal cost of tax expenditure and assumptions and the methodology used to produce these estimates. The purpose of this Tax Expenditure Statement (TES) is to improve transparency in Sri Lanka's financial reporting, aligned with international best practices. Tax expenditure includes tax exemptions, deductions, deferrals of tax liability and concessional tax rates to achieve a specific policy objective. Tax expenditures are estimates of the total revenue forgone as a result of preferential tax treatment.

#### Assumptions

This tax expenditure statement is prepared based on following assumptions

- a) Calculations are based on the 100% tax return compliance
- b) Revenue base erosion due to valuation issues, procedural errors, transfer pricing and non-compliance are not considered.
- c) Tax expenditure results from 2019 revisions have not been considered for tax expenditure as such changes will be fully implemented in the later part of the year.
- d) External trade related taxes of Port and Airport Development Levy (PAL), CESS and Customs duty have not been taken into calculation of tax expenditure due to external trade tax expenditure being bound by various trade related agreements.
- e) Nations Building Tax (NBT) is not considered for the calculation since this tax was imposed for the purpose of tax sharing with Provincial Councils instead of Turnover tax.
- f) Economic Service Charge (ESC) is not considered since payment of this tax can be set off against payment of profit based corporate tax.
- g) Tax expenditure on free services provided by Government is not taken into consideration
- h) Calculations are based on 2017 actual data & estimates, 2018 extrapolated data and economic projection for 2019.
- i) Inland Revenue Act (IRA) contains rates, tax incentives, exemptions, qualifying exemption and depreciation allowance defined in following Schedules which are not considered as tax expenditure. Any deviations from the Schedules are treated as tax expenditure.

i.	1 <sup>st</sup> Schedule	=	Tax Rates
ii.	2 <sup>nd</sup> Schedule	=	Investment incentives
iii.	3 <sup>rd</sup> Schedule	=	Exempt Amounts
iv.	4 <sup>th</sup> Schedule	=	Capital Allowances, Balancing Allowances and Assessable Charges
v.	5 <sup>th</sup> Schedule	=	Qualifying Payments and Reliefs

Deviations from above Schedules are given in the 6<sup>th</sup> Schedule of the IRA and such deviations are taken as tax expenditure for income tax

## **Tax Expenditure**

### **a) Income Tax**

The 6<sup>th</sup> Schedule of the IRA grants following tax concessions for a limited period. They are considered as tax expenditure for the income tax purposes.

- i. New investments up to USD 3 Million in depreciable assets (other than intangible assets), during a year of assessment are eligible for an enhanced capital allowance for three years from April 1, 2018. Such enhanced capital allowance for investments in any part of Sri Lanka other than Northern Province is 100% of such investment, while in Northern Province 200% of such investment.
- ii. 50% tax concession for three years from April 1, 2018 for surplus fund distribution to life insurance policy holders who share profit.
- iii. Businesses of Information Technology are allowed to claim an additional deduction of 35% of the amount paid towards the taxable income of the employees.
- iv. An additional deduction of 100% of Research and Development expenditure is allowed when calculating the taxable income for three years from April 1, 2018.
- v. 100% tax exemption is granted for three years from April 1, 2018 for relocation of head quarters or regional head offices of institutions in international network in Sri Lanka.
- vi. A business or person generating electricity utilizing renewable sources, entered into Power Purchase Agreement with Ceylon Electricity Board is granted 50% tax concession for three years from April 1, 2018.

The details of tax expenditure on income tax under 6<sup>th</sup> Schedule are given in the Table I.

**Table I: Tax Expenditure on Income Tax in 2019****Rs.Mn**

	<b>Turnover (Estimated)</b>	<b>Estimated Taxable profit</b>	<b>Estimated Tax expenditure</b>
Life Insurance	138,000	20,000	2,800
Businesses of IT	20,000	2,200	200
Renewable energy	45,000	2,250	315
Research & Development	-	-	-
New investment less than USD 3 Mn	-	-	-
Relocation International Regional Head Quarters	-	-	-
<b>Total</b>	<b>203,000</b>	<b>24,450</b>	<b>3,315</b>
<b>Tax expenditure as a % of GDP</b>			<b>0.02%</b>

*Compiled by the Department of Fiscal policy***b) VAT**

VAT is imposed under the VAT Act No.14 of 2002 as amended. Single rate of 15% is applied. From the VAT exempted items, items liable for of Special Commodity Levy and Excise (Special Provisions) duty are not taken for the tax expenditure calculation since these levies are imposed in lieu of VAT. Banks and financial sector are also not considered due to their liability for VAT on Financial Services (FS).The details of tax expenditure on VAT are given in table II.

**Table II: VAT – Tax Expenditure Estimates for 2019**

Rs. Mn

Item			Taxable value	Tax expenditure estimate	
			Base year 2017	2018	2019
<b>Domestic</b>			<b>452,000</b>	<b>73,021</b>	<b>79,375</b>
	Electricity		223,000	36,026	39,161
	Agriculture		89,000	14,378	15,629
	Transport		66,000	10,662	11,590
	Health exemption services		30,000	4,847	5,268
	Education		22,000	3,554	3,863
	Food preparation		22,000	3,554	3,863
<b>Imports</b>			<b>817,600</b>	<b>132,083</b>	<b>142,914</b>
	Petroleum based products/fuel		315,000	50,888	55,061
	Crude oil		100,000	16,155	17,480
	Precious metal		100,000	16,155	17,480
	Agriculture/Dairy/medical/co nstruction machinery		72,000	11,632	12,585
	Yarn/Fabrics		68,000	10,985	11,886
	Pharmaceutical		66,000	10,662	11,537
	Wheat Grain		36,000	5,816	6,293
	Fertilizer		16,000	2,585	2,797
	Tractors		10,000	1,616	1,748
	Computer/Printed books		3,000	485	524
	Agriculture / Aquaculture seeds		1,300	210	227
	Infant milk powder		1,300	210	227
	Other		29,000	4,685	5,069
<b>Total</b>			<b>1,269,600</b>	<b>205,104</b>	<b>222,289</b>
As a Percentage of GDP				1.43%	1.41%

*Compiled by the Department of Fiscal policy*



**Estimated Cost of State Owned Business Enterprises(SOBes')**

**Non Commercial Obligations**

Non Commercial Obligation can be defined as the provision of goods and services provided to the consumer at a price below the cost of production. The Ceylon Petroleum Corporation (CPC) and Ceylon Electricity Board (CEB) have been selling some of their products and services at subsidized prices as set by the government. Keeping in line with good governance principles, transparency as well as international best practices, the government has taken steps to identify the non-commercial obligations to those enterprises and present them as an integral part of the national budget as those obligations are part of the government committed expenditure.

Accordingly, the non-commercial obligations of CPC and CEB for the year 2018 and projected figures for the year 2019 have been identified in table I and III. CPC has reported a net loss before tax of Rs.104,134 Mn for the year ended 31<sup>st</sup> December 2018 and based on the assumptions CPC projects a net loss of Rs.18,946 Mn for the year 2019.

Further to that CEB generates a net loss of Rs.25,044 Mn and projected a net loss of Rs.87,075 Mn for the year 2019.

Assumptions made in calculation above non-commercial obligations are as follows.

- 2019 projected figures are based on the assumption that the oil barrel price is US \$97.28
- The domestic market demand pattern will not be changed dramatically from the historical path.
- Projected figures are based on the assumption of that foreign exchange loss will be decreased during the year 2019.

**a) Ceylon Petroleum Corporation (CPC)**  
**Table I: Income Statement - CPC**

Rs.Mn

Description	2018 (Provisional)	2019 Budget
<b>Net Revenue</b>	<b>521,519</b>	<b>805,734</b>
Cost of sales	(523,982)	(790,114)
<b>Gross Profit/Loss</b>	<b>(2,464)</b>	<b>15,620</b>
Other Income	764	440
Sales & Distribution Expenses	(14,486)	(19,207)
Administrative Expenses	(6,029)	(6,274)
<b>Operating Profit/Loss</b>	<b>(22,214)</b>	<b>(9,421)</b>
Exchange Rate Variance	(82,719)	(8,331)
Finance Income	12,904	10,355
Finance Cost	(12,106)	(11,549)
<b>Net Profit/Loss before tax</b>	<b>(104,134)</b>	<b>(18,946)</b>

*Compiled by the Department of Public Enterprises*

**Table II: Product wise profitability**

Product	Avg. Selling Price	Operating Profit/(Loss)	Finance Cost	Exchange Loss	Net Profit/(loss)	Annual Profit/(Loss)
	Rs./Ltr.	Rs./Ltr.	Rs./Ltr.	Rs./Ltr.	Rs./Ltr.	Rs.Mn.
Petrol-92 Octane	172.63	2.06	1.96	1.62	(1.53)	(2,378)
Petrol-95 Octane	182.69	(0.64)	2.14	1.77	(4.55)	(1,234)
Auto Diesel	153.53	1.57	1.93	1.59	(1.96)	(4,322)
Super Diesel	161.73	(1.09)	2.06	1.70	(4.85)	(503)
Furnace Oil	92.00	(5.56)	1.40	1.16	(8.12)	(4,741)
Furnace Oil - Low Sulper	96.00	(12.16)	1.54	1.27	(14.97)	(3,940)
Jet A-1	137.24	10.13	1.83	-	8.30	6,751
Industrial Kerosene	110.00	(16.20)	1.81	1.50	(19.51)	(143)
Kerosene	70.00	(58.36)	1.81	1.50	(61.67)	(14,501)

*Compiled by the Department of Public Enterprises*

**(b) Ceylon Electricity Board (CEB)**

**Table III: Income statement - CEB**

Rs.Mn		
Description	2018 Provisional	2019 Budgeted
<b>Revenue</b>	<b>229,354</b>	<b>242,165</b>
<i>No of Units Sold (Million Units)</i>	14,095	14,948
<i>Revenue Rs. Per Unit</i>	16.27	16.00
Power Cost	165,264	221,453
Other Direct Cost	87,704	100,655
<b>Operating Profit/Loss</b>	<b>(23,614)</b>	<b>(79,943)</b>
Other income	10,100	11,964
<b>Net Profit/Loss Before Interest</b>	<b>(13,514)</b>	<b>(67,979)</b>
Finance Charges	11,530	19,096
<b>Net Profit/Loss before tax</b>	<b>(25,044)</b>	<b>(87,075)</b>

*Compiled by the Department of Public Enterprise*

## Technical Notes

### Part I - Revenue Proposals

#### Taxation

1. **Income Tax (Amendments to the Inland Revenue Act, No.24 of 2017)**
  - 1.1 **Exemptions**
    - 1.1.1 The Earnings by any non-resident person on any sovereign bond denominated in local or foreign currency will be exempted.
    - 1.1.2 Interest income earned by any resident person on sovereign bonds denominated in foreign currency, including Sri Lanka Development Bonds (SLDB) will be exempted.
    - 1.1.3 Interest income earned by any person on NRFC and RFC accounts will be exempted for 5 years
    - 1.1.4 Interest income, up to Rs.5,000/- per month, earned by children of less than 18 years of age, in relation to any deposit account maintained in a financial institution, will be exempted.
    - 1.1.5 Interest paid to any person outside Sri Lanka on loans granted by such person to any person in Sri Lanka will be exempted. This exemption will not be applicable to loans granted by a Non-resident company to its Holding company or a Subsidiary Company in Sri Lanka
  - 1.2 **Withholding Tax (WHT)**
    - 1.2.1 Royalty payments not exceeding Rs.50,000 per month, subject to Rs.500,000/- for each year of assessment, made to any resident individual will be exempted from WHT.
    - 1.2.2 Rent payments not exceeding Rs.50,000 per month, subject to Rs.500,000/- for each year of assessment, made to any resident individual will be exempted from WHT.
  - 1.3 **Incentives for Information Technology**

The requirement of minimum 50 employees in order to qualify for the additional deduction equal to 35% of the salary cost when calculating the income from the business of IT will be removed.
  - 1.4 **Investment Incentives for Existing Businesses**

Tax concessions by way of accelerated depreciation will be granted instead of regular depreciation for the new investments made by existing businesses.

## **1.5 Definition of Gross Income**

The “gross income” referred to in item (iii) of the subparagraph (3) of paragraph 4 of First Schedule will be the total income excluding the investment income. The concessionary tax rate of 14% will be applied only on the income from an activity eligible for the concessionary tax rate. The investment income will be liable for tax at 28%.

## **2. Value Added Tax (VAT) [Amendments to the Value Added Tax Act, No.14 of 2002]**

- 2.1 The piece based VAT rate applicable on domestic sale of certain garments by the export oriented BOI companies will be revised from Rs.75/- to Rs.100/-.
- 2.2 The term “locally produced rice products” will be re-defined for the purpose of clarity and certainty.
- 2.3 VAT imposed on the supply of condominium housing units will be implemented with effect from April 1, 2019 where deed of agreement relating to such supply is not executed prior to April 1, 2019.
- 2.4 Provisions will be incorporated in the VAT Act, enabling the Minister to prescribe the basis for chargeability of VAT on certain goods as may be determined by the Minister, with the view of revenue protection.
- 2.5 Pharmaceutical machineries will be re-defined for the purpose of VAT Act.

## **3. Nation Building Tax (NBT) [Amendments to the Nation Building Tax Act, No.9 of 2009]**

- 3.1 The exemption on the importation of rough unprocessed gem stones for re-export after cutting and polishing will be granted for the lapidary service providers registered under the National Gem & Jewellery Authority.
- 3.2 Exemption on manufacturing cigarettes will be removed
- 3.3 The cost of the infrastructure projects will be reduced by the removal of NBT on main construction contractor.
- 3.4 NBT at the rate of 3.5% will be imposed on foreign payments made using Electronic Fund Transfer Cards (both Debit and Credit cards) to purchase goods or services including offshore digital services.
- 3.5 In order to remove the NBT anomaly among tour operators, DMC Agencies and hoteliers who are receiving foreign currency will be adjusted.

## **4. Economic Service Charge (ESC) [Amendments to the ESC Act, No.13 of 2006]**

### **4.1 Amendment to the definition of the term “distributor”**

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

## 4.2 Revision of rate of ESC applicable on exports

The rate of ESC applicable on the turnover arising from the export of goods or services will be 0.25 per centum.

## 4.3 Revision of ESC applicable on the importation of certain articles or goods

- 4.3.1 ESC will be charged at the rate of 0.5% on the importation of any article or good other than any capital goods as prescribed by the Minister of Finance taking in to consideration the economic benefit to the country
- 4.3.2 ESC base on the importation of any article or good will be the aggregate of the CIF as approved by the Director General of Customs and the amount of any Custom import Duty, CESS PAL and SCL payable in respect of such articles or goods.

## 5. Excise Duty under Excise Ordinance

### 5.1 Revision of Excise Duty Rates

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

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

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

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

## 6. Excise (Special Provisions) Duty

### 6.1 Revision of Duty

#### 6.1.1 Cigarettes

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

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

#### 6.1.2 Excise Duty on sweetened beverages

- i. The exempt quantum of sugar contained in beverages will be revised as follows;
  - (a) Carbonated beverages - 4 grams per 100 ml
  - (b) Fruit based beverages - 8 grams per 100 ml

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

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

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

6.1.4 Excise Duty on refrigerators will be revised to 25%

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

6.1.6 **Motor vehicles**

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

(a) Fuel

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

\* Duty per unit

(b) Hybrid

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

\* Duty per unit

(c) Electric

Motor Power of the Engine	Less than one year	More than one year and less than three years
50kW < x ≤ 100kW	10,000	20,000

(d) Three Wheelers

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

(e) Motor Cycles

Engine Capacity	Rs. per cm <sup>3</sup>
x ≤ 50cm <sup>3</sup>	575
50cm <sup>3</sup> < x ≤ 150cm <sup>3</sup>	1,150
150cm <sup>3</sup> < x ≤ 200cm <sup>3</sup>	1,150
200cm <sup>3</sup> < x ≤ 250cm <sup>3</sup>	1,725
250cm <sup>3</sup> < x ≤ 350cm <sup>3</sup>	1,725
350cm <sup>3</sup> < x ≤ 450cm <sup>3</sup>	2,300
450cm <sup>3</sup> < x ≤ 500cm <sup>3</sup>	2,300
500cm <sup>3</sup> < x ≤ 800cm <sup>3</sup>	2,875
800cm <sup>3</sup> < x ≤ 1000cm <sup>3</sup>	2,875
1000cm <sup>3</sup> < x	3,450

7. **Betting and Gaming Levy (Amendments to the Betting and Gaming Levy Act, No.40 of 1988)**

7.1 **Revision of Annual Levy**

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

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

7.2 **Revision of Casino Entrance Levy**

Casino entrance levy will be revised to US \$ 50 per person

7.3 **Revision of Levy on Gross Collection**

Rate of the levy on gross collection will be revised to 15%



## 8. Finance Act

### 8.1 Carbon Tax

Maximum carbon tax payable on commercial vehicles will be capped as follows;

Fuel Type	Less than 05 years	05 to 10 years	Over 10 years
Hybrid (Petrol/Diesel)	25 Cts per cm <sup>3</sup> or Rs.3,500 whichever is lower	50 Cts per cm <sup>3</sup> Rs.5,500/- whichever is lower	Rs.1.00 per cm <sup>3</sup> Rs.7,500/- whichever is lower
Fuel (Petrol/Diesel)	50 Cts per cm <sup>3</sup> Rs.3,500/- whichever is lower	Rs.1.00 per cm <sup>3</sup> Rs.5,500/- whichever is lower	Rs.1.50 per cm <sup>3</sup> Rs.7,500/- whichever is lower

### 8.2 Luxury Tax on Motor Vehicles

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

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

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

8.3 International Telecommunication Operators Levy will be removed

8.4 Embarkation Levy will be increased by US \$ 10 to US \$ 60 per passenger

## 9. Revision of Customs Import Duty

9.1 Rate of the Custom Import Duty on selected goods will be revised

9.2 Unit rate of the Custom Import Duty will be increased by 10% on importation of selected goods

9.3 Custom duty applicable on imported fruit drinks will be adjusted with effect from June 1, 2019.

9.4 Custom Duty on Undenatured Ethyl Alcohol will be increased by Rs.200 to Rs.1000 per litre

## 10. CESS Duty

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

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

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

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

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

## 11. Ports and Airports Development levy

11.1 With the view of promoting tourism sector and to reduce the upfront cost of local manufacturing industry, PAL on the items classified under HS Codes 0712.20.00, 0712.90.10 and 7801.10.00 will be reduced to 2.5%.

11.2 The lapidary sector will be encouraged by the removal of PAL on the items classified under HS Codes 8464.10.00, 8464.20.00 and 8464.90.00.

11.3 PAL on the high tech machinery and equipment items classified under HS Codes specified in **Table 1** to this annexure will be reduced to 2.5%.

11.4 In order to remove the disparity between direct imports and purchase from BOI companies, PAL on the sale of pleasure or excursion vessels and yachts manufactured by any BOI company to another BOI company which chartering such vessels and yachts for its business, will be removed.

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

## 17. Other Fees and Charges

17.1 The rates of fees and charges of government agencies which have not been revised in last 03 years will be increased by 15%.

17.2 Passport fee will be revised as follows;

- |                                    |   |                      |
|------------------------------------|---|----------------------|
| i. Alteration Fee                  | - | Rs.1,000/- per unit  |
| ii. Processing fee (Urgent basis)  | - | Rs.15,000/- per unit |
| iii. Processing fee (Normal basis) | - | Rs.3,500/- per unit  |

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

Fee (Rs.)	Available Number Limit
70,000/-	10,000
90,000/-	20,000
100,000/-	30,000

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

## 18. Technical Rectifications and Administrative provisions

Necessary amendments will be made to the respective provisions of the, Inland Revenue Act, No.24 of 2017, Value Added Tax Act No.14 of 2002, Nation Building Tax Act No. 9 of 2009, Economic Service Charge Act No 13 of 2006, Finance Acts and Finance (Amendment) Acts, Default Tax (Special Provisions) Act No 16 of 2010, Telecommunication Levy Act No 21 of 2011, Ports and Airports Development Levy Act No 18 of 2011, Tax Appeals Commission Act No 23 of 2011, Imports and Exports (Control) Act No. 1 of 1969, Stamp Duty (Special Provisions) Act No 12 of 2006 and Land (Restriction on Alienation) Act No. 38 of 2014 in order to streamline the revenue administration and to rectify certain ambiguities and unintended effects (including differences in translations).

## 19. Effective Dates of Tax Proposals

Unless stated otherwise, the proposals in relation to:-

- (i) Income Tax amendments will be implemented with effect from the year of assessment commencing from April 1, 2019.
- (ii) Value Added Tax, Nation Building Tax, ESC and amendments to Finance Act will be implemented with effect from June 1, 2019.
- (iii) Custom Import Duty, Excise (Special Provisions) Duty and Excise (Ordinance) Duty, Special Commodity Levy, CESS and Ports and Airports Development Levy will take effect immediately.

**Table 1**

### Part I- Effective from June 01, 2019.

85011010	85042230	85071090	85163300	85287330	85359000	85423900
85013190	85042390	85072000	85167100	85287390	85391000	85429000
85013200	85043110	85073000	85167200	85301000	85392100	85432000
85013300	85043190	85074000	85167910	85308000	85392200	85437020
85013400	85043210	85075000	85168000	85309000	85392900	85437090
85014010	85043290	85076000	85169010	85311000	85393110	85439000
85014020	85043310	85078000	85169090	85312000	85393190	85452000
85014090	85043390	85079000	85255000	85318010	85393200	85459000
85015110	85043410	85141000	85256000	85318090	85393900	85461000
85015190	85043490	85142000	85261000	85319000	85394100	85462000
85015210	85044010	85143000	85269100	85321010	85394900	85469000
85015290	85044030	85144000	85269200	85321090	85395000	85471000
85015300	85045010	85149000	85271900	85322290	85399000	85472000
85022000	85045090	85151100	85272900	85322590	85401110	85479000
85023100	85049010	85152100	85279900	85322990	85401190	85481010
85023900	85049090	85152900	85284200	85323090	85401210	85481020
85030010	85051100	85153100	85284990	85329090	85401290	85489000
85030020	85051900	85153900	85285200	85332900	85407100	
85030090	85052000	85158000	85285990	85334000	85408100	
85041010	85059000	85159000	85286200	85340000	85408900	
85041090	85061010	85161000	85286900	85351000	85412900	
85042110	85061090	85162100	85287110	85352100	85413000	
85042190	85065000	85162900	85287190	85352900	85423100	
85042210	85068000	85163100	85287239	85353000	85423200	
85042220	85069000	85163200	85287249	85354000	85423300	

**Part II - Effective from September 01, 2019.**

84021100	84122900	84199000	84264900	84389000	84561200	84642000
84021900	84123100	84209100	84269100	84392000	84562000	84649000
84022000	84123900	84209900	84269900	84393000	84563000	84651000
84031000	84128000	84211100	84271000	84399900	84564000	84652000
84039000	84129000	84211200	84279010	84401000	84565000	84659100
84041000	84141000	84211910	84279090	84411000	84569000	84659200
84042000	84142000	84211990	84282000	84412000	84571000	84659300
84049000	84144000	84212110	84283200	84413000	84573000	84659400
84051000	84145100	84212200	84283300	84414000	84581100	84659500
84059000	84145900	84212910	84283900	84418000	84581900	84659600
84068200	84146000	84212990	84284000	84419000	84589100	84659900
84069000	84161000	84213100	84286000	84423000	84589900	84661000
84071000	84162000	84213900	84289000	84425000	84592900	84662000
84072100	84163000	84219100	84291100	84433210	84594100	84663000
84072900	84169000	84219910	84291900	84433230	84595900	84669100
84073120	84181010	84219920	84292000	84433290	84596100	84669200
84073190	84182110	84219990	84294000	84433910	84596900	84669300
84073220	84182910	84221900	84301000	84433920	84597000	84669400
84073290	84182930	84229000	84303900	84433110	84602200	84671100
84073320	84182990	84241000	84306100	84433930	84602300	84671900
84073390	84183010	84242000	84306900	84433990	84602400	84672100
84073490	84183030	84243000	84311000	84439100	84602900	84672200
84079010	84183090	84244100	84312000	84439910	84603900	84672900
84079090	84184010	84244900	84313100	84439920	84609000	84678100
84081000	84184030	84248200	84313900	84484900	84615000	84678900
84082010	84184090	84248900	84314100	84485900	84619000	84679100
84082090	84185010	84249000	84314200	84490000	84621000	84679200
84089010	84186910	84251100	84314300	84531000	84622100	84679900
84089090	84186930	84251900	84329090	84532000	84622900	84682000
84099110	84186950	84253100	84331900	84538000	84623100	84688000
84099190	84186970	84253900	84335900	84539000	84623900	84689000
84101100	84189190	84254100	84339090	84542000	84624100	84702100
84101200	84191100	84254200	84351000	84543000	84624900	84702900
84101300	84191900	84254900	84362900	84549000	84629100	84705000
84109000	84192000	84261100	84369900	84551000	84629900	84709000
84111100	84193200	84261200	84379000	84552100	84631000	84713010
84111200	84193900	84261900	84382000	84552200	84632000	84714110
84112100	84195000	84262000	84383000	84553000	84633000	84714910
84119900	84196000	84263000	84384000	84559000	84639000	84715010
84122100	84198100	84264100	84385000	84561100	84641000	84716000

84718000	84762900	84797100	84805000	84818060	84829900	84862000
84719000	84768900	84797900	84806000	84819010	84831000	84863000
84721000	84769000	84798100	84807100	84819020	84832000	84864000
84723000	84781000	84798910	84811000	84819030	84833000	84869000
84732100	84789000	84798930	84812000	84819090	84834000	84871000
84732900	84791000	84798940	84813000	84821000	84835000	84879000
84733010	84792010	84799000	84814000	84822000	84836000	
84734090	84792090	84801000	84818010	84823000	84839000	
84735090	84793000	84802000	84818020	84824000	84841000	
84752900	84794000	84803000	84818030	84825000	84842000	
84759000	84795000	84804100	84818040	84828000	84849000	
84762100	84796000	84804900	84818050	84829100	84861000	

## Part II - Expenditure Proposals

### 1.0 Public Sector Employees Salary Revision

- 1.1 An interim allowance of Rs. 2,500/- per month will be paid from July 01, 2019 to all the public sector employees
- 1.2 The Cost of Living Allowance (COLA) of Rs. 7,800/- per month paid as per the Public Administration Circular No. 37/2013 dated 31.12.2013 will be continued without any change
- 1.3 Ministry in-charge of the subject of Public Administration will issue the circular in this regard

#### 1.4 Basic Salary Increase of Public Sector 2015-2020

Rs. per month

Post	2015	2016		2017		2018		2019		2020	
	Salary	Salary	Increase	Salary	Increase	Salary	Increase	Salary	Increase	Salary	Increase
Office Assistant	11,730	14,234	2,504	16,738	5,008	19,242	7,512	21,746	10,016	24,250	12,520
Driver	12,470	15,134	2,664	17,798	5,328	20,462	7,992	23,126	10,656	25,790	13,320
Management Assistant	13,990	16,980	2,990	19,970	5,980	22,960	8,970	25,950	11,960	28,940	14,950
Police Officer	14,280	17,332	3,052	20,384	6,104	23,436	9,156	26,488	12,208	29,540	15,260
Technical Officer	14,425	17,508	3,083	20,591	6,166	23,674	9,249	26,757	12,332	29,840	15,415
Para-Medics	15,080	18,302	3,222	21,524	6,444	24,746	9,666	27,968	12,888	31,190	16,110
Development Officer	15,215	18,470	3,255	21,725	6,510	24,980	9,765	28,235	13,020	31,490	16,275
Nurse	15,620	19,001	3,381	22,382	6,762	25,763	10,143	29,144	13,524	32,525	16,905
Graduate Teacher	16,100	19,540	3,440	22,980	6,880	26,420	10,320	29,860	13,760	33,300	17,200
Executive Officer	22,935	27,871	4,936	32,807	9,872	37,743	14,808	42,679	19,744	47,615	24,680
Medical Officer	25,515	31,003	5,488	36,491	10,976	41,979	16,464	47,467	21,952	52,955	27,440
Secretary	47,515	57,742	10,227	67,969	20,454	78,196	30,681	88,423	40,908	98,650	51,135

## **2.0 Public Sector Employees Pension Payment**

- 2.1 Public Sector Employees who retired prior to 31.12.2016, will be paid pension based on the basic salary to be calculated on 01.01.2017 as per the second phase of the Public Administration Circular no. 03/2016 dated 25.02.2016 with effect from July 01, 2019
- 2.2 The Interim Allowance of Rs. 3,500/-per month paid as per the Public Administration Circular No 05/2015 dated 11.02.2015 will not be paid as the allowances have been included in the new salary structure indicated in the PA circular 03/2016 dated 05.02.2016
- 2.3 The Cost of Living Allowance (COLA) of Rs. 3,625/- per month paid as per the Public Administration Circular No. 37/2013 dated 31.12.2013 will be continued without any change
- 2.4 Ministry in-charge of the subject of Public Administration will issue the circular in this regard

## **3.0 Three Forces Allowance**

- 3.1 Good Conduct Pay Allowance will be paid w.e.f. July 01, 2019 as follows;

<b>Badge</b>	<b>Rs. per day</b>
1 <sup>st</sup> Badge	3.00
2 <sup>nd</sup> Badge	6.00
3 <sup>rd</sup> Badge	9.00
4 <sup>th</sup> Badge	15.00
5 <sup>th</sup> Badge	20.00

- 3.2 The Rate of Housing Rent Allowance paid in the month of January 2019 will be increased by 100% w.e.f. July 01, 2019.
- 3.3 Uniform Upkeep Allowance will be increased w.e.f. July 01, 2019 as follows;

Rs. per month

<b>Description</b>	<b>Present rate</b>	<b>New rate</b>
Brigadier or equal rank and above	255.00	600.00
Colonel or equal rank and below	255.00	525.00
Other grade	170.00	350.00

\* Apply to equal ranks of Sri Lanka Navy and Sri Lanka Air Force.

- 3.4 Commando Allowance will be increased from Rs.1,000/- to Rs.5,000/- per month w.e.f. July 01, 2019.
- 3.5 The Management Services Department will issue the circular in this regard.

## **4.0 Obtaining Provisions of the Proposals in the Budget Speech**

Major capital project proposals announced in the budget speech should be submitted to the Department of National Planning, adhering to the Circular No. MNPEA 02/2019 dated 10.01.2019 for the appraisal and approval prior to releasing allocated provisions in the budget speech.

### Part III - Explanatory Notes

#### (a) Gamperaliya Programme

**Table: Scope of the Rapid Development Programme 2019**

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



**(b) Enterprise Sri Lanka**

**Financial and Non-Financial Schemes Available under  
“Enterprise Sri Lanka”**

<b>Name of the Loan Scheme</b>	<b>Description</b>
<b>1. Interest Subsidy Loan Scheme</b>	
<b>1.1 Ran Aswenna</b>	<p><b><u>Category I</u></b></p> <p>Beneficiaries - Small scale farmers and farmers' organizations, Floriculture farmers, Entrepreneurs in ornamental fish related businesses</p> <p>Maximum Loan Amount (Rs.) - 5,000,000</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - 50%</p> <p>Onlending Rate - 6.93%</p> <p>Repayment Period - 7 years (including 1 year grace period)</p> <p><b><u>Category II</u></b></p> <p>Beneficiaries - Agro &amp; fish processing and multiday boats with modern facilities</p> <p>Maximum Loan Amount (Rs.) - 300,000,000</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - 50%</p> <p>Onlending Rate - 6.93%</p> <p>Repayment Period - 7 years (including 1 year grace period)</p> <p><b><u>Category III</u></b></p> <p>Beneficiaries - Companies engaged in commercial scale farming</p> <p>Maximum Loan Amount (Rs.) - 750,000,000</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - 50%</p>

Name of the Loan Scheme	Description
	Onlending Rate - 6.93% Repayment Period - 7 years (including 1 year grace period)
1.2 GoviNavoda	Beneficiaries - Small scale farmers and farmers' organizations (for mechanizing the cultivation activities) Maximum Loan Amount (Rs.) - 500,000 Annual Effective Interest Rate - 13.86% % of the Interest Subsidy - 75% Onlending Rate - 3.46% Repayment Period - 7 years (including 1 year grace period)
1.3 RiyaShakthi	Beneficiaries - Owners of the school service vans Maximum Loan Amount (Rs.) - 4,000,000 Annual Effective Interest Rate - 13.86% % of the Interest Subsidy - 75% Onlending Rate - 3.46% Repayment Period - 5 years
1.4 'City Ride' Loan Scheme	Beneficiaries - Private bus owners who are willing to purchase a luxury bus/low flow board instead of the existing old bus and the reputed companies who are willing to provide comfortable transport service for their employees Maximum Loan Amount (Rs.) - 10,000,000 Annual Effective Interest Rate - 13.86% % of the Interest Subsidy - 75% Onlending Rate - 3.46% Repayment Period - 5 years(including 1 year grace period)

Name of the Loan Scheme	Description
1.5 'Mini Taxi' / electric three-wheel  Loan Scheme	<p>Beneficiaries - Persons who are 35 years of age or above, who owns a three-wheel and it is used in hiring purpose are eligible for this loan to purchase a small motor vehicle / electric three-wheel to use as a taxi. The existing three-wheels should be disposed.</p> <p>Maximum Loan Amount (Rs.) - 2,000,000</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - 75%</p> <p>Onlending Rate - 3.46%</p> <p>Repayment Period - 5 years</p>
1.6 RiviBalaSavi	<p>Beneficiaries - Household who are expected to fixed Solar power panels</p> <p>Maximum Loan Amount (Rs.) - 350,000</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - 50%</p> <p>Onlending Rate - 6.93%</p> <p>Repayment Period - 5 years</p>
1.7 DiriSaviya	<p><b><u>Category I</u></b></p> <p>Beneficiaries - Poultry producers</p> <p>Maximum Loan Amount (Rs.) - 50,000</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - 100%</p> <p>Onlending Rate - 0%</p> <p>Repayment Period - 4 years (including 3 months grace period)</p> <p><b><u>Category II</u></b></p> <p>Beneficiaries - Self-employees</p> <p>Maximum Loan Amount (Rs.) - 1,000,000</p> <p>Annual Effective Interest Rate - 13.86%</p>

Name of the Loan Scheme	Description
	<p>% of the Interest Subsidy - 50%</p> <p>Onlending Rate - 6.93%</p> <p>Repayment Period - 7 years (including 1 year grace period)</p> <p><b><u>Category III</u></b></p> <p>Beneficiaries - Entrepreneurs engaged in animal husbandry</p> <p>Maximum Loan Amount (Rs.) - 5,000,000</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - 50%</p> <p>Onlending Rate - 6.93%</p> <p>Repayment Period - 7 years (including 1 year grace period)</p>
1.8 Jaya Isura	<p><b><u>Category I</u></b></p> <p>Beneficiaries - Small enterprises with an annual turnover between Rs. 10 million to Rs. 250 million and with an employment cadre of 5 to 50 who are engaged in agriculture, fisheries, ornamental fisheries, livestock, floriculture, horticulture, light engineering, printing, tourism, handicrafts, wood based products, apparel, information technology, manufacturing industry and renewable energy sectors</p> <p>Maximum Loan Amount (Rs.) - 100,000,000 (Export) 50,000,000 (Non-Export)</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - 50%</p> <p>Onlending Rate - 6.93%</p> <p>Repayment Period - 7 years (including 1 year grace period)</p> <p><b><u>Category II</u></b></p> <p>Beneficiaries - Medium entrepreneurs with an annual turnover between Rs. 250 million to Rs. 750 million and with an employment</p>

Name of the Loan Scheme	Description
	<p>cadre of 51 to 300 who are engaged in agriculture, fisheries, ornamental fisheries, livestock, floriculture, horticulture, light engineering, printing, tourism, handicrafts, wood based products, apparel, information technology, manufacturing industry and renewable energy sectors</p> <p>Maximum Loan Amount (Rs.) - 400,000,000 (Export) 200,000,000 (Non-Export)</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - 25%</p> <p>On lending Rate - 10.40%</p> <p>Repayment Period - 7 years (including 1 year grace period)</p>
1.9 SonduruPiyasa	<p>Beneficiaries - Owners of the houses with the less than 1,500 sq.ft. who expect to expand or complete the house</p> <p>Maximum Loan Amount (Rs.) - 200,000</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - 50%</p> <p>Onlending Rate - 6.93%</p> <p>Maximum Repayment Period - 7 years</p>
1.10 MadyaAruna	<p><b><u>Category I (To purchase media equipment)</u></b></p> <p>Beneficiaries - Registered journalists</p> <p>Maximum Loan Amount (Rs.) - 300,000</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - 100%</p> <p>Onlending Rate - 0%</p> <p>Repayment Period - 5 years (including 1 year grace period)</p>

Name of the Loan Scheme	Description
	<p><b><u>Category II (To upgrade media equipment)</u></b></p> <p>Beneficiaries - Registered journalists</p> <p>Maximum Loan Amount (Rs.) - 150,000</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - 50%</p> <p>Onlending Rate - 6.93%</p> <p>Repayment Period - 5 years (including 1 year grace period)</p>
1.11 'My Future' Loan Scheme	<p>Beneficiaries - Student who passed Advance Level</p> <p>Maximum Loan Amount (Rs.) - 1,100,000</p> <p>Annual Effective Interest Rate - 13%</p> <p>% of the Interest Subsidy - 100%</p> <p>Onlending Rate - 0%</p> <p>Repayment Period - 12 years</p>
1.12'Erambuma' Credit Scheme	<p>Beneficiaries - Young Graduates and National Vocational Qualifications 5, 6 and 7 Level certificate holders</p> <p>Maximum Loan Amount (Rs.) - 1,500,000</p> <p>Annual Effective Interest Rate - 12%</p> <p>% of the Interest Subsidy - 100%</p> <p>Onlending Rate - 0%</p> <p>Other facility - Fully Government guarantee</p> <p>Repayment Period - 7 years (including 2 years grace period)</p>
1.13 Green Loan	<p><b><u>Category I</u></b></p> <p>Beneficiaries - Bio degradable bags and packing material producers, small scale hoteliers, and organic fertilizer producers.</p> <p>* Three wheeler owners (only for fixing</p>

Name of the Loan Scheme	Description
	<p>meter and maximum amount is Rs. 20,000)</p> <p>Maximum Loan Amount (Rs.) - 1,000,000</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - 50%</p> <p>Onlending Rate - 6.93%</p> <p>Repayment Period - 10 years (including 1 year grace period)</p> <p><b><u>Category II (Homestay Programme)</u></b></p> <p>Beneficiaries - Persons who are run or willing to run Homestays for tourists</p> <p>Maximum Loan Amount (Rs.) - 5,000,000</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - more than 50%</p> <p>Onlending Rate - 6%</p> <p>Repayment Period - 10 years (including 1 year grace period)</p>
1.14 'Home Sweet Home' Loan Scheme	<p>Beneficiaries - Private and public sector waged employees to purchase/construct the first house through following activities;</p> <ul style="list-style-type: none"> <li>* To purchase a house from housing development projects implemented by the National Housing Development Authority (NHDA), the Urban Development Authority (UDA), or the private sector</li> <li>* To purchase a house from housing projects constructed by the private sector</li> <li>* To purchase a single house</li> <li>* To build a first house for their own use</li> </ul> <p>Maximum Loan Amount (Rs.) - 10,000,000</p> <p>Annual Effective Interest Rate - 12% (for the first 5 years)</p> <p>% of the Interest Subsidy - 40% (for the first 5 years)</p>

Name of the Loan Scheme	Description
	Onlending Rate - 7% (Subsidy paid for first 5 years only) Maximum Repayment Period - 25 years
1.15 'Rakawarana' Loan Scheme	<p><b><u>Category I</u></b></p> <p>Beneficiaries - Individuals and the institutions who have the capacity to maintain a child day care centers. A staff with NVQ certificate holders should be employed and those centers should be operated in accordance with the national guidelines for child day care centers used by the Ministry of Women and Child Affairs and Dry Zone Development</p> <p>Maximum Loan Amount (Rs.) - 3,500,000 for each center</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - 75%</p> <p>Onlending Rate - 3.46%</p> <p>Repayment Period - 7 years (including 2 years grace period)</p> <p><b><u>Category II</u></b></p> <p>Beneficiaries - Private sector investors who are willing to construct and improve Elderly care centers. A staff with NVQ certificate holders should be employed and these centers should be operated in accordance with the SLS1506: 2015 standards.</p> <p>Maximum Loan Amount (Rs.) - 10,000,000</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - 75%</p> <p>On lending Rate - 3.46%</p> <p>Repayment Period - 7 years (including 2 years grace period)</p>
1.16 'SigithiPasala'	<p>Beneficiaries - Investors who are willing to establish new preschools or to refurbish existing preschools. A qualified staff should be</p>



Name of the Loan Scheme	Description
Loan Scheme	<p>employed.</p> <p>Maximum Loan Amount (Rs.) - 2,000,000</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - 50%</p> <p>Onlending Rate - 6.93%</p> <p>Maximum Repayment Period - 7 years(including 1 year grace period)</p>
1.17 'SihinaMaliga' Loan Scheme	<p>Beneficiaries - Sri Lankan migrant workers registered under the Foreign Employment Bureau and currently working abroad. The applicants should have remitted a considerable amount of money earned in any foreign currency to any bank operating in Sri Lanka. Loan should be for following purposes:</p> <ul style="list-style-type: none"> <li>* Build a new house</li> <li>* Renovate the existing House</li> <li>* Demolish the existing house and put up a new house</li> <li>* Purchase a new house</li> <li>* Purchase a land and put up a house or</li> <li>* Purchase a house and renovate it</li> </ul> <p>Maximum Loan Amount (Rs.) - 10,000,000</p> <p>Annual Effective Interest Rate - 13.86%</p> <p>% of the Interest Subsidy - 75%</p> <p>Onlending Rate - 3.46%</p> <p>Maximum Repayment Period - 15 years(including 2 years grace period)</p>
<b>2. Donor Funded Refinance Loan Scheme</b>	
2.1 Rooftop Solar Power Generation Line of Credit -	<p><b><u>Category I</u></b></p> <p>Beneficiaries - Households</p> <p>Onlending Rate - 8%</p> <p>Maximum Capacity - 50 Kilo watts</p> <p>Repayment Period - 10 years</p>

Name of the Loan Scheme	Description	
RSPGLoC	<b><u>Category II</u></b> Beneficiaries - Entrepreneurs Onlending Rate - 8% Maximum Capacity - 50 Kilo watts Donor Agency - ADB (USD 50 million for 1 <sup>st</sup> tranche and top-up to USD 200 million based on progress) Repayment Period - 10 years (including 6 months grace period)	
2.2 Small and Medium-sized Enterprises Line of Credit Project - SMELoC	Beneficiaries - SME Entrepreneurs Maximum Loan Amount (Rs.) - 50,000,000 Onlending Rate - 11 – 14 % Donor Agency - ADB (USD 175 million) Repayment Period - 10 years (including 2 years grace period)	
2.3 ‘Pavithra Ganga’ Initiative	Beneficiaries - The companies that already discharge their waste into the Kelani River, lagoons Maximum Loan Amount (Rs.) - 30,000,000 Onlending Rate - 6.5% Donor Agency - JICA Repayment Period - 10 years (including 2 years grace period)	
<b>3. Financial and non-financial support programs</b>		
3.1 National Credit Guarantee Institution (NCGI)	Beneficiaries - SME Entrepreneurs Maximum Coverage - 1/3 of the loan Annual Premium - 1 - 2 % Donor Agency - ADB (USD 100 million)	
3.2 .Supporting for the formation of SME companies	Beneficiaries - Youth, Women, farmers, and people who are willing to establish SME companies Nun- Financial Benefits - Technical support to incorporate companies, maintain books and records, negotiations with financial institutions, access to market	

Name of the Loan Scheme	Description
	<p data-bbox="435 297 671 324">Financial Benefits</p> <ul data-bbox="836 297 1402 526" style="list-style-type: none"> <li>- Loan or leasing facilities through state banks and minimum 75 percent of loan installment or lease cost paid by the Government. Concessionary Loans are provided under the “Enterprise Sri Lanka” Programme</li> </ul> <p data-bbox="435 551 751 582"><b><u>Government Subsidies</u></b></p> <p data-bbox="435 611 887 642">Small &amp; medium sized companies</p> <ul data-bbox="991 611 1402 759" style="list-style-type: none"> <li>- 75% of the monthly installment including the loan installment and the interest</li> </ul> <p data-bbox="435 788 810 819">Women-led SME companies</p> <ul data-bbox="991 788 1402 936" style="list-style-type: none"> <li>- 85% of the monthly installment including the loan installment and the interest</li> </ul> <p data-bbox="435 965 863 1059">SME companies operated by the differently abled persons</p> <ul data-bbox="991 1025 1402 1173" style="list-style-type: none"> <li>- 90% of the monthly installment including the loan installment and the interest</li> </ul>

### **(c) High value Investment Incentives**

#### **Proposed Incentives to Accelerate High Value Domestic and Foreign Direct Investments**

##### **1.0 LARGE SCALE PROJECTS (INVESTMENT ABOVE \$100 MILLION)**

The incentive regime for large scale projects is as follows;

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

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

##### **1.3 Investments over US\$ 1 billion**

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

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

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

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

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

### **1.5 Enshrining the Incentives**

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

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

#### **(d) Women on Corporate Boards**

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

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

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



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நிதி அமைச்சு, கொழும்பு 01  
Ministry of Finance, Colombo 01  
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