

**77th Budget Speech
2023**

**14th November 2022
Parliament of Sri Lanka**

Budget Speech - 2023
Sri Lanka, Towards a New Beginning

Approach

Honorable Speaker,

A glimmer of hope on emerging from the economic abyss is currently visible as a result of the strenuous and difficult actions we have adopted during the past few months. After the era of waiting in queues for days and protesting in various occupied places, our sufferings have been eased to some extent and we have reached an era where our peace of mind is much settled.

Negotiations with the International Monetary Fund are currently in progress. We are in dialogue with India and China on debt restructuring. We are confident that these discussions will lead to positive outcomes.

Inflation could be controlled to some extent due to the actions taken in the recent past. Similarly, the rupee is strengthening. We expect to sustain these developments. I am confident that by moving along the same path, we will be able to stabilize the economy within the next year.

But we cannot be satisfied with that. We must start a new journey.

Presenting the Interim Budget proposals in last August, I mentioned that the purpose of the interim budget proposals is to lay the basic foundation for transforming the economic pattern that has existed so far in our country. I mentioned there, that the process of building a new economy suitable for the modern world would be started through the budget proposals 2023.

Seventy-five years after independence, can we be satisfied with the status quo? Where did we go wrong? How did we go wrong?

I was born in independent Sri Lanka. One year after the independence of Sri Lanka. At that time, Japan had the most developed economy in Asia. It is well known that we were second. The per capita income in Sri Lanka is USD 3,815. Japan's per capita income is USD 39,285.

I recollect another personal experience of mine. In 1991, when I was the Minister of Industry, the Minister of Industry of Vietnam came to Sri Lanka. He wanted to study our open economic system and industrialization strategies. I made him aware. He was given the opportunity to discuss with the officials of the Greater Colombo Economic Commission. In 1995, Sri Lanka's foreign reserves were USD 2.1 billion. Vietnam's foreign reserves were USD 1.3 billion. The minister of Vietnam studied our methods and went to his country. What is the situation today? In 2021 Vietnam's foreign reserves are USD 109.4 billion. Sri Lanka's foreign reserves are USD 3.1 billion.

Let's look back. Let's take off the colored political glasses. Why did we get it wrong? Where did we go wrong? Did we get things wrong? Or did we got things wrong? Today, our country has several main revenue generating sectors. One is the plantation economy. Next is Free Trade Zones. Garment industry, Tourism and foreign employment. Looking at those, after independence, we have been able to create only a few avenues for the country to earn foreign income. Beyond that, why have we not yet been able to create large-scale foreign income generating sectors? This is something we should think about carefully.

Over the past period, have we been excited and happy for things that will work for the future, or for things that can be seen on the surface for the moment? People were happy when successful private businesses were nationalized. People were happy when free rice was given. Governments that took such decisions became temporarily popular.

Because of this, we were satisfied with installing an electric lamp on the street. But we did not think deeply about increasing the electricity generation.

Is the long-term development of a country based on popular decisions? Or the right decisions? In many cases, popular decisions were taken instead of correct decisions in our country. Even today many people try to make popular decisions.

What was the result of this popular ruling tradition? To build a relief economy and a relief mentality across the country. People are used to getting concessions. Governments do not work to create opportunities for people to develop. Only to provide relief.

Reminiscing the nineteen fifties, Lee Kuan Yew once mentioned the following. In Singapore I followed the hard, but right path. Sri Lanka's Bandaranaike followed the popular path.

There is no future for the country by continuing on this popular path. There is no prosperity for the country by giving concessions while being in debt to others. So, let's get out of this situation now. Let's change our thinking patterns.

So let's think a new. Let's create innovative approaches to move the country forward.

1. 1977 Approach

- 1.1. In 1977, the J.R. Jayawardene government took a positive step to change the economic perspective that existed until then. Instead of the failed closed economy, a different path was chosen. Instead of giving concessions, he created an economy that gave opportunities. Concepts like providing free rice were completely discarded. Instead, new opportunities were created to move forward with one's abilities. The economy opened up. The country woke up. Poverty decreased. The middle class expanded.
- 1.2. But the economic base created in 1977 could not be advanced rapidly. Due to external factors such as civil conflict that journey was hampered. Necessary changes and reforms were not made in accordance with the times.
- 1.3. Instead of increasing the government's income and raising foreign investments, the government's expenditure was increased beyond its limits. A lot of money was spent to maintain loss-making State Own Enterprises. A lot of unnecessary expenses were made for political gains. All this was not done with the income earned from the country. By being in debt to the world.
- 1.4. The Buddha has given this idea about borrowing in the "Samachchapala Sutra". Borrowing should be for investment, not for consumption. But what did we do? Borrowing the hard-earned money of other countries of the world and spending it on our consumption. We got lazy day by day. People got used to getting everything from the government. The government worked to provide everything to the people. We were not thinking about what should happen to the country. The society that only thinks about what the country should give its

citizens was slowly created. What we were doing was like having a feast while borrowing money from the others.

1.5. Because of this, the economic base and direction of 1977 changed completely.

2. Aspirations of the Youth

- 2.1. For 75 years after independence, we have been speaking about protecting national resources. They are campaigning for the preservation of national resources. And also fighting. But have we really protected our real national wealth? Has a future been created for real national resources?
- 2.2. The real national wealth of our country is the youth. Can we be satisfied with the work we have done so far in order to create educational, social and economic opportunities for the youth? If we have done a proper role to protect that youth, why are they queuing up to leave the country.
- 2.3. Many people think that national resources are physical things like Trincomalee oil tanks. Thinking like that, they don't take care of them, even when they are decaying, they keep them. At present we are bearing the cost of 420 government institutions and enterprises. The annual loss of these major 52 SOEs is Rs. 86 billion. I hope to table these lists of institutions in Parliament in two or three days. Has the country benefited from these institutions for many years? Or has the country suffered?
- 2.4. While we focus on these institutions and enterprises thinking that they are national resources, we have lost our attention to the real national resources of the country. The hopes of young people are melting away. Some leave the country.
- 2.5. These young people hope for a better day. Hope for a good country. A new approach, a new program that goes beyond traditional political methods such as agitations, struggles and strikes is expected.
- 2.6. A look at the public gallery today shows a significant presence of young people. They all hope for a better tomorrow. A high society. A change in systems.
- 2.7. We are creating the new economy for these young people, For their tomorrow.

3. The new basis of the economy

- 3.1. The economic base created in 1977 is no longer relevant. It doesn't fit for the present day. It is now broken. Just like the closed economy that once functioned in our country, the economy created in 1977 has also failed. So we have to think about the present anew. Sugathapala de Silva as shown in the play " Marasad"; We should turn inside out like a pillow case and look at the world with new eyes.
- 3.2. Current world trends are different. World economic thinking is different. The way the world economy behaves is different. Therefore, we have to prepare a new economic base to match those new trends.
- 3.3. I would like to outline two parts from two articles I read on social media the other day. Gamini Viangoda says.
- 3.4. "Be careful when someone that has caught the question by the tails says that they have the power to build the country. It is a lie when they say that they will put thieves and corrupt people in prison as soon as they come to power. It is a lie when they say that they will create a country free from corruption and waste. Although all these are essential for the development of a country, we must realize tomorrow, if not today, that the answer to the question of the present day Sri Lanka lies in a more complex and difficult range.
- 3.5. Chintana Dharmadasa mentions here:
"This is why we have to think again. The struggle is not outside of us. It is within us. We have to do everything we can to win this economic struggle. We can uplift the people who are suffering from extreme poverty with an economic force that we rekindle. At this moment, that's where the mission for the real people lies."
- 3.6. So let's understand the difficulty and complexity of this crisis. Let's create a force to wake up the economy to emerge from the crisis.
- 3.7. Through this budget, we are trying to lay the new foundation of the Sri Lankan economy that can create that force.

- 3.8. Here, I would like to outline some of the main points that we will focus our attention on.
- 3.9. Due to the economic crisis we faced in the recent times, the whole country faced many difficulties. Couldn't put the food on the plate for the day. Jobs were in jeopardy. Income was lost. Businesses collapsed. It has not yet been possible to completely get rid of all those difficulties.
- 3.10. People faced such difficulties with the hopes of rebuilding the country in their hearts. All of us made those commitments and are still making commitments with the aim of reviving the country. The benefits of the new economy we are building must be equitably shared among all those who are committed to the country. Equal opportunities should be created for all. It is not an economic system that makes only a small group of society rich, but an economic system that elevates the entire society.
- 3.11. When Sri Lanka was a low-income economy, the basic necessities of life enjoyed by the people were minimal. But been elevated to a middle-income economy, standard of living also naturally rose. This is a normal situation. It is the same even at home. As the household income level rises, the standard of living rises.
- 3.12. In preparing the new economic base, we should focus on the lifestyles that the society is familiar with. A new journey must be started so that these lifestyles do not fall to a lower level again.
- 3.13. Especially today's youth who deal with the world on a technological basis expect their lifestyles to rise day by day. Therefore, it is necessary to create a way of life that stimulates lifestyles that rise day by day through the new economic base.
- 3.14. Therefore, means of livelihood that we should be creating is not that suits the current level of per capita income. A way to raise per capita income to match the lifestyles that young people aspire to.
- 3.15. In this system we focus on taking care of poor and vulnerable groups. It is necessary to examine whether all sections of the society are receiving equitable benefits through health services and free education that is currently provided as well as other welfare programs. And these services should be made more

efficient. Maximum benefits should be obtained from the resources spent for this purpose.

- 3.16. If we forget that we are facing a huge economic crisis, we won't have a way forward. It is by realizing the current situation, we need to prepare the way forward. Therefore, in the midst of this crisis, it is important to pay special attention to how our welfare programs could be implemented more effectively.
- 3.17. Parallel to this, entrepreneurs in the private sector should be promoted. Private entrepreneurs in our country continued to grow from the mid-19th century to the mid-1950s. But with the nationalization of their businesses, private entrepreneurship in Sri Lanka almost completely collapsed. As a result of the open economy introduced in 1977, there were again private entrepreneurs, but they were not adequately provided with the necessary facilities.
- 3.18. Many people in the country did not look at entrepreneurs with a good attitude. Entrepreneurs who contribute to the country's economy were considered villains. In most of the tele dramas produced in Sri Lanka, the village shopkeeper ("Mudalali") was portrayed as an evil character. From the small entrepreneur in the village to the large-scale entrepreneurs, everyone was treated as exploiters.
- 3.19. We must change this situation. Private entrepreneurs should be encouraged. New entrepreneurs should be created. All the necessary facilities should be provided to them. A policy environment should be created to make their work more effective.
- 3.20. While encouraging private sector entrepreneurs, we should focus on regulating economic activities, investing in infrastructure, correcting market failures and maintaining law and order.
- 3.21. I would like to define the new economy that we are going to build as a social market economy, or an "open economic system of social protection".

- 3.22. In this new economy, we focus on three main things.
1. An export oriented competitive economy.
 2. An environmentally friendly green and blue economy.
 3. A digital economy
- 3.23. Creating such a new economic foundation is a challenging task. Such a new economy cannot be created merely by making changes in the tax system. New sources of revenue should be found. New areas should be identified. Massive economic reforms and restructuring should be carried out.
- 3.24. We hope to base two unique points here.
- 3.25. The first - economic reforms and reorganization, the second - economic modernization.
- 3.26. We must achieve rapid economic growth. The entire potential of the country should be tapped. Re-examination of the country's resource base as well as the reorganization of them are also important here. Education, health, agriculture and marine resources, industry, trade and investment, defence, foreign relations, etc., must all be modernized. We should carry out this socio-economic transformation taking into account the global phenomena. In particular, a special attention should be paid to climate change.
- 3.27. We will soon present the new legislations and legal amendments to the Parliament that are necessary for economic transformation.
- 3.28. It is essential to establish a common social agreement for economic management as well as between various parties involved in the industrial and social relations system. Legislature, executive, judiciary, professional groups, mass media, religious groups and various social organizations should be involved for this. This common unity is extremely important to maintain long-term social harmony and to move towards without rapid economic growth without collisions.

- 3.29. We expect to achieve following goals, initially through the social market economy or social-security-open-economy that we are creating.
- High economic growth of 7 to 8 percent.
 - Increasing international trade as a percentage of GDP by more than 100 percent
 - Annual growth of US\$ 3 billion from new exports from 2023 to 2032
 - Foreign direct investment of more than US\$ 3 billion in the next 10 years
 - Creating an internationally competitive workforce with high skills in the next ten years
- 3.30. 3.3. In order to achieve these goals, we need to create a competitive and high-performance modern economy. A modern, export-oriented, competitive economy led by the private sector. A private sector-led, export-oriented, competitive modern economy. We are starting our journey for that in 2023 with this budget. By the year 2048, which marks 100 years of independence, the background for the new approach and new work order to make Sri Lanka a developed country will be prepared by these budget proposals.
- 3.31. But these budget proposals are different from traditional budget proposals. We are often used to get reductions in prices of goods, salary increases concessions etc. through budget proposals. We would like to see budget proposals that appear to be relief on the surface even if it means indebtedness to the world. We lost our way because of taking that popular route. Now we can no longer go down wrong paths and despair.
- 3.32. We are not having a wedding by being in debt to the world. What we are doing with this budget is to lay a foundation that we can stand on our own strength. To open an approach to create a new economy.
- 3.33. If we build the future through the foundation we create through this budget, we will be able to enjoy a comfortable economic environment by the end of 2023. The benefits of that economy will flow to throughout the country.
- 3.34. I would like to emphasize another point here. The economic reforms we are bringing are not limited to the reforms agreed upon with the International Monetary Fund. The economic reforms proposed by the International Monetary Fund are limited to economic stabilization only.

- 3.35. We are doing these reforms and reorganizations to build a new economy. It is a need of the country. Something that the country needed for a long time.
- 3.36. A role that many governments have opted to ignore with popularity in mind. We will play that role for the country.
- 3.37. So, I would like to present the 2023 budget proposals from here.

4. Macro-fiscal Framework

- a) Our fiscal stabilisation programme envisages government revenue increasing to around 15 percent of GDP by 2025 from the 8.3 percent of GDP as at end 2021.
- b) The government is targeting a primary surplus more than 2 percent of GDP in 2025 and expects to improve upon this level thereafter.
- c) We aim to reduce public sector debt from around 110 percent of GDP as at end 2021, to no more than 100 percent of GDP in the medium term.
- d) It is expected that inflation will be brought back under control to a mid-single digit level in the medium term.
- e) In line with this, interest rates are also expected to reach a moderate level gradually.
- f) Once macroeconomic confidence is re-established and foreign exchange reserves are replenished through foreign financing, the adverse pressure on the exchange rate is also expected to abate.
- g) With the implementation of a series of growth enhancing structural reforms, the medium-term economic growth is expected to return towards 5 percent in the medium term and accelerate to a higher level thereafter.

Trade and Investment

5 Agency for External Trade and Investment

- 5.1 As Sri Lanka is facing forex shortages due to ongoing economic crisis, the inflows of forex should be reviewed. It is noted for some time that the coordination issues associated with the government agencies working for the external trade and investment affects the performance of the country's exports. Besides, there are several incentive programmes being implemented by the government agencies to encourage exporters at present. Therefore, it

is important to set up a single agency enabling to create a conducive environment for promoting investment and external trade. Accordingly, a new agency will be set up in place of the Board of Investment, Export Development Board, Sri Lanka Export Credit Insurance Corporation, National Enterprise Development Authority etc. with the enactment of a new law. For this purpose, I propose to allocate Rs. 100 million.

6. New Economic Zones

- 6.1. I propose to set up New Economic Zones in the Western Province, North-Western Province, Hambantota, and Trincomalee with a view to attracting foreign investments. Accordingly, steps will be taken for setting up of relevant infrastructure conducive for such investments. Investments and industrial zones currently operating under various government agencies will come under the New Economic Zone program for which a new law will be enacted soon. Besides, alternative mechanisms to the current practice of attracting foreign investors based on the tax concessions should also be examined. Rs. 300 million will be allocated for the propose of this programme.

7. National Productivity Commission

- 7.1. I propose to establish a National Productivity Commission as an independent institution to investigate/study productivity issues based on quantitative and qualitative data and recommend trade adjustments schemes, to advise to the government on micro economic policies related to industries, and commerce and trade, to provide recommendations on the elements/aspects needing changes to the existing regulations on social and environmental issues, to train and guide the employees in industries that are closing down due to economic instability and the difficulty of adapting to new technologies, enabling them to find new job opportunities and if not, propose a compensation mechanism for employees who lost their jobs. The operations of the National Productivity Secretariat will also be incorporated into the proposed Commission. I propose to allocate Rs.100 million for the implementation of this proposal.

8. Enhancing Access to Global Markets

- 8.1. It is essential that Sri Lanka expands its market access whilst developing domestic supply capacity. Global trade is today driven by regional and global production networks such as ASEAN, where Sri Lanka has not yet been engaged to obtain benefits. Policy measures will therefore focus on enhancing Sri Lanka's ability to compete in global markets through innovation, efficiency, and quality.
- 8.2. Towards this end, Sri Lanka has resumed efforts to integrate with key markets such as India and China. Sri Lanka will also resume trade negotiations with Thailand, which along with the FTA with Singapore, sets the steppingstone for Sri Lanka to engage in dynamic regional trading arrangements such as Regional Comprehensive Economic Partnership (RCEP).
- 8.3. I also propose to establish an International Trade Office to deal with all the international trade negotiations. This will initially be established under the Ministry of Finance and subsequently, it will be amalgamated to the Ministry of Foreign Affairs (MFA). Accordingly, the MFA will be renamed as Ministry of Foreign Affairs and International Trade.

9. Logistics Infrastructure Development Programme

- 9.1. Performance of the logistics infrastructure is another barrier for exporters, importers and investors. Therefore, I propose to introduce a three-year Logistics Development Programme during the period of 2023 to 2027 targeting to improve the logistics performance of Sri Lanka among the first 70 countries.

10. Investment Friendly Environment

- 10.1. There is a need for simplifying and making existing arrangements efficient to create a more business friendly environment. Accordingly, measures are required to reduce costs, procedures and time, and to improve transparency enabling to create a healthy business environment. Hence, I propose to allocate Rs. 200 million to the Ministry of Investment Promotion to introduce the necessary reforms in this respect.

11. New Labor Policies

- 11.1. Reforms in the labor sector is long overdue, in which both employee and employer should be protected in a manner to efficiently carry out productive economic activities. In a competitive export-oriented economy, both parties should productively participate in the promotion of country's progress. The laws, policies and institutional arrangements in the sector should not stall entrepreneurial abilities and business development. In fact, all the environment should be conducive to make use of individual's talents while entrepreneurs' risk-taking behavior too should be properly rewarded. The country's labor laws being outlived and fragmented, I propose to enact a new, updated and unified labor law in a manner to benefit both employer-employee segment and the economy.

12. Lands for Agricultural Exports

- 12.1. A vast amount of land belonging to Janatha Estate Development Board (JEDB), Sri Lanka State Plantation Corporation (SPC), and Land Reform Commission (LRC) remains without being cultivated or productively utilized for a long time, due to various reasons: legal issues, institutional conflicts, lack of capital etc. There are possibilities of productively using such lands for the betterment of the economy. Accordingly, a programme will be devised to allow investors to productively utilize them in a manner to increase both the production and exports. Hence, it is expected that large parcels of unutilized/unproductively used lands will be leased out on long-term basis to grow exportable crops. Further, a new law to facilitate the proposed agricultural land lease program will also be presented to this house.

13. Disposal of Government Lands

- 13.1. Although preliminary activities related to the disposal of government lands are carried out by District Secretaries/Government Agents through Divisional Secretaries/ Additional Government Agents, such duties were also allocated to Sri Lanka Mahaweli Authority and Land Reform Commission which were established for special requirements at a later stage. It is reported that there are occurrences of discrimination and malpractice as preliminary activities related to disposal of lands are done in various ways by the respective entities. Therefore, as the aforementioned special

requirements have already being met, a programme will be prepared during the next year to enable preliminary activities in relation to disposal of all government lands including the disposal of lands under the above two institutes only by the Divisional Secretaries.

14. Digital Technology

- 14.1. The country sees the benefit of using digital technology in various economic activities and service delivery systems. Its beneficial effects were seen very recently with the introduction of the QR system in the petroleum distribution by the Ministry of Power and Energy. Hence, I propose to appoint a Committee involving experts and relevant officials in the industry to examine and report to the Cabinet of Ministers on the requirement for furtherance of the digital technology industry, including required policy environment, laws, institutional support and facilities.

15. Effective Use of Sri Lanka's Mineral Resources for National Development

- 15.1. It has been observed that the contribution to national development of Sri Lanka's mineral resources remains at a very low level. Therefore, it is proposed to appoint a Committee comprising the Ministry of Industry, Ministry of Environment, Geological Survey and Mines Bureau, National Agency for Public Private Partnership (NAPPP) and related institutions to formulate and implement an appropriate policy on how the known mineral resources could be effectively utilized for national development. The Committee report should be submitted to the Cabinet of Ministers in three months' time.

16. New Department for Cinnamon Industry

- 16.1. Since the export of cinnamon products traditionally occupies a leading position, measures should be taken for the furtherance of this industry. Sri Lanka's cinnamon products have developed a unique identity globally and its export of value-added products should further be encouraged. Therefore, I propose to establish a separate Department for the development of the cinnamon industry in Karadeniya area where cinnamon cultivation is more widespread. Rs.200 million will be allocated to implement this proposal.

17. New Project/Program Appraisal Scheme

- 17.1. Many development projects/programs in the past have not produced desired results due to lack of proper identification and systematic appraisal system being adhered to. As a result, the government had to use the tax revenue mobilized from other sources to repay the loans taken for such projects/programs. Subsequently, this has come to an unsustainable level for the economy also leading to create debt management issues confronted by the government today.
- 17.2. Accordingly, new projects/programs to be considered in the future should be submitted to the National Planning Department after conducting a feasibility study to include financial, economic and technical aspects by the line agency/Ministry. Then the National Planning Department, having examined the respective projects/programs, should submit them to the National Development Committee with its recommendations. The Committee should re-examine the projects/programs to ensure policy consistency, viability, inter-sectoral alignments, priorities etc. before being recommended to the government. The composition of the National Development Committee will consist of members with relevant expertise drawn from the public and private sectors.

Tourism Industry

18. Promotion of Marine Tourism

- 18.1. New programs have been introduced in many countries in various ways to attract tourists. However, there are lack of approaches to develop the maritime tourism considering advantages of the location of Sri Lanka. Therefore, three maritime zones in the Eastern, Southern and Western provinces will be identified and developed the related infrastructure in those areas. Accordingly, identification and development of the safety sea areas for tourists to engage in sea-related activities in the shallow seas, the development of related infrastructure including, anchoring bays for parking light yacht, necessary facilities for diving and other related activities and food courts are required in this respect. The required funds for this purpose should be provided by the Tourism Development Fund. To initiate the process, I propose to allocate Rs. 50 million from the 2023 budget.

- 18.2. I propose to facilitate promotion of adventure sports such as water rafting in order to popularize Sri Lanka as a destination for sports tourism.

General Education

19. Providing Internet Facilities to Schools

- 19.1. It is indispensable to provide internet facilities to the school system for advancement of the education system with the latest technology. Therefore, as the first step, free internet facilities to 1,000 senior and junior secondary schools located in remote areas will be facilitated with the contribution of the Telecommunication Regulatory Commission, along with the concept of Corporate Social Responsibility of institutions that provide internet facilities and other private sector institutions.

20. Improving Facilities in Rural Schools

- 20.1. We have learned that the existing health and hygiene facilities in some rural schools are not sufficient. Accordingly, a provision of Rs. 200 million will be made for the construction of sanitary facilities, particularly toilets with proper water facilities, or to provide water facilities for existing toilets in 139 provincial schools and 23 national schools, as well as in rural schools with minimal facilities.

Higher Education

21. Increasing Merit-based Admissions to State Universities

- 21.1. In admitting students to state universities, only all arts stream students are selected on island-wide merit basis currently. However, 40 percent of the students are admitted on the basis of island wide merit in commerce, technology, science and mathematics streams. In this context, a large number of students who demonstrate higher performance are deprived of the opportunity to enter the university. And also they suffer great inconvenience and injustice, and lost their opportunity to contribute for the country's development. Therefore, it is necessary to introduce required steps to overcome the situation. Accordingly, I propose to gradually increase the

percentage of admissions to state universities on island wide merit basis from 40 percent to 50 percent with effective from the academic year 2023/2024. Accordingly, the Ministry of Education should take action to amend the system of admission to state universities.

22. Post-Graduate Education Opportunities for Doctors

22.1. The post-graduate studies for doctors, which are confined to the University of Colombo at present, should be expanded to provide opportunities to more doctors. Accordingly, I propose to establish postgraduate study programs for doctors in Peradeniya, Ruhuna and Jaffna universities as well. Hence, those universities should take necessary action to establish legal and procedural arrangement to implement this proposal. Accordingly, I propose to allocate Rs. 60 million to implement this proposal. I also suggest to prepare a national policy for post graduate education locally for the doctors.

23. Quality Assurance and Accreditation Board for the University Degrees

23.1. I propose to set up a Quality Assurance and Accreditation Board to ensure the quality and accreditation of degree courses conducted in universities. Under this, it is expected to ensure the quality of all degree courses. Accordingly, the Ministry of Minister in charge of higher education should take necessary steps to implement this proposal with the necessary legal provisions. For this purpose, I propose to allocate Rs. 100 million.

24. Foreign Scholarships for A-Levels Qualified Students and Graduates

24.1. I propose to provide 75 scholarships for the Advanced Level qualified students who receive the excellent results at the 2022 A-Level examination to follow degrees in foreign universities based on their chosen subject areas to mark the 75th anniversary of Sri Lanka's independence. Accordingly, a proper program should be prepared by paying attention to the selection of relevant foreign universities, entering into MOUs with them, selecting students, providing necessary facilities to the selected students, etc. I propose to allocate required funds from the President's Fund.

24.2. In addition, I also propose to provide opportunities for 75 graduates with excellent degree performances at state universities from selected degree

courses to follow post-graduate degrees in recognized foreign universities. The required financial support for the purpose will also be obtained from the private sector and foreign donor agencies. The youths selected under this program should contribute to the development of the country after completing their post-graduate degrees.

25. New Faculty of Medicine

25.1. Currently, there are 11 medical faculties in Sri Lankan universities and 2001 medical students have been enrolled for the academic year 2020-2021. To further increase this number, I propose to setup a new medical faculty under Uva-Wellassa University. I propose to allocate Rs. 200 million for the establishment of this medical faculty.

26. Separate Institution to Study History of Sri Lanka

26.1. I propose to establish an Institution to undertake and facilitate research on the history of Sri Lanka. Accordingly, I propose to allocate Rs. 50 million for this purpose.

Reforms

27. Public Service Reforms

27.1. There are around fourteen hundred and fifty thousand (1,450,000) public servants currently working in the various government agencies. Hence, a large portion of the government revenue has to be spent on their salaries and wages. Therefore, it has become a challenge to allocate resources for other public purposes, including developmental purposes. Therefore, I propose to appoint a Presidential Commission to review all the aspects of public service in line with current requirement and make recommendations including necessary reforms.

28. Presidential Commission on Taxation

28.1. It has been difficult to allocate resources to health, education and other important sectors due to the lower level of government revenue generated from taxes in comparison to other countries. Accordingly, measures should

be taken gradually to increase the state revenue in the next few years. As such, I propose to establish a Presidential Commission on Taxation to study and make recommendations on the functioning, coordination and changes to be made in the tax structure, the institutions, procedures etc. This Commission will also examine the requirement for setting up of centralized institution for managing government revenue.

29. Promotion of Electronic Payment System

29.1. I propose to make it mandatory for all the government payments electronically (online) with effect from 01.03.2024 including cash grants to the respective recipients as well as the payments for obtaining services from various government agencies by the public. Accordingly, all government agencies should also take action to prepare a program enabling online payments for those services and introduce the necessary legal changes as well. In this regard, required assistance should be sought from the IT Service Officers currently working in ministries and departments. I propose to allocate Rs.200 million for the implementation of this policy.

30. Setting up of Data Protection Authority

30.1. As we develop our digital economy, there is a need to regulate the processing of personal data in order to safeguard privacy of our citizens from adverse impact of digitization. The government is committed to implement the Personal Data Protection Act, No. 9 of 2022 and will take steps to set up the Data Protection Authority in 2023. The new regulator will be independent and engaged with the Central Bank of Sri Lanka, Securities and Exchange Commission, TRCSL and all relevant sectoral regulators to ensure a proper governance of personal data.

31. Insurance coverage for Private Sector Employees

31.1. It is noted that the number of private sector employees who lose their jobs due to various reasons is on the increase. As this has become a very complex social issue with the current economic crisis, I propose to provide insurance coverage to provide a monthly allowance for a maximum of three months covering the period from the loss of employment and re-employment and to establish an insurance fund for this purpose.

- 31.2. Further, a large number of people are benefitted from the *Agrahara* health insurance system provided for government employees and I propose to provide similar health insurance to private sector employees as well.
- 31.3 A contribution is provided to the Employees' Trust Fund by the employers on behalf of private sector employees. Therefore, it will be a duty and responsibility to provide some relief from the Employees Provident Fund. Accordingly, Accordingly, it would be appropriate to allocate a certain amount from the Employees' Trust Fund for the proposed health and insurance coverage.
- 31.4 Accordingly, Employees' Trust Fund Act should be amended incorporating these two schemes under the Employees' Trust Fund.

Food Security

32. Electronic Scheme for Food Safety

- 32.1. It is necessary to maintain an up-to-date data system for planning and implementing activities relating to food safety. Accordingly, information on all agricultural and livestock products of the household units should be obtained through an online process and the National Food Security Program should be planned accordingly. This program should be implemented by the National Food Security and Nutrition Unit.

33. Development of Inland Fisheries Industry

- 33.1. In order to increase the nutritional level of the public, the opportunity to obtain more fish products should be increased. Accordingly, I propose to allocate Rs. 100 million to increase the capacity of the existing fish breeding centers to facilitate inland fisheries industry.

Increasing Government Revenue

34. Tax Policy Measures

- 34.1. The need for increasing government revenue requires no explanation as many of the challenges that we face today is due to the lack of revenue of the government. The revenue has declined significantly to 8.3% of GDP in 2021, which is one of the lowest in the world. In order to correct this position while correcting the tax cuts introduced in late 2019, the government presented revenue measures in three occasions i.e. on 30 May 2022, the Interim Budget presented on 30 August 2022 and the Inland Revenue Bill presented in October 2022. The revenue proposals mainly included changes to the income tax and Value Added Tax (VAT) while addressing tax policy gaps and rationalizing tax concessions.
- 34.2. Committed implementation of these tax reforms will help increase revenue in 2023 and beyond enabling to move away from costly monetary financing (money printing) to cover government expenditure in the future. Also, the government is committed that tax policy measures are accompanied by the improved efficiency in the public spending and fighting corruption.
- 34.3. Crude estimate suggests that revenue forgone due to the VAT exemptions granted to various sectors, including electricity, transport and fuel, is estimated to be more than 1 percent of GDP. Hence, it is proposed to remove certain exemptions after reviewing. Amendments to the VAT Act to remove certain exemptions will be made effective from 01 April 2023.
- 34.4. It is noticed that some State-Owned Enterprises (SOEs) are still paying the PAYE / APIT tax liability of employees. This issue has also been questioned at the Committee on Public Enterprises (COPE) and by the Auditor General as well. Hence, I propose to stop such payments effective from 1 January 2023, since such tax should not be an expenditure to the entity (SOEs), although the personal emoluments are paid under collective agreements.

34.5 Tax on Beedi sticks

- a. In order to regularize the Beedi industry and deter people from Beedi consumption, I propose to impose a tax of Rs. 2 per Beedi stick. In addition,

other fees payable for obtaining of certificates and licenses will be increased.

34.6 Phasing-out of Para Tariffs

- a. In order to promote the manufacturing industry, to remove the existing barriers to international trade, to provide the necessary incentives and facilities for local industries and projects including agriculture, CESS levy will be eliminated on phased basis in three years commencing January 01, 2023. For Ports and Airports Development Levy, I suggest to phase out completely in five years. Accordingly, I am revising the current rates of Customs Import Duty from 0%, 10% and 15% to 0%, 15% and 20% to accommodate the proposed phasing out of para-tariffs / levies effective from January 01, 2023. Relevant work in this connection is being done to introduce a Trade Adjustment Program as well.
- b. However, the proposed tax policy will be implemented in such a way that it does not interfere with CESS levy on agriculture-based value-added industries.

35. Non-Tax Revenue

- 35.1. Increase in non-tax revenue is also important in the fiscal consolidation process. Hence, I propose to increase fees and charges by 20 percent with effect from 2023. However, fees and charges that have already been increased in the years of 2020, 2021, and 2022 will not be revised with this proposal.
- 35.2. In the same vein, it is proposed to increase fees levied by the Department of Immigration and Emigration on Passport, Visa and other charges.
- 35.3. Further, I propose to appoint a Committee to examine and make recommendations on the royalty, rent, and other non-tax revenue charged and collected by the government organisations to the General Treasury.
- 35.4. I propose to daily transfer all revenue and receipts collections by Ministries and Departments, directly to the General Treasury with effect from January 2023 to reduce the substantial cost of finance due to delay in remitting

revenue collection to the Consolidated Fund. In this regard, General Treasury will take necessary actions to issue the instructions in due course.

36. Tax Administration

- 36.1. Recent announcements of tax policy measures should go hand in hand with the tax administration measures to have a broader tax base, better compliance, and stricter enforcement. Accordingly, tax administration measures will be enhanced through improvements in technology, regulations, process improvements, and investing in Human Resources related to the Department of Inland Revenue, Sri Lanka Customs, and Department of Excise.
- 36.2. Whilst the requirement of having everyone over 18 opening a tax file is a first step, many of those who open files will be below the tax-free thresholds. Therefore, it is important to introduce measures that identify high income earners specifically and get them into the tax net. In this regard, I make the proposals in Annexure VI to improve the tax administration.

Expenditure Management

37. Commitment to Manage Expenditure Effectively

- 37.1. The importance of proper expenditure management to strengthen the fiscal consolidation process needs no elaboration. It should be in line with the efforts to increase the revenue as well.
- 37.2. The Interim Budget introduced several proposals, including the introduction of new Public Financial Management (PFM) Act incorporating binding fiscal rules and appointment of an Inspector General to keep the expenditures in check, which will be implemented in the near future. In addition, a number of circular instructions have already been issued to ensure strict control of government expenditure.

38. Establishment of a National Operations Centre (NOC)

- 38.1. It is high time to establish a National Operations Centre (NOC) under the Department of Project Management and Monitoring of the Ministry of

Finance for tracking implementation issues of all development interventions of the country and resolve emerging issues on priority basis.

- 38.2. In support of the efficient and effective functionality of the NOC, it is also proposed to establish a comprehensive Web-based National Development Information System within the NOC as the supportive tool for obtaining updated data and information for decision-making.

39. Allowing Armed Forces Personnel to Retire Early

- 39.1. I propose to allow armed forces personnel, other than special categories, to retire after 18 years of service. Measures will be taken to provide them with necessary training, enabling them to engage in productive economic activities.

40. Difficult situation faced by public servants

- 40.1. I am well aware that public servants and pensioners are in a difficult situation to manage their expenditure on monthly pay due to increase in transport cost, electricity and water tariffs and high food inflation.
- 40.2. Further, I expect that the government revenue will be increased in about a year due to the economic recovery as a result of the measures taken by the Government. At the same time, it will be possible to implement the proposed reforms to make the public sector to optimum level. Hence, I believe that a considerable relief can be given to the public servants and pensioners at the latter part of year 2023.

State Owned Enterprise Reforms

41. Restructuring of SOEs

- 41.1. The urgency of restructuring the most fiscally significant State-Owned Enterprises (SOEs) was reiterated several times during the last 6 months. As committed to in the Interim Budget, a Unit has now been established at the Ministry of Finance with the specific task of restructuring SOEs.

- 41.2. Initially, measures will be taken to restructure Sri Lankan Airlines, Sri Lanka Telecom, Colombo Hilton, Waters Edge and Sri Lanka Insurance Corporation (SLIC) along with its subsidiaries, the proceeds of which will be used to strengthen foreign exchange reserves of the country, and strengthening the Rupee.
- 41.3. The strategic interventions will be made to SoEs with the anticipation of achieving economies of scale and other benefits. Therefore, I propose to line up the similar nature of businesses by way of backward, forward or horizontal integration.
- 41.4. The Gem and Jewellery Research and Training Institute will be merged with the National Gem and Jewellery Authority in order to provide services with better quality and efficiency to the gem-related craftsmen to increase export revenue. The government will also explore the possibility of setting up of a Gem Emporium (Gem Zone) for the benefit of the industry participants.

Debt Management

42. Taking Selected SOE Debt to Government Balance Sheet

- 42.1. As a part of strengthening the balance sheets of selected SOEs, loans from China Exim Bank to the government which had earlier reclassified as debts of the CEB, SLPA and AASL will be recognized as central government debt by end of December 2022. Guaranteed foreign exchange debt of the CPC will also be recognized as central government debt by end of December 2022.

Financial Sector

43. New Financial Asset Management Companies Act

- 43.1. I propose to introduce a new Financial Asset Management Companies Act to enable banks and finance companies to separate and transfer their non-performing bad assets to an asset management company. This will smoothen the resolution process of financial institutions by creating a swift removal of bad debts from an affected institution.

44. Establishment of the Microfinance and Credit Regulatory Authority (MCRA)

44.1. I propose to establish a Microfinance and Credit Regulatory Authority (MCRA) to ensure the protection of customers of microfinance and money lending businesses, while necessitating the reporting requirement to Credit Information Bureau of Sri Lanka (CRIB) by the regulated institutions.

45. Blue and Green Financing Space

45.1. Honourable Speaker, the country has over time created many assets that are environmentally friendly and has the potential to be monetized to access the growing blue and green financing space. Sri Lanka is a signatory to a number of key international agreements and has also agreed to be a part of the 30 by 30 initiative. In this regard, I propose to initiate work on the Marine Spatial plan and identify and declare the Exclusive Economic Zones which will also pave the way to attract sustainable investments, including blue, green and sustainable financing, while the country progresses on its programme with the IMF.

Social Protection

46. Welfare Benefits Policy

46.1. Honourable Speaker, I draw your attention to the 19th paragraph of the Interim Budget Speech presented by me to amend the Appropriation Act, No. 30 of 2021. According to the Welfare Benefits Act No. 24 of 2002, the preparation of the social registry has already started by Welfare Benefits Board (WBB). Accordingly, the beneficiary applications have been processed and the data systems are being processed. We have already published on 20th October 2022 the legal regulations to identify beneficiaries based on verifiable eligibility criteria.

46.2. As the next stage of the process, it is planned to go to the homes of the applicants who have already registered to validate their eligibility to receive benefits and get a declaration related to it according to the Law. Accordingly, the process of selecting beneficiaries using new eligibility criteria will start in January 2023 and the eligibility list will be published. In line with Welfare

Benefits Act No. 24 of 2002, all welfare benefits payment schemes will be prepared based on that social registry system.

46.3. The WBB will coordinate payments of all welfare benefits. Electronic payments of benefits under this social registry and all welfare benefit payment schemes framed thereunder are facilitated to the bank accounts of eligible beneficiaries. Payment under the new welfare benefit payment schemes are expected to start by April 2023. Until then, the existing welfare benefits schemes will be maintained.

47. Continuing the Provision of Increased Allowances Paid to Beneficiaries of Samurdhi, Elderly, Differently-abled and Kidney Patients' Allowances

47.1. Honourable Speaker, a significant number of beneficiaries are wait-listed in anticipation of the current Elderly, Differently-abled and Kidney patient's allowances. As they truly deserve relief, the General Treasury was instructed to allocate provisions through the budget, making the allowances available for them as well. Accordingly, the provisions required for providing benefits throughout the year 2023 for essential people among those who are wait-listed for a prolonged period of time in anticipation of the Elderly, Differently-abled and Kidney patient allowances have been allocated in the budget already.

47.2. The government has paid close attention to curtail the difficulties faced by the community who are vulnerable due to the current economic crisis. Action has been taken to increase the allowances paid to more than 30 lakhs persons i.e. beneficiaries of Samurdhi, Elderly, Differently-abled and Kidney allowances and more than 726,000 economically affected families, from the revised budget for 2022. The government is focused on extending the respective relief herein to another four months.

47.3. In respect of the aforesaid, an additional allocation of Rs. 43 billion will be provided, in addition to the provisions allocated from the Budget Estimates at present.

**48. Strengthenin Elderly / Differently-abled / Widows as Household
Entrepreneurs**

48.1. Elderly/disabled/low-income /widows are a segment that should receive more attention economically. It is possible to strengthen this community economically by utilizing their skills and labor, and thereby obtain their contribution towards the development of the national economy. In that respect, I propose that a program be arranged for this purpose by the Ministry of Women Affairs and the Ministry of Industry in collaboration with each other. I propose to allocate Rs. 250 million for the year 2023 in this respect. Further, action will be taken to obtain the participation of the private sector under public-private partnership for promotion and advertising of the products made by them in the market.

49. Improving Child Nutrition

49.1. Amidst the current economic crisis, an increase in acute malnutrition among children under 5 years of age is observed. Hence, I propose a sum of Rs. 500 million be provided to further strengthen the existing nutrition supplemental programmes in order to reduce health problems arising as a consequence thereof.

Agriculture

50. Expansion of Coconut Cultivation

50.1. As there are new opportunities to generate foreign exchange to be created by promoting the export of coconut and related products, facilities should be provided for encouraging more and more value-added exports of coconut. It is a fact that in recent times, coconut lands are upon fragmentation used for other purposes. Therefore, necessary steps should be taken to protect the present coconut lands as well as to encourage the replanting of coconuts.

50.2. Current legal provisions allow fragmentation of less than 4 hectares of coconut lands, resulting in fragmentation of many fertile coconut lands which has severely impacted on annual coconut production. Therefore, I propose to amend the existing legal provisions and limit the fragmentation of coconut lands with less than one acre in extent.

51. Establishing 10 Agro-entrepreneurship Villages

51.1. It is expected to transform the farmers involved in the agriculture industry into agro-entrepreneurs and thereby generate employment opportunities. For this purpose, I propose to establish 10 Agro-Entrepreneurship villages in order to encourage export-oriented products with the use of modern technology. I propose to allocate Rs. 250 million for this purpose.

52. Producing Triloka Wijayapathra

52.1. The possibilities of producing Triloka Wijayapathra purely for the purpose of exports will be examined for which an expert committee will also be set up.

53. Reducing Post-Harvest Crop Losses and Improve Storage

53.1. Even if we work hard to increase agricultural production, over 30% of our production is lost due to various issues, such as improper storage and transportation issues. Therefore, I propose to allocate Rs.150 million from the budget of the next year to develop required knowledge, technology and various infrastructure facilities to reduce post-harvest losses. I also propose to set up an expert committee to obtain proposals, to present crop damages by animals.

Irrigation

54. Enhancing Flood Protection Systems

54.1. In order to enhance the flood protection systems, an additional sum of Rs. 500 million will be allocated for the implementation of irrigation systems based on Ma Oya, Aththanagalu Oya and Bentara Ganga.

Dairy Sector

55. Increasing Liquid Milk Production

55.1. In order to improve the local milk production, I propose to develop the Kundasale Artificial Insemination Center and adopt new technologies. For

this purpose, I propose to provide Rs. 100 million in 2023. I encourage the private sector to enhance their capacities to help this endeavor.

Environment

56. International University for Climate Change

56.1. The effects of global climate change are real and complex. Sri Lanka should also contribute to the program for common survival of the humanity by helping to mitigate the effects of climate change. Accordingly, I am planning to establish an International University for climate change for the purpose of furthering knowledge, sharing experience, education, training, building capacities, development of programs in the areas of climate change mitigation. For initial expenses for this purpose, I set apart Rs. 100 million.

57. Green Hydrogen Technology for Development

57.1. Since the world's use of fossil fuels as a form of energy is a costly and environmentally damaging, more attention has been paid to the use of renewable energy. Meanwhile, many countries are conducting various studies to use green hydrogen as energy. Another advantage of this technology is it is possible to use it to produce fertilizer. Considering the weather and climate conditions of Sri Lanka, there is an enabling environment for the production of green hydrogen (using water with solar power or wind power). Therefore, it is better to carry out research and development activities for the production of green hydrogen on a commercial basis, on a scheme of public private partnership. Hence, I suggest commencing a joint venture project at a suitable location in the Puttalam - Mannar coastal region.

58. Community Participation to Increase Forest Coverage

58.1. The importance of increasing forest coverage has been recognized in the context of the global warming trends. Accordingly, work related to the plan to restore 50,000 acres of degraded forest areas by 2027 should be expedited. In addition to that, appropriate programs should be implemented in public

places, and water catchment areas to increase the cover even outside the forests. I propose to allocate Rs. 50 million for this purpose.

Research and Laboratory Facilities

59. New Laboratory for Excise Department

59.1. In the absence of a mechanism to examine the quality of alcohol products and to setup standards, it has become difficult to identify alcohol products being made available in the market that are unsuitable for human consumption and take legal action in this regard. Accordingly, I propose to establish a laboratory under the Excise Department to carry out tests relating to alcohol products. Hence, I propose to allocate Rs.100 million for setting up the laboratory.

Transportation

60. Establishing a Road Maintenance Fund

60.1. The maintenance of the country's road system is costly whereas the amount of provisions that can be allocated from the budget annually for this purpose is limited. Accordingly, I propose to establish a Road Maintenance Fund by charging an annual fee not less than Rs. 100 per vehicle when obtaining revenue licenses. The fund is expected to provide for all types of road maintenance annually. To set up the fund, I propose to allocate Rs. 100 million in 2023 budget. I request the Ministry of Highways to establish a mechanism for this purpose.

61. Rehabilitation and Construction

61.1. I propose to allocate Rs. 2,000 million in the year 2023 to rehabilitate the roads damaged by floods in order to reduce the sufferings undergone by the people. Actions will also be taken to repair Garagoda Bridge across the Kenai River and complete the remaining work of the Raja Mawatha in Badulla. Actions will be taken to complete the remaining work of District Secretariat of Galle.

Solar Energy / Electric Cars

62. Facilities for Production of Solar Energy / Electric Cars

- 62.1. In order to promote the production of electricity using renewable energy and to encourage the local production of related solar panels, solar panels used to produce solar energy under the combined classification code 8541.10 and inverters under the combined classification code 8504.40 are currently under taxation on imports. I propose to remove Port and Airport Development Levy and Social Security Levy effective 01.01.2023.
- 62.2. Also, necessary incentives will be provided to promote the use of electric cars locally as well as assembling them. Accordingly, Social Security Contribution Levy will be waived only for organizations that assemble motor vehicles and add at least 25% local value and produce the required parts locally.
- 62.3. Here, the Ministry of Industry should coordinate with all registered electric vehicle component manufacturers and approved local electric vehicle assemblers to ensure local value addition and use of locally produced electric vehicle components for the development of the local electric vehicle component manufacturing industry. I propose to establish a communication technology system for this purpose under the Ministry of Industry.
- 62.4. The proposed information system should ensure automatically the value of locally sourced car components and the percentage of local value addition of the cars being assembled by every electric car assembly company for tariff concessions. This computerized information exchange system shall be developed and maintained by the Ministry of Industries.

63. Solar Panels for Religious Places

- 63.1. Actions will be taken to provide solar panels to religious places with the assistance from foreign sources and the government.

Promoting Youth Engagement

64. Retaining the Youth in Agriculture Industry

- 64.1. Retaining the youth community in the agriculture industry is extremely important in ensuring the country's food security. For that, agriculture should also be modernized to suit the present-day. Hence, I propose to select 240 youth who are currently unemployed representing each district of the

island and to empower them as Agricultural Entrepreneurs. For this purpose, Rs. 120 million will be allocated.

65. Loan Scheme to Encourage Young Women Entrepreneurs

- 65.1. Recognizing the importance of encouraging Young Women Entrepreneurs, who are engaged in informal household businesses, which are not covered by the Small and Medium-sized Enterprises Line of Credit Project, implemented under the financial assistance of the Asian Development Bank (ADB), a loan scheme will be introduced.
- 65.2. Under this scheme, a young woman entrepreneur can obtain a loan up to a maximum of Rs. 250,000.00, empowering at least 1,000 young women entrepreneurs at its initial stage. This scheme is expected to be implemented through the Regional Development Bank (RDB) covering all the districts and for that, as a start-up fund, Rs. 250 million will be allocated for 2023.

66. Training of Youth for Foreign Employment

- 66.1. I propose to allocate Rs. 50 million in 2023 to the National Youth Services Council to train youth for foreign employment opportunities.

Health and Sanitation Facilities

67. Safety Seal (Sticker) for Drinking Water Bottles

- 67.1. It has become a necessary to introduce a safeguard mechanism for the drinking water bottles to ensure the quality of the drinking water bottles by considering the rapid increase of the usage of the same. Accordingly, the Ministry of Health should take necessary action to introduce procedures to apply a safety seal (Sticker) to drinking water bottles at the production point. Further, the Ministry should take follow up actions in this regard.

68. Sanitary Facilities for Prisoners

- 68.1. The sanctioned capacity of the prisons currently under the Prisons Department is 13,241. However, the current total number of detainees (including suspects) is 25,162. Accordingly, the existing sanitary facilities are grossly inadequate, and it is necessary to improve the existing facilities up to

the required level. Therefore, I propose to allocate Rs 100 million for the purpose. The prison Department should consider this as a priority task.

69. Upgrading Hospitals

69.1. I propose to upgrade Badulla, Kurunegala and Polonnaruwa hospital as teaching hospitals.

70. Paying Wards System in Government Hospitals

70.1. I also propose to re-implement the Paying Wards System in government hospitals. As the first phase, this system will be established in national and base hospitals.

Monitoring Budget Implementation

71. Appointment of Task Force to Monitor Budget Implementation

71.1. It is observed that there are many shortcomings with regard to the implementation of budget proposals. However, it is required to ensure benefits to the public by implementing such proposals within the appropriate time frame. Therefore, I propose to set up a Presidential Task Force to carry out monitoring functions to expedite implementation of all budget proposals.

72. A summary of the Budget is presented in Annexure I. The relevant amendments to the Appropriation Bill to increase the borrowing limit due to the adjustments for book/cash value of government securities for the financial year 2023 are presented in Annexure II.

I request all of you to join and " support " the journey of bringing positive change in the country through these budget proposals . We are taking these suggestions as background, let's prepare a new economic base. Let's come to a common consensus and\ create a national economic policy framework. Let's implement that policy framework for the next 25 years.

Every 5 years we can review our progress. Through such a review, we get the opportunity to further develop the policies that can make our journey towards our goal successful.

I have now provided this parliament with the necessary background to contribute to this journey. On one side, parliamentary sectoral committees. On the other hand,

the National Assembly represents the Parliament. In addition, we have proposed several committees on public finance and financial services. As I recently drew the attention of the Speaker, " The Parliament has not fully formed these committees yet.

The sectoral committees can play a big role when the budget proposals that I have presented are implemented through government officials. The finance committees can effectively intervene in the exercise of reducing public expenditure.

Therefore, I request this parliament to implement all those committees as soon as possible. Then we can create the space to initiate a new journey with a new guise. Let's make the best use of that space and join together to create a better future for our true national resource, our youth.

Accordingly, " I request all of you to actively and proactively contribute to the effort of re-raising the country through a new economic foundation.

Summary of the Budget Estimates 2023

Rs. Billion

Item	2021	2022 Revised (Interim Budget)	2023 Budget
Total Revenue and Grants	1,464	2,094	3,415
Total Revenue	1,457	2,084	3,408
Tax Revenue	1,298	1,852	3,130
Income Tax	302	558	912
Taxes on Goods and Services	646	972	1,763
Taxes on External Trade	350	322	455
Non Tax Revenue	159	232	278
Grants	7	10	7
Total Expenditure	3,522	4,427	5,819
Recurrent	2,748	3,620	4,609
Salaries and Wages	846	995	1,002
Other Goods and Services	169	225	300
Interest	1,048	1,379	2,193
Subsidies and Transfers	685	1,021	1,114
Public Investment	790	1,072	1,220
Other	(15)	(265)	(10)
Revenue Surplus (+)/ Deficit(-)	(1,290)	(1,536)	(1,201)
Primary Surplus (+)/ Deficit(-)	(1,010)	(954)	(211)
Budget Surplus (+)/ Deficit(-)	(2,058)	(2,333)	(2,404)
Total Financing	2,058	2,333	2,404
Total Foreign Financing	(14)	342	560
Foreign Borrowings-Gross	517	717	1,000
Debt Repayment	(531)	(375)	(440)
Total Domestic Financing	2,072	1,991	1,844
Non - Bank Borrowings	1,898	2,672	1,880
Sri Lanka Development Bond	(68)	(357)	(234)
Bank Borrowings and Other	242	(323)	198
Revenue and Grants/GDP (%)	8.3	8.8	11.3
Total Revenue/GDP (%)	8.2	8.7	11.3
Tax Revenue/GDP (%)	7.3	7.8	10.3
Non Tax Revenue/GDP (%)	0.9	1.0	0.9
Grants/GDP (%)	0.04	0.04	0.02
Total Expenditure/GDP (%)	19.9	18.6	19.2
Recurrent Expenditure/GDP (%)	15.5	15.2	15.2
Non Interest/ GDP (%)	9.6	9.4	8.0
Interest/ GDP (%)	5.9	5.8	7.2
Public Investment/ GDP (%)	4.5	4.5	4.0
Revenue Surplus (+)/Deficit (-) GDP (%)	(7.3)	(6.4)	(4.0)
Primary Surplus (+)/Deficit (-) GDP (%)	(5.7)	(4.0)	(0.7)
Budget Surplus (+)/Deficit (-) GDP (%)	(11.6)	(9.8)	(7.9)

Compiled by Department of Fiscal Policy

Debt repayment for 2022 and 2023 estimates based on the prevailing debt standstill policy adopted by the Government

Gross Borrowings Requirement - 2023
(Provisioning for Accounting Transactions)

Item	Rs. Billion
Total Receipts other than Government Borrowings	3,456
Total Payments Including Debt Repayments	7,879
Provision for Advanced Accounts	06
Adjustments for book/cash Value of Government Securities	550
Total Gross Borrowing Requirement to be recorded in Government Accounts	4,979
O/W Total Debt Repayments	2,025

Compiled by the Department of Fiscal Policy, Department of National Budget and Department of Treasury Operations

Expenditure Proposals

No	Proposal	Rs. Million
1	Social Safety Net Programme	43,000
2	Strengthening of Elders/Disable/Law Income widows as household entrepreneurs	250
3	Improving Childs Nutrition	500
4	Establishing 10 agro entrepreneur villages	250
5	Reducing post harvest Crop losses	150
6	Enhancing flood protection in selected river basin areas	500
7	Increasing the domestic milk production through enhanced breeding	100
8	Rehabilitations and Construction of Roads and Bridges damaged by floods	2,000
9	Retaining youth in Agriculture Industry	120
10	Loan scheme to encourage young women entrepreneurs	250
11	Training of youth for foreign employment	50
12.	Establishing Agency for External Trade and Investment	100
13.	New Economic Zone program for attracting foreign investments	300
14.	Establishing a National Productivity Commission	100
15.	Creating a more business friendly environment	200
16.	Establishing a separate Department for the development of the cinnamon industry	200
17.	Promotion of Marine Tourism	50
18.	Improving Facilities in Rural Schools	200
19.	Post-Graduate Education Opportunities for Doctors	60
20.	Set up a Quality Assurance and Accreditation Board	100
21.	Setup a new medical faculty under Uva-Wellassa University	200
22.	Establishing an Institution to Study History of Sri Lanka	50
23.	Promotion of Electronic Payment System for Payments	200
24.	Development of Inland Fisheries Industry	100
25.	Establishing an International University for climate change	100
26.	Increase Forest Coverage	50
27.	Establishing a laboratory under the Excise Department	100
28.	Establishing a Road Maintenance Fund	100
29.	Sanitary Facilities for Prisoners	100

Compiled by Department of National Budget

Note : Provisions are included in the Treasury Miscellaneous Vote

Annexure IV

Provisions for key Welfare and Subsidy Programmes - 2023

Programme	Rs. Million
Relief for the affected people from the difficult economic condition (Budget Proposal)	43,000
Monthly Samurdhi Relief Allowance	66,000
Financial Support for Elders	14,530
Support for low income Disabled Persons	8,000
Financial Support for Kidney Patients	2,800
Nutritional supplement to children suffering from acute malnutrition (Budget Proposal-2023)	500
Strengthening of Elders/Disable/Low Income widows as household entrepreneurs (Budget Proposal-2023)	250
Medical Supplies for Hospitals	110,190
Health Insurance for School Children (Suraksha)	2,000
Free School Text Books	30,000
Free School Uniforms	3,500
Shoes for Students of Schools in difficult areas	1,200
Grade 5 Scholarships	938
Mahapola and Bursaries	1,725
Interest subsidy for interest free loan scheme of non-state university students	1,029
School & Higher Education Season Tickets	10,000
Thripasa Programme	12,240
Nutritional Food Package for Expectant Mothers	11,000
School Nutritional Food Program	19,100
Morning Meal for Pre-School Children	1,450
Fertilizer Subsidy	56,263
Farmer Pension	4,750
Subsidies for Tea, Rubber, Coconut and other crops	2,300
Interest subsidy for Senior Citizen's Accounts	10,000
Housing Subsidy under Urban Regeneration Programme	11,788
Subsidized Loan Schemes	2,818
Property Loan Interest subsidy to the Public Servants	2,707
Subsidy for the running busses on unremunerated routes	4,000
Pensions	375,255
Service compensation for Death and injured Soldiers	42,500
Agrahara Insurance Scheme for Pensioners	900
"Ranaviru Mapiya Rakawarana" Allowance	2,318

Compiled by Department of National Budget

Proposed relief for families affected due to prevailing economic conditions 2023

Programmes	Current Benefit	Proposed relief for 04 months	Expected Expenditure (Rs. Mn)
Monthly Samurdhi Allowance	Monthly Allowance of Rs. 420/- to 4,500/-	Monthly Minimum Payment of Rs. 3,000/-	20,750
Allowance for elders	Monthly Allowance of Rs. 2,000/- for elders over 70 years and Monthly allowance of Rs. 5,000/- for over 100 years of age	Monthly payment of Rs. 3,000/- for elders over 70 years and Monthly payment of Rs. 2,500/- for elders over 100 years of age	3,000
Support for low income Disable Persons	Rs. 5,000/-	Monthly Payment of Rs. 2,500/-	250
Allowance for Kidney Patients	Rs. 5,000/-	Monthly Payment of Rs. 2,500/-	200
Relief for the affected families due to prevailing economic condition	Rs. 5,000/- has been granted for 07 months of the year 2022	Payment of Rs. 5,000/- for further 4 months	18,800

Compiled by Department of National Budget

Measures to Improve Tax Administration

- a. The government has already introduced a mandatory electronic tax filing system for corporate sector. This will be expanded to non-corporate taxpayers, including employees to improve efficiency and increase compliance level.
- b. A tax audit and verification programme will be implemented. Accordingly, all revenue collecting agencies should conduct a risk-based audit to identify the taxpayer's inherent risks for the purpose of encouraging compliance.
- c. The efforts to digitalize the tax system will continue. Steps will be taken to review and address deficiencies in the RAMIS system at the Inland Revenue Department. Further, the IT based platforms of the three key revenue collection agencies will be linked, allowing them to share information to ensure tax compliance across agencies.
- d. A mechanism will be developed to collect information from other relevant institutions and manage them in prudent manner.
- e. A Tax Ombudsman will be appointed to address the concerns of taxpayers.
- f. A charter, covering rights and obligations of taxpayers, will be introduced.
- g. A list of active VAT registered persons will be published in the Inland Revenue website.
- h. The Ministry of Finance typically sets revenue targets for the key revenue agencies and tracks the achievement of these targets on a regular basis. In addition, their performance will be monitored by introducing several Key Performance Indicators (KPIs) to revenue collecting agencies, i.e. Inland Revenue Department, Sri Lanka Customs and Excise Department, to measure their efforts.
- i. Introduction of legislative amendments to improve the efficiency of tax collection at the Departments of Excise and Customs is also in progress.
- j. Insufficient tax audits, probability of detection, weaknesses in enforcement actions, attitude of the government spending etc. are observed to be affecting taxpayer's attitudes and compliance decisions. Considering these facts, a Dedicated Awareness Unit will be established at the IRD to make relevant public and taxpayer awareness with a more focused and consistent approach.
- k. The government has identified the cash economy as one of the tools that is used to evade taxes. Therefore, measures will be taken to discourage cash transactions and encourage bank/card transactions, with specific limits.
- l. Following amendments will be introduced to the Inland Revenue Act, No. 24 of 2017.

- a. Certain amendments to the Inland Revenue Act, No. 24 of 2017 as detailed in the Technical Note (Annex VII), including administrative amendments, amendments consequential to the 2022 tax revisions and rectifying errors and omissions.
- b. Exempting the earnings of non-resident persons from engaging in projects approved by the Minister of Finance taking into consideration the economic benefit to the country, where such project is totally funded from foreign grants.

Technical Notes

Part I - Taxation

1. Income Tax (Amendments to the Inland Revenue Act, No.24 of 2017)

1.1 Exemptions

1.1.1 Income earned by non-resident persons from engaging in Government projects approved by the Minister of Finance taking into consideration the economic benefit to the country, where such project is totally funded from foreign grants.

1.2 Administrative Reviews (Amendment of Section 139 of IRA)

1.2.1 The time period for the Commissioner General to notify the decision and the reasons for the decision in respect of a request made on or after April 01, 2023 by a taxpayer for an Administrative Review, will be within two years from the date of receipt of such request.

1.2.2 Where the decision of the CGIR is not notified within two years period, the request will deem to have been allowed

1.3 Provisions will be introduced to improve the clarity of income tax liability on dividend during the period from October 1, 2022 to the effective date of the Inland Revenue (Amendment) Act, 2022, as follows:-

- i. exempt dividend received or derived by non-residents during that period
- ii. apply income tax rate of 15% for dividend received or derived by residents during that period
- iii. exemption will be applicable on any dividend paid by a resident company to a member to the extent that such dividend payment is attributable to, or derived from, another dividend received by that resident company or another resident company.

1.4 Broadening the Tax Base

While encouraging the voluntary compliance, necessary legal provisions will be introduced to strengthen the tax enforcement mechanism, including enhanced audit and verification program, in order to ensure all potential taxpayers are registered within tax system and pay the due tax.

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

- 2.1 The exemptions specified in the First Schedule to the VAT Act will be rationalized with effective from April 1, 2023.
- 2.2 A new Value Added Tax Act will be introduced consolidating the amendments introduced from the year 2002 to the year 2022.

3. Social Security Contribution Levy (SSCL) [Amendments to the Social Security Contribution Levy Act, No.25 of 2022]

- 3.1 Importation of any motor vehicle identified under Harmonized Commodity Description and Coding Numbers for Custom purposes and liable to Excise Duty under the Excise (Special Provisions) Act, No. 13 of 1989, will be exempted from SSCL, with effect from 01.01.202
- 3.2 Equipment used by differently abled persons and the pharmaceutical product categorized under HS code 2844.40, will be exempted from SSCL.

4 Finance Act

4.1 Amendment of Commercial Hub provisions

- 4.1.1 Provisions relating to the commercial hub operations in the Finance Act, No.12 of 2012 and the Finance Act, No.12 of 2013 will be consolidated.
- 4.1.2 Enterprises that are eligible for the exemptions under the commercial hub activities will be extended to bunkering services

4.1.3 Any business or project intends to engage in the commercial hub activities will be eligible for exemptions granted under the Strategic Development project Act, No.14 of 2008, if identified as Strategic Development Project.

4.1.3 Commercial hub enterprises will be exempted from the Levy imposed under the Social Security Contribution Levy Act, No.25 of 2022.

4.2 Exemption of certain unregistered motor vehicles from the application of certain provisions of the Motor Traffic Act (Chapter 203)

Vehicles which were assembled in /imported in to Sri Lanka and remain unregistered as at November 12, 2021, from the application of Section 2A (1) (a) of the Motor Traffic Act, (Chapter 203) to allow such vehicles to be registered under the said Act, if such vehicle, in the opinion of the Commissioner General of Motor Traffic is roadworthy.

4.3 Release of vehicles seized at the Sri Lanka Customs owing to non-payment of applicable taxes and other reasons

Following vehicles seized at the Sri Lanka Customs owing to non-payment of applicable taxes and other reasons, will be released from the Sri Lanka Customs, subject to the payment of applicable taxes and fines.

(a) Any vehicle imported in to Sri Lanka on or after May, 22, 2020 but prior to November 12, 2021 and not removed from the Sri Lanka Customs due to restrictions and prohibitions set out in the Regulations made under the provisions of the Import and Export (Control) Act, No.1 of 1969, or

(b) Any vehicle propelled electrically, imported prior to November 12, 2021 and not removed from the Sri Lanka Customs due to non-payment of applicable taxes.

4.3 Surcharge Tax

4.3.1 A Surcharge tax will be charged at the point of importation, on diesel, petrol and crude oil.

5. Betting and Gaming Levy and Casino Business Regulation (Amendments to the Betting and gaming Levy Act, No. 40 of 1988 and Casino Business (Regulation) Act, No.17 of 2010

5.1 Betting And Gaming Levy Act

5.1.1 The definition of "bookmaker" in Betting and Gaming Levy Act will be extended to include a person receives or negotiates bets on all type of sports event, including online betting.

5.1.2 A licensing mechanism for the business of bookmaker will be introduced, for a fee. Betting and Gaming Levy Act will be amended to permit the licensed bookmakers to register with Inland Revenue Department.

5.1.3 Engaging in the business of bookmaker without been licensed and registered by any person will be prohibited by making it a punishable offence.

5.2 Casino Business (Regulation) Act

5.2.1 Amendments will be introduced to extend the definition of gaming/ casino to include the online gaming/casino.

5.2.2 The regulatory and licensing requirements will be applicable for online casinos operate in Sri Lanka. Any online casino operating without a license will be made illegal.

6. Tax Appeals Commission Act, No.23 of 2011

6.1 Revision of fees

6.1.1 The fee levied to state a case on a question of law for the opinion of the Court of Appeal will be increased to Rs.10,000/-

6.1.2 The fee levied to make an appeal to the Commission will be increased to Rs.15,000/- by issuing a Gazette Notification under Section 8 of the TAC Act.

6.2 Validity of Bank Guarantee

6.2.1 Provisions will be incorporated to make the bank guarantee provided by an appellant under Section 7 of the TAC Act, valid until the appeal

is determined, irrespective of laps of 270 days provided under Section 10 of TAC Act.

- 6.2.2 Provisions will be incorporated to make it mandatory to transfer the bank guarantee to the Commissioner General of Inland Revenue irrespective of the appellant's decision to appeal to the Court of Appeal.

7. Import Taxes

- 7.1 Unit rate (Fixed Rate) of the Customs Import Duty and CESS Levy will be adjusted absorb in line with the Rupee depreciation and for avoidance of under-invoicing and under-valuation at the point of Customs clearance. Accordingly, Customs Import Duty on a total of 378 selected HS Codes will be adjusted under the Export Development Board Act, No.40 of 1979, effective from November 15, 2022.
- 7.2 The HS Code 2022 version will be implemented effective from January 1, 2023.
- 7.3 The existing three band tariff system of 0%, 10% and 15% will be revised as a three-band tariff of 0%, 15% and 20%.

8. Fees and Charges

Fees and charges which have not been revised for three years from 2020 to 2022 will be increased by 20%.

9. Effective date of Amendments

Unless specifically mentioned otherwise in this Technical Note or the relevant Tax Legislation, amendments proposed herein before will be effective from April 1, 2023.

10. 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, Finance Acts and Finance (Amendment) Acts, Telecommunication Levy Act No 21 of 2011, Tax Appeals Commission Act No 23 of 2011, in order to streamline the revenue administration and to rectify certain ambiguities and unintended effects (including differences in translations).

මුදල්, ආර්ථික ස්ථායීකරණ සහ ජාතික ප්‍රතිපත්ති අමාත්‍යාංශය, කොළඹ 01.
நிதி, பொருளாதார உறுதிப்பாடு மற்றும் தேசியக் கொள்கைகள் அமைச்சு, கொழும்பு 01.
Ministry of Finance, Economic Stabilization and National Policies, Colombo 01.

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