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2017 நவம்பர் 09 ஆந் திகதி  
இலங்கை பாராளுமன்றம்

09<sup>th</sup> November, 2017  
Parliament of Sri Lanka



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## BUDGET SPEECH - 2018

### Part I

#### PREAMBLE

01. Honourable Speaker, the year 2018 is a landmark year in the Sri Lanka's post-independence history as we mark the 70<sup>th</sup> independence anniversary. On the eve of this historic moment, I am deeply honoured to present the National Budget 2018, being my maiden budget as the Minister of Finance and Mass Media, for the fourth year of the National Government, spearheaded by the President Maithripala Sirisena and the Prime Minister Ranil Wickramasinghe.
02. Mr Speaker, our small island nation gained independence on the 4<sup>th</sup> of February 1948 after ending a long spell of colonial rule. At that historic moment, people of the country and the rest of the world had great expectations and confidence on the future of this great nation. The late Prime Minister of Singapore, Lee Kuan Yew once noted that Sri Lanka was the "model colony of the British Commonwealth" at the time of independence. The English newspapers at the time of independence projected the then Ceylon to be the "Switzerland of the East" due to its strength in human capital and natural resources. In 1948, the per capita GDP of the country was second only to Japan in Asia, whereas the others lagged behind.
03. However, since the day of independence, instead of collectively working towards building the nation, we were fighting with each other on the basis of political ideologies, ethnicity, religion, and even on the basis of cast. Hence, during the last 70 years, we encountered two violent insurgencies fueled by youth unrest and a three-decade long ruthless war. Nonetheless, the end of the war in May 2009, brought about a valuable opportunity to portray Sri Lanka as a country which respects and honors diversity by winning the hearts and the minds of Tamil

people and learning lessons from the past. Instead, the then rulers took advantage of this historic moment only to consolidate crony capitalist kleptocracy.

04. On the 8<sup>th</sup> of January 2015, President Sirisena took oaths against all odds at the time, when terror and corruption was the norm, embezzlement the economic vision, the country sliding towards complete isolation, internationally and the size of country's debt stock even bigger than the "Meethotamulla garbage dump".

#### **PREVIOUS BUDGETS OF OUR GOVERNMENT**

05. Mr Speaker, the new Government had to face the challenge of counteracting immediate and short term vulnerabilities the economy was exposed to prior to 2015. We laid a firm foundation based on the pillars of democracy and reconciliation and, on this, we also started building an innovation driven social market economy, accelerating economic growth in a fair and equitable manner. Mr Speaker, I would like to commend my predecessor Hon. Ravi Karunanayake for facing the challenges boldly and squarely and, placing the public finance management of the country on the right track.

#### **ENORMOUS ECONOMIC CHALLENGE IN 2015**

06. Mr Speaker, one of the major challenges we had to face was the rapidly and continuously falling Government revenue and a mountain of debt. The changing weather patterns including the prolonged droughts, frequent floods and landslides were also challenges we had to face during this period. The impact of such adverse weather is estimated to have cost us around 1% of GDP in 2017. Meanwhile, demand side pressures were also built up causing severe balance of payments difficulties.

## DECISIVE TURNAROUND IN PUBLIC FINANCE

07. Mr Speaker, despite all these challenges, we are witnessing some early harvests of our prudent economic management policies. As a new Government, we have been able to make a decisive turnaround in the public finance management within a relatively short-period. We introduced reforms to domestic revenue mobilization and engaged productively with international development partners to regain lost confidence in Sri Lanka. Such measures helped reverse the decades-long downward spiral of Government revenue which increased up to 14.2% of GDP in 2016 from 11.5% of GDP in 2014, marking a growth of 41% in absolute terms. In 2017, Government revenue, I am certain, will come closer to 15% of GDP, ensuring a revenue growth of 13% in 2017 over 2016. Further, we are in the process of effecting revenue reforms in all areas including Inland Revenue, Customs, Excise and others in a manner to raise the Government revenue closer to 20% of GDP over the medium-term. As revenue increases, and expenditure remains well targeted and rationalized, overall budget deficit is expected to reduce up to 3.5% of GDP by 2020.
08. Mr Speaker, overall, the economy is expected to grow by around 4.5% in 2017 and projected to move gradually to a higher GDP growth path of around 6.0% by 2020, while containing the level of unemployment at around 4% level. We have already taken measures to strengthen the official reserves. Meanwhile, relatively high inflation observed in the recent months is expected to decelerate as the effects of supply side shocks wane. Thus, we expect real interest rates and real exchange rates to adjust towards equilibrium levels over the medium-term.

## PRO-GROWTH REFORMS

09. Mr Speaker, our battle to restore macroeconomic stability on a more sustainable footing needs continuous effort. In line with *Vision 2025*, we need to undertake bold

reforms in factor markets in order to eliminate price distortions and restore property rights in accordance with market principles aiming at promoting faster and sustainable growth. Capital market reforms to capture its full potential are imperative for ensuring high growth over the medium-term and beyond. Without proper ownership of land and property, no country could achieve faster growth ensuring prosperity for all. In this context the country's land and property ownership issues need a careful and urgent appraisal. Country's labour demand against the constraints on labour supply requires a closer examination of all areas of the labour market including labour laws, to pave the way forward to harness the productive resources of the economy.

10. Mr Speaker, Sri Lanka needs an unrestricted economic growth to achieve the upper-middle income level by 2025. Sri Lanka needs to liberalize and globalize. The dormant spirit of competitiveness must be reawakened to make Sri Lanka the trading and the commercial hub it deserves to be. The country needs to shift away from being more protectionist and inward-oriented. Sri Lanka's border measures need to see a complete revamp through well-targeted and time-bound trade reforms promoting growth. Our over dependence on non-tradable drivers challenges growth in the coming decade.
11. Mr Speaker, as the President assured at the 70th Session of the United Nations General Assembly in September 2015, Sri Lanka is firmly committed towards the Post-2015 Sustainable Development Agenda and the Sustainable Development Goals (SDGs). As such, the Budget I present today is based on the principles of SDGs.

### **'BLUE - GREEN BUDGET: ENTERPRISE SRI LANKA'**

12. Mr Speaker, I now present the Budget 2018 under the theme of "Blue - Green Budget; the Launch of Enterprise Sri Lanka". It is "Blue" because we plan to



integrate the full economic potential of ocean related activities in formulating the overall growth strategy. It is “Green” because we build our economy on an environmentally sustainable development strategy. The “Enterprise Sri Lanka” will reawaken the entrepreneurial spirit coming from our ancient forefathers enabling Sri Lanka to be a vibrant trading hub and encouraging all Sri Lankans to become co-owners of a country enriched.

13. The National Budget 2018 will support the achievement of envisaged medium-term targets such as per capita income of USD 5,000, one million new jobs, FDI inflows of USD 5 billion, and doubling exports to USD 20 billion. In 2018, we envisage a GDP growth of 5%, inflation of around 6%, and, we hope to achieve for the first time in almost 6 decades primary surplus of 1% of GDP and a Budget deficit of 4.5% of GDP.

## Part II

### FAST TRACKING LIBERALIZATION

14. Mr Speaker, while we introduced an open economic policy regime in 1977, in the last decade we have lost momentum, with many of our laws remaining archaic and regressive. The Customs Ordinance was first introduced in 1869. The Excise Ordinance in 1912. The Education Ordinance in 1939. This House was able to introduce a new Inland Revenue Act (IRD) recently. Much more has to be done. For example; the Rent Act, No. 7 of 1972 which limits the ownership of houses and the rent to be charged requires amendments; Paddy Lands Act, No. 1 of 1958 and the Agricultural Lands Act, No. 42 of 1973 will be amended to allow the farming of alternate crops; the Shop and Office Employees Act, No. 15 of 1954 will be amended allowing the employees flexibility in choosing their working hours; bankruptcy laws to be amended to make them more efficient. I am confident that the proposed changes will enable Sri Lanka to be a more vibrant and a dynamic market economy. (The list of the laws to be introduced, repealed and amended is included in the Technical Note)

### BLUE - GREEN ECONOMY

15. Mr Speaker, in January 2016, we announced our policy of pursuing a Blue - Green development strategy. This is not only in line with our international commitments made at the Conference of Parties 2015 (COP 2015) in Paris or our commitment to achieving the 17 SDGs by 2030. But, it is more importantly a responsibility we discharge not only to ourselves, but also to the generations to come. The Blue - Green economic programme we are proposing, will generate growth by utilizing our much under-utilized ocean resources, thereby, facilitating the diversification of our economy, adopting new and sustainable technologies especially in agriculture,

fisheries and manufacturing sectors. This will reduce environmental risks and ecological imbalances. As such, I propose the following:

16. Let me start with the vehicle policy. Over the years, our vehicle policy has been neither clean nor green. We propose all vehicles in the country to be powered by non-fossil fuel sources by 2040. To this end, all Government vehicles will be converted to hybrid or electric vehicles by 2025.
17. In this context, we will be introducing an appropriate incentive structure. As such, the taxes on the importation of electric vehicles including electric three wheelers, cars and buses will be reduced while rationalizing the import taxes on vehicles powered by fossil fuel. The new formula for import taxes will be based on the engine capacity which will minimize the revenue leakages.
  - Mr Speaker, the import taxes on an electric car will be reduced by at least Rs. 1 million while the import tax on the high end fossil fueled cars will be increased by almost Rs. 2.5 million.
  - We will also impose a special tax on super luxury vehicles with an engine capacity exceeding 2,500 cc.
  - At the same time, the import taxes on a diesel three wheeler will be increased by around Rs. 50,000 in order to encourage the transition into environmentally friendly electric three wheelers.
18. The loan to value ratio for the electric busses and three wheelers will be revised to 90/10. This will be extended for domestically assembled electric three wheelers, cars and busses, as well.
19. Emission and safety standards will be introduced together with the revisions in the pre-shipment certificates on vehicle imports.

20. We will also pioneer the transformation of the public transport system by introducing 50 electric busses into the SLTB bus fleet. Private bus operators will also be incentivized to go electric. Rs. 500 Mn
21. Incentives will also be provided to encourage the use of off-grid solar power in establishing electric car charging stations and in agriculture and agro processing including drip irrigation, poultry, canning, plantation and, in the hotel industry. Rs. 5,300 Mn
22. I also propose to introduce a carbon tax where the applicable rates for a motor cycle, car and a passenger bus will be around 17 Cents, Rs. 1.78 and Rs.2.74 per day, respectively. Such funds will be channeled to protect the environment.
23. To discourage the use of Polythene and Plastic products, we will impose an excise duty of Rs. 10 per kilogramme for Plastic resins. The private sector will be incentivised to convert to environmentally friendly alternatives and to engage in manufacturing bags, packing materials etc. out of biodegradable materials such as banana fiber, palm leaves, coir, bamboo etc. Rs. 75 Mn
24. Customs duties will be removed for all machinery, equipment, raw materials and intermediary goods used in manufacturing of bio degradable packaging material.
25. Mr Speaker, it is time we focused on further addressing the waste disposal issue. As such:
26. Will fast track the establishment of the Aruwakkalu waste disposal and management site; Rs. 3,000 Mn
27. Will support the Local Government bodies to address the solid waste issue together with the local communities and the Private sector. Rs. 50 Mn
28. Our river banks and soil beds have been made more vulnerable given the extreme weather conditions and as such:

29. The Kelani basin highlights the need to scale up the existing Climate Resilience Program with focus on mitigating urban flooding. As such, a flood protection wall will be constructed, in the interim. As a long term measure, new multi-purpose reservoirs will be built upstream at Wee Oya, Nawatha, Holombuwa and Reucastle to enhance the water retention capacity. A similar mechanism will be looked into with regard to other perennial rivers including, Kalu, Nilwala and Gin rivers. Rs. 4,900 Mn
30. Expenditure incurred by the private sector entities and NGO's to partner the Government in this effort, will be treated as qualified expenditure.
31. Ground water monitoring will continue in 2018, covering 8 districts, with the installation of monitoring equipment to cover the 3 identified river basins: Malwathu Oya, Kumbukkan Oya and Maduru Oya. This exercise will be critical in ensuring the purity and safety of water resources. Rs. 1,500 Mn
32. The pollution levels in some of our waterways have reached unprecedented levels. As such, the "*Pavithra Ganga*" project will be implemented. This project will focus mainly on ensuring zero disposal of waste by factories into waterways over time. In this regard, initially, all the factories that dispose of their waste into the Kelani River will be given 5 years to implement eco-sustainable modes of disposal of waste. They will be supported through a concessionary credit facility. Rs. 750 Mn
33. We will establish the Haritha Udyana (Eco Friendly Parks) or a green lung with a jogging track in every Pradeshiya Saba Division, and in keeping with the ancient Athenian concept of a balanced mind, body and spirit, this will include a library, gymnasium and a roof garden for yoga, meditation or other spiritual activities. Rs. 1,500 Mn
34. In this regard, the "*Nilwala Eliya*" model park and mega zone will be established on the left bank of the Nilwala river in Matara. Rs. 1,500 Mn

35. I wish to note that we will move away from the caged Zoo concept to an “Open Cage” concept at the Dehiwela Zoo. Pinnawela elephant orphanage will be re-organized to be “Born Free Chain Free”. Our elephants and other animals will no longer be caged, but be able to move around with more freedom as per international best practices. Rs. 75 Mn
36. We will establish a Research Institute on Elephants at Pinnawela and also initiate a programme to train Mahouts in Pinnawela financed through the Wildlife Conservation Fund (WCF). Rs. 75 Mn
37. We will, together with the WCF, strengthen our efforts to conserve our endemic species that are endangered such as the Loris, Fishing Cat, and Pangolin etc. Rs. 20 Mn
38. Proliferation of Cellular Towers is both an environmental and a health hazard. As such, we will also impose a Cellular Tower levy of Rs. 200,000 per tower per month to discourage the proliferation of such towers.

## BLUE ECONOMY

39. Mr Speaker, our ocean bed is almost 26 times the size of our land mass with enormous potential. In promoting the blue economy, Government’s strategy is multi-pronged with focus on building the institutional framework, harnessing the existing activities while diversifying to others without compromising its ecological balance.
40. An Integrated Coastal Zone Management (ICZM) mechanism will be developed with the participation of all stakeholders. Rs. 25 Mn
41. Our coastal line is faced with the risk of erosion and pollution which has had a negative impact on tourism, fisheries, transportation etc. As such, I propose to:

42. Initiate a project on Beach Replenishment from Mount Lavinia to Ratmalana which will then be expanded to create further investments, especially in Tourism and Fishery industries. Rs. 400 Mn
43. Invest to protect the coastal belt from Negombo to Marawila, which will include the erecting of stone hedges, cleaning and replanting mangroves. Rs. 800 Mn
44. Mr Speaker, there are 116 lagoons and estuaries in the country. Lagoons have a unique eco system that must be safeguarded to support climate mitigation, resilient growth and conservation. As such, during 2018, the Government will invest in 10 lagoons namely Negombo, Rekawa, Puttlam, Jaffna, Batticaloa, Nandikadal, Nayaru, Chilaw, Mundalam and Andikulama Lagoons. Such investment will be directed towards cleaning the lagoons, increasing the carrying capacity, supporting the existing livelihoods of fisherman and Research and Development. Rs. 1,000 Mn
45. I also wish to note that the hotels and other industries that dispose of their waste into the lagoons will be assisted invest in technology to ensure zero discharge of waste into the lagoons. Rs. 250 Mn
46. Our Government is pursuing the extension of the continental shelf which will complement our blue growth strategy. To strengthen this effort, a fully equipped permanent Secretariat will be established. Rs. 25 Mn
47. We will establish a virtual Blue - Green- Institute as the Coordinating Secretariat for Science, Technology and Innovation (COSTI) which will create and sustain spinout programs identified under the Blue - Green initiative. Rs. 25 Mn

### ENCOURAGING SUSTAINABLE AGRI AND FISHERY VENTURES

48. Mr Speaker, unsustainable agricultural practices adopted over time have resulted in low productivity, degradation of the soil, compromising the quality of water and water sources. Clearly, a paradigm shift is needed to transit into more eco-friendly

agriculture practices. This will not only benefit our environment, but also open new export markets, given the increasing awareness and the price, especially the developed markets are willing to pay for produce from ethical farming and eco-friendly practices. As such, I propose the following:

49. To strengthen the eco-certification programme to facilitate access to export markets. Rs. 25 Mn
  
50. In continuing with the President's initiative, we will desilt small and medium tanks in a systematic manner in harvesting rainwater. This project will commence mainly in North Western, North, and North Central Provinces. Rs. 1,000
  
51. To complete the construction of 3 warehouses for storage of agricultural produce, in Polonnaruwa, Ratnapura and Kilinochichi and to uplift the existing warehouses operating on trust receipt basis, budgetary allocation provided will be further enhanced. These warehouses operating on trust receipt basis benefit the farmers as it facilitates the stabilization of the farmers' income. Rs. 250 Mn
  
52. Farmers are constantly at the mercy of the weather Gods and successive Governments have been doling out funds to the farmers whenever there has been a drought or floods in an indiscriminate manner. It is in this context that the weather indexed insurance scheme has been designed. The insurance cover will be a minimum of Rs. 40,000 per acre for 6 crops including paddy and other 5 emerging crops such as Maize, Soya, Big Onion, Potato, and Chilli. This will be a contributory scheme with the premium being borne by both the farmer and the Government. The Government will invest Rs. 3,000 million in 2018. Rs. 3,000 Mn
  
53. To support such ventures, we will also upgrade the Department of Meteorology with the state of the art technology and elevate the capacity of the personnel. All raw data that is collected by the Department of Meteorology will be made available free of charge to the general public from the 1<sup>st</sup> of January 2018. Rs. 200 Mn



54. Degradation of soil has become a significant issue in improving productivity. As such, SLINTEC, ITI and the National Science Foundation (NSF) will be supported to engage in developing fertilizer, soil management practices etc. to rehabilitate and improve such degraded soil. Rs. 50 Mn
55. We will also exempt NBT on the import of selected equipment including greenhouse technology that enables advanced technology agriculture practices.
56. Backward integrated activities related to agriculture will be taxed at the concessional Income Tax rate of 14%.
57. Our support to the fisheries industry will be as follows:
58. Will bear, 50% of the cost of introducing technology such as refrigerated storage to mitigate post-harvest losses in multi-day boats, Rs. 175 Mn
59. Will bear, 50% of the cost of multi-day boats of more than 55 feet long so as to encourage deep sea fishing. Rs. 400 Mn
60. Will develop and upgrade the anchorages and landing sites of fishery harbors while also investing to improve Chilaw, Mirissa, Karainagar and Purana Wella fishery harbours. Rs. 1,750 Mn
61. We will also develop the Gandara Fishery harbor together with a new fishery harbor in Wellamankara in the Mannar District. Rs. 200 Mn
62. We will continue the “Wewak Sahitha Gamak” programme and will improve fishery villages in coastal areas which were initiated in 2017. Rs. 450 Mn
63. A Milk Fish Hatchery and a Marine Ornamental Fish Hatchery will be established in Bangadeniya. Rs. 100 Mn

64. Given the high demand for processed Sea Cucumbers in the export market which garners about USD 1,000 per Kg, a dedicated buffer zone will be established in Poonakery in the Kilinochchi District where the private sector will be given plots to harvest and process Sea Cucumbers.
65. The infrastructure facilities of the model Aquaculture Industrial Park in the Batticaloa District will be completed. Similar parks to be established in Mannar and Hambanthota Districts.

Rs. 250 Mn

### ENTERPRISE SRI LANKA

66. Sri Lanka has long been trading with the rest of the world and has had renowned domestic businessmen, entrepreneurs, and wealthy people. The historical records reveal evidence on maritime trade links that the country had with China, North Africa, West Asia, as well as European countries.
67. Archeological studies conducted in the areas of Anuradhapura, Polonnaruwa, Mannar, Jaffna and the Southern parts of the country have found coins from Burma, China, Egypt, Rome and Venice establishing that we have been trading with both the orient and the occident for a long time.
68. Further, historical records prove that wealthy Sri Lankans have bought some of the most expensive horse breeds from Alexandria, and that there has been a great demand for Sri Lankan pearls and gems, ivory and spices not only from China, but also from the Roman Empire and the Pharaohs of Egypt. Such evidence establishes that Sri Lanka has been a trading centre.
69. Hence, our goal is to rebuild the “Paradise of Entrepreneurs” capitalizing on the inborn business skills historically possessed by Sri Lankans. If Sri Lanka is to succeed in its journey forward, it is imperative that all Sri Lankans, not just the private sector, become stakeholders of the “Enterprise Sri Lanka” initiative.

70. The responsibility of a Government is not to be in business but to create a level playing field and providing all citizens equal opportunities for success.
71. Hence, “Enterprise Sri Lanka” will facilitate not only the established private sector, but also the small time businessmen and the small retailer running a “kade”, self-employed three wheeler drivers, women who run small businesses and youths driving tech startups to be the engine of growth in our economic model.
72. It is true that not everyone may succeed in a competitive market environment, and those who do not succeed shall not be overlooked. Hence, the Government will ensure a robust social safety nets mechanism that supports those who will be at risk.
73. Today, like never before, there exists an abundance of opportunities to succeed with the help of modern technology. We know with certainty that our youth not only possess the required knowledge, technology and plans, but also the will and the courage. Therefore, of a Government whose vision is to develop the country, should be not to give away a *piece of fish* and make people ‘economically handicapped and entirely Government dependent’, but to give them a *fishing rod* and create a means of living in order to meet their expectations. Also, the Government should support the journey of success that the country can be proud of its citizens being honoured and esteemed. In this regard, our strategy is as follows:

### **CREATING THE NEXT GENERATION OF LOCAL ENTREPRENEURS**

74. The SME sector must be the backbone of our economy. However, the lack of capital or the difficulty in accessing capital due to both the cost of capital and the requirement for collateral have been main impediments in the development of startups and SMEs. Our objective is to ensure that no entrepreneur is ever denied

credit due to the lack of collateral, but is able to access financing given the viability of the project proposal. In fact, a good business idea will be given the pride of place. To this end, we will also facilitate the establishment of a Development Bank with an EXIM window, to enable the much desired long term financing for our private sector ventures. Until the Bank is established, we will continue with the targeted, existing and the proposed loan schemes.

Rs. 10,000 Mn

75. In 2017, we introduced 8 credit schemes on low interest rates to support the SMEs and Micro level entrepreneurs. These schemes will be further strengthened and continued with almost Rs. 15,000 million being disbursed. These, together with other Government assisted existing and proposed credit schemes, will be collectively named as the “Enterprise Sri Lanka Credit Scheme”. The Government will bear the interest subsidy on these schemes.

Rs. 750 Mn

76. It is in this context that the Government, in line with the Grama Shakthi initiative of the President which is part of the national poverty and unemployment eradication drive, has decided to extend support mainly to the farmers, fisherman, youth and women who are already engaged in small businesses, individually or as a community to harness their entrepreneurial capacities. At the same time, the President’s initiative of introducing development programmes to address the regional issues will be further strengthened.

Rs. 2,200Mn

77. During 2018-2020, we will support the formation of 50 agro and fishery companies, 25 majority women owned companies, and 150 youth centric startups. These companies will have at least 10 equity shareholders and each shareholder, will have invested at least Rs. 10,000. The Government will extend a comprehensive support package which includes both non-financial and financial assistance including grants and the credit through the “Enterprise Sri Lanka Credit Scheme” to these companies.

Rs. 500 Mn

78. In order to encourage women entrepreneurs, “Enterprise Sri Lanka Credit Scheme” will make available credit facilities with the interest subsidy being at least 10% more for women entrepreneurs relative to others. Rs. 50 Mn
79. The differently abled will also be eligible to access the “Enterprise Sri Lanka Credit Scheme” with the interest subsidy being at least 15% more relative to others encouraging their entrepreneurial skills to be harnessed. Rs. 15 Mn
80. We will also establish a SME Guarantee Fund which will further augment the SMEs’ capacity to borrow given that it will be considered as collateral. Rs. 500 Mn
81. We will also continue the “Erambuma Credit Scheme” which supports the startups with a credit facility of Rs. 1.5 million per annum per idea per person with a Government Guarantee. Rs. 25 Mn
82. The IT and the IT related sectors have the potential to reach USD 5 billion in export earnings in the next 5 years. As such, to support this industry, specially the SME IT companies, we will launch, the “IT Initiative”, which is in effect the Government’s angel fund for the IT industry. This initiative will be operated through the EDB and we will invest Rs. 3 billion in the next 5 years to support:
- The local startups and to attract foreign startups,
  - Small and Medium sized IT Companies, and
  - Create the enabling environment by supporting establishment of Incubators, supporting the acquisition and augmentation of skills and knowhow in collaboration with the local universities etc.
83. The “IT Initiative” will at the outset finance the following:
- 50% of the Rent expenditure for 24 months on the Hatch Incubator and similar support to any such private ventures in the future, as well.

- The Universities of Colombo and Moratuwa and, SLIIT will conduct training courses on Artificial Intelligence, Robotics, Data Science, Machine Learning, Python Development etc. in collaboration with the industry. Employment for those who successfully follow such courses will be guaranteed by the private sector. The cost of these courses will be shared between the industry and the proposed “IT Initiative”.

84. The SME Guarantee Fund will be extended to the “IT Initiative” and the exporters who require support, as well.

### **FROM LOCAL ENTREPRENEURS TO GLOBAL LEADERS**

85. Mr Speaker, while commending our private sector ventures for having penetrated into the international arena, much more needs to be done. We have tried many strategies including protecting local industries through tariffs. We have legislations that do not allow foreign investments in certain sectors. Perhaps, most of all, our complex labour laws and bureaucracy have unwittingly obstructed foreign enterprises from entering into the country, thereby, preventing the much needed competition for the local industries. Trade reforms are integral to national competitiveness. Let me say this, competition breeds success. It tests our limits and forces innovation. As such, let me assure our local private sector, our Government’s policy of entering into Free Trade Agreements (FTA) and the removals of para-tariffs should not be viewed as a threat to our local industries.

- The para-tariffs applicable on the tariff lines which do not at present carry any Customs duties will be abolished within the next 3 years, in keeping with our policy of liberalizing and globalizing.
- Last year, we removed over 100 applicable para-tariffs on import items and in this year, we will remove almost another 1,200 para tariff. (The list is available in the technical note). However, while we will be phasing out the

para-tariffs, which are also in line with our WTO commitments, such action will be followed by way of a trade adjustment programme in the interim period that will provide relief and support to the local private sector to adjust to this new system.

- We will further support the local industries with the introduction of strong Anti-Dumping and Countervailing laws together with strengthened Consumer Protection laws while also augmenting the National Quality Infrastructure.

86. At the same time, we will also introduce anti-competitive laws addressing Mergers and Monopolies practices to ensure that the private sector can be better facilitated to grow through scale and yet ensure a level playing field in which both the industry's' growth and the rights of the consumer are protected.
87. In supporting our private sector while focusing on strengthening the potential industries as identified in the National Export Strategy we will support those industries that have already accessed the international markets to grow and those industries that have yet not accessed the international markets but has the capacity to do so.
88. We will introduce an "Export Market Access Support" programme as part of the Trade Adjustment programme which will support our local companies that already have exports of less than USD 10 million per annum and potential new entrants to the export market to better access the global value chains. This programme will facilitate:
89. To meet the cost of compliance which includes the cost of provision of free samples, intellectual property registration, insurance and promotional costs undertaken overseas.

90. To support in meeting the cost of rent of retail shop space or shelf space occupied by domestic brands that go overseas for a period of 36 months. We will allocate Rs. 800 million for the “Export Market Access Support” programme. Rs. 800 Mn
91. Product development assistance to exporters including the transfer of technology and knowhow will be facilitated through the “Enterprise Sri Lanka” Credit scheme.
92. The proposed SME Guarantee Fund will enable SME Exporters who are in the CRIB but have the potential to export, yet has no access to finance its operations, to access financing from Banks utilizing the SME guarantees.
93. In line with our policy of strengthening the National Quality Infrastructure, the testing facilities at the Industrial Technology Institute (ITI), Sri Lanka Standards Institution (SLSI), National Quarantine Center, National Aquatic Research Agency and similar agencies will be upgraded to be on par with international certification bodies. This will facilitate our products to be acceptable in the global markets and to facilitate the proposed import inspection and facilitation scheme. Rs. 250 Mn
94. The National Intellectual Property Office will also be upgraded and better resourced. Rs. 25 Mn
95. In order to meet the growing demand and to facilitate Business to Consumer e-commerce transactions (B to C), the BoI and the Customs Department will establish a procedure by 1<sup>st</sup> January 2018, to effect such transactions.
96. Let me focus on the logistics hub which includes front end services, Multi Country Consolidation, Warehouses, Entrepot Trading and Off Shore Businesses which have immense potential. However, if we are to exploit this potential in full, certain amendments to regulations will have to be effected. Such amendments will consist of the liberalization of the existing investment regime with the inclusion of working



capital, expansion of designated areas and introduction of updated operating guidelines.

97. The Sri Lanka Ports Authority Act, No. 51 of 1979 and the Merchants Shipping Act, No. 52 of 1971 will be amended to cater to the demands of the modern day logistics and marine industry. This will also ensure healthy competition, an independent Ports regulator will be introduced. Restrictions on the foreign ownership on the shipping and the freight forwarding agencies will be lifted. This will enable major international shipping lines and logistics operators to base their operations in Sri Lanka.
98. The Government will drive a comprehensive “Multi-National Corporation Outreach” programme (MNC Outreach) to attract global Electronic and Electrical Machinery (EEM) players into the country to create value chain linkages or joint ventures with Sri Lankan EEM exporters. Rs. 25 Mn
99. We will grant tax concessions on imported capital goods through bonding facilities during the construction period for large scale pharmaceutical investments, dairy industry and solid waste management ventures.
100. The EDB, supported by institutions such as Sri Lanka Customs, Department of Commerce etc., will establish a trade portal (E trade Information Platform) that will allow the exporters to access reliable trade information on time and trade promotional tools including trade statistics, regulatory requirements, export/import procedures etc. Rs. 25 Mn
101. The COSTI will be converted into the National Science Technology & Innovation Coordinating Authority (NASTICA) which will be dedicated to convert research into commercial ventures. Rs. 25 Mn

102. We will also introduce the “Innovators to Industry (I2I)” initiative. “I2I” will facilitate and support the matching of the best and the brightest creative minds with our industries. In fact, this will benefit both the innovators and the industry. Rs. 25 Mn
103. Last year, we supported Product Design Engineering (PDE) through the establishment of a fund. We will continue to support the PDE initiative through the Mechatronic Enabled Economic Development Initiative (MEDI) which will consist of the shared services in Standards, Training, Prototyping and Test Facility (SPTF) and the Long Term Loan Facility (LTLF). Rs. 350 Mn
104. The Center for Robotics will be further strengthened while supporting the Public Innovation Spaces. Rs. 50 Mn
105. The boat building industry has been identified to have significant potential as an export industry while paving the way for nautical tourism. As such, we will introduce the necessary regulations to facilitate this industry to grow, including the introduction of a system for standardization and quality assurance and, will also create dedicated industry zones in Trincomalee and Koggala, facing the waterfront. We will exempt the upfront payment of NBT and PAL applicable on the sale of yachts built by BoI companies to the local BoI charter companies. Rs. 100 Mn
106. The country still has a competitive advantage in the spice and concentrates industry. Our support will be as follows:
107. Stringent regulations will be imposed to ensure good quality products protecting the Sri Lankan identity.
108. The Cinnamon and the Pepper industry will be supported for value addition and to increase production, by providing incentives to increase the production of high quality planting materials in 1,000 nurseries. Rs. 50 Mn
109. Activities will be strengthened at the Cinnamon Training Collage. Rs. 50 Mn

110. A revenue model for the Tea industry will be developed in the medium term.

111. We will strengthen assistance to Tea small holders to improve productivity.

Rs. 250 Mn

112. Given the issues faced by the domestic Coconut producers, NBT on domestic Coconut oil and kernal products will be removed for a period of 1 year. At the same time, I also propose the following:

113. We will introduce regulations to ensure mandatory packaging and labeling and standardization of quality in compliance with international quality standards for all Coconut kernel products.

114. Will support the Coconut Research Institute to produce Hybrid Coconut Seedlings to meet the demand from growers.

Rs. 25 Mn

115. The implementation of the Rubber Master Plan which has been drawn up with industry input has 22 different projects covering the raw material base and manufacturing with a heavy focus on product innovation and infusion of new technology will be supported.

Rs. 50 Mn

116. The Poultry industry is a key part of the country's agro industrialization strategy given its capacity to be a significant export earner. As such:

117. The import of maize will be liberalized provided that such imports will be made only to meet any gap created due to a lack of domestic production of maize.

118. Will provide on lease basis underutilized state farms or land suitable for this industry to develop modern poultry farms with a view to increase the live birds stock from 110 million to 500 million per year.

119. It is envisaged that our fruits especially Pineapples and Bananas will have significant export potential arising from the proposed FTAs. As such, to meet the demand for these fruits, we will support the Horana and Makandura Research

Rs. 125 Mn

Centres and the Institute of Agro- Technologies and Rural Sciences to develop high yielding plants using micro propagation methods and disseminate the necessary technologies. Concurrently, we will also support the Wayamba University in establishing a Center for Food, Technology, Research and Training focusing on sectors including the Dairy industry..

120. Considering the growing demand for Sri Lankan floriculture products in the global markets, we will support this industry to improve infrastructure including the establishment of a Flower Council to access new markets.

Rs. 10 Mn

121. The Gem and Jewelry industry has significant export potential. Sri Lanka's Lapidary industry is considered as one of the best service cutting stations catering to a high end clientele. As such, to boost the industry:

122. The NBT on the gem stones imported for service cutting and to re-export will be exempted.

123. National Gem & Jewelry Authority's structure and policies will be revamped so as to facilitate the industry's growth potential including upgrading the lab facilities.

124. The potential in the Timber and Timber based products is enormous but remains very much underutilized. As such, we will establish a Design Center for Timber and Timber based products in collaboration with the University of Moratuwa.

Rs. 25 Mn

## STIMULATING THE TOURISM INDUSTRY

125. The Tourism industry remains a vibrant industry. Tourism arrivals are estimated to increase by almost 3 fold to 4.5 million by 2020. The country has much to offer given its Natural Beauty, Heritage, Cuisine and Culture. As such, our support to the Industry is as follows:

126. The increase in tourists warrants extra rooms apart from the hotel rooms that are already being constructed. In this context, mechanisms such as the Homestay programme will be encouraged. A special credit facility will be introduced to upgrade such facilities.

Rs. 10 Mn

127. In order to establish a level playing field for tourist service providers in both formal and informal sectors, it is suggested to register all tourist service providers with the Sri Lanka Tourism Development Agency (SLTDA) and to bring the informal sector in to the broader tax net. It is further suggested that the Online Travel Agents (OTAs) in the tourism industry (both resident and non-resident) which derive their commission from the businesses carried out in Sri Lanka, and in line with global best practices, we will impose a tax of 1% on the commission derived or accrued by OTAs from reservations in Sri Lanka.

128. The para-tariffs imposed on certain imported food and beverages will be removed. (The list is included in the Technical note).

129. The liquor licensing fee structure will be rationalized. License issuance mechanism will be revamped with a view to promoting tourism, especially in Guest houses, Boutique Hotels etc. A tax file number will be one of the essential requirements when issuing these licenses.

130. We will focus on developing a few anchor sites for tourism in collaboration with the SLTDA and the Sri Lanka Tourism Promotion Bureau (SLTPB) and, this will include:

131. The development of 6 Forts in Matara, Hambantota, Batticaloa, Fort Fredrick in Trincomalee, Mannar Fort/Doric House and in Kalpitiya in collaboration with the Archeological Department and the private sector.

Rs. 250 Mn

132. The railway stations such as Nanu Oya, Colombo Fort, Galle and Ella will be declared as Archeological sites and modernized to give a better rail commuter experience preserving its original architectural identity in collaboration with the private sector. Rs. 75 Mn
133. The domestic airports at Sigiriya, Batticaloa, China Bay and Koggala will be developed as PPP's to support tourism.
134. Suitable areas will be identified for aero sports. This will have defined 3 dimensional boundaries and be demarcated as "open skies for aero sports" including Hang Gliding, Ballooning, Dirigibles, Parachutes and Para – Gliders The NBT and PAL will be removed on the import of non-powered equipment.
135. The Maduru Oya and Gal Oya National Parks will be developed to support high end safaris etc. The Park rangers will be capacitated to support not only conservation and protection functions but also those related to tourism, as well. Rs. 75 Mn
136. The SLTDA will establish 25 life guarding stations on the coast and the Government will collaborate with Sri Lanka Police to strengthen 20 Tourism Police Units in popular tourist spots to ensure the safety of Tourists. Rs. 30 Mn
137. The PAL and NBT will be exempted on the import of non-motorized water sports equipment such as Kayaks, Canoes, Kite Surfing Equipment etc. We will also reduce the import taxes applicable on off road electric sports vehicles.
138. The EDB together with the SLTDA will invest in the development of a "Branding Sri Lanka Cuisine" initiative.
139. Three street festivals and exhibitions will be held in Los Angeles, London and Mumbai during the coming year to coincide with our 70<sup>th</sup> Independence celebration. This will be done in collaboration with the private sector. Rs. 50 Mn

140. In keeping with our vision to make Sri Lanka a Shopping hub, a VAT refund scheme for foreign passport holders will be implemented at the Airports and Sea Ports with effect from 01<sup>st</sup> May 2018.

141. Mr Speaker, the 1.3 million strong three wheeler driving community in the country, plays a significant part in our daily lives. Increasingly, the Sri Lankan “tuk tuk” has become a tourist attraction, as well. As such, this Budget while already providing incentives for “tuk tuk” to go electric, we will further support the creation of “tuk tuk” entrepreneurs.

142. The SLTDA and SLTPB will initiate a programme to introduce a “Tourist Friendly “tuk tuk” where the “tuk tuk” drivers will be trained in collaboration with the hospitality industry, to be tourist guides and register them with the Bureau. A special sticker issued by the SLTPB will be displayed on the “tuk tuk”’s once the drivers have successfully completed these courses which will be offered free of charge.

Rs. 50 Mn

143. We will also establish the three wheeler regulatory authority and regulations have already been issued to make meters mandatory for all.

Rs. 25 Mn

## ENABLING ENVIRONMENT FOR FOREIGN DIRECT INVESTMENTS

144. Mr Speaker, for a middle income country, we have not been able to attract FDIs in the same scale as our neighbors. Many issues ails us. Therefore, our processes must be relooked at and benchmarked against the best. It is in this context that I wish to propose the following:

145. The Department of the Registrar of Companies as part of its business re-engineering process, will establish a One Stop Shop for business registration through the introduction of a single identification system and introduce a system to

scan and digitize company records, create a database of trademarks, etc. using its own funds.

146. We will also introduce an E-local Government application system, automated construction permit issuing mechanism, integrated Land Registry (eLR), digitized 45 Land Registers, and establish a National Single Window connecting 31 State agencies with the Customs Department. Rs. 500 Mn
147. As I already mentioned, we will remove restrictions that limit the land ownership rights of listed companies with foreign ownership together with the restrictions on foreigners' ability to purchase condominiums below the 4th floor.
148. Rojana Industries of Thailand will be establishing an Industrial Park at Milleniya with an investment of USD 500 million. The Government has already provided this venture with land and will also provide the necessary infrastructure such as electricity, water, access roads etc. up to the Zone. Similar support will be extended to the proposed Industrial Zones in Bingiriya, and Charlemont Estate, Weligama. The BoI, the relevant line agencies and the newly established PPP Unit at my Ministry will collaborate in facilitating such ventures. Rs. 2,500 Mn
149. Work has commenced on the establishment of the Hi-Tech Innovation Park in Mahahenawatte, Pitipana. This park will host, initially, 6 industries from the Bio-Pharma sector and 15 more industries will be established, subsequently. Rs. 100 Mn
150. Mr Speaker, Budgetary constraints have limited our investment portfolio. In this context, PPP is a conduit that enables investments in infrastructure without compromising our ability to maintain a robust social safety network. As such, we have established a special Unit under my Ministry, which will be the single facilitation point for all stakeholders in designing and implementing PPPs. We will be issuing PPP guidelines, shortly. We will pursue PPPs in a wide variety of Rs. 50 Mn



sectors covering transport and highways, power, ports, water supply, healthcare, education, housing, agri-business, retail and minerals.

## **HARNESSING OUR YOUNG ENTREPRENEURS**

151. If “Enterprise Sri Lanka” is to succeed, the youth of our country must be made stakeholders of this national venture. All our young people, whatever their social and education status may be, must be given equal opportunities to succeed and utilize their respective talents to the maximum. Every year, nearly 300,000 sit for the Advanced Level (A/L) and out of which only around 30,000 will enter our national universities. Of the 200,000 A/L students, around 10,000 from financially better off families will go abroad and another 60,000 students will be entering non-Governmental degree awarding higher education institutions. This leaves almost another 200,000 with various skills and abilities, hopeless and frustrated. However, the rigidities and our failure to effect significant reforms in our education system, have resulted in the system being unable to recognize the uniqueness of each of our students. The system has failed the student and not the student. The unique talents of many of these youth can be harnessed and utilized for the betterment of the country. In fact, their energy and their ideas must be the engines which make Sri Lanka grow. In this context, the Government’s strategy is as follows:

- “13 years of Education” - Invest in primary and secondary education to ensure that young people will get 13 years of education irrespective of the outcome at O/Ls in a stream of their choice with the emphasis on vocational and skills training.
- “World Class University Education” - Invest in university education with focus on modern curricula, research facilities and standardization.

- “Market Oriented Vocational Training” - Invest in developing vocational training institutions to develop high quality market oriented training programmes.

152. Our three pronged approach will ensure that no youth will be left behind within the “Enterprise Sri Lanka” vision.

153. A common issue faced by our youth in navigating the job market is that they do not possess the required skill set as demanded by the market. Therefore, we propose to implement a programme where groups of youth will undergo 3-6 month training courses in a specific skill set as demanded by the private sector. We will establish the “Employment Preparation Fund” at the Ministry of National Policies and Economic Affairs which will finance

Rs. 2,500 Mn

- The cost of such training courses to be made available
- The cost of the stipend to be paid during the training period amounting to Rs. 3,500 per month
- A portion of the monthly allowance up to Rs. 6,000 for a period of 6 months and the partner employer will pay a further allowance of Rs. 10,000.

154. The National Youth Corps has undertaken several skill development programmes and these will be further strengthened by allocating Rs. 2,000 million.

Rs. 2,000 Mn

155. In addition to the German Technical Colleges in Ratmalana and Kilinochchi and the one to be built in Matara, we will also establish 5 Technical and Vocational schools in Badulla, Kandy, Trincomalee, Ratnapura and Anuradhapura in the next 3 years with technical inputs from the Swiss and the German Governments. These Technical schools will provide world class training in hospitality management, civil, electrical and motor mechanical engineering etc.

Rs. 1,000 Mn

156. A University College will be established in Kinniya for advanced training opportunities for youth.

Rs. 50 Mn

### **SOCIAL INFRASTRUCTURE**

157. Mr Speaker, unlike any other time in history, our Government ensured an unprecedented level of resource allocation to Social infrastructure including Education, Health, and Youth empowerment. Investments in Education, Higher Education and Vocational Education alone will amount to over Rs. 325 billion in 2018. Our strategy is to move away from brick and mortar investments to quality improvements, which will be a more sustainable strategy to reap better dividends. As such I propose the following:

### **"13 YEARS OF EDUCATION"**

158. Mr Speaker, let me state this at the outset itself. We have delivered on the promise of introducing the Student Insurance Scheme and have provided Tablets for our students. The President and the Prime Minister have clearly stated many a time that education is a key component of the country's development strategy and, therefore, will not compromise resource allocation to its development. Hence, the Budget for education is structured on the objective of providing "13 Years of Education". Such reforms will also focus on improving the ratio of Science, Technology, Engineering and Medicine (STEM) to Non-STEM graduates in the country. As such:

Rs. 3,500 Mn

159. The National Institute of Education (NIE) will be restructured to partner the demand for serious reforms in the primary and secondary education. The focus of the reforms will include the:

160. Change in the methodology of teaching of STEM subjects.

161. Proposed change in the A/L subject combinations ensuing degree programmes, as well, in line with the STEM+A (Arts) concept. This will allow students to offer combinations such as Mathematics with Music, Science with Drama etc. at A/Ls which will produce students with attributes essential to the modern day demands.
162. The examination and assessment methodology will also be reformed to suit “13 years of Education”.
163. In reforming the curricula, as required, we will also provide the students with math kits and upgrade the mathematics laboratories.
164. Programme for International Student Assessment (PISA) will be introduced to facilitate the testing of our education system in comparison to the global standards by testing the skills and knowledge of students. Rs. 25 Mn
165. In preparing our students for tomorrow’s jobs, we will introduce Genomics, Coding, Robotics and Nanosceince into our school curricula.
166. Continuous Professional Development (CPD) for Teachers will be continued. Rs. 1,200 Mn
167. The “Smart Class Room” concept will be strengthened as part of our digitalization drive, together with the development of e-text books. Rs. 755 Mn
168. A center dedicated to training Teachers in the English Language will be established at the College of Education at Maharagama. It is expected that given its proximity to the NIE, resources will be shared between the NIE and the proposed Center for English education creating synergies. Rs. 50 Mn
169. We will further strengthen the training of teachers of special needs students. In this context, the special needs training facilities at Hapitigama and Adalachchenai Colleges of Education will be upgraded. Rs. 25 Mn

170. The allowance paid to the students in National Colleges of Education will be increased up to a maximum of Rs. 5,000 per month from an average of Rs. 3,500 per month.

Rs. 50 Mn

### **“WORLD CLASS UNIVERSITY EDUCATION”**

171. Mr Speaker, although the Government’s investment in the university education has increased, it is disappointing to note the work of various disruptive forces in our University system which has held the future of our brightest and the best to ransom. In fact, it is the future of our country that is being held to ransom. However, this Government is determined to open up new opportunities for our youth. To this end, while increasing the university intake by almost 20% in the last 2 years, especially, in subjects including Technology, Engineering, Medicine, and selected degree programmes in Management and Social Sciences we have also improved the physical infrastructure facilities of the universities. As such:

172. Will establish State medical faculties at Wayamba, Sabaragamuwa and Moratuwa Universities to expand medical education.

Rs. 1,250 Mn

173. A Professorial unit at the Karapitiya hospital to complement the expansion of the medical faculty at the Ruhuna University.

Rs. 50 Mn

174. Expand the technology degree programmes in subjects such as Information and Communication Technology, Engineering Technology and Bio Systems Technology in 7 new technology faculties which include, the Universities of Rajarata, Ruhuna, Sabaragamuwa, Kelaniya, Colombo, Sri Jayewardenepura and the South Eastern University.

Rs. 5,000 Mn

175. Will establish a Centre for Naval Studies and Shipping at the Ruhuna University.

Rs. 250 Mn

176. Will support the Colombo University's initiative to collaborate with the industry needs and venture into new streams such as Data Science, Big Data analytics, Actuarial studies, Business analytics etc. Rs. 250 Mn
177. The Vavuniya Campus of the Jaffna University will also be strengthened to include a state of the art library facility and an IT center. Rs. 200 Mn
178. We will also facilitate the State universities to offer internal off site degree programmes in properly regulated and accredited private institutions.
179. An independent quality assurance and accreditation mechanism which is essential to maintain standards and quality of the provision of higher education will be established. Rs. 25 Mn
180. The University of Sri Jayewardenepura's Management Faculty will be supported to seek the accreditation of the Association to Advance Collegiate Schools of Business (AACSB) enabling the university to benchmark against the global competitors. I encourage other Universities to also follow suit. Rs. 100 Mn
181. The relevant Statutes governing UGC approved universities will be amended to own patents and, remove restrictions on licensing them and owning shares in companies that exploit or license such patents.
182. Although we have a rich indigenous medical system, it has been neglected and is faced with extinction. As such, a Post Graduate Institute of Indigenous Medicine will be established. Rs. 40 Mn
183. I propose to increase the eligibility criteria of the household income threshold from Rs. 300,000 to Rs. 500,000 per annum for the Mahapola Scholarship scheme. This will benefit an extra 3,000 students. Rs. 75 Mn
184. We will also finance a health insurance scheme for all university students. Rs. 100 Mn

## SPORTS ACTIVITIES

185. Mr Speaker, sports have the twin impact of building a sense of social cohesion and social capital whilst ensuring that the country achieves recognition in the international arena.
186. As such, we will popularize community sports and to support this initiative we will develop 100 rural playgrounds throughout the country. Rs. 100 Mn
187. The Talent Identification programme has now enabled us to create pools of talent of budding young athletes at District and Provincial levels, thus, becoming the main feeding point into the National Pool. As such, to promote sports at the District and Provincial levels, we plan to uplift the District and Provincial sports stadiums. As such, initially, the Digana sports stadium, the Polonnaruwa District stadium and the Sandankeni sports stadium in Kalmunai will be developed during the next 2 years. The Matale Hockey Ground, which is in a dilapidated state, will be rehabilitated. Rs. 400 Mn
188. Sri Lanka has the honour of hosting the South Asia Games (SAG) in 2020. The Diyagama International Sports Complex, where the SAG games are planned to be held, will be upgraded and expanded which will include the re-laying of the tracks, development of an athletic village, an entertainment area, a muscular skeletal surgery unit etc. We will also establish a Sports School and an Academy at Diyagama which will be the training ground for the majority of our national level athletes. Rs. 1,500
189. The Sugathadasa Indoor Stadium will be modernized and managed as a PPP. It is expected that this will attract international sports competitions and entertainment events. Rs. 100 Mn

190. The pavilion and the tracks at the Sugathadasa Outdoor Stadium will also be upgraded to international standards. Rs. 1,200
191. The Human Performance laboratory will be equipped with state of the art facilities. Rs. 75 Mn
192. The issue of performance enhancing drugs has permeated into the country's sports arena, as well. This is quite shameful. As such, we will support the implementation of a national awareness programme on anti-doping and the establishment of a drug testing and research laboratory. Rs. 25 Mn
193. I understand that the cost of sports shoes has become a major impediment in attracting our village youth into competitive sports. Therefore, I wish to propose that the para-tariffs imposed on import of sports shoes be removed.
194. We will also support our Veterans and the differently abled who represent the country in international sports competitions such as the Asian Masters Championships, Paralympics etc . Rs. 50 Mn

### A HEALTHY NATION

195. Mr Speaker, the investment in the Health Sector by our Government has been significant. We have delivered on the promises of providing medicine at an affordable cost. We have already allocated almost Rs. 200 billion in 2018 and we will allocate more resources to further strengthen the health sector.
196. Given the increasing prevalence of CKDu in almost all the Districts in the country, we will establish specialized renal units and 3 numbers state of the art Extra-Corporeal Shock Wave Lithotripsy (ESWL) machines to the Polonnaruwa, Anuradhapura and Jaffna Hospitals. Rs. 450 Mn
197. To tackle the rising threat of Non Communicable Diseases (NCD), especially amongst children, we will strengthen the Health Education Bureau's (HEB) Rs. 100 Mn



activities. As such, the HEB will collaborate with the Ministry of Education in addressing the threat of NCDs such as juvenile Diabetes, Asthma etc. The screening process for CKDu, Thalassemia and HIV/AIDS will also be strengthened.

198. In the ongoing effort to reduce Diabetes and obesity, especially amongst children, I propose to introduce an Excise duty of 50 cents per gram of sugar contained in beverages with effect from midnight today.

199. The Karapitiya Cancer Unit will be strengthened. We will also establish Cancer Units at both Batticaloa and Ratnapura Hospitals. Rs. 300 Mn

200. Primary health care network of Government dispensaries will be strengthened. Rs. 100 Mn

201. An assisted Reproductive Treatment Centre at the Castle Street Hospital for women and 3 highly specialized Obstetrics Centers in Colombo, Kandy and Anuradhapura will be established. Rs. 275 Mn

202. A Maternity and Neo-natal Complex at the Polonnaruwa Hospital will be established. Rs. 50 Mn

203. We will commence work on the Cardiac and Critical Care Complex and the Cardiothoracic Complex at the Lady Ridgeway Hospital. I wish to thank all those who helped in the little heart initiative. Rs. 400 Mn

204. The Divisional Hospitals at Moratuwa and Deniyaya will be upgraded by providing the necessary infrastructure while the Beruwala Base Hospital will be strengthened with curative care units, laboratories, a Blood Bank and a sewerage treatment plant. Rs. 375 Mn

205. The new District General Hospital at Matara which is severely congested at present will be revamped by moving the maternity, pediatric, medical and the administrative units to Kamburugamuwa. Rs. 150 Mn

206. A comprehensive food hygiene and food safety system will be developed in collaboration with the relevant line agencies. Rs. 25 Mn
207. The infrastructure facilities at the Nurses Training Schools will be improved. Rs. 300 Mn
208. Mr Speaker, every day, mainstream media reports of incidents of suicide, self-harming, and various anti-social behaviors amongst people of all ages. As such, we will support the improvement of mental health care in the country. Rs. 25 Mn
209. The Dental Health Institute of Maharagama and the Oral Health Care Unit at Ratnapura will be strengthened with better facilities. Rs. 300 Mn
210. Will establish a unit that will be dedicated to Sexually Transmitted Diseases (STDs) and HIV/AIDS with the state of the art facilities at the National Hospital of Colombo Rs. 25 Mn
211. We will support the Suwaseriya Ambulance service which has now become an integral part of the health service. Rs. 750 Mn
212. The NSF will be supported to strengthen health and allied research. Rs. 75 Mn
213. Regulations will be issued imposing the quality and standards required in importing cosmetic and personnel care products.
214. Out of the total liquor consumption, almost 49% is from illicit sources while 85% consume hard liquor. However, in most countries, the tax structure is designed to discourage the consumption of hard liquor and is often proportionate to the alcohol content. We will rationalize the tax structure based on a formula linked to the alcohol content and type. Further, NBT will be imposed on liquor with effect from 1<sup>st</sup> April 2018.

## A HOME OWNING SOCIETY AND CREATING URBAN HUBS

215. Mr Speaker, our vision is to ensure that every citizen becomes a home owner. As such, we have already commenced a number of programmes addressing the low and middle income segments of the society, the Estate community, relocation of victims of landslides and the resettlement of our citizens affected by the conflict in the North and the East. In this regard, I wish to inform the following:
216. We will provide 20,000 housing units under the Urban Regeneration Project (URP) by 2020 for the low income segment in the country. By now 2017, 5,856 of such units have already been completed. Given the Government's commitment to accelerating these projects, Rs. 17.5 billion will be allocated in 2018. These projects have already commenced in Angoda, Kolonnawa, Maligawatte and Dematagoda. Rs. 17,500 Mn
217. Lack of proper housing facilities in the North and the East is a key concern of the Government in ensuring the resettlement of those displaced during the conflict. In this regard, we have already initiated a programme to construct houses during 2018-2020. Rs. 3,000 Mn
218. The plantation sector has consistently been one of the biggest contributors to our export income. Yet, their quality of life has remained under par. We will facilitate the shift from the line rooms to a house and for which 25,000 houses will be provided in the medium term. Rs. 2,000 Mn
219. Rural housing needs will be addressed through an owner driven housing scheme and also to support improvements to the houses. Rs. 7,000 Mn
220. With the fast growing middle income group in the country, the demand for affordable housing needs Government's intervention, especially in the emerging urban hubs. The Urban Development Authority (UDA) and the National Housing Development Authority (NHDA) have undertaken several projects in Borella, Rs. 500 Mn

Kottawa, Wadduwa, Homagama and Ragama and will further expand this programme. We will support this venture with a low interest credit scheme, specially targeting the first time home buyers.

221. Given our Government's commitment to sustainable development and creating modern sustainable Urban Hub, Rs. 24 billion will be allocated for URP: a multipurpose initiative, which includes an integrated flood mitigation mechanism to cover the Colombo city limits and its suburbs including Weras Ganga project, the relocation of the Manning Market to Peliyagoda, Administrative City Development project, development of Ancillary Infrastructure for the Colombo Port City, Transport Development project, Beira Lake Rehabilitation and Redevelopment project and, the provision of Road Infrastructure for the Tec-City at Homagama.

Rs. 24,000 Mn

222. Mr Speaker, our development model is not limited to only the Colombo District and its suburbs, but it is an inclusive development strategy that encompasses all 25 Districts in the country. As such, the township and strategic city development programme will initially cover Kandy, Anuradhapura, Galle and the Jaffna Districts.

Rs. 12,000 Mn

223. The master plan for greater Kalmunai and Samanthurai has already been drawn up. We will extend support to implement key projects identified in the master plan. Funds will be allocated to uplift small and medium townships, especially in the lagging regions of the country with modern amenities.

Rs. 2,000 Mn

224. We will complement the financing for the Central Expressway project.

Rs. 10,000 Mn

225. We will invest to improve the rural road network covering the entire country. The roads that were affected by the disasters due to floods and landslides will also be rehabilitated.

Rs. 4,000 Mn

226. Given the success of the pilot implementation of the “Serisera” or the Touch Travel card programme, we will support the expansion of this led by the SLTB to cover the private sector as well. To further support this initiative, the combined timetable for bus transport, will be implemented.

### CREATING A SECURE ENVIRONMENT FOR ALL

227. Mr Speaker, in ensuring security in the country asymmetric threats including cyber terrorism, financial crimes, drugs and human trafficking are the emerging issues. It is incumbent upon us to ensure that our security forces are properly capacitated with not only hard infrastructure but also with soft infrastructure including the ability to access information not only within the country but also collaborate with our neighbors without infringing on the privacy of our people. Therefore, resources will be allocated as follows:

228. Community policing has been identified to be a key element in the Police reform process especially in positioning Sri Lanka Police as a professional, people friendly law enforcement agency. Rs. 100 Mn

229. A Police and Criminal Justice University, a brainchild of the Prime Minister will be established. This will focus on areas of Human Rights, International Law, Security, Criminology, Forensics, Investigational and Intelligence Analytics. Rs. 125 Mn

230. The Cyber Crime Investigation Unit of the Sri Lanka Police will be strengthened while upgrading the Police Information and Communication Systems to meet the modern day demands. Rs. 440 Mn

231. The UN has commended the work of our Peace Keeping Forces and has requested Sri Lanka to increase its participation in this effort. As such, we will implement special training and development courses for Sri Lankan Soldiers to participate at the UN Peace Keeping missions. Rs. 750 Mn

## LEGAL REFORMS

232. Mr Speaker, I note that our courts are overwhelmed with cases due to both the shortage of Judges and staff and, physical infrastructure. The delay in dispute resolution has created a frustration not only amongst our civil society but has also become a hindrance in enforcing contracts, thereby, increasing the cost of doing business in the country. This demands investment in judicial infrastructure. In this background, I propose the following:

233. In order to clear the enormous backlog of cases pending in our courts on offences including financial crimes, corruption and organized crimes, we will support the establishment of specialized high courts. To expedite the administration of these courts, a modern audio and visual recording system will be installed.

Rs. 25 Mn

234. We will also introduce an automated case management mechanism.

Rs. 50 Mn

235. The court complexes in Ratnapura and Welimada have been identified to be susceptible to landslides and as such we will support the relocation of these two court complexes.

Rs. 500 Mn

236. The Kilinochchi, Theldeniya, Pugoda and Kantale court complexes will be relocated and expanded to address the congestion and lack of facilities at these complexes.

Rs. 400 Mn

237. Juvenile offenders and victims often are transported to the court houses together with the adult offenders creating many issues for the minors. As such, we will support the procurement of vehicles dedicated to transport such juvenile offenders and victims.

Rs. 50 Mn

## STRENGTHENING THE CAPITAL MARKETS

238. Our capital markets remain largely untapped. As such, we will ensure that the necessary legal framework and the policy environment are created for its further development. In this regard, we will divest our holdings in non-strategic enterprises which I believe will create buoyancy in our stock markets. Our capital market strategy is propelled by a desire to ensure access the long term funding at a lower cost to fuel growth ventures.

239. We have already commenced the implementation of the Basel III requirements for our banking sector where the targets are to be met by 2019. However, out of the 6 banks designated by the Central Bank of Sri Lanka to be Domestic Systemically Important Banks (D-SIBs), 3 State banks, i.e., the Bank of Ceylon (BoC), Peoples Bank (PB) and the National Savings Bank (NSB), are facing capital pressures. Both BoC and NSB have accessed the international capital markets, successfully on the strength of their own balance sheets signifying that our State banks are now mature enough to raise their own capital from the markets. It is in this context that we will allow the BoC and the PB to raise both debt and equity capital. In raising equity capital, the State will not relinquish the controlling ownership, but is willing to allow the divestitures, provided that the depositors and the employees are given the option of becoming shareholders. However, in the interim, we will infuse Rs. 5 billion as equity to BoC in 2017 and a further Rs. 5 billion in 2018. We will also infuse Rs. 2.5 billion as capital into the Pradeshiya Sanwardana Bank in 2017.

Rs. 5,000 Mn

## HERITAGE AND CULTURE

240. Mr Speaker, we are the proud heirs of a rich and vibrant heritage. It is the one that we must protect, so that, our generations to come will also be able to experience its richness. Our Government is keen to ensure that our religious places and archeological sites are properly protected and conserved. We are also keen to

ensure that our arts and artisans are also protected. As such, I propose the following:

241. We will establish a Buddhist Library under the auspices of the Public Library. Rs. 50 Mn
242. We will support the restoration and renovation activities of our Purana Viharas of archeological value, all over the country, as well as other such places of worship of Hindu, Christian and Islamic faith. Rs. 250 Mn
243. We will also establish Pilgrims Rests in Anuradhapura, Sri Pada, Madu, Koneshvaram, Muneshwaram and Nallur. Rs. 100 Mn
244. The conservation and the preservation of the Ritigala and Rajagalatenna archeological sites will be continued. Rs. 25 Mn
245. The Racecourse building will be converted into the National Center for Arts, Crafts and Modern Design. This will be a hub for both traditional and contemporary artists, artisans and, designers to not only exhibit their craft but also to link to the market. Funding will also be available to artists and designers to showcase their talent and, products both here and abroad. Rs. 250 Mn
246. There's a serious need for recreational facilities, especially in towns with a growing middle to upper middle income population. We will encourage the development of contemporary arts through the establishment of world class performance Centre in Moratuwa. Rs. 600 Mn
247. We will restore the Cultural Hall in Thaalvupadu, Mannar. Rs. 25 Mn
248. The accident and medical insurance scheme for artists supported by the President's Welfare Fund and the Tower Hall Foundation will be introduced. Rs. 10 Mn



## PUBLIC SECTOR

249. Mr Speaker, our public sector, like many around the world, is under increasing pressure to perform and reform. Our bureaucratic structures have remained unchallenged and unchecked for years, thus, becoming a hindrance in efficient and effective service delivery. The dire need to ensure competitiveness, surely, must be the catalyst to stimulate the reform process. Infusion of technology and, change of laws and regulations are a must. Most importantly, empowerment of the public servant is essential. It is in this context, I propose the following:
250. The ICTA has been entrusted with the task of leading the Government's effort of improving service delivery through digitization of Government systems and procedures and, the infusion of technology. For this purpose, we will allocate Rs. 2,000 million for their on-going initiatives and operational expenditures. Rs. 2,000 Mn
251. The National Economic Council to ensure a more coordinated approach in formulating the country's development policies. Rs. 300 Mn
252. The Integrated Treasury Management Information System (ITMIS), connecting all the departments in the General Treasury, has just been launched. The ITMIS will facilitate better Treasury management and we will support its roll-out which includes capacity building, infrastructure development, especially of the spending units in the periphery etc. A new Chart of Accounts will also be implemented under the ITMIS. Rs. 500 Mn
253. We will also introduce a common payroll system for public sector employees.
254. We will shift into accrual accounting in preparing the financial statements, from the existing modified cash accounting methodology within the next 10 years. This will improve the country's balance sheet ensuring better accountability and transparency.

255. We will strengthen the capacities of the Local Government bodies with further investments. Rs. 150 Mn

256. We will also introduce a National Evaluation Policy and Evaluation System for the country, ensuring transparency, accountability, and evidence-based decision making.

257. The Salaries and Cadre Commission is requested to undertake a comprehensive study on the salary anomalies in the public sector.

258. The Government will initiate a programme of providing child care facilities in Government offices that have more than 500 employees or at least 500 employees, collectively in a few offices in the same vicinity together with the private sector. (The Government will procure such facilities from the private sector). Rs. 50 Mn

259. At present the Agrahara Insurance is applicable to retirees who have retired after 2016 for a lifetime. This will now be extended to all retirees' for the entire lifetime, with a contributory premium. Rs. 50 Mn

260. Tax concessions applicable on the public servants' concessionary vehicle scheme will be continued, with a Rupee value based upper ceiling.

261. Fees charged for the services provided by Government agencies have not been revised for many years. These must be revised periodically to reflect the present economic indicators. Thus, I propose to increase such fees which have not been revised during last 3 years, by 15%.

## RECONCILIATION

262. Mr Speaker, if Sri Lanka is to achieve its goal of becoming an advanced economy, it is essential that we build our future plans on a strong foundation of democracy and reconciliation. We must ensure that the tragedies of the past we had to face as a

nation, does not ever recur again. Reconciliation and national unity, based on the diversity of our island, is a must, if we are to achieve our vision 2025 and become a country enriched. Therefore, the Government will continue their efforts with greater vigor and commitment to bring the people of all communities of our country together. Despite winning the war, we have yet to win the peace and in order to do so, it is essential that we win the hearts of those in the war affected areas. Their livelihoods must be improved and the benefits of economic development must reach them.

263. On an initiative of the President, 50,000 brick and mortar type houses will be constructed in the North and the East. This is in addition to the allocations already provided to other Ministries. Rs. 750 Mn
264. The Government will support programs and activities in rural irrigation development including drip irrigation, rain water harvesting, and integrated village development. Rs. 2,000 Mn
265. We will strengthen reconciliation focused livelihood development, economic empowerment and social infrastructure development. This will also include the construction of a special home for differently abled women in the North. Rs. 2,750 Mn
266. Indebtedness in the rural sector targeted by exploitative microfinance schemes have become a serious issue. The small industries in the Northern Province have also not been able to revive due to both the lack of working capital and equity. As such, I propose the following:
267. The Government will support by way of provision of grants and the introduction of a low interest loan scheme to facilitate those indebted and to move out the debt trap through Co-operative Rural Banks and the Thrift and Credit Co-operative Rs. 1,000 Mn

Societies. This will be implemented on a pilot basis in the North and the North Central Provinces.

268. Existing small industries will be facilitated to increase production and to connect with the markets through existing subsidized credit schemes under the “Enterprise Sri Lanka” Credit Schemes.

269. The Government will support, by way of grants, selected small industries throughout the Northern Province by empowering the vast network of Producer Cooperatives in the Province.

Rs. 1,000 Mn

270. We will also establish 2 food processing centers in Delft Island and Kilinnochi, specializing in Sap based produce such as Palm Juggery, Palmyra fruits and Tuber processing, respectively.

Rs. 40 Mn

271. The Mylitty harbor will be developed as a fishery harbor enabling mainly, the traditional dwellers of the land, affected by the war to get back to their traditional livelihoods. We will also establish cool rooms and storage facilities to enable the fisherman to store their fish. This facility will be established by the Government.

Rs. 150 Mn

272. Only about 50% of the Achchuveli Industrial Zone is utilized, at present. I propose to bear 50% of the electricity cost of the companies that will be established, for a period of 2 years and to upgrade the facilities at Achchuveli.

Rs. 100 Mn

273. We will establish a modern economic center in Jaffna connected to the Dambulla dedicated Economic Center and to Colombo, creating an economic triangle.

Rs. 100 Mn

274. ITN’s Vasantham TV channel will be supported to improve its services.

Rs. 30 Mn

275. Resources will be allocated to strengthen the implementation of the Official Language Policy through the National Language Development programme and the National Co-existence programme.

Rs. 200 Mn

276. There are many war and conflict affected widows and ex- combatants that require to be reintegrated into the mainstream society by providing them with livelihood support.
277. We commend the “Ammachchi” concept where women affected by the war are facilitated to engage in small trader businesses and will further support this venture. Rs. 25 Mn
278. It is also essential that the 12,600 rehabilitated ex-combatants are provided with a stable livelihood. However, many of these persons do not have any formal qualifications despite possessing many skills. We will make them eligible for employment by facilitating them to obtain NVQ certification in keeping with their skills. This will be implemented through a mobile service. This will also be made available to those in the North and the East, whose education was disrupted during the war. Rs. 25 Mn
279. As such, private entities that recruit at least 5 ex- combatants will be provided with a salary subsidy of 50% of the salary per person subject to an upper limit of Rs. 10,000 per person per month for period of 12 months. Rs. 250 Mn
280. In the early 90’s, all Muslims living in the North were forcibly evicted by the LTTE. Since then, many of them have been living as Internally Displaced People. Rs. 2,500 million will be allocated for infrastructure development and housing for these displaced persons. Funds will be allocated to expedite the resettlement processes which include the rehabilitation of the Mannar town area and to continue the township development programme at Silawathura. Rs. 2,750 Mn
281. The OMP, which was approved by this House, will commence its operations, fully from 2018. Rs. 1,400 Mn

282. The term of the Secretariat for Coordinating Reconciliation Mechanisms (SCRM) has been extended and as such, we will support its activities.

Rs. 180 Mn

### **COST OF LIVING SUPPORT**

283. The adverse weather conditions have resulted in a significant contraction in the agriculture produce this year, in particular, rice and coconut production. This has resulted in a severe impact on the basic food prices. We have taken several measures recently, to reduce the cost of living impact, including the measures taken yesterday to reduce the import taxes on B-Onions, Potatoes, Lentils, Dried Fish, Sprats and Edible oils.
284. We will strengthen this measure further, by supporting the creation of fair price shops through established retailers in public spaces provided by the Government, free of charge. The operators will commit to offer-for-sale consumer items below the market price for the benefit of the consumer.
285. The Consumer Affairs Authority will be strengthened to protect the consumer from price and quality manipulators

### **SPECIAL LEVY FOR DEBT REPAYMENT**

286. Mr Speaker, the next 3 years will be crucial with debt repayments amounting to almost Rs. 7,000 billion. This includes the repayment of international sovereign bonds which will mature every year amounting to almost Rs. 600 billion where bunching is a severe strain on the Government finances. In 2018 alone, the debt repayment amounts to Rs. 1970 billion. As was the case in the last 2 years, you would have noticed that we have not compromised on the investments to be made in 2018 in spite of the impending debt burden. However, we do need support. As such, I propose to charge a Special Levy for Debt Repayment at the rate of 20 cents per Rs. 1,000 on the total transaction made through banks with effect from 1<sup>st</sup> April

2018. This will be applicable only for 3 years and shall not be passed on to the customers.

## REVENUE ADMINISTRATION

### CUSTOMS

287. We will introduce new legislation to replace the 148 year old Customs Ordinance to meet our commitment to liberalize trade with the necessary safeguards. In line with the objective of ensuring a paperless clearing system, acceptance of digital signatures for electronic documents will be in operation soon.
288. Sri Lanka will adopt the 2017 version of Harmonised Commodity Description and Coding System (HS Codes) as published by the World Customs Organisation with effect from 10<sup>th</sup> November 2017.
289. Documentation processes required for imports will also be automated from 1<sup>st</sup> January 2018.
290. Smuggled Cigarettes have flooded into the local market creating major source of revenue leakage. As part of our strategy to address this matter, we will issue licenses to import Cigarettes and Cigars while clamping down heavily on smuggling.
291. The Usance LC facility will also not be permitted to be used for the importation of motor vehicles from 1<sup>st</sup> January 2018.

### INLAND REVENUE

292. The RAMIS will be appropriately changed to facilitate the implementation of the IRD Act.

Rs. 500 Mn

## EXCISE

293. The Excise Ordinance of 1912 needs to be revamped to suit the present day requirements. Given the use of information technology is minimal at the Department; an Excise Revenue Management System (ERSL) will be introduced. Rs. 50 Mn
294. In order to monitor the production of liquor, and assisting in curtailing of illegal liquor production, an excise duty will be imposed on raw materials used for Ethanol production based on the quantity. I also propose to introduce an excise duty of Rs. 15 per litre on non-potable alcohol. Both these will be implemented from mid-night today.
295. Mr. Speaker, during past two years, the Government implemented various fiscal policy measures of broadening the tax base and minimizing the tax expenditure. Committing to these policies, the VAT and the NBT exemptions will be further rationalized. Necessary changes will be made in ESC, Stamp Duty and other tax legislations with the view of to strengthening the tax administration. (The changes proposed are in the Technical note).

## SMS ADVERTISING LEVY

296. Mr Speaker, I propose to charge a fee on advertisements done through SMSs at a rate of 25 cents per SMS with effect from 1<sup>st</sup> April 2018.

## CONCLUSION

297. An Implementation Unit will be established at my Ministry, to better monitor the execution of these Budget Proposals.
298. The relevant amendments to the borrowing limit for the 2017 Appropriation Bill for the financial year 2018 is presented at annexure III. The revenue proposals are presented at annexure I while a detailed list of expenditure proposals is at



annexure II. Further, the underlying fiscal framework is presented at annexure IV. The document under the FM(R)A Act, No. 03 of 2003 which has to be submitted along with the Second reading of the Budget is also tabled.

**299.** Mr Speaker, I wish to thank the President and the Prime Minister for the guidance given. I wish to thank my State Minister, Hon. Eran Wickramaratne and the Deputy Minister, Hon. Lasantha Alagiyawanna for their support. I also extend my gratitude to 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 on both sides of the isle for the support extended. Last but not least, I wish to thank the Secretary to the Treasury and all the officials who worked hard in preparing this Budget.

**300.** In conclusion, Mr Speaker, I want to say that at the heart of the ensuing debate in the coming 26 days will lie, not only the question of Economic Development, but also the question of values. We will talk about values that should shape our country and determine our children's future. On one side of the debate indivisibility of our great nation, rights and dignity for all, rule of law, strong institutions, economic prosperity built on strong foundation of democracy and reconciliation. Some others, on the other hand, will speak about values based on fear, suspicion, mistrust, bigotry and intolerance.

**301.** Yes Mr. Speaker, we are at the crossroads of history. Are we to walk forward, united in our diversity to a new age of freedom and prosperity or are we to go back to the darkness of a bygone era ? The choice is ours to make.

Thank you.

## Revenue proposals - 2018

Proposals	Rs. Million
1 Duty revisions on liquor	10,000
2 Motor vehicles excise duty and luxury tax revisions	25,000
3 Cess Levy, Special Commodity Levy & Ports and Airports Development Levy revisions	(5,000)
4 Sugar tax on sweetened beverages	5,000
5 Excise duty on Non-potable alcohol and raw material used for ethanol production	3,000
6 Excise duty on plastic resin	2,000
7 Duty revisions on VAT and NBT	25,000
8 Cellular Tower Levy & SMS-Advertising Levy	15,000
9 Debt Repayment Levy	20,000
10 Carbon Tax motor vehicles	2,500
11 Revision of Fees & Charges	7,500
<b>Total</b>	<b>110,000</b>

*Compiled by the Department of Fiscal Policy*

*Note : Revenue impact of budget proposals which will be implemented in November 2017 is already taken into revenue estimates submitted along with budget estimates 2018*

## Expenditure Proposals 2018

## Annexure II

	Budget Proposal	Responsible Government Institution	Relevant Treasury Department	Allocation Rs. Mn
<b>Blue - Green Economy</b>				
01	Introducing electric buses into the SLTB bus fleet	Ministry of Transport and Civil Aviation	Department of Public Enterprises	500
02	Concessional loans scheme to companies in agriculture, agro processing including drip irrigation, poultry, canning, plantation and Hotel industry, to generate electricity from solar power for their own use ( <i>already allocated 800</i> ).	Ministry of Finance and Mass Media	Department of Development Finance	5,300
03	Provide 50% of the investment cost incurred on equipment and machinery by existing SME sector polythene producers when converting from polythene to environmental friendly alternatives	Ministry of Industry and Commerce	Department of Trade and Investment Policy	25
04	Concessionary loan Scheme will be introduced for producers that use biodegradable materials in manufacturing Bags , packing materials etc.	-Do-	Department of Development Finance	50
05	Develop Aruwakkalu waste disposal and management site ( <i>already allocated 2,500</i> )	Ministry of Mega polis & Western Development	Department of National Budget	3,000
06	Supporting the local government agencies in solid waste issues	Ministry of Provincial Councils & Local Government	Department of National Budget	50
07	Strengthening of the Kelani River Bank with concrete retention walls	Ministry of Irrigation and Water Resource Management	Department of National Budget	400
	Mitigating Urban Flooding by building reservoirs in upstream at Wee Oya, Nawatha, Holombuwa and Reucastle and other perennial rivers ( <i>4,100 already allocated</i> )	-Do-	Department of National Budget	4,500
08	Support the ground water monitoring mechanism ( <i>1,180 already allocated</i> )	-Do-	Department of National Budget	1500
09	“Pavithra Ganga” project to ensure zero disposal of waste by factories and industries into the waterways -E-friends revolving credit facility – ( <i>750 from Revolving Fund</i> )	Ministry of Mahaweli Development & Environment	Department of Development Finance	750
10	Establish HarithaUdyana in every Pradeshiya Saba division as a Public Private Partnership	Ministry of Mega polis & Western Development	Department of National Budget	1,500

11	Nilwala Eliya Model Park (1,000 already allocated)	-Do-	Department of National Budget	1,500
12	Implement “Open Cage” Concept at the Dehiwela Zoo	Ministry of Sustainable Development and Wildlife	Department of National Budget	75
13	“Born Free Chain Free” at the Pinnawela Elephant orphanage.	-Do-	Department of National Budget	75
14	Establish a Mahout Training Centre in Pannala –funded by wild life conservation fund	-Do-	Department of National Budget	-
15	Conservation of endemic species	-Do-	Department of National Budget	20
<b>Blue Economy</b>				
16	Develop Integrated Coastal Zone Management Mechanism	Department of Coast Conservation	Department of National Budget	25
17	Project on Beach Replenishment	-Do-	Department of National Budget	400
18	Protect the coastal belt from Negombo to Marawila (already allocated)	-Do-	Department of National Budget	800
19	Cleaning 10 lagoons	Ministry of Fisheries & Aquatic Resources Development	Department of National Budget	1,000
20	Provide interest subsidy loans to the hotels and industries to ensure zero discharge of waste in to the lagoons - E friends scheme(funds from Revolving fund)	Ministry of Mahaweli Development & Environment	Department of Development Finance	250
21	Establishment of a Secretariat for the continental shelf negotiations	Ministry of Foreign Affairs	Department of National Budget	25
22	Establish a virtual institute for the blue green economy	Ministry of Science, Technology and Research	Department of National Budget	25
<b>Encouraging Sustainable Agri and Fishery Ventures</b>				
23	Introduce an eco-certification programme	Department of Agriculture	Department of National Budget	25
24	Desilt small and medium tanks	Ministry of Agriculture	Department of National Budget	1,000
25	Build new 3 warehouses and uplifting the existing warehouses (200 is already allocated)	Ministry of Finance and Mass Media	Department of Development Finance	250

26	Introduce a contributory Insurance scheme for farmers (800 will cover from crop levy)	Ministry of Agriculture	Department of Development Finance	3,000
27	Upgrade the Department of Meteorology	Department of Meteorology	Department of External Resources	200
28	Improving degraded soil	Ministry of Science, Technology and Research –SLINTEC/ITI	Department of National Budget	50
29	50% of the cost of improving the operational efficiency in multi day boats	Ministry of Fisheries & Aquatic Resources Development	Department of National Budget	175
30	Purchase multi day boats of more than 55 feet long (157 already allocated)	-Do-	Department of National Budget	400
31	Developing and upgrading the Fishery Harbors anchorages landing sites (1,633 is already allocated)	-Do-	Department of National Budget	1,750
32	Develop the Gandara Fishery harbor and developing a new fishery harbor in wellamankara	-Do-	Department of National Budget	200
33	“Wewak Sahitha Gamak Programme” (already allocated)	-Do-	Department of National Budget	450
34	Establish a Milk Fish Hatchery and a Marine Ornamental Fish Hatchery	-Do-	Department of National Budget	100
35	Establish an Aquaculture Industrial Park in Batticaloa District (100 already allocated)	-Do-	Department of National Budget	250
<b>Enterprise Sri Lanka</b>				
36	Establishment of a Development Bank	Ministry of National Policies and Economic Affairs	Department of Public Enterprises	10,000
37	Strengthen the 8 credit schemes (already allocated)	Ministry of Finance and Mass Media	Department of Development Finance	750
38	Grama Shakthi and Poverty Eradication Programme (already allocated)	President Secretariat	Department of National Budget	2,000
39	Introduce Development Programmes in the Rural Sector	-Do-	Department of National Budget	200

40	“Enterprise Sri Lanka” Initiatives	Ministry of Finance and Mass Media	Department of Development Finance	500
41	Subsidy for Women Entrepreneurs	-Do-	Department of Development Finance	50
42	Introduce a loan scheme for those differently abled	-Do-	Department of Development Finance	15
43	Establish a SME guarantee fund	-Do-	Department of Development Finance	500
44	“Arambama” Credit Scheme	EDB	Department of Development Finance	25
45	Establishment of the “IT Initiative”	EDB	Department of Development Finance	300
<b>From Local Entrepreneurs to Global Leaders</b>				
46	Export market access support programme	Ministry of Development Strategies and International Trade	Department of National Planning	800
47	Upgrade the testing facilities at the Industrial Technology Institute (ITI), Sri Lanka Standards Institution (SLSI), National Quarantine Center and National Agency for Aquatic Research (ITI-50  SLSI-150, NARA-25 & NQC-25)	ITI/SLSI/NARA/NQC	Department of National Budget	250
48	Revamping Intellectual Property Office	Ministry of Industry & Commerce	Department of National Planning	25
49	Multi National Corporation Outreach programme	Ministry of Development Strategies and International Trade	Department of National Planning	25
50	Establish a unified trade portal	-Do-	Department of Information Technology Management	25
51	Convert COSTI into NASTICA	Ministry of Science, Technology and Research	Department of National Planning	25
52	Innovators to Industry Initiatives (I2I)	Ministry of Finance and Mass Media	Department of Public Enterprises	25
53	Support for Product Design Engineering (PDE) under the Mechatronic Enabled Economic Development Initiative (MEDI) - SPTF 250 & LTLF 100 ( <i>already allocated 100</i> )	Ministry of Science, Technology and Research	Department of National Budget	350
54	Strengthen the Centre for Robotics (25) support the Public Innovation spaces (25)	Industries Development Board	Department of National Budget	50

55	Create dedicated industry zones for boat building	Export Development Board	Department of National Planning	100
56	Quality improvements in Cinnamon and Pepper planting materials in 1,000 nurseries	-Do-	Department of National Planning	50
57	Strengthen the Cinnamon Training College	-Do-	Department of National Planning	50
58	Strengthen assistance to Tea small holders to improve productivity	Ministry of Plantation Industries	Department of National Budget	250
59	Coconut Research Institute (CRI) to provide hybrid coconut seedlings	CRI	Department of National Planning	25
60	Support the implementation of the Rubber Master Plan	Ministry of Plantation Industries	Department of National Planning	50
61	Promotion of Research on developing high yielding Banana and Pineapple plants at Horana and Makandura Research Centers	-Do-	Department of National Planning	25
62	Support Institute of Agro Technology and Rural Sciences of the University of Colombo	Ministry of Higher Education and Highways	Department of National Planning	25
63	Support Wayamba University in establishing a center for food, technology, research and training	-Do-	Department of National Planning	75
64	Infrastructure support for Floriculture Industry	Ministry of Sustainable Development and Wildlife	Department of National Budget	10
65	Establish a Design Center for Timber and Timber based products	Ministry of Science, Technology and Research	Department of National Planning	25
<b>Tourism</b>				
66	Interest subsidy for the homestay programme	Ministry of Tourism Development & Christian Religious Affairs	Department of Development Finance	10
67	Development of 6 forts	-Do-	Department of National Budget	250
68	Upgrading the Railway Stations and declared as Archeological sites	-Do-	Department of National Budget	75
69	Develop Maduru oya and Gal oya National parks to support Tented Safari's etc.	Ministry of Sustainable Development and Wildlife	Department of National Budget	75
70	SLTDA/SLTPB to establish 25 life guarding stations on the coast funded by the Tourism Development Levy (TDL)	Ministry of Tourism Development & Christian Religious Affairs SLTDA/SLTPB	Department of National Budget	-

71	Sri Lanka Police to establish 20 Tourist Police stations	Ministry of Law and Order and Southern Development	Department of National Budget	30
72	“Branding Sri Lankan Cuisine” initiative. ( TDL fund)	Ministry of Tourism Development & Christian Religious Affairs	Department of National Planning	-
73	Supporting foreign embassies to celebrate 70 <sup>th</sup> independence anniversary	Ministry of Foreign Affairs	Department of National Budget	50
74	Tourist Friendly Tuk Tuk Programme	Ministry of Tourism Development & Christian Religious Affairs	Department of Public Enterprises	50
75	Establish a Three wheeler Regulatory Authority and meters to be made mandatory	Ministry of Transport and Civil Aviation	Department of Public Enterprises	25
<b>Creating the Enabling Environment for Foreign Investments</b>				
76	Establish a one stop shop for business registration – ROC Funds	Department of Registrar of Companies	Department of Trade and Investment Policy	-
77	Introduce an E- local government application system	Ministry of Provincial Councils & Local Governments	Department of Trade and Investment Policy	25
78	Integrated Land Registry ( e-LR)	Ministry of Lands & Parliamentary Reforms	Department of Trade and Investment Policy	150
79	National Single Window connecting 31 agencies	Ministry of Development Strategies and International Trade	Department of Trade and Investment Policy	325
80	Provide infrastructure facilities for Rojana industrial park in Milleniya.	-Do-	Department of Trade and Investment Policy	2,000
81	Establishing industrial zones in Bingiriya and Weligama.	-Do-	Department of Trade and Investment Policy	500
82	Establish Hi Tech Innovation Park in Mahahenawatte, Pitipana	Ministry of Science, Technology and Research	Department of National Budget	100
83	Activities of the PPPs Units	Ministry of Finance and Mass Media	-	50
<b>Harnessing our Young Entrepreneurs</b>				
84	Establish an “Employment Preparation Fund” at MNPEA	Ministry of National Policies and Economic Affairs	Department of National Planning	2,500
85	Support to the skill development programmes conducted by the Youth Corp (1,500 already allocated)	-Do-	Department of National Planning	2,000



86	Swiss and German governments will establish five Technical Colleges in collaboration with the German Technical School	-Do-	Department of National Planning	1,000
87	Establish an University College in Kinniya	Ministry of Skills Development and Vocational training	Department of National Budget	50
<b>Education</b>				
88	Education Reforms ( <i>already allocated 1,000</i> )	Ministry of Education	Department of National Planning	3,500
89	Introducing the PISA programme	-Do-	Department of National Planning	25
90	Continuous Professional Development for Teachers ( <i>already allocated</i> )	-Do-	Department of National Planning	1,200
91	Strengthen the “Smart Classroom” concept, digitalization and development of e-text books ( <i>already allocated 748</i> )	-Do-	Department of National Planning	755
92	Establish a dedicated center for Training Teachers in the English Language at the College of Education Maharagama	-Do-	Department of National Planning	50
93	Upgrade the special needs training facilities at Hapitigama and Adalachchenai Colleges of Education	-Do-	Department of National Planning	25
94	Provide an allowance of Rs. 5,000 per student per month for students at the National College of Education	-Do-	Department of National Budget	50
<b>Higher Education</b>				
95	Establishment of state medical faculties at Wayamba, Sabaragamuwa and Moratuwa Universities	Ministry of Higher Education and Highways	Department of National Budget	1,250
96	Establish a Professorial unit at Karapitiya Hospital	-Do-	Department of National Budget	50
97	Expand Technology stream degree programmes in 7 new Technology Faculties ( <i>3,450 already allocated</i> )	-Do-	Department of National Budget	5,000
98	Establish Center for Naval Studies and Shipping at the University of Ruhuna	-Do-	Department of National Budget	250
99	Support the new streams such as Data Science and Big Data analytics, Actuarial studies and Business analytics etc. introduced by the University of Colombo- (Department of Statistics)	-Do-	Department of National Budget	250

100	Strengthen to include state of the art library facility and an IT Center at the Vavunia Campus	-Do-	Department of National Budget	200
101	Establish an Independent quality assurance and accreditation mechanism for higher education	-Do-	Department of National Budget	25
102	Support Management Faculty of the University of Sri Jayewardenepura to seek the accreditation of the Association to Advance Collegiate Schools of Business (AACSB)	-Do-	Department of National Budget	100
103	Establish a Postgraduate Institute of Indigenous Medicine	-Do-	Department of National Budget	40
104	Increase the eligibility household income threshold from Rs. 300,000 to Rs. 500,000 p.a. for Mahapola Scholarship scheme	-Do-	Department of National Budget	75
105	Insurance scheme for all university students	-Do-	Department of National Budget	100
<b>Sports</b>				
106	Introduce and facilitate the concept of Community Sports in by developing 100 rural playgrounds throughout the country	Ministry of Sports	Department of National Budget	100
107	Uplift District and Provincial level stadiums - Digana Sports Stadium, Polonnaruwa District Stadium and the Kalmunai Sports Stadium	-Do-	Department of National Budget	300
108	Rehabilitation of Matale Hockey Ground	-Do-	Department of National Budget	100
109	Establish a Sports School and Academy at Diyagama and preparation of the sport complex for South Asian Games in 2020 ( <i>already allocated 100</i> )	-Do-	Department of National Budget	1,500
110	Modernize the Sugathadasa Indoor Stadium and manage as a Public Private Partnership	-Do-	Department of National Budget	100
111	Upliftment of Sugathadasa outdoor stadium ( <i>already allocated 700</i> )	-Do-	Department of National Budget	1,200
112	Equip Human Performance Laboratory	-Do-	Department of National Budget	75
113	Implementation of a national awareness programme on anti-doping and establishment of a drug testing and research laboratory	-Do-	Department of National Budget	25
114	Facilitating the participation of veterans and differently abled athletes	-Do-	Department of National Budget	50

Health				
115	Establish specialized Renal Units	Ministry of Health, Nutrition and Indigenous Medicine	Department of National Budget	150
116	Provide ESWL machines for general hospitals at Anuradhapura, Polonnaruwa and Jaffna	-Do-	Department of National Budget	300
117	Strengthen the Health Education Bureau's activities in tackling the threat of Non Communicable Diseases (NCDs) such as CKDU etc.	-Do-	Department of National Budget	50
118	Strengthen the screening process for CKDU, Thalassemia, and HIV AIDS etc.	-Do-	Department of National Budget	50
119	Strengthening the Karapitiya Cancer Unit ( <i>already provided</i> )	-Do-	Department of National Budget	150
120	Establish Oncology units at Batticaloa and the Ratnapura Hospitals	-Do-	Department of National Budget	150
121	Improve the primary health care activities through the Strengthening of the government dispensary network.	-Do-	Department of National Budget	100
122	Establish a Reproductive Treatment Centre at the Castle Street Hospital for women	-Do-	Department of National Budget	75
123	Establish 3 highly specialized Obstetrics Centers in Colombo, Kandy & Anuradhapura	-Do-	Department of National Budget	200
124	Maternity and Neo natal complex at the Polonnaruwa hospital	-Do-	Department of National Budget	50
125	Cardiac and Critical Care Complex and the cardiothoracic complex at the Lady Ridgeway Hospital ( <i>already allocated</i> )	-Do-	Department of National Budget	400
126	Expand the Divisional Hospital Moratuwa	-Do-	Department of National Budget	150
127	Expand the Divisional Hospital Deniyaya	-Do-	Department of National Budget	25
128	Expand the Beruwala Base Hospital	-Do-	Department of National Budget	200
129	Revamp the new district general Hospital at Matara by moving the maternity, pediatric, medical and the administrative units to Kamburugamuwa	-Do-	Department of National Budget	150
130	Developing a comprehensive Food hygiene and food safety system	-Do-	Department of National Budget	25

131	Improve the infrastructure facilities at the Nurses Training schools <i>(200 already allocated)</i>	-Do-	Department of National Budget	300
132	Strengthen the Mental and Neurological health aspects	-Do-	Department of National Budget	25
133	Strengthen the Dental Health Institute at Maharagama	-Do-	Department of National Budget	100
134	Improve the Oral care unit at Ratnapura District Hospital <i>(already allocated)</i>	-Do-	Department of National Budget	200
135	A dedicated unit for Sexually transmitted diseases and HIV AIDS	-Do-	Department of National Budget	25
136	Strengthen the Suwa Seriya Initiatives <i>(683 already allocated)</i>	-Do-	Department of National Budget	750
137	Strengthen National Health and Allied Research	-Do-	Department of National Budget	75
<b>Housing, Urban and Rural Infrastructure Development</b>				
138	Provide 20,000 housing units under the Urban Regeneration Project by 2020 for low income segment <i>(13,300 already allocated)</i>	Ministry of Mega polis and Western Development	Department of National Budget	17,500
139	Construct houses in the Northern and the Eastern Provinces <i>(3,000 already allocated)</i>	Ministry of Housing and Construction	Department of National Budget	3,000
140	Construct houses in the plantation sector <i>(already allocated)</i>	-Do-	Department of National Budget	2,000
141	Owner driven housing scheme and support for improvements to the existing houses in rural sector <i>(6,188 already allocated)</i>	-Do-	Department of National Budget	7,000
142	Low interest credit Scheme by the National Savings Bank for middle income home buyers	-Do-	Department of Public Enterprises	500
143	Urban Regeneration Project <i>(20,017 already allocated)</i>	Ministry of Mega polis and Western Development	Department of National Budget	24,000
144	Township and strategic city development programme in Kandy, Anuradhapura, Galle Jaffna <i>(already allocated 10,347)</i>	-Do-	Department of National Budget	12,000
145	To implement the master plan for Kalmunai and Samanthurai and to develop townships in lagging regions	Ministry of City Planning and Water Supply	Department of National Planning	2,000

146	Central Expressway Project	Ministry of Higher Education and Highways	Department of National Budget	10,000
147	Improve the Rural road network	-Do- (1,500 already allocated)	Department of National Budget	2,500
		Ministry of Provincial councils and Local Governments		500
148	Rehabilitation of roads that were affected by the disasters due to floods and landslides	Ministry of Disaster Management	Department of National Budget	1,000
<b>Creating a Secure Environment for all</b>				
149	Police Reforms and introduce the Community Police Concept	Ministry of Law and Order and Southern Development	Department of National Planning	150
150	Establish a Police and Criminal Justice University	-Do-	Department of National Planning	125
151	Modernization of Cyber Crime Investigation Unit	-Do-	Department of National Budget	40
152	Upgrading Police Information and Communication System (PICS)	-Do-	Department of National Budget	400
153	Training and Development for Sri Lankan Soldiers at UN peace keeping missions	Ministry of Defense	Department of National Budget	750
<b>Legal Reform</b>				
154	Establish a special high court with audio and visual recording system.	Ministry of Justice	Department of National Budget	25
155	Introduce an automated case management mechanism and to explore the possibility electronic filing of initial complaint in the relevant court	-Do-	Department of National Planning	50
156	Relocating courts in Ratnapura and Welimada as they are prone to landslides.	-Do-	Department of National Budget	500
157	Expansion of courts in Kilinochchi, Theldeniya, Pugoda and Kantale	-Do-	Department of National Budget	400
158	Procurement of Vehicles to transport juvenile offenders and victims	Ministry of Prison Reforms, Rehabilitation Resettlement and Hindu Religious Affairs	Department of National Budget	50
<b>Strengthening the Capital Markets</b>				
159	Capital infusion for BOC	Ministry of Finance & Mass Media	Department of Public Enterprises	5,000

Heritage Culture and Wellness				
160	Establish a Buddhist Library	Presidential Secretariat	Department of National Budget	50
161	Restoration and renovation of purana rajamahaviharas of archeological value and other such places of warship	Ministries of Buddhasasana, Prison Reforms, Rehabilitation Resettlement and Hindu Religious Affairs, Internal Affairs, Wayamba Development & Cultural Affairs, Postal Services and Muslim Religious Affairs, Ministry of Tourism Development & Christian Religious Affairs	Department of National Budget	250
162	Establish pilgrim rests	Ministry of Provincial Councils and Local Government	Department of National Budget	100
163	Conservation and preservation of Ritigala and Rajagalathenna archeological sites	Ministry of Education	Department of National Budget	25
164	Racecourse building will be converted into the National Center for Arts, Crafts and modern Design	Ministry of Finance and Mass Media	Department of National Planning	250
165	State of the art cultural center for Moratuwa	Ministry of Internal Affairs, Wayamba Development & Cultural Affairs	Department of National Budget	600
166	Restore the Cultural hall in Thaalvupadu, Mannar	Ministry of Internal Affairs, Wayamba Development & Cultural Affairs	Department of National Budget	25
167	Accident and Medical Insurance scheme for artist supported by the Presidents welfare fund and the Tower Hall Foundation	Ministry of Education	Department of National Budget	10
Public Sector Service Delivery				
168	ICTA to improve service deliver through the infusion of the technology and digitalization ( <i>500 for recurrent expenditure</i> )	Ministry of Telecommunication and Digital Infrastructure	Department of National Budget	2,000
169	Establish the National Economic Council ( <i>Rs. 270 mn as recurrent expenditure</i> )	President Secretariat	Department of National Budget	300
170	Rolling out of ITMIS Programme to expenditure unit	Ministry of Finance & Mass Media	Department of State Accounts	500

171	Strengthening the local government institutions	Ministry of Provincial Councils and Local Governments	Department of National Budget	150
172	Establish Child care centers in Government office's that has more than 500 employees or at least 500 employees collectively in a few offices in the same vicinity.(cost of rent)	Ministry of Women & Child Affairs	Department of National Planning	50
173	Agrahara Insurance Scheme for Pensioners	Ministry of National Policies and Economic Affairs	Department of Public Enterprises	50
<b>Reconciliation</b>				
174	Construct 50,000 brick and mortar type houses in the North and East (interest payments)	Ministry of National Integration and Reconciliation	Department of National Budget	750
175	Support programs and activities in rural irrigation development, rain water harvesting, and integrated village development (ONUR) (1500 already allocated)	Ministry of National Integration and Reconciliation - ONUR	Department of National Budget	2,000
176	Strengthening Reconciliation focused on economic empowerment and social infrastructure development and Special programme to address the needs of the differently abled women in the Northern and the Eastern Provinces	Ministry of National Integration and Reconciliation – 1,750	Department of National Budget	2,750
		Ministry of Prison reforms Rehabilitation, Resettlement and Hindu Religious Affairs –1000 (750 already allocated)		
177	Supporting indebted people in Northern and North Central Provinces through Credit Cooperative societies	Ministry of Prison Reforms Rehabilitation, Resettlement and Hindu Religious Affairs	Department of Development Finance	1,000
178	Support selected small industries in the Northern province through the Producer Cooperatives	-Do-	Department of Development Finance	1,000
179	Establish 2 food processing centers mainly for Palmyra in Kilinochchi and Delft island	Ministry of National Integration and Rehabilitation	Department of National Planning	40
180	Develop Mylitty harbor into a fishery harbor and establish cool rooms and storage facilities	Ministry of Fisheries & Aquatic Resources	Department of National Budget	150
181	Upgrade the facilities at the Achchuveli Industrial Zone and bear 50% of the electricity cost of the companies establish for a period of 2 years	Ministry of Industry & Commerce	Department of Development Finance	100
182	Establish a modern dedicated economic center in Jaffna connected to the Dambulla economic center and to Colombo	Ministry of National Integration and Rehabilitation	Department of Development Finance	100
183	Provide budgetary allocations to improve the services of Vasantham TV Channel	Ministry of Finance & Mass Media	Department of National Budget	30

184	Implementation of the official language policy and national co-existence, improving language proficiency, translations etc.	Ministry of National Co-existence, Dialogue & Official Languages	Department of National Budget	200
185	Implement the “Ammachchi” concept	Ministry of Provincial Councils and Local Government – Northern Provincial Council	Department of National Budget	25
186	Providing NVQ accreditation to ex-combatants	Ministry of Skills Development and Vocational Training	Department of National Budget	25
187	Ex-Combatants and war widows Provide salary subsidy of around Rs. 10,000 or 50% of the Salary	Ministry of Prison Reforms Rehabilitation, Resettlement and Hindu Religious Affairs	Department of National Budget	250
188	Resettlement of Muslim IDP's - Provision of housing and infrastructure (750 already allocated)	Ministry of Industry and Commerce	Department of National Budget	2,500
189	To expedite the resettlement process which includes the rehabilitation of the Mannar town area with shopping complexes and a Bus stand continue the township development programme at Silawathura.	-Do-	Department of National Budget	250
190	Secretariat to Coordinating reconciliation Mechanism (SCRM) (177 for recurrent expenditure)	Office of the Prime Minister	Department of National Budget	180
191	Support the establishment of the Office of the Missing Persons (OMP) (650 for recurrent expenditure)	Ministry of National Integration and Rehabilitation	Department of National Budget	1,400
192	Implementation of RAMIS	Inland Revenue Department	Department of Information Technology Management	500
193	Excise Revenue Management System (EDSL)	Excise Department	Department of Information Technology Management	50



**Annexure III****Gross Borrowings Requirement - 2018  
(Provisioning for Accounting Transactions)**

<b>Item</b>	<b>Rs. Billion</b>
Total Revenue Receipts and Grants	2,260
Total Payments, including Repayments	4,079
Provision for Advance Account Operations	6
Risk Provision on Account of Variation in Receipts and Payments	40
Adjustments for book/Cash Value of Government Securities	30
Total Gross Borrowings Requirement to be Recorded in Government Accounts	1,895
of which, Total Debt Repayments	1,150

*Complied by the Department of Fiscal Policy*

<sup>1</sup> Summary of the Budget (2014- 2018)

Item	Rs. Billion				
	2014	2015	2016	2017 Revised	2018 Budget
<b>Total Revenue and Grants</b>	<b>1,264</b>	<b>1,534</b>	<b>1,774</b>	<b>1,997</b>	<b>2,326</b>
<b>Total Revenue</b>	<b>1,255</b>	<b>1,528</b>	<b>1,766</b>	<b>1,989</b>	<b>2,316</b>
<b>Tax Revenue</b>	<b>1,050</b>	<b>1,356</b>	<b>1,464</b>	<b>1,749</b>	<b>2,034</b>
Income Tax	198	263	259	308	375
Taxes on Goods and Services	616	804	842	1,054	1,239
Taxes on External Trade	236	289	363	387	420
<b>Non Tax Revenue</b>	<b>145</b>	<b>99</b>	<b>222</b>	<b>152</b>	<b>184</b>
<b>Provincial Council (PC) Tax Sharing and Devolved Revenue</b>	<b>59</b>	<b>73</b>	<b>80</b>	<b>88</b>	<b>98</b>
<b>Grants</b>	<b>9</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>10</b>
<b>Total Expenditure</b>	<b>1,855</b>	<b>2,363</b>	<b>2,414</b>	<b>2,677</b>	<b>3,001</b>
<b>Recurrent</b>	<b>1,382</b>	<b>1,775</b>	<b>1,838</b>	<b>2,053</b>	<b>2,250</b>
Salaries and Wages including Provincial Councils	487	618	633	663	705
Other Goods and Services including Provincial Councils	142	201	170	198	218
Interest	436	527	611	725	820
Subsidies and Transfers	318	428	425	467	507
<b>Public Investment</b>	<b>487</b>	<b>603</b>	<b>594</b>	<b>633</b>	<b>761</b>
Other	(14)	(14)	(18)	(9)	(10)
<b>Revenue Surplus (+)/Deficit(-)</b>	<b>(128)</b>	<b>(247)</b>	<b>(72)</b>	<b>(64)</b>	<b>66</b>
<b>Primary Surplus (+)/Deficit(-)</b>	<b>(155)</b>	<b>(302)</b>	<b>(29)</b>	<b>45</b>	<b>145</b>
<b>Budget Surplus (+)/Deficit(-)</b>	<b>(591)</b>	<b>(830)</b>	<b>(640)</b>	<b>(680)</b>	<b>(675)</b>
<b>Total Financing</b>	<b>591</b>	<b>830</b>	<b>640</b>	<b>680</b>	<b>675</b>
<b>Total Foreign Financing</b>	<b>316</b>	<b>369</b>	<b>429</b>	<b>330</b>	<b>300</b>
Foreign Borrowings-Gross	423	556	574	550	580
Project and Programme Loans	173	173	208	230	240
Foreign Commercial	250	383	366	320	340
Debt Repayment	(107)	(187)	(145)	(220)	(280)
<b>Total Domestic Financing</b>	<b>276</b>	<b>460</b>	<b>211</b>	<b>350</b>	<b>375</b>
Non - Bank Borrowings	193	197	399	110	195
Foreign Investments in T-Bills and T-Bonds	21	223	(121)	70	60
Bank Borrowings	62	41	(67)	170	120
<b>Revenue and Grants/GDP (%)</b>	<b>12.2</b>	<b>14.0</b>	<b>15.0</b>	<b>15.4</b>	<b>16.4</b>
<b>Total Revenue/GDP (%)</b>	<b>12.1</b>	<b>14.0</b>	<b>14.9</b>	<b>15.3</b>	<b>16.3</b>
Tax Revenue/GDP	10.1	12.4	12.4	13.5	14.3
Non Tax Revenue/GDP (%)	1.4	0.9	1.9	1.2	1.3
PC Tax Sharing and Devolved Revenue/GDP (%)	0.6	0.7	0.7	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>Total Expenditure/GDP (%)</b>	<b>17.9</b>	<b>21.6</b>	<b>20.4</b>	<b>20.6</b>	<b>21.1</b>
Recurrent Expenditure/GDP (%)	13.3	16.2	15.5	15.8	15.8
Non Interest including Provincial councils/ GDP (%)	9.1	11.4	10.4	10.2	10.1
Interest/ GDP (%)	4.2	4.8	5.2	5.6	5.8
Public Investment/ GDP (%)	4.7	5.5	5.0	4.9	5.4
Revenue Surplus (+)/Deficit (-) GDP (%)	(1.2)	(2.3)	(0.6)	(0.5)	0.5
Primary Surplus (+)/Deficit (-) GDP(%)	(1.5)	(2.8)	(0.2)	0.3	1.0
<b>Budget Surplus (+)/Deficit (-) GDP(%)</b>	<b>(5.7)</b>	<b>(7.6)</b>	<b>(5.4)</b>	<b>(5.2)</b>	<b>(4.8)</b>

Compiled by the Department of Fiscal Policy

Please note that calculation of total numbers may not tally due to roundoff errors

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

<sup>1</sup>Quarterly budget estimates - 2018

Item	Rs. Billion				
	Q1	Q2	Q3	Q4	Total
<b>Total Revenue &amp; Grants</b>	<b>515</b>	<b>527</b>	<b>608</b>	<b>676</b>	<b>2,326</b>
<b>Total Revenue</b>	<b>514</b>	<b>525</b>	<b>605</b>	<b>672</b>	<b>2,316</b>
<b>Tax Revenue</b>	<b>457</b>	<b>465</b>	<b>531</b>	<b>581</b>	<b>2,034</b>
Income Tax	78	79	110	108	375
Taxes on Goods & Services	277	290	316	356	1,239
Taxes on External Trade	102	96	105	117	420
<b>Non-Tax Revenue</b>	<b>37</b>	<b>38</b>	<b>48</b>	<b>61</b>	<b>184</b>
<b>Provincial Council(PC) Tax Sharing and Devolved Revenue</b>	<b>20</b>	<b>22</b>	<b>26</b>	<b>30</b>	<b>98</b>
<b>Grants</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>10</b>
<b>Total Expenditure</b>	<b>710</b>	<b>678</b>	<b>805</b>	<b>808</b>	<b>3,001</b>
<b>Recurrent</b>	<b>543</b>	<b>521</b>	<b>608</b>	<b>578</b>	<b>2,250</b>
Salaries and Wages including Provincial Councils	169	172	180	184	705
Other Goods and Services including Provincial Councils	40	43	60	75	218
Interest	210	181	242	187	820
Subsidies and Transfers	124	125	126	132	507
<b>Public Investment</b>	<b>167</b>	<b>159</b>	<b>201</b>	<b>234</b>	<b>761</b>
Other	-	(2)	(4)	(4)	(10)
<b>Revenue Surplus (+)/Deficit(-)</b>	<b>(29)</b>	<b>4</b>	<b>(3)</b>	<b>94</b>	<b>66</b>
<b>Primary Surplus (+)/Deficit(-)</b>	<b>15</b>	<b>30</b>	<b>45</b>	<b>55</b>	<b>145</b>
<b>Budget Surplus (+)/Deficit(-)</b>	<b>(195)</b>	<b>(151)</b>	<b>(197)</b>	<b>(132)</b>	<b>(675)</b>
<b>Total Financing</b>	<b>195</b>	<b>151</b>	<b>197</b>	<b>132</b>	<b>675</b>
<b>Total Foreign Financing (Net)</b>	<b>5</b>	<b>4</b>	<b>160</b>	<b>131</b>	<b>300</b>
Gross Borrowings	60	80	250	190	580
Repayments	(55)	(76)	(90)	(59)	(280)
<b>Total Domestic Financing (Net)</b>	<b>190</b>	<b>147</b>	<b>37</b>	<b>1</b>	<b>375</b>
Non - Bank Borrowings	70	80	54	(9)	195
Foreign Investments in T-Bills and T-Bonds	40	7	10	3	60
Bank Borrowings	80	60	(27)	7	120
<b>Revenue and Grants/GDP (%)</b>	<b>3.6</b>	<b>3.7</b>	<b>4.3</b>	<b>4.8</b>	<b>16.4</b>
<b>Total Revenue/GDP (%)</b>	<b>3.6</b>	<b>3.7</b>	<b>4.3</b>	<b>4.7</b>	<b>16.3</b>
Tax Revenue/GDP	3.2	3.3	3.7	4.1	14.3
Non Tax Revenue/GDP (%)	0.3	0.3	0.3	0.4	1.3
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>5.0</b>	<b>4.8</b>	<b>5.7</b>	<b>5.7</b>	<b>21.1</b>
Recurrent Expenditure/GDP (%)	3.8	3.7	4.3	4.1	15.8
Non Interest/ GDP (%)	2.3	2.4	2.6	2.8	10.1
Interest/ GDP (%)	1.5	1.3	1.7	1.3	5.8
Public Investment/ GDP (%)	1.2	1.1	1.4	1.6	5.4
Revenue Surplus (+)/Deficit (-) GDP (%)	(0.2)	0.0	(0.0)	0.7	0.5
Primary Surplus (+)/Deficit (-) GDP(%)	0.1	0.2	0.3	0.4	1.0
<b>Budget Surplus (+)/Deficit (-) GDP(%)</b>	<b>(1.4)</b>	<b>(1.1)</b>	<b>(1.4)</b>	<b>(0.9)</b>	<b>(4.8)</b>

Compiled by the Department of Fiscal Policy

Please note that calculation of total numbers may not tally due to roundoff errors

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

## Tax Expenditure Statement

Tax expenditure can broadly be defined as exclusions, exemptions or deductions from the tax base to provide a special credit, a preferential rate of tax or a deferral of tax liability. This statement provides an abstract view of such exemptions and exceptions. Keeping in line with Good Governance, Accountability and Transparency principles this statement is submitted at the presentation of Sri Lankan budget. Such a statement becoming a regular integral part of the budget documents ensures that international best practices are followed and provides assurance for international funding agencies.

## 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 is not considered.
- c) Tax rate changes, removal of tax exemptions and other discretionary proposed in the budget 2018 is taken into consideration.
- 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) Nation 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 Income tax.
- g) Tax expenditure on free services provided by government is not taken into consideration
- h) Calculation is based on 2016 actual data, 2017 extrapolated data and economic projection for 2018.
- i) New 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 deviation from the schedules are treated as tax expenditure.
  - i. 1<sup>st</sup> Schedule = Rates
  - ii. 2<sup>nd</sup> Schedule = Investment incentive schemes
  - iii. 3<sup>rd</sup> Schedule = Exemptions
  - iv. 4<sup>th</sup> Schedule = Qualifying exemptions
  - v. 5<sup>th</sup> Schedule = Depreciation allowance

Deviations from above schedules are given in the 6<sup>th</sup> schedule of the new IRA and such deviation is taken as a tax expenditure for Income tax.

## Tax expenditure

### a) Income Tax

In the new IRA 6<sup>th</sup> schedule grants following tax concessions for a limited period. These are considered as tax expenditure for the income tax,

- i. New investments up to USD 3 Million in depreciable assets (other than intangible assets) during the year of assessment within 04 years from 01/04/2018 are eligible for an enhanced depreciation allowance. Income tax concessions for such investment in Northern Province is at 200% while for other provinces are at 100%.
- ii. 50% tax concession for surplus fund distribution to life insurance policy holders who shares profit, for 03 year period
- iii. Businesses of Information Technology are allowed to claim a deduction of 135% of the amount paid to employees (other than Directors) against taxable income for the 03 years
- iv. 200% tax deduction is granted on Research and Development expenditure for 03 years
- v. 100% tax exemption is granted for relocation of Headquarters of institutions in International network for 03 years
- vi. Renewable energy is granted 50% tax concession for 04 years

The details of tax expenditure on income tax under 6<sup>th</sup> schedule is given in the table I below

Table I

	Turnover	Taxable profit	Tax expenditure
Life Insurance	120,000	8,000	1,120
Businesses of IT	18,000	2,000	2,000
Renewable energy	40,000	2,000	280
Research & Development	-	-	-
New investment less than USD 3 Mn	-	-	-
Relocation International Regional Headquarters	-	-	-
Total	178,000	12,000	3,400
Tax expenditure as a % of GDP			0.02%

### b) VAT

VAT is imposed under VAT Act No.14 of 2002. Single rate of 15% is applied. The items which are exempted from VAT but liable for 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

Item	Rs.Mn		
	Taxable value	Tax expenditure	
	Base year 2016	2017	2018
<b>Domestic</b>	<b>450,000</b>	<b>74,048</b>	<b>75,815</b>
Electricity	200,000	32,910	36,102
Agriculture	80,000	13,164	14,441
Transport	60,000	9,873	10,831
Exempted Health services	40,000	6,582	7,220
Education	20,000	3,291	3,610
Food preparation	20,000	3,291	3,610
Sales of Condominium units	30,000	4,937	-
<b>Imports</b>		<b>94,616</b>	<b>84,660</b>
Crude oil	75,000	12,341	13,538
Yarn/Fabrics	65,000	10,696	-
Precious metals	60,000	9,873	10,831
LPG/Kerosene/Bitumen/Furnace oil	70,000	11,519	12,636
Agriculture/Dairy/medical/construction machinery	60,000	9,873	10,831
Pharmaceutical	60,000	9,873	10,831
Computer/Printed books	40,000	6,582	7,220
Fertilizer	20,000	3,291	3,610
Tractors/Passenger bus	16,000	2,633	2,888
Wheat Grain/Wheat Flour	35,000	5,759	6,318
Electronic goods	25,000	4,114	-
Wood & Articles	9,000	1,481	-
Agriculture /Aquaculture seeds	2,500	411	451
Dyes	2,000	329	-
Concrete mixture	2,000	329	361
Infant milk powder	1,500	247	271
LED-lamps	1,500	247	-
Sport items	1,500	247	-
Industrial racks	1,000	165	-
Aero planes & parts	1,000	165	-
Other	27,000	4,443	4,874
<b>Total</b>	<b>1,025,000</b>	<b>168,664</b>	<b>160,475</b>
As a % of GDP		1.3%	1.1%

### **Estimated cost of SOBEs' Non-Commercial Obligations**

Non-commercial obligation can be defined as the provision of goods or services to the consumer at a price below their costs. The Ceylon Petroleum Corporation (CPC) and Ceylon Electricity Board (CEB) have been selling some of their products and services at a subsidized price as the prices of those products are being administered 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 of those enterprises and present them as an integral part of the national budget as those obligations are a part of the government committed expenditure.

Accordingly, the non-commercial obligations of CPC and CEB for the year 2017 and 2018 have been identified in table I and III. Based on the assumptions, it seems that there are no any non-commercial obligations arisen from the operation of CPC as it projects a profit for the year 2017 based on the actual results in the first 09 months in 2017 and also estimates a profit for the year 2018.

However, on the same basis CEB generates a loss of Rs. 35,141 Mn for the year 2017 and Rs. 16,507 Mn for the year 2018.

### **Assumptions made in calculating those non-commercial obligations are as follows.**

- The crude oil prices of international market will remain at around US \$ 48.6/bbl during the remaining period of the year 2017 and throughout the year 2018 as per the IMF forecast.
- The pricing for CPC and CEB is as per the Statement of Corporate Intent(SCI)
- The domestic market demand pattern will not be changed dramatically from the historical path.

## a) Ceylon Petroleum Corporation

Table I

## Income Statement

Rs. Mn

Description	2017	2018 Estimate
Sales Revenue <sup>1</sup>	527,865	534,051
Sale Taxes	(72,605)	(74,977)
<b>Net Revenue</b>	<b>455,260</b>	<b>459,073</b>
Cost of sales	(412,229)	(423,304)
<b>Gross Profit</b>	<b>43,031</b>	<b>35,770</b>
Other Income	202	225
Sales & Distribution Expenses	(15,555)	(17,030)
Administrative Expenses	(4,782)	(5,880)
<b>Operating Profit</b>	<b>22,896</b>	<b>13,085</b>
Exchange Rate Variance	(7,185)	(4,000)
Finance Income	9,823	5,318
Finance Cost	(11,130)	(11,606)
<b>Net Profit before tax</b>	<b>14,404</b>	<b>2,796</b>

Table II

<sup>1</sup> Highlights of Product wise profitability

PRODUCTS	Rs. Per Ltr.			Annual Profit/(loss)
	Selling Price	Total Cost	Profit/(Loss)	Rs. Mn.
Super Petrol (92 Octane)	117.00	124.56	(7.56)	(10,409)
Unladed Petrol (95 Octane)	128.00	132.06	(4.06)	(961)
Auto Diesel	95.00	98.61	(3.61)	(6,823)
Fuel oil	80.00	55.38	24.62	12,695
Low Sulper	80.00	60.40	19.60	6,395
Jet A1	73.96	68.13	5.83	3,590
Kerosene - Industrial	88.00	63.30	24.70	173
Kerosene- Domestic	44.00	70.38	(26.38)	(5,171)



## Income Statement

Rs. Mn

Description	Budgeted	
	2017	2018
<b>Revenue</b>	<b>216,640</b>	<b>243,074</b>
<i>No. of units sold (Million Units)</i>	13,540	13,811
<i>Revenue Rs. per Unit</i>	16	18
Power cost	172,394	166,648
Other Direct Cost	83,664	92,473
<b>Operating Profit</b>	<b>(39,418)</b>	<b>(16,047)</b>
Other Income	9,098	9,966
<b>Net Profit Before Interest</b>	<b>(30,320)</b>	<b>(6,081)</b>
Finance Charges	4,822	10,426
<b>Net Profit</b>	<b>(35,141)</b>	<b>(16,507)</b>

## Technical Notes

### Budget Proposals - 2018

#### Part I – Taxation

##### 1. Excise Duty under Excise Ordinance

###### 1.1 Liquor

Alcohol volume based Excise Duty depending on the type of liquor will be introduced as follows:

- |                |   |                                  |
|----------------|---|----------------------------------|
| i. Hard liquor | - | Rs. 3,300/- per litre of alcohol |
| ii. Beer       | - | Rs.2,400 per litre of alcohol    |
| iii. Wine      | - | Rs.2,400 per litre of alcohol    |

###### 1.2 Non-potable alcohol

Excise duty will be imposed on import of non-potable alcohol at Rs.15/- per Kg.

###### 1.3 Raw material used for manufacturing of ethanol

Excise Duty will be imposed on raw materials used for manufacturing of ethanol to be as follows :

Type of raw material	Proposed Duty (Rs.)
Toddy	Rs.05/- per litre
Molasses/Maize/Rice/Fruits	Rs.10/- per Kg

###### 1.4 Liquor Licenses

1.4.1 Rate structure of Liquor license fee will be simplified w.e.f. 01/01/2018

1.4.2 Issuance of new liquor license will be simplified to promote tourism.

1.5 Changes to Excise Duty will be published by Gazette.

##### 2. Excise (Special Provisions) Duty

###### 2.1 Canned Beer

Excise (Special Provisions) Duty applicable on canned beer will be removed.

###### 2.2 Sugar tax on sweetened beverages

2.2.1 Excise duty based on the quantum of sugar contained will be

introduced for the beverages with added sugar.

2.2.2 This duty applicable for beverages classified under HS Code 22.02

2.2.3 The rate will be 50 cts per gram of sugar

### 2.3 Plastic resin

2.3.1 Excise duty on plastic resin will be introduced at Rs.10 per Kg.

2.3.2 This duty will be applicable for items classified under the HS Codes 3901.10, 3901.20, 3902.10, 3903.11 and 3904.10

### 2.4 Motor vehicles

2.4.1 Ad-valorem rate of excise duty on motor vehicles will be removed

2.4.2 Excise duty will be applied based only on the Engine Capacity (cubic centimeter (cm<sup>3</sup>)) for petrol and diesel motor vehicles

2.4.3 Excise duty base for electric vehicles will be the motor power of the engine (kilowatt (Kw))

2.4.4 The rate for Engine capacity based excise duty on **petrol fuel & petrol hybrid** motor cars are as follows.

Engine capacity	Petrol fuel (Rs. Per cm <sup>3</sup> )	Petrol hybrid (Rs. Per cm <sup>3</sup> )
≤ 1000cm <sup>3</sup>	1,750	1,250
1000cm <sup>3</sup> < x ≤ 1300 cm <sup>3</sup>	2,750	2,000
1300cm <sup>3</sup> < x ≤ 1500 cm <sup>3</sup>	3,250	2,500
1500cm <sup>3</sup> < x ≤ 1600 cm <sup>3</sup>	4,000	3,000
1600cm <sup>3</sup> < x ≤ 1800 cm <sup>3</sup>	5,000	4,500
1800cm <sup>3</sup> < x ≤ 2000 cm <sup>3</sup>	6,000	5,000
2000cm <sup>3</sup> < x ≤ 2500 cm <sup>3</sup>	7,000	6,000
2500cm <sup>3</sup> < x ≤ 2750 cm <sup>3</sup>	8,000	7,000
2750cm <sup>3</sup> < x ≤ 3000 cm <sup>3</sup>	9,000	8,000
3000cm <sup>3</sup> < x ≤ 4000 cm <sup>3</sup>	10,000	9,000
4000 cm <sup>3</sup> <	11,000	10,00

2.4.5 The rate for Engine capacity based excise duty on **diesel fuel & diesel hybrid** motor cars are as follows:

Engine capacity	Diesel fuel (Rs. Per cm <sup>3</sup> )	Diesel hybrid (Rs. Per cm <sup>3</sup> )
≤ 1500cm <sup>3</sup>	4,000	3,000
1500cm <sup>3</sup> < x ≤ 1600 cm <sup>3</sup>	5,000	4,000
1600cm <sup>3</sup> < x ≤ 1800 cm <sup>3</sup>	6,000	5,000
1800cm <sup>3</sup> < x ≤ 2000 cm <sup>3</sup>	7,000	6,000
2000cm <sup>3</sup> < x ≤ 2500 cm <sup>3</sup>	8,000	7,000

$2500\text{cm}^3 < x \leq 2750 \text{ cm}^3$	9,000	8,000
$2750\text{cm}^3 < x \leq 3000 \text{ cm}^3$	10,000	9,000
$3000\text{cm}^3 < x \leq 4000 \text{ cm}^3$	11,000	10,000
$4000 \text{ cm}^3 <$	12,000	11,000

2.4.6 Duty rates for Electric vehicles are as follows:

Motor power	Unregistered (brand new) vehicle (Rs. Per kw)	Used vehicle (Rs. Per kw)
$\leq 50 \text{ Kw}$	7,500	15,000
$50\text{Kw} < x \leq 100 \text{ Kw}$	12,500	25,000
$100 \text{ Kw} < x \leq 200 \text{ Kw}$	25,000	40,000
$200 \text{ Kw}$	40,000	55,000

2.4.7 Duty rates for three wheelers are as follows:

- i. Petrol - Rs.2,100 per  $\text{cm}^3$
- ii. Diesel - Rs.1,250 per  $\text{cm}^3$
- iii. Electric
  - Unregistered (brand new) - Rs.7,500 per Kw
  - Registered (used) - Rs.10,000 per Kw

2.4.8 Applicable duty will be revised for off-road electric sports vehicles classified under HS Code 8703.10.11, 8703.10.19, 8703.10.21, 8703.10.29 to facilitate promotion of sports tourism

## 2.5 Vehicle permits for public sector employees

- 2.5.1 Upper ceiling of excise duty concession of vehicle permits for public sector employees will be defined in rupee value without changing the existing concession rate.
- 2.5.2 Upper ceiling of CIF value of imported vehicles will be removed
- 2.5.3 Restriction on transferability will be removed
- 2.5.4 Payable duty will be the higher value of the duty calculated as per Column (IV) below

<b>Authorization (I)</b>	<b>Transferability (II)</b>	<b>Upper limit for CIF (III)</b>	<b>Payable Excise duty (IV)</b>
<b>Trade and Investment Policy Circular No. 01/2016</b>			
	Transferable	No upper limit	duty after deducting Rs.3.0 million from payable duty (i.e. Payable duty – Rs.3.0 million) or 35% of the payable duty
<b>Foreign Affairs Circular No.210(III)</b>			
	Transferable	No upper limit	duty after deducting Rs.3.0 million from payable duty (i.e. Payable duty – Rs.3.0 million) or 30% of the payable duty
<b>Public Administration Circular No. 22/99 –Employee Category</b>			
Group I	Transferable	No upper limit	duty after deducting Rs 9.0 million from payable duty (i.e. Payable duty – Rs.9.0 million) or 20% of the payable duty
Group II	Transferable	No upper limit	duty after deducting Rs 7.5 million from payable duty (i.e. Payable duty – Rs 7.5 million) or 20% of the payable duty
Group III	Transferable	No upper limit	duty after deducting Rs.6.0 million from payable duty (i.e. Payable duty – Rs.6.0 million) or 20% of the payable duty

2.5.5 These changes will be effective from 10/11/2017

### 3. Finance Act

#### 3.1 Cellular Tower Levy

3.1.1 A tax will be introduced on mobile towers

- 3.1.2 Rate will be Rs.200,000/- per month per tower
- 3.1.3 The levy will be paid monthly by the mobile tower operator

**3.2 SMS Advertising Levy**

- 3.2.1 For bulk SMS advertisements a levy of 25 cts per SMS will be imposed
- 3.2.2 The levy will be paid by the advertiser

**3.3 Carbon Tax**

- 3.3.1 Carbon tax will be imposed on motor vehicles based on the engine capacity.
- 3.3.2 Rate will depend on age and fuel type of vehicle as follows:

Type of vehicle	Less than 05 years	05 to 10 years	Over 10 years
Hybrid (Petrol/Diesel)	25 Cts per cm <sup>3</sup>	50 Cts per cm <sup>3</sup>	Rs.1.00 per cm <sup>3</sup>
Fuel (Petrol/Diesel)	50 Cts per cm <sup>3</sup>	Rs.1.00 per cm <sup>3</sup>	Rs.1.50 per cm <sup>3</sup>
Passenger bus	Rs.1,000/-	Rs.2,000/-	Rs.3,000/-

- 3.3.3 Electric vehicles are exempted from the levy

**3.4 Debt Repayment Levy**

- 3.4.1 Debt Repayment Levy (DRL) will be introduced on cash transactions by financial institutions
- 3.4.2 Rate is Rs.2/- per Rs.10,000/- cash transaction (i.e. 0.02%)
- 3.4.3 Levy will be charged on total cash transactions and should be paid by the financial institutions.

**3.5 Luxury Tax on Motor Vehicles**

- 3.5.1 One-time payment luxury tax will be introduced in lieu of the present system of payment over 7 years
- 3.5.2 The present system will be continued for the vehicles already registered
- 3.5.3 Tax depends on the band of engine capacity or motor power of the vehicle as follows:

		Super Luxury (Rs.)	Luxury (Rs.)	Semi- Luxury (Rs.)
	Dual purpose (Petrol/diesel) 2200cm <sup>3</sup> <			250,000/-
Motor Car	Petrol 1800cm <sup>3</sup> < x ≤ 2500 cm <sup>3</sup> Diesel 2200cm <sup>3</sup> < x ≤ 3000 cm <sup>3</sup> Electric 200 kW < x ≤ 300 kw			500,000/-
	Petrol 2500cm <sup>3</sup> < x ≤ 3500 cm <sup>3</sup> Diesel 3000cm <sup>3</sup> < x ≤ 4000 cm <sup>3</sup> Electric 300 kW < x ≤ 400 kw		1,000, 00/-	
	Petrol 3500cm <sup>3</sup> < Diesel 4000cm <sup>3</sup> < Electric 500 kW <	2,000,000/-		

#### 4. Value Added Tax (VAT) [ Amendments to VAT Act No 14 of 2002]

##### 4.1 Removal of exemptions

4.1.1 Import or supply of imported goods set out below will be liable for VAT:

Item Description	Exempted HS Code
Plants & Flowers	06.01, 06.02.10, 06.02.20, 06.02.30, 06.02.40, 06.02.90.90
Plastic Beads	39.26.90.70
Yarn /Fabrics	50.01, 50.02, 50.03, 50.04, 50.05, 50.06, 50.07, 51.11, 51.12, 51.13, 52.01, 52.03, 52.05, 52.06, 52.08, 52.09, 52.10, 52.11, 52.12, 53.09, 53.10, 54.02, 54.03, 54.07, 54.08, 55.09, 55.10, 55.12, 55.13, 55.14, 55.15, 55.16, 58.01, 58.02, 58.04.21, 58.04.29, 58.04.30, 58.06, 58.09, 58.11, 60.01, 60.02, 60.03, 60.04, 60.05, 60.06, 62.15
Wood & Articles	44.03, 44.07, 44.08, 44.09
Dyes	32.04.11, 32.04.12, 32.04.13, 32.04.14, 32.04.15, 32.04.16, 32.04.17
Glass Beads	70.18.10
Plant and Machinery/Industrial racks	84.07, 84.11.91, 84.13.40, 84.43.19.10, 84.43.32.30, 84.43.32.40, 84.43.39.20, 84.43.99.30, 84.44, 84.45, 84.46, 84.47, 84.48, 84.51.40.10, 84.51.50, 84.51.80.10, 84.51.90, 84.70.10, 84.79.89.10, 84.79.89.20, 84.79.89.30 84.79.89.40
Electronic goods	85.16.40, 85.16.72, 85.27.21, 85.27.29, 85.27.91, 85.27.92, 85.39.31.20, 85.43.70.30, 85.43.70.90, 85.43.90
Aeroplanes & Parts	88.02, 88.03.30, 88.05.21, 88.05.29
Spectacles	90.01, 90.02, 90.03, 90.04, 90.05
Cameras & Projectors	90.06, 90.07, 90.08, 90.10
Watches	91.01, 91.02, 91.05

4.1.2 Sale of condominium housing units

#### **4.2 New Exemption**

4.2.1 Solar tracker classified under HS Code 84.79.89.50

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

#### 5.1 Exemptions

5.1.1 Importation of non-motorized equipment and accessories for water sports such as Kayaks, Canoes, Kite Surfing, and diving

5.1.2 Importation of non-powered equipment and accessories for aero sports such as Hang Gliding, Ballooning, dirigibles, Parachutes and Para-Gliders

5.1.3 Importation of gem stones for cutting and re-export purposes

5.1.4 Importation of equipment that enables advanced technology agriculture practices, including greenhouses, poly tunnels and materials for the construction of greenhouses, by any grower.

5.2 Exemption on liquor will be removed.

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

6.1 ESC base for imported motor vehicles will be amended as follows;

- i. Motor vehicles liable for Excise duty - Payable Excise Duty
- ii. Motor vehicles not liable for Excise - CIF value duty

### **7. Customs Import Duty**

#### 7.1 Exemption of Custom Import Duty

7.1.1 Importation of Crust (semi processed) leather for further processing (Tanning Industry) and supply of raw materials for leather products industry.

7.1.2 Importation of machinery, equipment, accessories and raw materials or intermediate materials, to be used only for manufacturing of biodegradable packaging products and materials.

7.2 Customs Import Duty will be updated on importation of goods in line with the HS 2017 version and also revised on importation of selected goods.



## 8. CESS Duty

- 8.1 Cess will be removed on 253 items under the HS Codes specified in **Table 1** to this annexure, facilitating the emerging sectors namely, tourism, value adding industries and other industries.
- 8.2 Cess will be revised on 22 items classified under the following HS Codes, facilitating the availability of goods for value addition and consumption purposes.

0406.10.00	0406.40.00	0709.99.12	0709.99.20
0712.20.00	2922.42.10	4805.24.00	4805.25.00
4810.29.00	5208.11.20	5208.21.10	5208.21.90
6402.19.90	6403.19.90	6506.10.20	8509.40.00
8708.91.10	8708.91.20	4013.90.10	4013.90.90
9105.21.00	9105.29.00		

## 9. Ports and Airports Development levy

- 9.1 PAL on the items classified under following HS Codes will be reduced

8415.90.90	8450.90.00	7212.40.00	8501.20.00
8418.91.10	8401.40.00	3920.30.10	8471.41.90
8418.91.20	7411.10.00	9032.10.00	8471.49.90
8418.99.00	8501.10.90	7210.30.00	8471.50.90
8414.30.00	8414.90.10	8483.50.00	8473.30.90

- 9.2 PAL on the 253 items classified under HS Codes specified in **Table 2** to this annexure, including importation of non-powered equipment and accessories for aero sports such as-Hang Gliding, Ballooning, dirigibles, Parachutes and Para-Gliders will be removed.
- 9.3 PAL will be revised on the importation of non-motorized equipment and accessories for water sports such as Kayaks, Canoes, Kite Surfing, and diving.

10. Sri Lanka will revise and adopt 2017 Version of Harmonized System of Commodity Classification and Coding System, as amended by the World Customs Organization (HS System 2017 Version) effective from November 10, 2017.
11. Value Limit of Export Trade Sample (Selected Goods only) will be revised to US \$ 400 or its equivalent per shipment, effective from January 01, 2018.
12. Next Stage of the Tariff Liberalization Programme (Phase II) of the South Asian Free Trade Agreement (SAFTA) will be implemented effective from November 10, 2017.

13. In line with the emerging technology and environmental and safety standards, Pre-shipment Inspection Certification for importation of used motor vehicles will be revised effective from January 01, 2018
14. Issuance of Usance Letter of Credit Facility for importation of motor vehicles will be canceled effective from January 01, 2018
15. Importation of Motor Vehicles below the Emission Standard of the EURO 4 or its equivalent will be prohibited effective from January 01, 2018 in line with the health and environmental safeguard measures.
16. Importation of Motor Vehicles, which are not complied with the safety measures namely (a) Air Bags for driver and the front passenger, (b) Anti-Locking Breaking System (ABS) and (c) Three Point Seat Belts for driver and the passengers travelling in the front and rear seats, will be prohibited effective from January 01, 2018 in line with the safety of passengers / travelers.
17. Para-Tariffs applicable on importation of sports shoes (for the use of football and rugby players) will be removed / exempted with a view to facilitate development of such sports activities among the rural youths

**18. Other Fees and Charges**

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

**19. Technical Rectifications and Administrative provisions**

Necessary amendments will be made to the respective provisions of the, 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).

**20. Effective Dates of Tax Proposals**

Unless stated otherwise, the proposals in relation to:-

- (i) Value Added Tax, Nation Building Tax, ESC and Amendments to Finance Act will be implemented with effect from April 1, 2018,

- (ii) Custom Duty, Excise (Special Provisions) Duty and Excise (Ordinance) Duty will take effect immediately.

## **Part II – Explanatory Notes**

### **1. Key statutes that will be enacted, amended, or repealed. (Budget Proposal No. 14)**

#### **1.1 Acts to be enacted include the following:**

- *Liability Management Act*
- *Public Finance Management Act*
- *National Audit Act*
- *Demutualization Act*
- *Securitization Act*
- *National Pensions Fund Act*
- *Development Bank Act*
- *Public Enterprises Act*

#### **1.2 Acts to be repealed include the following:**

*Revival of Underperforming Enterprises or Underutilized Assets Act, No. 43 of 2011* which has done much damage, creating a sense of uncertainty in the minds of investors of private capital impacting the country's ease of doing business.

#### **1.3 Acts to be amended include the following:**

- *Public Contracts Act No 03 of 1987*
- *Land (Restrictions and Alienation) Act, No. 38 of 2014* that limits the land ownership rights of companies with foreign ownership.
- *Rent Act, No. 7 of 1972, as amended.*
- *Tea and Rubber Estates (Control of Fragmentation) Act, No. 2 of 1958, as amended.*
- *Paddy Land Act, No. 01 of 1958 and the Agricultural Lands Act, No. 42 of 1973* will be amended to allow the farming of

alternate crops.

- *Shop and Office Employees Act, No. 15 of 1954 and Wages Boards Ordinance, No. 27 of 1941:*

The existing labour laws prevent a person's ability to choose his/her own working hours. This becomes important at a time, specially, when information technology facilitates working at alternate work places or at convenient times. As such, we will introduce amendments to the Shop and Office Employees Act considering the option of a 5 day week with flexible working hours. We will further consider making the flexible working hours applicable to the public sector employees, as well. The Wages Boards Ordinance will also be reviewed to identify more sectors of the economy within the ambit of the legislation.

- *Bankruptcy laws:*

The lack of strong bankruptcy laws covering restructuring or rehabilitating problem companies has actually made the cost of failures quite high, whilst minimizing the recovery rate. This further restricts the ability of investors of their flexibility in realization of investments and has resulted in investors being reluctant to invest in small and medium ventures which also have given rise to an informal sector that operates outside the tax net, but benefits from the public goods that are created through the tax revenue. As such, we will strengthen the existing bankruptcy legal regime whilst dealing with the restructuring or reorganization of problem companies.

- *The Limited Liability Partnership (LLP) structure will be introduced after reviewing the existing statutes such as the Partnership Ordinance, No. 21 of 1866, Prevention of Frauds Ordinance, No. 7 of 1840 and the Companies Act, No. 7 of 2007 to encourage specially the venture capital entities that have shown preference to invest through the LLP structure.*

- We have also identified the *Secured Transactions Act, No. 49 of 2009, Recovery of Loans (Special Provisions) (Amendment) Act,*

*Nos. 1 and 19 of 2011, Land Development Ordinance, No. 19 of 1935, Debt Recovery (Special Provisions) Act, No. 2 of 1990, Mortgage Act, No. 98 of 1981 and the Mediation Board Act, No. 72 of 1992 to require amendments in order to improve the efficiency of the financial sector while ensuring consumer convenience and protection.*

- Legislations relating to the financial system such as the *Monetary Law Act, No. 58 of 1949 and the Banking Act, No. 30 of 1988* are under review and will be further strengthened to ensure economic and price stability in the country and for a resilient financial sector that accelerate the growth momentum.

2. “Enterprise Sri Lanka” Credit Schemes (Budget Proposal No. 75)

Name of the Loan Scheme	Description
<p>1. Ran Aswenna</p>	<p><u>Category I</u>  <b>Beneficiaries:</b> Small Scale Farmers and Farmer Organizations, Floriculture farmers, Entrepreneurs in ornamental fish related businesses</p> <p><b>Maximum Loan Amount (Rs.):</b> 5,000,000  <b>Interest Subsidy from the Government:</b> 50%  <b>Interest rate to the Customer:</b> 6.54%</p> <p><u>Category II</u>  <b>Beneficiaries:</b> Agro Processing Establishments</p> <p><b>Maximum Loan Amount (Rs.):</b> 300,000,000  <b>Interest Subsidy from the Government:</b> 50%  <b>Interest rate to the Customer:</b> 6.54%</p> <p><u>Category III</u>  <b>Beneficiaries:</b> Commercial Scale Farming  <b>Maximum Loan Amount (Rs.):</b> 750,000,000  <b>Interest Subsidy from the Government:</b> 50%  <b>Interest rate to the Customer:</b> 6.54%</p>
<p>2. Govi Navoda</p>	<p><b>Beneficiaries:</b> Small scale farmers, Farmers’ organizations (for mechanizing the cultivation activities)  <b>Maximum Loan Amount (Rs.):</b> 500,000  <b>Interest Subsidy from the Government:</b> 75%  <b>Interest rate to the Customer:</b> 3.27%</p>
<p>3. Riya Shakthi</p>	<p><b>Beneficiaries:</b> Owners of the school service vans  <b>Maximum Loan Amount (Rs.):</b> 4,000,000  <b>Interest Subsidy from the Government:</b> 75%  <b>Interest rate to the Customer:</b> 3.27%</p>

4.Rivi Bala Savi	<p><b>Beneficiaries:</b> Households</p> <p><b>Maximum Loan Amount (Rs.):</b> 350,000</p> <p><b>Interest Subsidy from the Government:</b> 50%</p> <p><b>Interest rate to the Customer:</b> 6%</p>
5.Diri Saviya	<p><b>Beneficiaries:</b> Poultry producers, Self-employees</p> <p><b>Maximum Loan Amount (Rs.):</b> 50,000</p> <p><b>Interest Subsidy from the Government:</b> 100%</p> <p><b>Interest rate to the Customer:</b> 0%</p>
6.Jaya Isura	<p><u><i>Category I</i></u></p> <p><b>Beneficiaries:</b> Small enterprises with an annual turnover between Rs 25 Mn to Rs 250 Mn and with an employment cadre of 10 to 50 who are engaged in agriculture, fisheries, livestock, floriculture, horticulture, light engineering, printing, tourism, handicrafts, apparel, information technology and manufacturing industry sectors.</p> <p><b>Maximum Loan Amount (Rs.):</b> 100,000,000</p> <p><b>Interest Subsidy from the Government:</b> 50%</p> <p><b>Interest rate to the Customer:</b> 6.54%</p> <p><u><i>Category II</i></u></p> <p><b>Beneficiaries:</b> Medium entrepreneurs with an annual turnover between Rs 250 Mn to Rs 750 Mn and with an employment cadre of 51 to 300 who are engaged in the same sectors mentioned under the Category I.</p> <p><b>Maximum Loan Amount (Rs.):</b> 400,000,000</p> <p><b>Interest Subsidy from the Government:</b> 25%</p> <p><b>Interest rate to the Customer:</b> 9.81%</p>
7.Sonduru Piyasa	<p><b>Beneficiaries:</b> Owners of the houses with less than 750 sq.ft.</p> <p><b>Maximum Loan Amount (Rs.):</b> 200,000</p> <p><b>Interest Subsidy from the Government:</b> 50%</p> <p><b>Interest rate to the Customer:</b> 6.54%</p>

<b>8.Madya Aruna</b>	<p><u><i>Category I - (To purchase media equipment)</i></u>  <b>Beneficiaries:</b> Registered journalists  <b>Maximum Loan Amount (Rs.):</b> 300,000  <b>Interest Subsidy from the Government:</b> 100%  <b>Interest rate to the Customer:</b> 0%</p> <p><u><i>Category II - (To upgrade media equipment)</i></u>  <b>Beneficiaries:</b> Registered journalists  <b>Maximum Loan Amount (Rs.):</b> 150,000  <b>Interest Subsidy from the Government:</b> 50%  <b>Interest rate to the Customer:</b> 6.54%</p>
<b>9.Rooftop Solar Power Generation Project</b>	<p><u><i>Category I</i></u>  <b>Beneficiaries:</b> Households  <b>Maximum Loan Amount (Rs.):</b> 7,500,000  <b>Interest rate to the Customer:</b> 8%</p> <p><u><i>Category II</i></u>  <b>Beneficiaries:</b> Entrepreneurs  <b>Maximum Loan Amount (Rs.):</b> Min. 7,500,000 (No maximum limit)  <b>Interest rate to the Customer:</b> 8%</p>

The “Enterprise Sri Lanka” Credit Scheme also includes the other loan schemes which are explained below.

### 3. Supporting the use of Solar Power: (Budget Proposal No. 21)

#### 3.1 Tax benefits

The NBT and PAL will be exempted on machines and equipment including solar panels and, storage batteries which will be imported for the establishment of solar charging stations.

#### 3.2 Credit schemes

Individuals, companies incorporated under the Companies Act, No. 7 of 2007, co-operative societies, farmers/fisheries societies engaged in agriculture, agro processing including drip irrigation, poultry, canning, plantation and tourism industry, that will invest in technology for the generation of solar power to be used for their own



operations, will be supported through the introduction of a loan scheme at a subsidized interest rate of 8%.

**4. Supporting the conversion from Non-Bio Degradable Polythene to environmentally friendly alternatives: ( Budget Proposal Nos. 23 and 24)**

4.1 The Government will bear 50% of the investment cost incurred on equipment and machinery by SME polythene producers when converting from polythene to environment friendly alternatives.

4.2 A concessionary Green Loan Scheme will be introduced by the Pradeshiya Sanwardena Bank (also known as the Regional Development Bank) to encourage local entrepreneurs to engage in manufacturing bags, packing materials etc. out of bio degradable materials such as banana fiber, palm leaves, coir, and bamboo.

**5. The “Pavithra Ganga” initiative: (Budget Proposal Nos. 32 and 45)**

5.1 The companies that already discharge their waste into the Kelani River, lagoons and estuaries will be:

- supported in the next 5 years to invest in technology to ensure zero discharge of waste into these water bodies .
- eligible to utilize the “E- Friends” credit facility at a concessionary interest rate of 6-8%.

5.2 The CEA will issue relevant regulations and will strictly monitor this process.

**6. Supporting the SME companies: (Budget Proposal Nos. 77 - 80)**

6.1 The SME companies will be companies incorporated under the Companies Act, No. 7 of 2007 and will have at least 10 shareholders each contributing at least Rs.10,000 in equity. These companies could engage in any business from agriculture to apparels to IT.

6.2 The support provided by the Government will include:

- provision of equipment and facilities such as storage facilities, planting and seeding equipment, weed removers, boats, fishing nets etc.
- extension of leasing facilities from the State banks to these companies to purchase such machinery.
- provision of a letter of undertaking or a guarantee to the

respective State bank for the equipment, and other facilities purchased and, to bear at least 75% of the lease cost on behalf of the company during the lifetime of the lease.

- make available the “Enterprise Sri Lanka Credit Schemes” to these companies.
- provision of technical support to incorporate companies, maintain books and records, negotiations with financial institutions will be provided by the private sector consultants. Each company incorporated under this mechanism will have a consultant company to support and the cost of the company for consultations for a period of 36 months will be borne by the Government in full, while for a period of another 24 months the Government will bear 50% of such cost. An incentive package based on the performance of these companies will be made available to these consultants.
- bear the hire purchase lease rental and the interest subsidies by the Government.

6.3 These facilities by the Government will be 10% above the norm for companies headed by women.

6.4 The above facilities for companies headed by differently abled will be 15% above the norm.

6.5 Financial and non-financial support such as transfer of technical knowhow, packaging and marketing of products or services etc. will be coordinated and provided by the Department of Development Finance at the Ministry of Finance and Mass Media.

## **7. Supporting the startups and the innovation culture: (Budget Proposal Nos. 81 – 84)**

### **7.1 The “Erambuma” Credit Scheme**

- University graduates with viable business ideas are eligible to utilize the “Erambuma” credit facility.
- The maximum loan size is Rs. 1.5 million per idea per person.
- The interest is 100% subsidized by the Government and the repayment is fully guaranteed through a Government guarantee.

## 7.2 The “IT Initiative”

- The Government will finance the “IT Initiative” by providing Rs. 3 billion over a period of 3 years.
- This initiative will provide both financial and non-financial support by way of grants, equity investments, credit facilities, mentoring, technical support etc. to:
  - local startups
  - attract foreign startups
  - Small and medium IT companies with a turnover around USD 2-3 million per annum to at least double their revenue in 3 years.
  - create the enabling environment by supporting establishment of Incubators, the acquisition and augmentation of skills and know-how in collaboration with the local universities etc.
- The Government will facilitate effective collaboration between the Universities and the Industry in the following manner.
  - The IT industry to be able to acquire and augment the skills set in line with the demand in collaboration with the University of Colombo (UoC) and Moratuwa (UoM) and, the SLIIT.

For example, if an IT company requires training of its employees, non-employees including undergraduates of Universities or Technical Colleges, the company could collaborate with UoC, UoM or the SLIIT to design the required courses. The “IT Initiative” will bear a portion of the cost while the company will bear the balance. Those who successfully complete such courses will be employed by the companies.

- This will be operated through the EDB and be managed by a Board comprising mainly of experienced private sector professionals, investors and entrepreneurs.

### **7.3 The “I2I Initiative” (Budget Proposal Nos. 102))**

- The “I2I” aims to connect university graduates and NVQ 4 certified graduates for a registered patent or a viable business idea with the industry. (Industry will adopt the Innovator).
- The Government will bear:
  - the monthly salary, i.e., 50% up to a maximum of Rs. 50,000 per month for a period of 24 months, and
  - the cost of patenting in Sri Lanka and counsel on patenting

## **8. Export Access Programme: (Budget Proposal Nos. 88 - 92)**

8.1 We will introduce an “Export Market Access Support Programme” targeting the extension of support to:

- local companies that already have exports of less than USD 10 million per annum.
- potential new entrants to the export market to better access the global value chains.

8.2 This programme will facilitate:

- meeting of the cost of compliance which includes the cost of provision of free samples, intellectual property registration, insurance and promotional costs undertaken overseas.
- meeting of the full or partial cost of rent of retail shop space or shelf space occupied by domestic brands that reach overseas markets for a maximum period of 36 months.

8.3 Product development assistance to exporters to develop new products or improve existing products to meet the export market standards and financial support will be provided through the “Enterprise Sri Lanka” Credit schemes.

8.4 This programme will be implemented through the EDB.

## **9. Supporting Tourism: (Budget Proposal No. 126)**

### **9.1 Homestay Programme:**

- A credit scheme will be introduced to support home owners registered with the SLTDA to upgrade their houses to meet the standards required to be in the Homestay programme.

- The facility under the scheme up to a maximum of Rs. 5 million per person at an interest rate of 6%, with a maturity period of 10 years will be introduced.

**10. Employment Preparation Fund: (Budget Proposal No. 153)**

- 10.1 An “Employment Preparatory Fund” will be established under the Ministry of National Policies and Economic Development and will be operated through the National Youth Corps.
- 10.2 This fund will finance vocational training courses that are required by the private sector. The courses will be designed in collaboration with the private sector and such courses may be conducted at institutions such as Hotel Schools, Nursing Schools etc.
- 10.3 Most of these courses will be short termed with duration of 3-6 months and at the successful completion, employment will be guaranteed by the private sector.
- 10.4 This fund will be further utilized to:
- pay a stipend of Rs. 3,500 per month for those following training courses up to a maximum duration of 6 months, and
  - finance the cost of the training course, in full or partly.
- 10.5 The Government will further incentivize the private sector to employ these youth who successfully follow these training programme(s) by bearing the cost of the salary of an employee up to Rs. 6,000 per month for a period of 6 months and the partner employer will pay a further allowance of Rs. 10,000 per month.

**11. Supporting the middle income earner to be a home buyer: (Budget Proposal No. 220)**

- 11.1 A concessionary loan scheme will be introduced by the National Savings Bank to facilitate first time middle income home buyers.
- 11.2 The following terms and conditions will be applicable in this regard.
- Maximum loan size Rs. 5 million
  - Interest rate 7% per annum
  - Tenure 7 years

**Table 1**

**List of items selected for removal of CESS Duty**

0201.10.00	0209.90.00	2101.20.12	4010.19.00	7607.20.20	0207.45.00	6910.10.10
0201.20.00	0210.11.00	2101.20.13	4010.31.00	7608.10.00	0207.51.00	6910.10.90
0201.30.00	0210.12.00	2101.20.19	4010.32.00	7608.20.00	0207.52.00	6910.90.10
0202.10.00	0210.19.00	2106.90.97	4010.33.00	7615.20.10	0207.53.00	7228.30.00
0202.20.00	0210.20.00	2201.10.10	4010.34.00	7802.00.00	0207.54.00	7404.00.00
0202.30.00	0210.91.00	2201.10.90	4010.35.00	7902.00.00	0207.55.00	7503.00.00
0203.11.00	0210.92.00	2201.90.10	4010.36.00	8002.00.00	0207.60.00	7602.00.00
0203.12.00	0210.93.00	2201.90.90	4010.39.00	8301.20.00	0208.10.00	7604.29.00
0203.19.00	0210.99.00	2203.00.10	4011.30.00	8301.70.00	0208.30.00	7607.20.10
0203.21.00	0305.10.00	2203.00.20	4011.70.00	8304.00.00	0208.40.00	9404.29.10
0203.22.00	0305.20.00	2203.00.90	4011.80.10	8306.10.10	0208.90.90	9404.29.20
0203.29.00	0305.59.10	2204.10.00	4011.80.90	8413.60.00	0209.10.00	9404.29.30
0204.10.00	0305.59.90	2204.21.00	4012.13.00	8413.70.11	0902.40.91	9404.29.90
0204.21.00	0403.10.00	2204.22.00	4012.90.10	8413.70.19	0902.40.92	9404.30.10
0204.22.00	0403.90.00	2204.29.00	4014.10.00	8415.10.10	0902.40.93	9404.30.90
0204.23.00	0405.10.00	2204.30.00	4014.90.00	8415.20.10	0902.40.99	9404.90.10
0204.30.00	0405.20.00	2205.10.00	4016.93.10	8415.20.90	1001.99.90	9603.90.90
0204.41.00	0405.90.00	2205.90.00	4016.93.20	8418.10.10	1513.21.00	9613.10.00
0204.42.00	0804.10.10	2206.00.10	4016.99.10	8418.10.90	1513.29.00	9613.20.00
0204.43.00	0804.10.20	2207.10.00	4016.99.20	8418.29.10	1517.10.30	
0204.50.00	0806.20.00	2207.20.10	4017.00.10	8418.29.20	1517.10.90	
0205.00.00	0808.30.00	2207.20.90	4301.10.00	8418.29.30	1803.10.00	
0206.10.00	0809.40.00	2501.00.00	4301.30.00	8418.29.90	1804.00.00	
0206.21.00	0810.50.00	2523.30.00	4301.60.00	8418.91.10	2101.20.11	
0206.22.00	0810.90.90	2523.90.00	4301.80.00	8420.10.00	3912.11.00	
0206.29.00	0902.30.13	2712.20.00	4301.90.00	8421.21.10	3912.12.00	
0206.30.00	0902.30.19	2712.90.00	4302.11.00	8421.21.90	3912.20.00	
0206.41.00	0902.30.23	3302.90.00	4302.19.10	8421.23.90	3913.10.00	
0206.49.00	0902.30.29	3307.90.10	4302.19.90	8423.10.20	3914.00.00	
0206.80.00	0902.30.33	3401.20.10	4302.20.00	8438.80.40	3916.10.00	
0206.90.00	0902.30.39	3906.10.90	4302.30.00	8516.60.90	3916.20.00	
0207.24.00	0902.40.11	3909.10.00	4823.70.00	8539.22.00	3917.40.10	
0207.25.00	0902.40.12	3909.20.00	4911.99.30	8546.20.00	3926.10.10	
0207.26.00	0902.40.13	3909.31.00	6701.00.00	8708.70.10	4007.00.00	
0207.27.00	0902.40.19	3909.39.00	6703.00.00	8708.92.00	4010.11.00	
0207.41.00	0902.40.21	3909.40.00	6704.11.00	8708.99.40	4010.12.00	
0207.42.00	0902.40.22	3910.00.00	6704.19.00	8712.00.20	6801.00.00	
0207.43.00	0902.40.23	3911.10.00	6704.20.00	8712.00.90	6815.20.00	
0207.44.00	0902.40.29	3911.90.00	6704.90.00	8714.92.10	6815.91.00	

**Table 2****List of items selected for removal of PAL Duty**

0101.21.00	0504.00.00	1205.10.00	2701.20.00	2834.10.00
0101.21.00	0505.10.00	1205.90.00	2705.00.00	2835.24.00
0101.29.00	0505.90.00	1206.00.00	2707.20.00	2836.60.00
0101.30.00	0507.10.00	1207.10.10	2708.10.00	2836.91.00
0101.90.00	0507.90.00	1207.21.00	2710.12.10	2836.92.00
0102.21.00	0508.00.10	1207.29.00	2710.19.10	2837.11.00
0102.29.00	0508.00.20	1207.30.00	2710.91.00	2837.19.00
0102.31.00	0508.00.90	1207.50.00	2711.12.00	2837.20.00
0102.39.00	0510.00.10	1207.60.00	2711.19.90	2840.11.00
0102.90.00	0510.00.90	1207.70.00	2711.29.00	2841.30.00
0103.10.00	0511.10.00	1207.91.00	2713.90.00	2841.80.00
0103.91.00	0511.91.10	1207.99.10	2716.00.00	2842.90.10
0103.92.00	0511.91.20	1207.99.90	2801.30.00	2842.90.20
0104.10.10	0511.91.20	1209.10.00	2802.00.00	2842.90.30
0104.10.90	0511.99.10	1209.21.00	2804.40.00	2843.10.00
0104.20.10	0511.99.20	1209.22.00	2804.50.90	2843.29.00
0104.20.90	0511.99.40	1209.23.00	2804.61.00	2843.30.00
0105.11.10	0511.99.50	1209.24.00	2804.80.00	2845.10.00
0105.11.10	0511.99.60	1209.25.00	2804.90.10	2846.10.00
0105.11.20	0511.99.90	1209.29.00	2805.12.00	2849.90.00
0105.11.20	0601.10.00	1209.30.00	2805.19.00	2850.00.00
0105.11.90	0601.20.10	1502.10.00	2806.20.00	2852.10.00
0105.12.10	0601.20.90	2502.00.00	2809.10.00	2852.90.00
0105.12.90	0602.10.00	2504.90.90	2811.11.00	2853.10.00
0105.13.10	0602.20.00	2505.10.10	2811.12.00	2853.90.00
0105.13.90	0602.30.00	2505.10.91	2811.29.20	2901.22.00
0105.14.10	0602.40.00	2508.50.00	2812.19.00	2901.23.00
0105.14.90	0602.90.10	2508.60.00	2812.90.00	2901.24.00
0105.15.10	0602.90.20	2508.70.00	2813.10.00	2901.29.00
0105.15.90	0604.20.00	2510.20.90	2815.30.00	2902.11.00
0105.94.00	0604.90.00	2511.10.00	2819.90.00	2902.20.00
0105.99.00	0709.99.11	2515.11.00	2820.90.00	2902.42.00
0106.12.00	0713.31.11	2515.20.00	2822.00.00	2902.43.00
0106.13.00	0713.31.21	2516.20.00	2824.10.00	2902.60.00
0106.14.00	0713.32.10	2518.10.00	2824.90.00	2903.13.00
0106.19.10	0713.33.10	2518.20.00	2825.10.00	2903.19.10
0106.19.20	0713.34.10	2518.30.00	2825.20.00	2903.22.00
0106.19.90	0713.35.10	2525.10.00	2825.30.00	2903.29.10
0106.20.00	0713.39.10	2528.00.10	2825.40.00	2903.82.00
0106.31.00	0802.21.90	2528.00.90	2825.50.00	2903.99.90
0106.32.00	0802.22.00	2530.90.20	2825.70.00	2904.20.10
0106.32.00	0802.31.90	2601.11.00	2825.80.00	2904.20.90
0106.33.00	0802.32.00	2602.00.00	2826.30.00	2905.16.00
0106.39.00	0810.20.00	2604.00.00	2827.31.00	2905.19.10
0106.41.00	0810.30.00	2608.00.00	2827.35.00	2905.29.00
0106.49.00	0810.40.00	2615.90.00	2827.41.00	2905.43.00
0106.90.00	0810.50.00	2617.10.00	2829.11.00	2905.49.00
0501.00.10	1061.10.00	2617.90.00	2830.90.00	2905.59.00
0501.00.90	1202.30.00	2620.11.00	2831.90.00	2906.12.00
0502.90.00	1204.00.00	2620.99.90	2833.29.10	2906.13.00

2907.15.00	2918.19.00	2932.99.10	3801.20.00	4113.30.90
2907.21.00	2918.22.00	2933.11.00	3802.10.31	4114.10.00
2907.23.00	2918.30.00	2933.32.00	3802.10.32	4114.20.00
2907.29.00	2918.91.00	2933.33.00	3806.20.00	4206.00.00
2908.19.10	2918.99.10	2933.39.20	3807.00.10	4301.10.00
2908.19.90	2919.10.00	2933.49.00	3809.10.00	4301.30.00
2908.99.10	2919.90.10	2933.52.00	3811.11.00	4301.60.00
2908.99.90	2919.90.90	2933.54.00	3813.00.10	4301.80.00
2909.19.90	2920.19.90	2933.59.10	3814.00.20	4301.90.00
2909.20.90	2920.21.00	2933.79.00	3814.00.30	4302.11.00
2909.30.10	2920.22.00	2933.99.10	3815.12.00	4302.19.10
2909.30.99	2921.22.00	2934.10.00	3817.00.20	4302.19.90
2909.41.10	2921.30.00	2934.91.00	3818.00.00	4302.20.00
2909.49.10	2921.42.00	2937.12.00	3824.30.00	4302.30.00
2909.50.10	2921.43.00	2937.19.00	3824.75.00	4303.10.00
2909.60.10	2921.44.00	2937.22.00	3824.79.00	4303.90.00
2910.10.00	2921.45.00	2937.29.00	3825.50.00	4304.00.00
2910.20.00	2921.49.00	2937.90.00	3826.00.00	4401.11.00
2910.30.00	2922.17.00	2938.10.00	3904.61.00	4401.12.00
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2911.00.00	2922.29.10	2939.30.00	3912.11.00	4401.31.00
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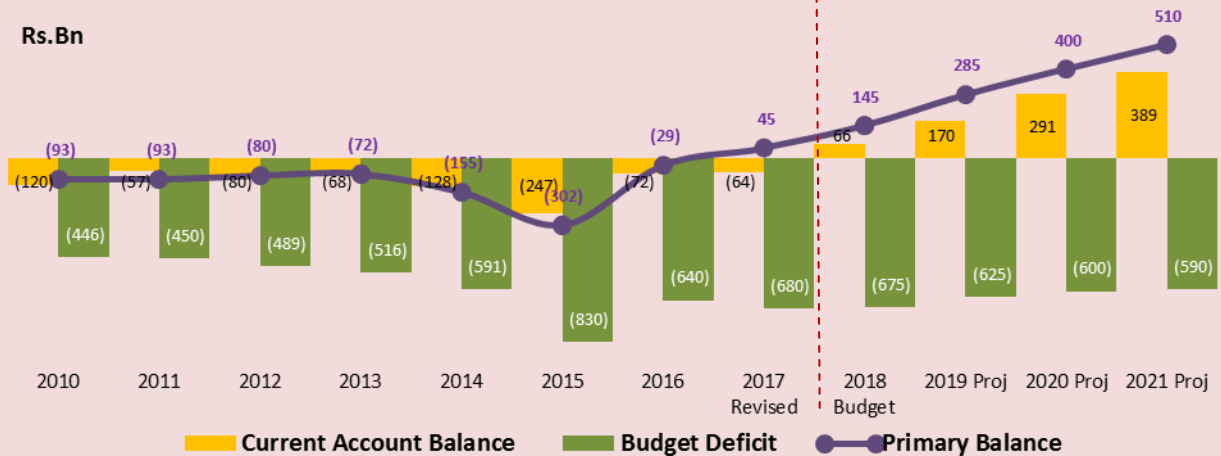
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8528.73.20	8703.10.11	9007.10.90	9614.00.00
8532.21.10	8703.10.19	9012.90.00	9704.00.00
8532.21.90	8703.10.21	9013.10.00	9705.00.00

Recent Fiscal Developments and the Outlook <sup>(a)</sup>

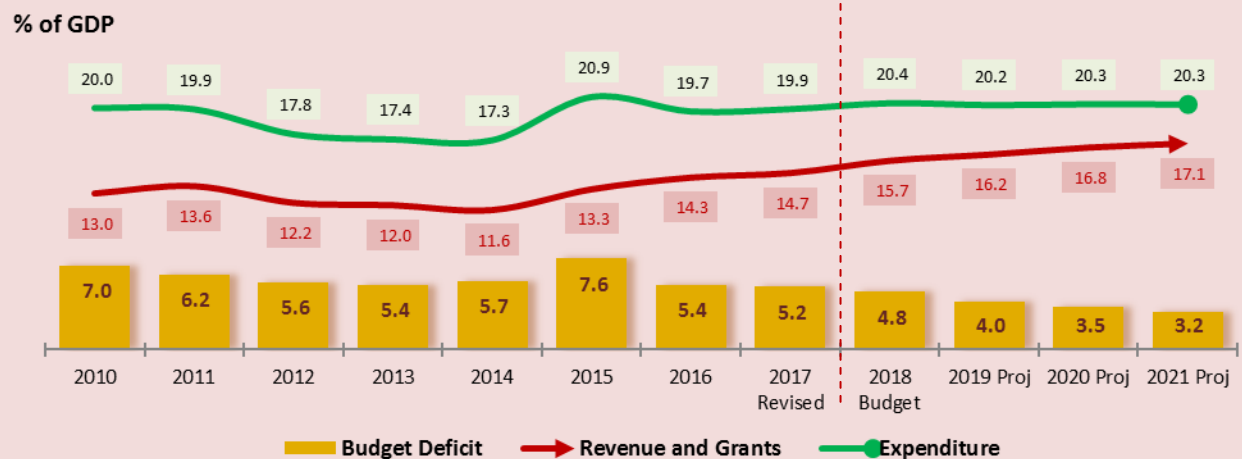
## Fiscal Balances

Fiscal balances are expected to mark a remarkable turnaround in 2018 and beyond...



Budget deficit is estimated to decline in absolute terms; Current Account Balance is expected to record a surplus; and Primary Balance is expected to turn positive after decades.

Government revenue continues to increase while government expenditure prudently rationalized, paving the way forward for credible fiscal consolidation...

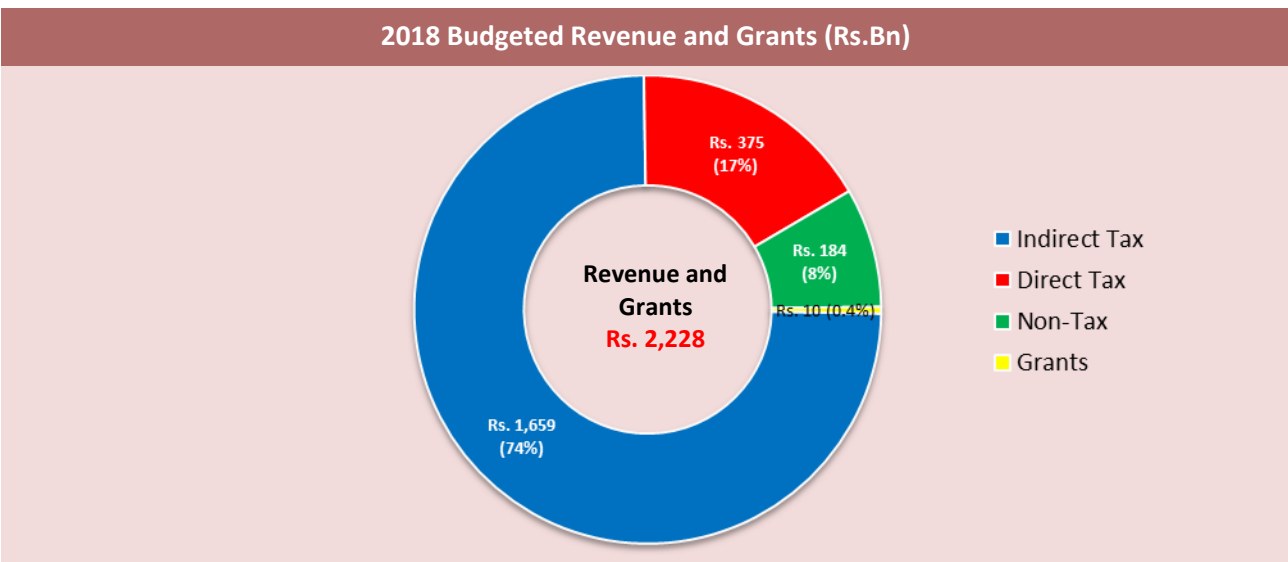
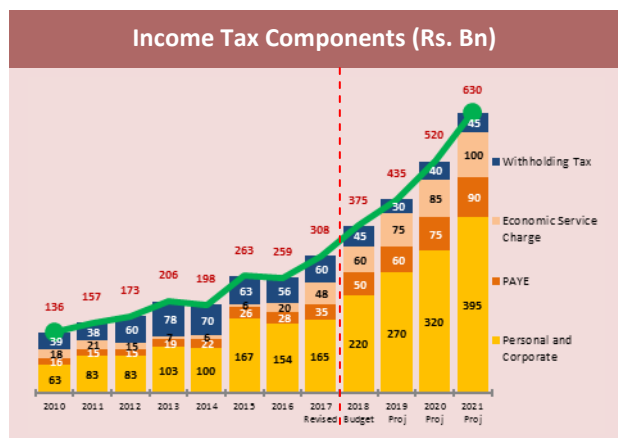
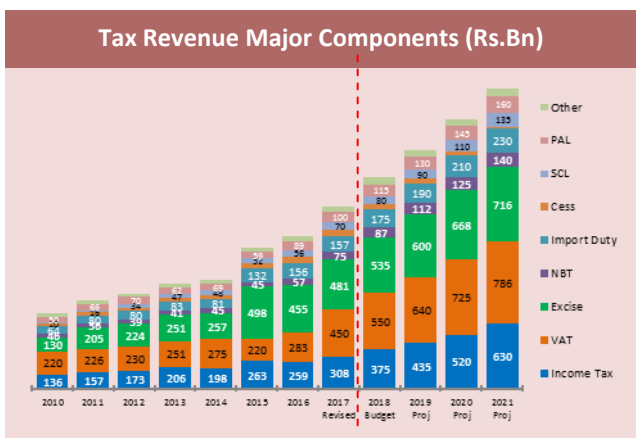
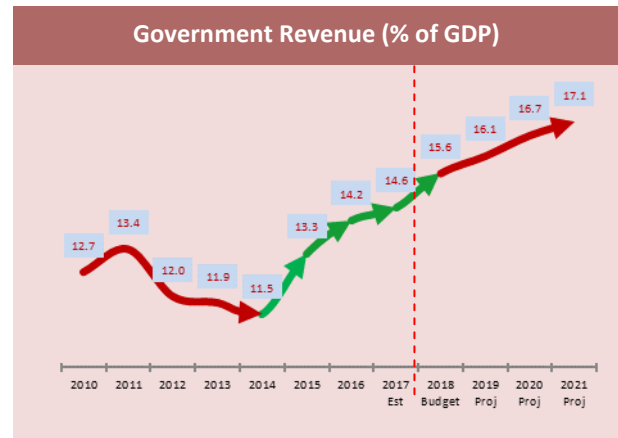
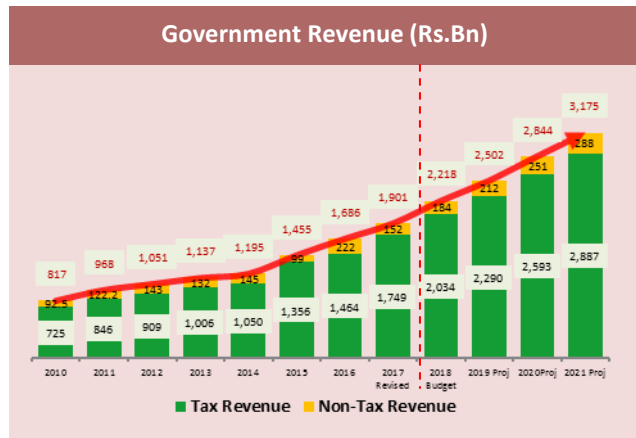


The envisaged fiscal consolidation is both revenue- as well as expenditure-based, as Government Revenue & Grants/GDP increases on average by 3.7% per year, while Expenditure/GDP increases by only 0.3% per year on average during 2018-2021. Hence, Budget Deficit curtails steadily.

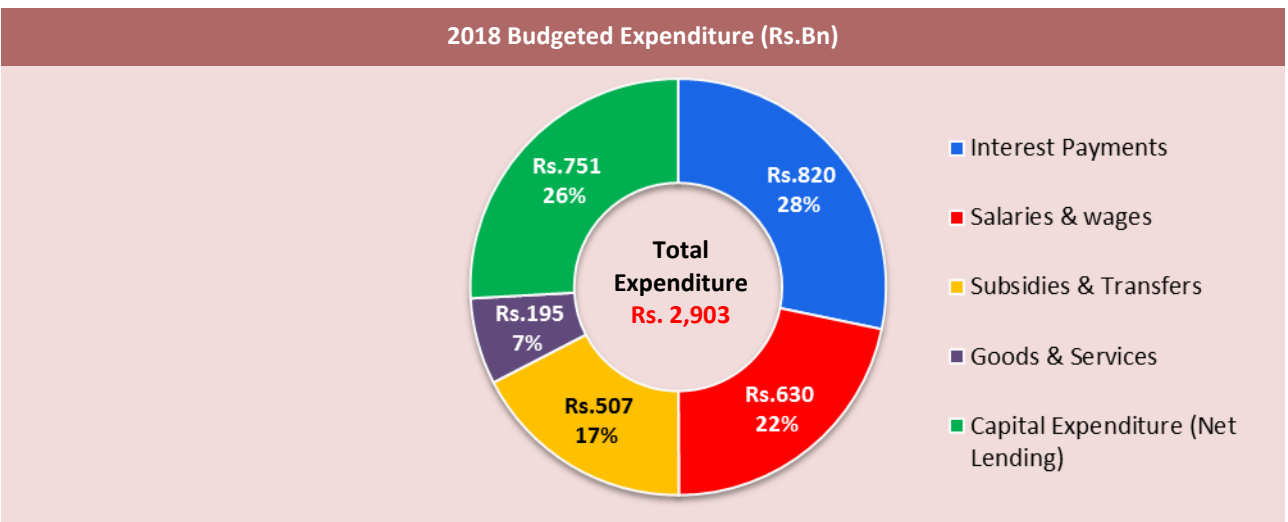
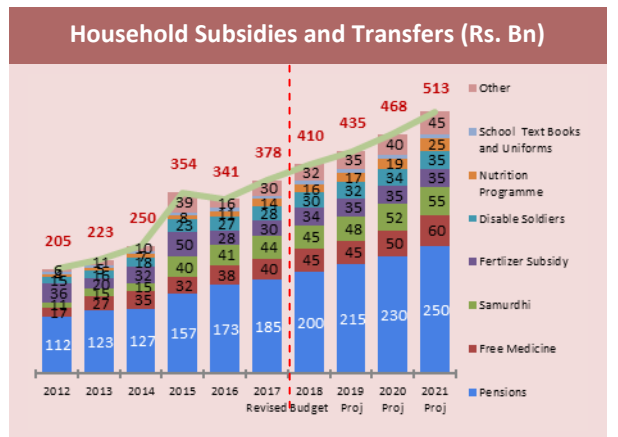
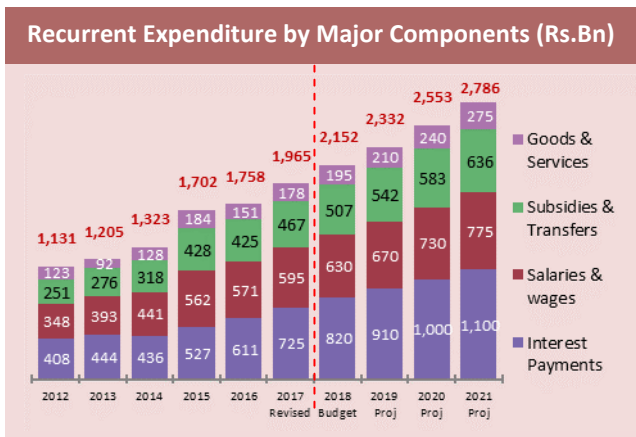
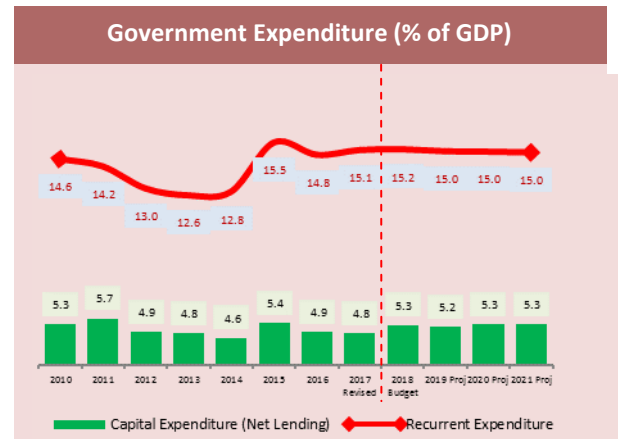
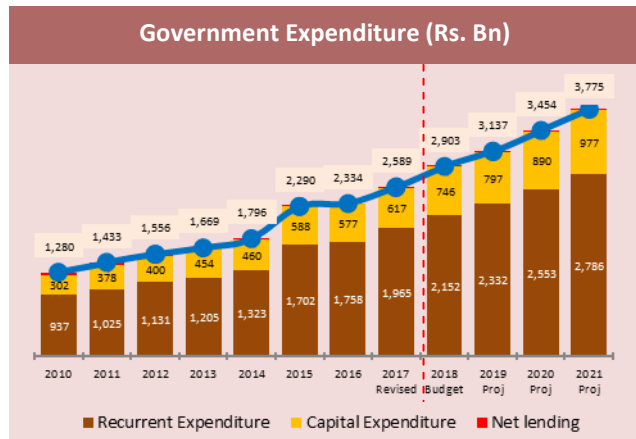
(a) 2017 numbers are provisional, estimates for 2018 incorporate budget proposals; and projections for 2019 through 2021 may change due to policy measures.

# Government Revenue

Reforms introduced to the tax policy and tax administration improved revenue performance substantially, and marked a sustained upward shift in the trend of government revenue beginning 2015...

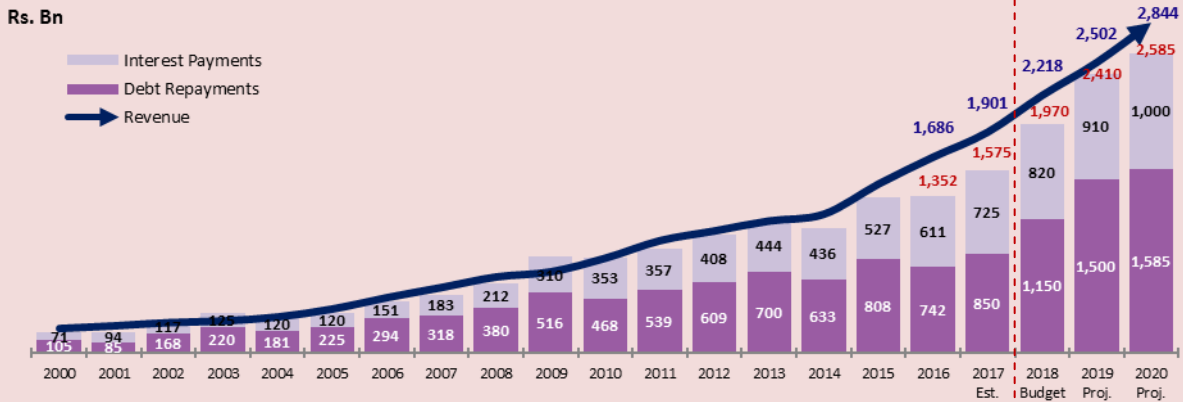


Expenditure management policies of the government suggest no growth of Recurrent Expenditure/GDP, while Capital Expenditure/GDP would be maintained at an elevated level over the medium-term. Such rationalization of Recurrent Expenditure helps achieve intended fiscal consolidation over the medium-term...



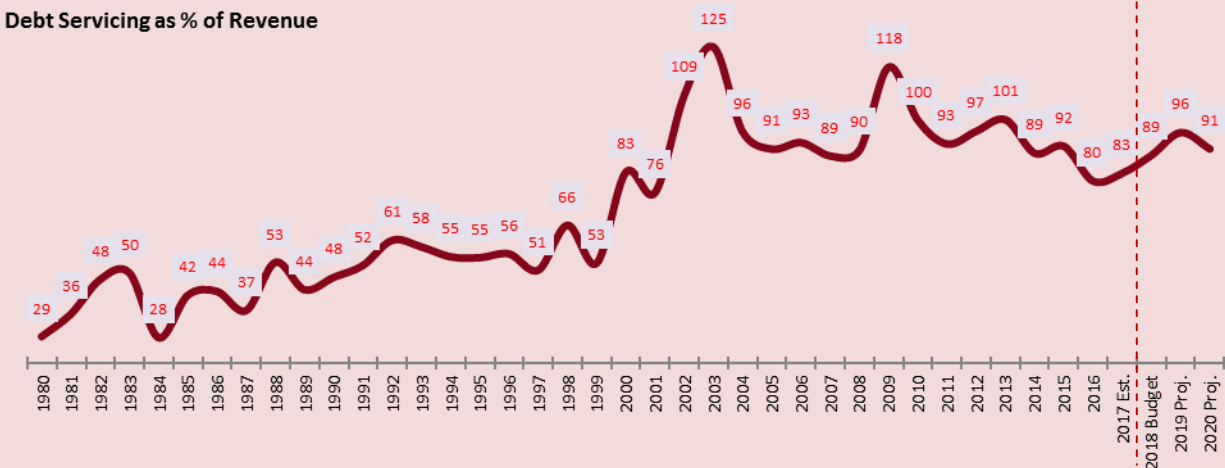
## Government Borrowings, Debt Servicing, and Outstanding Debt

Government debt servicing requirements are set to fall below the increasing government revenue over the medium-term...



As government revenue increases by more than the burgeoning debt servicing requirements, more fiscal space would be available for development activities...

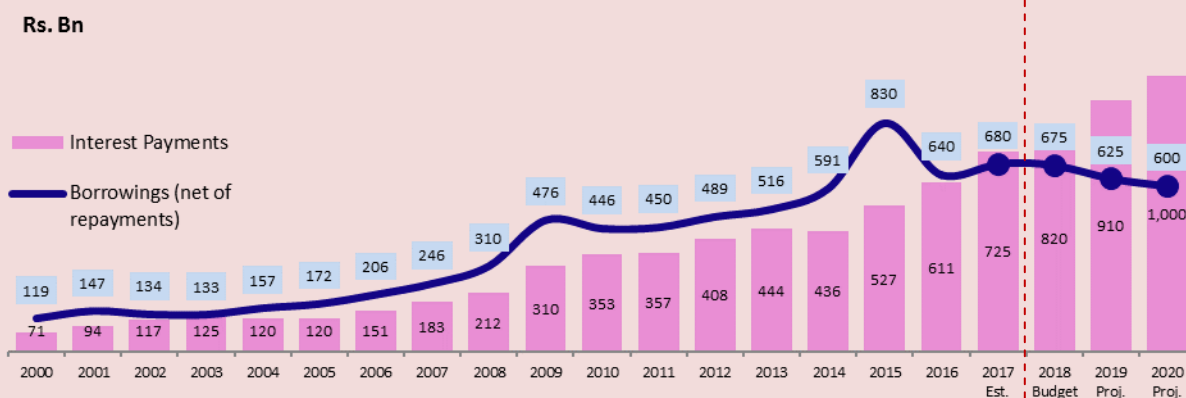
Debt servicing as a share of total revenue would be contained, despite the historically high debt servicing requirements during the years ahead...



During 2002 through 2014, debt servicing accounted for 99% of government revenue on average, while in several years debt servicing escalated even up to 118% - 125% of government revenue... Despite the growing debt servicing requirements over the medium-term, prudent revenue management policies and improvements in revenue administration would ensure a lower share of debt servicing relative to government income...

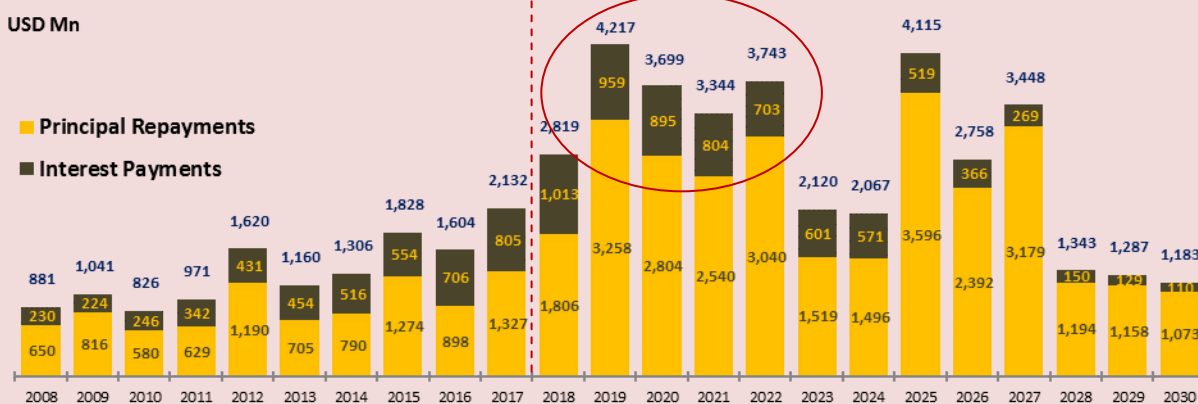
## Government Borrowings, Debt Servicing, and Outstanding Debt (contd.)

The circumstances where government borrowings were above the debt servicing requirements are reversing... making a notable contribution towards decelerating debt accumulation...



As net borrowings are expected to be less than interest payments, the build-up of outstanding debt would decelerate...because a part of revenue goes to finance debt servicing, in spite of depending entirely on borrowings ...

Projections of high foreign debt servicing requirements during 2019-2022 have drawn urgent policy attention...



\*Projections are based on data as at end Sep 2017

Foreign liability management becomes an immediate priority as the economy is facing the largest ever foreign debt servicing requirements, clustered during 2019-2022...