

THE BUDGET SPEECH 2013

1. Introduction

1.1 Honorable Speaker, I am pleased to present the 8th Budget of our Government to this august assembly. I am humbly proud that our Government has been able to place this country on a path of peace, reconciliation and development based on *Mahinda Chintana* Vision for the Future, having obtained the confidence of this House for 7 consecutive annual Budgets.

1.2 This Budget is presented in the backdrop of three important events. First, this Parliament successfully sponsored the 58th Commonwealth Parliamentary Conference. It gave the visiting parliamentarians to see for themselves how our country has shifted from conflict, to peace and reconciliation. They would have also been convinced that the LTTE propaganda campaign carried out overseas to tarnish our country's image is baseless. I thank the Honorable Speaker, the Honorable Leader of the Opposition, the Party Leaders and the Honorable Members of Parliament for uniting to rise to this occasion, leaving their political differences behind.

1.3 Second, we are here after concluding Provincial Council Elections in three distinctly different provinces. The three provinces represent one fourth of the population. All parties contested and showed confidence in democracy. Elections were peaceful. It was a good test for all parties and candidates to test the acceptability of their standing on issues. It was a good mid-term test for the Government of its policies and development strategies. The Government is

encouraged that people from all communities have continued to place their overwhelming confidence in its work, in spite of drought affected living conditions. We are also encouraged that the people in the Eastern Province placed their confidence in the Government appreciating resettlement, rehabilitation and re-construction work done in that province.

1.4 Upholding our commitment to transform the Northern Province on a similar line, the Government has implemented many development initiatives. People have got back to normal family living without the fear of having to lose their children to the LTTE. Access to electricity, education, water, and health facilities is improving rapidly. Banking and financial institutions have been expanded. *Samurdhi* Program has been expanded providing benefits to eligible families. Children enjoy educational tours, visiting the South. They also visit 'Temple Trees' and talk to me as well. I see new hope in their faces.

1.5 There is a strong enthusiasm in the northern people to find economic prosperity in the newly found environment. The people in the North appreciate the implementation of Jaffna - Kilinochchi water supply scheme that provides drinking water to 70,000 families. They are also enthusiastic on the *Moragahakanda* irrigation scheme which takes water to the *Iranamadu* tank. I was encouraged with the level of participation of local representatives at the district consultation meetings I had prior to this Budget. We remain firmly committed to conduct Provincial Council Elections next year, to facilitate democratic representations to promote peace and development.

1.6 Third, this Parliament passed the Local Authorities (Special Provisions) Bill and the Local Authorities (Amendment) Bill, unanimously. This will permit people in local authority areas to elect 60 percent of their representatives on the basis of a vote system and the balance on a proportionate system. This will enable people to have direct contacts with their electoral representatives on matters concerning their electorate. I also hope this new system will eliminate unnecessary spending and personal animosities among political candidates.

2. A Review of the 2006 - 2010 First Five Year Plan Strategy

2.1 Honorable Speaker, the first five year development strategy covering 2006 to 2010 that centered around *Mahinda Chintana* Towards a New Sri Lanka; was implemented in the midst of a brutal terrorist conflict in the north that existed for nearly three decades. It cost us many valuable lives, resources and opportunities. The country was ruled through emergency regulations even denying basic freedom of the people. Economy suffered from depleted infrastructure. Resources from the Budget to reduce poverty and provide support to agriculture had to be curtailed. Rural roads, irrigation, electricity and water had not been expanded to uplift the rural economy. No capital infusions could be made to maintain efficient functioning of state enterprises. The public service delivery mechanism weakened. Unplanned liberalization initiatives marginalized local enterprises. The Budget deficit was high and debt had risen in excess of GDP. Inflation, unemployment and poverty were high. Our country was a lagging nation in a highly globalized economy.

2.2 In a short period of time we changed all these. Conflict ended. Demining and rehabilitation and resettlement of displaced people were completed. Livelihood of people in conflict affected areas was revived. Development of infrastructure facilities in ports, airports, road and bridges, expressways, irrigations and water supply, townships and rural facilities commenced. State enterprises are being revitalized. The fertilizer subsidy and the much needed welfare programs for vulnerable groups were expanded. The Paddy Marketing Board and *Lak Sathosa* were re-established and facilities to support farmers and consumers were also expanded.

2.3 Economy at the end of the first 5 year plan period reached a growth rate of 8 percent from 5 percent before. Per Capita income increased to US\$ 2,800 from US\$ 1,062 in 2004. Inflation declined to 7 percent and unemployment to 5 percent from a double digit before. Poverty was reduced from 15.6 percent to 8.9 percent. The Budget deficit was reduced to 8 percent from 10 percent and Debt to GDP reduced to 80 percent from 100 percent. External stability was sustained through international reserves being maintained at around US\$ 7 billion. All these were achieved amidst high oil prices, the global economic depression, natural disasters and adverse climatic changes.

3. Strengthening Law and Order

3.1 Honorable Speaker, the successful journey of our country towards peace and development would not have been a possibility if not for the commitment and sacrifices made by our security forces and their families. We must continue to appreciate their contribution. I offered a grant of Rs. 100,000 at the birth of a third child of any member of

the security forces, to improve their family environment, in the 2011 Budget. I extended this to the Police Force in the 2012 Budget. A monthly allowance of Rs. 750 was also granted to each of the parents of members of the security forces, in the 2012 Budget. The *Ranaviru Divi Neguma* special loan scheme was implemented to promote self-employment among disabled soldiers. Since housing conditions of many of these families are not satisfactory, I propose to implement a three year rehabilitation programme to improve housing conditions of families in security forces. I propose to allocate Rs. 1,000 million to the *Ranaviru Authority*, to implement this program from 2013.

3.2 Honorable Speaker, in the post conflict environment the responsibilities of the Police and the Civil Security Force have increased considerably in the enforcement of law and order throughout the country. Therefore, I propose to provide a further Rs. 950 million in 2013 for the Police, develop its academy for training and human resource development and for the rehabilitation and construction of police stations. I also propose to implement the recommendations made by the Salaries and Cadre Commission to rationalize their allowances.

3.3 Honorable Speaker, the Civil Security Force provided a valuable service to our rural villages during the conflict. In appreciation of this, all servicemen in this Force were given pensionable status. The Civil Security Force can now be engaged in the protection of electric fences and to provide other security arrangements in villages where wildlife threats prevail.

4. 2011-2015 Second Five Year Plan Framework

- 4.1 Honorable Speaker, we have entered the second 5 year plan period of 2011 to 2015, based on the above performance and the overall approach set out in *Mahinda Chintana - Vision for the Future*. Our aim is to transform this country as an upper middle income country by reaching a Per Capita income of US\$ 4,000 by 2016. Our overall growth strategy is to achieve a gradual increase in the investment level in excess of 35 percent of GDP. An environment has been created to promote domestic private investments and foreign direct investments, particularly in areas in which substantial capital, technology and market access have to be mobilized from abroad.
- 4.2 Honorable Speaker, addressing imbalances in the import and export structure is core to generate a high economic growth. I am encouraged with the emerging investment profile that reflects Government priority. The gradual increase in investment in food and agriculture, tourism, heavy industries, plantations, tea, apparel, IT, spices, pharmaceutical, energy, petroleum resources, and infrastructure support the underlying investment targets as well as the desired growth with opportunities for employment.
- 4.3 Honorable Speaker, we should not overlook the challenges in this transformation. The global economy is confronted with a major crisis. The recovery in the United States has been very slow. The Euro Zone crisis has put major European economies in a deep economic turmoil, causing instability in major European economies. Middle East economies are confronted with political uncertainties. The economic growth in China has slowed down to around 7.5 percent. Economic

growth in India has been projected to grow at 5 percent. All these economies are facing difficulties in obtaining crude oil supplies from Iran. Similarly, oil prices have remained high draining out the limited foreign reserves we have. Domestic policies connected with credit expansion, public enterprise management, pricing of energy and petroleum has implications on our economic performance.

4.4 In my last Budget, I explained the need to take corrective measures in response to imbalances in the export and import trade. There are limitations in subsidizing high oil prices. There is also a danger in relying on oil based power generation strategies. Corrective measures required to be taken to address these challenges are politically difficult but as a responsible Government we need to take such measures, in the interest of financial stability and development.

4.5 We allowed greater flexibility in the exchange rate and less flexibility in credit expansion to curtail imports. Increase of excise tax on motor vehicles and selected commodities is necessary to support foreign exchange management. Imposition of a special commodity levy enabled us to encourage farmers to increase production of rice, maize, onion, potatoes, and dairy products, to reduce imports. Although these measures reduce tax revenue from imports we scaled-down our expenditure programs to keep Government expenditure in line with such trends in revenue.

4.6 Honorable Speaker, unlike past governments, we have not removed subsidies, curtailed rural development or livelihood improvement of low income people. Expenditure on education and health, salaries and pensions of public servants has been protected.

Recruitment to the public services has not been frozen. Development expenditure on ongoing infrastructure development has not been compromised. I must stress that under no circumstances, state enterprises have been privatized. We remain committed at all times to continue to engage in a constructive dialogue to identify justifiable solutions and to provide incentives to all public servants within affordable limits and in a sustainable manner.

4.7 Honorable Speaker, our overall policy actions have contributed positively. Although, the margins of exporters have eroded due to weaknesses in global markets, all of them seem to have benefited from the flexibility in exchange rate management. Despite downturns in export markets, export earnings are likely to be around US\$ 9.5 billion in comparison to US\$ 10.1 billion last year. Expenditure on imports has been reduced to around US\$ 18.5 billion from US\$ 20 billion last year. The adjustment process has been intensified to phase out importation of food and dairy products, through increased local production. The steady inflow of remittance income from overseas employment, earnings from increased tourist arrivals, and capital inflows to Government and the inputs from the private sector have helped to strengthen our external account. Consequently, Government has been able to maintain foreign reserves at around US\$ 7 billion and stabilize the foreign exchange market.

4.8 In the midst of an uncertain global environment, we have been able to maintain a satisfactory growth of around 6.8 percent. This is due to the resilience in the export economy, construction industry and service sector activities despite setbacks in the *Yala* harvest and

hydro power generation. In spite of the adverse impact on Government Revenue due to the contraction in taxable imports, the Budget Deficit has been kept at 6.2 percent of GDP as announced in the 2012 Budget, through adjustments in taxes as well as in expenditure programs. Government Debt is likely to remain at around 80 percent of GDP as in 2011. Inflation threat is disappearing thanks to the financial policies adopted, increased domestic food production, maintenance of ample paddy stocks and the coherent Government wage policy. Despite increases in the cost of transport, fuel, electricity and water, prices of most essential food items have stabilized. Inflation has declined to 8.9 percent in October after reaching its peak at 9.8 percent in July this year. Unemployment continues to be on the declining trend. We propose to consolidate these healthy outcomes despite challenges ahead.

5. 2013 – 2015 Macro Economic Vision

5.1 Honorable Speaker, the 2013 Budget has been framed to ensure that the economy will bounce back at an average growth rate of 7.5 percent in 2013 and 8 percent thereafter. The underlying monetary policy strategies to maintain a monetary expansion of 14 percent, and the favourable food supply conditions will moderate inflation at around 7 percent. Flexibilities in the exchange market will enable the required improvements in exports and the reduction of imports, to narrow the trade deficit. The Government also projects an overall surplus in the Balance of Payments which will strengthen our international reserves. I will also assure the House that the fiscal strategy of 2013, will underscore the Government's commitment to keep the deficit below 6 percent of GDP and protect public

investment at the present level, enabling development projects of the Government to be continued. The underlying fiscal strategy will contribute to a Budget deficit of 5.8 percent in 2013 and move towards a deficit of 4.5 percent by 2015, with public debt below 75 percent of GDP. Honorable Members, these are the adjustments that underscore the commitment of this Government for greater fiscal responsibility, which surpasses all such attempts by Governments in recent years.

6. National Reconciliation

6.1 Honorable Speaker, the development framework for 2011 - 2015 aims at consolidating the hard earned peace through national integration. Therefore, the implementation of reconciliation initiatives identified by the Presidential Task Force based on the Lesson Learnt and Reconciliation Commission (LLRC) Report has been given highest priority. The initiatives to promote a trilingual Sri Lanka, social integration programmes, rehabilitation and reintegration of ex-combatants, issuance of land title documents and resolution of land related issues, providing housing needs and strengthening local authorities and public services in these areas have been given high priority. A budgetary allocation of Rs. 763 million has been provided under respective spending agencies, to address above concerns. I propose a further supplementary provision of Rs. 500 million to fasttrack this process. Senior officers of relevant institutions will be designated to be fully responsible for the implementation of these measures under the overall supervision of the Presidential Task Force.

7. Family, Religion and Culture

7.1 Honorable Speaker, family, religion and culture are well connected in the Sri Lankan value system. Religious places have been in the center of interfacing culture, community and individual families. *Mahinda Chintana* is a vision designed to ensure that all aspects of households and the community are empowered, while being centered around religious organizations and with the participation of the community, to promote family values, eliminate the use of harmful drugs, provide care for the elderly and disabled persons, prevent diseases in the primary stage, encourage a healthy lifestyle and promote communal and religious harmony in our society. Therefore, I propose an allocation of Rs. 200 million in this Budget to encourage religious institutions to implement such proposals with the participation of local communities.

8. A Poverty Free Sri Lanka

8.1 Honorable Speaker, although poverty in our country has declined to 8.9 percent, access to water, housing and sanitary conditions among certain low income families requires considerable improvements. Child and maternity care should be addressed through dedicated facilities provided to such areas. School enrollment of children among these families is unsatisfactory. Access to transport and connectivity to market places is poor, depriving basic opportunities for a decent living. Many low income families have become victims of drugs, illicit liquor, crimes and violence. Therefore, I propose to commit more funds from the National Budget over a three year period, to engage relevant agencies to address the remaining facets of poverty through well targeted initiatives.

8.2 The 14,000 new graduates who have been posted to each *Grama Niladari* division along with all other field level officers of line agencies will be engaged as poverty reduction animators to uplift the living conditions of the poor people in each village. Toilets and basic housing facilities of these people will be restored. I propose to develop isolated rural schools to create a child friendly school environment and provide cereal, milk and eggs free of charge for each child attending such schools. I propose to give a free mid-year uniform to children attending such schools. I also propose to give a free pair of shoes to these children who are living in these difficult areas. Our aim is to ensure 100 percent primary school enrolment throughout the country.

8.3 Attainment of developed country standards, with regard to maternal and child mortality rates is also a target in this strategy. Therefore, rural hospitals, dispensaries, maternity and child care centers will be developed in deserving locations. Knowledge sharing programmes to educate mothers on child nutrition will be intensified among low income families to eradicate malnutrition from the country. A regular supply of food and nutritional requirements will be ensured through targeted *Divi Neguma* and *Samurdhi* initiatives for such families. The Presidential Task Force on Malnutrition will undertake regular reviews and take specific actions through this special initiative.

8.4 Honorable Speaker, the aim of our Government is to claim that Sri Lanka is a poverty free middle income economy and to go beyond Millennium Development Goals by 2016. Therefore, I propose to allocate Rs. 1,500 million to intensify poverty reduction initiatives targeting the remaining poor. The Government also invites

development partners and the private sector to join this national effort, as resource providers. I hope that the business community, banking and financial institutions, tourist hotels, plantation companies and large industrial establishments will participate in this national effort by implementing special poverty reduction programmes, and fulfill their corporate social responsibility.

9. Towards a Value Creating Economy

9.1 Honorable Speaker, the most important pillar of our strategy towards national reconciliation and towards realizing a poverty free Sri Lanka is to build our economy while enabling the generation of gainful livelihood opportunities to all. This requires us to engage an institutional framework and an incentive structure, to promote household economic activities, SMEs and the private sector to facilitate expand their investment and production. *Divi Neguma* has reached over Rs. 2.5 million households engaged in food production, livestock and cottage industries that provide food security and generate supplementary income. The wide range of livelihood promotion measures provided for in this Budget under different line ministries will be further intensified to elevate low income families to higher income levels, by 2016.

9.2 Honorable Speaker, over the years we have got used to relying on few countries for our export and imports. Similarly, we have relied on few commodities and services to earn foreign exchange. A bulk of our exports is still in primary form. Industries such as the apparel industry rely heavily on imported raw material. The rise in oil prices has imposed an extra burden since importation of petroleum

products requires foreign exchange in excess of US\$ 6,000 million. This is almost 100 percent of the remittance income from overseas employment of our people. Hence, diversifying domestic production, export earnings and external markets was required.

9.3 Honorable Speaker, we have made remarkable progress in this regard. We no longer import rice other than for the limited use in tourism and for the diplomatic community. We have managed to produce our full requirement of maize and black gram. We have now embarked on an accelerated food production program to produce onion, green gram, sugar, milk etc. Towards promoting import replacement activities, farm gate prices of agricultural produce have been maintained at attractive levels. We continue to provide the fertilizer subsidy, seeds and credit to encourage farmers. We have made heavy investments in irrigation systems to improve the water supply essential for farming. We have expanded exports of plantation crops and mineral resources in a value added form, to be able to get maximum value for our raw material.

9.4 Honorable Speaker, Income Tax rate on all business activities has been reduced. Regulatory arrangements and approval processes for investments are being simplified to facilitate private investments. The skill levels of the labour force are being raised to increase local productivity and enable greater earnings from overseas employment. Investments in port cities of Trincomalee, Hambantota and Colombo are encouraged to attract export industries and services. A Nano Technology Park and an IT Park have been setup to attract investments in those sectors. A Sports Economy is being promoted to drive investments in associated industries and services. Diverse

tourism product development is encouraged to attract high spending tourists. The underutilized assets vested with the Government in 2012, have been revived with wider private investments and management arrangements. Payment of compensation for related claims is being arranged. Underscoring these improvements, Sri Lanka has climbed to the 81st position in the 'Doing Business Index' ranking that covers 185 countries. Our aim is to position our country among the top 30 countries conducive for 'Doing Business'. In this context, we are on the path to realize the targeted private investments of 25 - 27 percent of GDP.

- 9.5 Honorable Speaker, the transformation towards a value creation process can realize a US\$ 100 billion economy by 2016. It has a potential to raise exports to around US\$ 15 billion and keep imports at around US\$ 18 billion. We expect tourism to generate US\$ 2.5 billion and the remittance economy to reach US\$ 10 billion. Export of services from free port investments and transshipment port services could generate US\$ 3 - 5 billion net earnings. These outcomes will elevate our country as an upper middle income economy that is free of poverty, before 2016.

10. Recovery from the Drought

- 10.1 Honorable Speaker, our country went through a costly drought cycle which has just ended with the setting in of monsoon rains. The drought has affected the *Yala* cultivation of paddy and some longer term crops such as coconut. The inland fishery industry also suffered heavily. Many people lost access to drinking water, while their day-to-day livelihood was also affected.

10.2 The Government proceeded to rehabilitate irrigation facilities using the drought as an opportunity to develop irrigation schemes, following consultations with the people to resolve their problems associated with the drought. Accordingly, around 972 irrigation schemes recommended by farmer representatives were rehabilitated. In fact the farmers requested to create more livelihood opportunities, instead of handouts. In this context, the Government implemented 1,617 cash for work programs providing a monthly income of around Rs 5,000 for those engaged in such work. The Government spent about Rs. 4,600 million for this rehabilitation programme. I salute our farmers for maintaining the pride of agriculture through proposals they shared with us in order to manage the drought. Although farmers do not expect handouts, I propose to provide the seed paddy requirement for the *Maha* cultivation free of charge to all farmers in affected areas, to provide relief. I have also requested banks to defer the recovery of related agricultural loans, till after the *Maha* harvest. I also propose that interest charged on these loans be written-off by the banks, all together. Therefore, I propose an allocation of Rs.1,000 million in support of these initiatives to assist about 100,000 affected farmers to recover from the drawbacks of the drought.

10.3 Honorable Speaker, in the future, the economic losses of drought must be managed in a more meaningful manner. Therefore, I propose to implement a Crop Insurance Scheme for all farmers who are using the fertilizer subsidy, from 2013. Necessary legal amendments will be introduced to make it mandatory for banking, finance and insurance institutions to pay a levy of 1 percent from their annual profits to the National Insurance Trust Fund, to meet such casualties. The farmers who are benefiting from the fertilizer

subsidy will be made policy holders of this compulsory insurance scheme by requiring them to pay Rs. 150 per every 50kg of chemical fertilizer issued under the fertilizer subsidy scheme.

11. A Green Environment

11.1 Honorable Speaker, the destructions caused to natural forestry, rivers and reservoirs, rain forests, animals and wildlife, have resulted in severe hardships to the entire world. This is why *Mahinda Chintana - Towards a New Sri Lanka*, recognized a green environment as a corner-stone of our development. Our nation experienced tremendous hardships during the recent drought. During rainy seasons we also witness landslides causing similar destructions to life. Therefore, I propose a 3 year forestry and environment conservation initiative, targeting to preserve diverse natural resources throughout the country. Though this, I propose to expand the forestry coverage to 35 percent of land, targeting 250,000 hectares. Conservation programs to preserve rain forests, reservoirs and the wildlife will also be an integral part of this programme. I propose an allocation of Rs. 500 million in 2013 and commit Rs. 1,500 million to be utilized over a 3 year period for this national initiative.

12. Pesticides and Chemical Fertilizer

12.1 Honorable Speaker, the increased usage of pesticides and chemical fertilizer has adversely affected our soil, water and the bio-diversity. There is a theory that pesticides and chemical fertilizer contribute to increase non-communicable diseases. Therefore, regulations will be formulated to require suppliers and distributors of all agro chemicals

to comply with quality standards so as to ensure that harmful effects are minimized.

- 12.2 I also propose to encourage Ceylon Fertilizer Corporation to procure organic fertilizer from small and medium scale fertilizer manufactures who have complied with recognized quality standards at a guaranteed price of Rs.400 per 50kg bag. I also propose to exempt all transactions connected with manufacturing, distribution and marketing of organic fertilizer and pesticides, from all direct and indirect taxes in order to encourage the private sector to enter this important field of investment.

13. Renewable Energy

- 13.1 Honorable Speaker, with advancements made in the economy, the demand for energy is on the rise. The cost of petroleum products has risen by unmanageable proportions. In 2000, Sri Lanka spent only US\$ 902 million for the importation of oil. This increased to US\$ 1,657 million in 2005 and to US\$ 3,040 million by 2010. This year the estimated cost is US\$ 6,000 million. This is 1/3 of the total import cost. If not for the implementation of the Upper Kothmale Hydro Power Project and accelerated implementation of the Norochcholai Coal Power Plant, oil import cost of our country could have increased to well above US\$ 7 billion, by now.

- 13.2 In this Background, it is necessary to encourage the exploration of remaining hydro potentials, solar and other renewable energy sources. I propose to exempt solar power systems and such other renewable energy equipment which are not manufactured in Sri

Lanka from taxes imposed at the point of imports. I also propose to reduce Income Tax on such projects to 12 percent. I propose to exempt income from energy crops such as gliricidia cultivation particularly in coconut estates for a period of 10 years, since such crops provide a good source of energy. I also propose to grant a lump sum depreciation on capital assets used to generate renewable energy for industries, provided at least 30 percent of the related energy requirement is generated through renewable sources.

14. Irrigation

14.1 Honorable Speaker, the availability of quality food and water is essential to ensure the prosperity of a nation. This is why our Government has undertaken to develop irrigation systems island-wide. The construction of irrigation schemes such as *Weheragala*, *Welioya* and *Wemedilla* have facilitated the cultivation of 20,674 hectares, in addition to improving the availability of water for people living in those areas. The construction work of *Moragahakanda*, *Uma Oya*, *Deduru Oya*, *Rambukkan Oya* and *Yan Oya* schemes will provide irrigated water to dry zone areas in the Southern, Northern, Eastern and the North Western Provinces. The total expenditure on account of these investments is around Rs. 102 billion. Our target is to complete all these schemes before 2015. Feasibility studies have been undertaken to divert the *Kelani* River to *Ma Oya* and *Deduru Oya*, to improve water availability in the North Western Province. *Nilwala* River diversion is being studied to improve water availability to the South. The development of these major irrigation systems will enable our country providess benefits to 250,000 families.

14.2 Honorable Speaker, apart from the contributions made by our irrigation engineers and technical staff towards the massive irrigation development programs in the country, there is a silent force at the Kolonnawa Government Factory, contributing to irrigation engineering. I propose to allocate Rs. 300 million to begin a skills development initiative for that workforce and to refurbish and modernize the machinery and equipment in this strategic institution, which commands valuable engineering skills.

15. Drinking Water

15.1 The provision of quality drinking water to our population is given high priority in our development strategy. Several water schemes in Kandy, Dambulla, Ampara, Hambantota, Colombo, Balangoda, Trincomalee, Puttalam, Chilaw, Vavuniya, Mannar, Kilinochchi, Jaffna and Anuradhapura have been implemented to expand access to water during the next 3 years, to 580,000 families. The related total investment in 2013 is around Rs. 126 Billion. The Government has secured a Rs. 25 billion funding arrangement to modernize the Greater Colombo Water Distribution System and to reduce non-revenue water consumption from 47 percent to 17 percent by 2016. The implementation of scheduled water supply schemes for Kurunegala, Ratnapura, Badulla, Hali-Ela, Mahiyangana and Bandarawela, will provide access to drinking water facilities to one million families in these areas, during the next 3 years. In order to strength community water supply schemes, a Trust has been created on the basis that technical and maintenance support will be provided and managed by the Water Supply and Drainage Board. I propose to allocate Rs. 250 million to rehabilitate existing water schemes in 2013.

16. Self Sufficiency in Agriculture

16.1 Honorable Speaker, a rapid expansion in food production is essential to ensure nation's food security. The ongoing rehabilitation of existing irrigation systems and the construction of new reservoirs and irrigation systems will provide irrigation to about 125,000 hectares of cultivable lands in the dry zone. Ensuring the storage capacity expansion required to maintain adequate stocks of paddy and other grain, the Government has set up a 70,000 Mt capacity granary at Oya Maduwa and similar storages will be constructed in other major agricultural districts as well. In order to rehabilitate the storage facilities of the Paddy Marketing Board and the Cooperatives, Rs.500 million will be allocated. *Divi Neguma* programme will promote small farmers to develop their own backyard storage facilities, enabling their harvest to be kept for a longer period.

16.2 The farmer representatives, who met me during Budget consultations, requested the Government to ensure the availability of quality seeds and planting material at market places. In this background, seed and planting material farms among small farmers will be encouraged, under accreditation by seed certification services. I propose to grant a triple deduction for expenses incurred by the private sector for research and development of locally sustainable high yielding seed and planting material, with the participation of Government research organizations. The farmer representatives, who met me during Budget consultations, praised the availability of fertilizer at Rs. 350/ 50kg bag for paddy cultivation for 8 long years. They requested Government to ensure a stable market environment

for their products. Therefore, I now propose to raise the guaranteed price for paddy from Rs. 28/- to Rs. 30/- per kilo at present, to Rs. 32/- to Rs. 35/- per kg from next *Maha* cultivation season. I also propose to guarantee Rs. 40/- per kilo for organic fertilizer used paddy.

17. Promoting High Value Added Agriculture

17.1 Honorable Speaker, renewed interest in agriculture, gathered under our Government is encouraging. Our aim is to reach zero level of imports pertaining to red onions, maize, green gram, black gram, cowpea, soya beans, ground nuts, gingerly and kurakkan by 2015. We plan to reach 50 percent self-sufficiency in big onions, dried chilies and potatoes by then. There will be high taxes and stringent quality controls imposed at the point of import, to encourage local production of these commodities. I propose to implement a special project to set up model green-house farming targeting 1,000 young commercial farmers supported through the provision of seed, planting material and green house technology, to engage them in fruits, vegetable and subsidiary crop cultivation. The Government's decision not to permit the filling of abandoned paddy lands will be strictly enforced. Further, I proposed to allocate such lands among those who like to cultivate short term fruits, vegetable and floriculture on lease arrangements with the Government, unless owners assert their rights to such lands and put them to productive use in agriculture, before 30th June 2013.

18. Marketing Network

18.1 Honorable Speaker, it is the responsibility of the Government to ensure the availability of essential food at affordable prices to low income people. Therefore, the establishment of a *Sathi Pola* in every township will provide a least cost method to facilitate consumers and suppliers. These markets will provide facilities for small producers to market their products. I also propose to expand the facilities of small trading communities that are engaged in self-employment businesses using pavements and mobile vehicles, to have access to mass market needs. I also propose to make a capital contribution of Rs. 500 million to expand the *Lak Sathosa* retail network up to 1,000 outlets over next 3 years to provide marketing facilities for low income people. *Lak Sathosa* will make procurement arrangements with local suppliers of food and vegetables. A branch of *Osu-Sala* will also be setup in every *Lak Sathosa* retail shop to provide essential drugs at affordable prices. The Cooperative system will be encouraged to expand their Coop-City Market Network. Similar market arrangements will be promoted through the Fisheries Corporation to supply fish products at affordable prices.

19. The Sugar Industry

19.1 Honorable Speaker, Sri Lanka had a solid sugar industry until early 80's. The industry at that time produced 30 percent of the country's requirement. The privatization of the sugar industry during the UNP regime did not contribute to any expansion of that industry. Farmers engaged in sugar cane cultivation in many areas lost their living. Sugar production declined to less than 6 percent of the local requirement. Private owners engaged in this industry used it largely

to manufacture raw material for liquor production. It is in this background that the Government intervened to reengineer such underutilized assets in the national interest. The Government has revived the Pelwatta and Sevanagala sugar factories. Steps are being taken to revive the Kantale and Hingurana factories as well. The Government has identified about 130,000 hectares of cultivable land in several districts for sugarcane farming through smallholder arrangements.

- 19.2 Sri Lanka spends annually about US\$ 450 million for the importation of sugar. The development of this industry will help to save such large outflow of foreign exchange. Further, Ethanol and Bio diesel, and many other byproducts could also be made from sugar. Average income from a hectare of cultivation is estimated at around Rs. 30,000 per month. In order to encourage the production of local substitutes for sugar such as jaggery, honey and sugar, I propose to permit tapping of coconut trees on a similar basis to *Kitul* trees. I propose to maintain import taxes on sugar, in order to ensure a good farm gate prices for these local products and popularize them in the market.

20. Dairy and Livestock Industry

- 20.1 Honorable Speaker, dairy and livestock industry is another unique economic activity that can be expanded rapidly in our country. When I heard the story of a woman entrepreneur from Monaragala who engages herself in dairy farming with 7 cows, each giving 10.5 liters of milk per day, that generates a daily income of Rs. 3,675 - I realized how successive Governments have failed to exploit the full potential of this industry in our country. Late Mr. S. Thondaman made a

significant commitment to develop this industry when he was the minister in charge of this industry. But he did not get the required support. In this background Sri Lanka became a dairy importing nation. The promotion of dairy production in our country will save US\$ 350 million of foreign exchange and will generate new income sources for our rural entrepreneurs.

20.2 Therefore, I propose to maintain high taxes at the point of Customs on imported milk powder, to encourage local milk production. This will guarantee a farm gate price of Rs. 50 per liter for fresh milk and promote around 160,000 dairy farmers. Research engagement by the Sabaragamuwa University in the areas of artificial insemination in cattle is encouraging. Research knowledge must also be directed to find how small dairy farms could increase their production to well in excess of 10 liter per day. The National Milk Board and MILCO will also expand their factory capacity at Digana, Polonnaruwa and Ambewela to increase fresh milk production and dairy products at a cost of around US\$ 40 million.

20.3 The *Divi Neguma* initiative has popularized poultry farming in household backyards. The distribution of chicks and other support services have not only increased egg and meat production but also provide additional family income. In order to create a competitive market environment for large scale manufacturers in this industry, the price ceiling on poultry has been replaced by a formula pricing, which will take into account the cost of production. I propose to reduce income tax on poultry industry to 10 percent. The industry is expected to generate an exportable surplus, feed the emerging demand of the tourist industry and also ensure food security.

21. Fisheries and Aquatic Resources

21.1 Fisheries sector development is another priority of our Government to promote food security, increase livelihood activities and economic growth. Public investment has been diverted for the maintenance of the modern fishery harbour network, provision of storage and marketing infrastructure facilities, vessels and fishing gear and assistance for coastal deep sea and inland fisheries as well as aquaculture activities. The Government has invested Rs. 300 million to launch *Samudrika* - the first vessel to promote ocean based research. I propose to enhance budgetary provisions by Rs. 2,000 million for the development of 4 fishery harbours at Silawathura, Dandara, Guru Nagar, Kalamatiya and the rehabilitation of Mirissa, Hikkaduwa, Beruwala, Galle, and Hambantota fishery harbours and all anchor lodges and fish landing centers. These development initiatives will benefit about 25,000 fishermen. Housing and community facilities of the people engage in this sector will be upgraded to improve their living conditions.

21.2 Since inland fisheries severely suffered due to recent droughts the production and distribution of fish fingerlings will be encouraged as a priority activity. Incentives have also been provided to attract investments in processing activities of fish products. In this regard, I propose to maintain high taxes on imported canned fish and lower the taxes on required raw material, to encourage the local fish canning industry. I also propose to maintain high taxes on imports to encourage dried fish and other related processing industries. Development in the fisheries sector particularly the manufacturing of

dried fish and canned fish will contribute to reduce the import cost which is around US\$ 150 million per year.

22. The Ocean Economic Development Strategy

22.1 Honorable Speaker, our country owns a wealth of ocean and coastal resources. Our sea bed is 27 times of our island. This is the most valuable economic asset of our country, considering the vast mineral, gas and oil resources available. One of our key priorities in the post conflict development environment is to take a complete assessment of the full economic value of our ocean resources and to develop an Ocean Economic Development Plan. I propose to setup a National Secretariat for Ocean Economic Affairs. This Secretariat will be entrusted to drive the United Nations plans for the sea bed land. I propose an allocation of Rs. 200 million to set up the proposed Secretariat.

23. The Plantation Economy

23.1 Honorable Speaker, the plantation economy which was once very big has gradually transformed in to a small holder plantation. A 75 percent of tea and 90 percent of the rubber and coconut plantations belong to smallholders. Cinnamon, pepper, cocoa and other crops also belong to smallholders. This enables a large percentage of the population to be engaged in a cost effective self-employment centric economic activities. It provides profitable economic assets on which people can build up their capital. In order to sustain the progress in this sector which generate US\$ 2,500 million export income and engage 250,000 families in a wide range of employment, it is

necessary to promote systematic improvements in the cultivation of all these crops, each year.

23.2 I propose to increase the replanting subsidy from Rs. 300,000 to Rs. 350,000 per hectare from 2013 to encourage replanting among small holders. I also propose to increase the subsidy for new plantation from Rs. 150,000 to Rs. 250,000 per hectare. As certain tea plantations have aged, I propose to introduce a staggered replanting arrangement for those small holders to gradually move into new plantation. 25,000 acres of land underutilized by the plantation companies have been identified in terms of the Budget proposal announced in the 2012, to be re-allocated. I propose to distribute these lands on a 30 year lease basis for the development of small holder plantation crops among 12,500 entrepreneurial youth of low income families. They will be given assistance for land preparation and planting. I propose to provide Rs. 100 million to popularize mechanical instruments for tea plucking to assist tea smallholders to improve their productivity.

23.3 Honorable Speaker, the Government is working with international development agencies to mobilize long term financing to support plantation companies to develop their plantations. However, these loan funds will be made available only for those companies which have performed well in terms of best practices in plantation, value addition, welfare of workers and care for surrounding villages. Performance evaluations will take in to account the post 1992 period, since plantation companies have been responsible for estate management. I propose to reward best performing companies by extending the applicable lease terms as well as facilitating long term

funding arrangements while imposing new conditions on lesser performing companies requiring corrective actions to ensure full compliance to improve their performance. I also propose to reduce income tax on the export of tea to 12 percent provided such exports are made out of organic tea.

23.4 Honorable Speaker, rubber industry has gained considerable importance in production, export earnings and value addition. Foreign exchange earnings from rubber product exports are fast approaching the export income of tea. I propose to accelerate rubber cultivation in Monaragala, Ampara, Vavuniya and Mullativue targeting smallholders in those areas. High quality planting material will be developed to ensure increased yield in rubber plantation. *Divi Neguma* programme will popularize rubber cultivation among households having land ownership up to 2.5 acres to promote a supplementary income.

23.5 Honorable Speaker, the interest in coconut cultivation and associated industries has revived significantly in recent years. The Government has already set a target of 3,650 million nuts to be produced by 2016. *Kapruka* initiative has contributed to increase quality seeds to farms and to distribute 10 million plants among small holders to promote cultivation. The Government has now decided to distribute coconut plants free of charge to all cultivators up to 5 acres of land. In order to popularize organic fertilizer in coconut cultivation, I propose to allocate Rs. 100 million from the Coconut Development Cess. As a relief measure to recover from the effects of the recent drought, I propose that the Government will replace all such affected trees, free of charge. I also propose to maintain high taxes on the importation of

vegetable oil to promote the coconut oil industry. Parallel to coconut cultivation, *Kitul* cultivation will be particularly encouraged in the Sabaragamuwa Province and Palmira cultivation will be encouraged in the Northern Province, to ensure increased availability of organic raw material required for a wide range of industrial products and food processing. As Sri Lankan natural cinnamon is unique, the Government has already taken steps to preserve its national identity in the global market, as we cannot permit to tarnish the brand value of Sri Lankan cinnamon.

24. Small Enterprise Economy

- 24.1 Honorable Speaker, small enterprises employ 35 percent of the labour force, representing 25 percent of the National Economy. However, the performance of this sector is affected by various over regulating systems and procedures, taxes and levies imposed by the Government as well as provincial and local authorities. During Budget consultations with a cross section of people in this sector, their request was for simpler systems and procedures when dealing with government agencies. The removal of Debit Tax, Economic Service Charge (ESC) and the amalgamation of Nation Building Tax (NBT) and Provincial Turnover Tax, through my previous Budget, gave a considerable relief to small businesses. I now propose to exempt such businesses from NBT and Value Added Tax (VAT) so that they can operate in a completely tax free environment. I propose that the applicable annual turnover for taxation be raised to Rs. 500 million, to allow SMEs to benefit from the low tax rate of 10 percent.
- 24.2 I propose to maintain a tax differential between outputs and input at the point of Customs, to encourage small enterprises engaged in

value added production such as processed spices, candle and josticks, dryfish, processed food and drinks and sweets. I also propose to allocate Rs. 200 million to support the pottery industry to gain access to better equipment and design to be able to manufacture specialized gift items preferred by tourists and also to set up attractive marketing centers connecting the *Lak Sala* network. A simplified arrangement will also made to enable them to have required raw material.

- 24.3 Small businesses cannot get sufficient access to credit as they do not have conventional bankable assets except the innovations and the commitment. Therefore, I propose to expand microfinance including leasing facilities through *Samurdhi* banking societies up to Rs. 500,000. I also propose to use Regional Development Banks to extend credit facilities based on Small Enterprise Group Guarantees. I propose to provide a bond to the value of Rs. 500 million to Lankaputhra Development Bank to implement a Credit Guarantee Scheme to underwrite credit risks of micro finance and other banking institutions to encourage lending to small businesses. I propose to promote 25 women small entrepreneurs from household economies in each district, in 2013 under the *Divi Neguma* program, to promote enterprise development. I invite all banks and financial institutions to provide venture capital finance upto Rs.10 million for such ventures in all districts using funds available in their Investment Fund Accounts.

- 24.4 The Legal Aid Commission and *Bim Saviya* program have made impressive progress in assisting small economies to resolve legal disputes and land titling issues in recent years. In order to intensify

these services, I propose to enhance their budgetary allocation by a further Rs. 500 million in 2013 to implement special programs to promote small businesses to generate investment and employment.

25. Export Industry

25.1 Honorable Speaker, handlooms and similar domestic resource based value added products have gained considerable momentum in the global market. Since, these products require complying with international product safety requirements, I propose to allow such industries to claim actual expenditure incurred on product safety testing to improve their competitiveness in global markets. I also propose a 2 year depreciation allowance for apparel and other manufacturing industries, to modernize with advance technology, machinery and accessories, so as to be able to maintain their global ranking. I also propose to reduce the Port and Airport Levy on their daily used consumable items from 5 percent to 2.5 percent to improve the competitiveness of the apparel industry.

25.2 Our Government is working with emerging nations to gain greater market access to value added agricultural and manufactured exports to such countries from Sri Lanka, as our aim is not only to diversify our export products but our markets as well. I hope these measures will improve the competitiveness of these industries and assist them to transform the apparel industry to generate US\$ 5,000 million while the manufacturing of value added tea and rubber products, jewellery, ceramics, machinery, electronics and other manufactured products would raise their export growth by 24 percent over the next 3 years.

26. Local Authorities

26.1 Honorable Speaker, our country has 335 *Pradeshiya Sabhas*, This includes the 12 Municipal Councils. All of them have income over Rs. 100 million per annum. 53 Urban Councils have income in the range of Rs. 25 million to Rs. 100 million. These Urban and Municipal Councils have considerable revenue potentials to fulfill their service obligations to the community. Many commercial assets belonging to these councils are not properly utilized. The operation of multiple taxes and fee levying activities has caused hardships to the community. Systems are complex and as such encourage irregularities. Therefore, I hope that local authorities will take steps to establish benchmark valuations for property taxes to overcome valuation complexities and update relevant license fees and other regulatory charges. I also propose that the local authority share of stamp duty collected by the Inland Revenue Department will be transferred directly to relevant local authorities, to do away with time consuming practices. I propose to amend relevant legislations to enable municipal councils which have budget surpluses to issue Medium Term Municipal Bonds equivalent to the 5 times of the surplus subject to a maximum of Rs. 500 million, with Treasury approval. I propose to allocate Rs. 750 million to the *Maga Neguma* program that connects villages to expand its activities to develop inner access roads in urban areas.

26.2 Honorable Speaker, 206 Local Authorities are receiving an annual income of less than Rs. 10 million. Therefore, I propose to provide direct cash grants to *Pradeshiya Sabhas*, to top up their income up to Rs. 10 million per annum. This grant assistance could be utilized only

for capital works connected with upgrading of roads, weekly markets, maternity clinics, small dispensaries and three wheeler parks and such other facilities. The simplification of rates and charges imposed by various agencies operating under local authorities is a priority under this program. I propose an allocation of Rs. 1,700 million for this initiative, in 2013. I propose to exempt import duties and Value Added Tax on machinery and equipment imported by Local Authorities which have a strong revenue capacity to finance such imports. Since, most of the local authorities cannot afford to operate their own machinery and equipment centers, the Government will encourage accredited private sector construction companies, operating in respective local authority areas, to upgrade and provide these services.

27. Provincial Councils

27.1 Honorable Speaker, the National Budget provides Rs. 130 billion to the 9 Provincial Councils. They also raised Rs. 38 billion as revenue. Government has placed significant emphasis on human resource development throughout the country. Expenditure earmarked for provincial education is Rs. 62 billion, while health related expenditure is Rs. 23.1 billion. The provision of free medicine, school uniforms and text books are done by respective line ministries. As the Government has already implemented an all island school and hospital network rehabilitation and improvement program, a coordinated effort between Provincial Councils and the line ministries have become important to ensure national standards and eliminate provincial disparities. Therefore, I propose that Rs. 2,000 million to be allocated among Provincial Councils based on the

poverty head count numbers of each province, to undertake well-targeted poverty alleviation programs in poverty stricken areas, to go beyond Millennium Development Goals.

27.2 Honorable Speaker, the Government's overall development strategy has strengthened new economies in each province and supported revenue needs of Provincial Councils. However, provincial revenue administration should be simple to facilitate business development. Therefore, I encourage Provincial Councils to adopt a single uniform levy in place of all taxes, fees, charges and levies. In support of this move and to facilitate to do away with complex license fees and other levies, I propose to increase the motor vehicle revenue license fee with effective from January 2013. This increase is justifiable as the road network has improved considerably. I expect provincial revenue to increase by Rs, 1,500 million.

28. The 2013 *Deyata Kirula*

28.1 Honorable Speaker, capitalizing on already developed infrastructure, the 2013 *Deyata Kirula* Programme will integrate overall development initiatives in Polonnaruwa, Trincomalee, Batticaloa, and Ampara districts. This district integration is centered on the development of educational facilities, agricultural revival and poverty reduction. Polonnaruwa Royal College will be re-developed to its original national status, with all modern facilities and Ampara Hardy Technical College will be developed to university status. The development of all primary and secondary schools and the hospital network has been accelerated to be completed before 2013 - Independence. Minor irrigation facilities and storage facilities are the

central focus in agriculture related development in these 4 districts. The development of livelihood opportunities, market places, and sanitary facilities among households will be the focus under the poverty reduction strategy. All townships and villages will be connected through the road improvement program already in progress. The Government has committed Rs. 60 billion in 2012 /2013 Budget through respective line ministries, to facilitate the overall push to uplift these 4 districts.

29. The Sports Economy

29.1 The recent international sports events conducted in our country demonstrated great potentials in developing a sports economy. The Government initiatives to develop sports infrastructure facilities in various parts of our country have been supportive to uplift sports activities among our children and youth, promote tourism and related economic activities. The foreign income from sports activities in Sri Lanka is estimated to be around US\$ 50 million. I propose to increase these earnings to about US\$ 500 million by 2016. This requires us to sponsor all season sport activities to attract international sports and stakeholders participating in such events. Therefore, I propose to exempt hotel expenses of sportsmen, trainers and sponsors, from VAT to attract international sports events taking place to Sri Lanka. I also propose to exempt go-carts and specially designed racing vehicles from the applicability of the Special Excise Provision Act to facilitate the availability of such instrument for such sports events.

29.2 Honorable Speaker, I propose to allocate Rs. 250 million as a line item expenditure to sponsor sports events at national levels for all school children, as education and child development must have sufficient exposure to diverse sports activities. Our country which is blessed with a youth population accounting for 26 percent, is privileged to host the first Asian Youth Conference, with the support of United Nations in 2014. In this background, I propose to provide Rs. 300 million to the National Youth Services Council to sponsor a special program to prepare our youth to participate in this event with discipline, charisma and sharpened knowledge.

29.3 The Colombo Race Course Ground has been developed as country's International Rugby Stadium. It is equipped with all facilities for Rugby. An up market shopping complex has also being built in this one time abandoned facility. The conversion of the Old Dutch Hospital has promoted similar shopping facilities. I propose to accelerate the progress of international sports grounds currently being developed in various regions over the next two years, to ensure that facilities available in Colombo will be connected to all provinces.

30. Tourism industry Development

30.1 Honorable Speaker, the government strategy to develop the tourism industry to attract 2.5 million well spending foreign tourists and an equally large number of domestic tourists has produced encouraging results. It attracted one million foreign tourists and a dollar billion foreign earnings this year. The Hotel industry has expanded with new room capacity, refurbishment of existing facilities, and building

up of new hotels. Existing coastal tourist resorts in places such as Negombo, Bentota, Hikkaduwa, Weligama, Unawatuna, as well as new resorts in Kalpitiya, Nilaweli, Kuchchaweli, Passikudah, Yala are positioning well for high spending tourists. Investments by internationally reputed hotel companies have increased with at least 7 global brands taking position in this industry.

30.2 The biodiversity and the wide range of tourism resources available have enabled local enterprises to brand diverse tourism products. In order to assist domestic entrepreneurs to create greater value in the tourism economy, I propose to offer a 25 percent discount on the lease rental determined by the Government Chief Valuer for the entire term, to all local investors. If any foreign investor forms an equity partnership of at least 30 percent with local investors, I propose to offer concessions on land leasing. The sale of state land to foreigners will be prohibited. Lease of state land to foreigners will be permitted subject to the payment of a 100 percent tax on the lease value determined by the Government Chief Valuer for the entire lease period, that is payable upfront unless the prescribed investment requirement by way of a foreign remittance is exceeded.

30.3 I propose to invite and sponsor media personalities, TV crews, journalists and promoters from key up market global travel publications to promote Sri Lanka as an up market tourist destination. I propose to allocate Rs. 100 million for this from the Tourism Development Authority Fund, to meet the cost of their air tickets and related international transport. I expect all up market tourist hoteliers to provide free accommodation and other facilities to such visitors to make this venture a success. I also propose to permit

up to 40 percent of production of exporters who are capable of replacing imports, to sell such quantum in the domestic market, subject to the payment of VAT and NBT, in order to expand shopping facilities in the domestic economy for tourism. In order to popularize locally made high value products such as handlooms, artworks, garments etc. among tourists through local markets, I propose to allow the sale of such products in foreign currency and permit such manufacturers to open and maintain foreign currency accounts in domestic banks.

31. The Construction Industry

31.1 Honorable Speaker, the local construction industry has maintained an annual growth of 17 percent, blessed with the public investments. In order to further strengthen the local construction industry, I propose to reduce the cost of imported machinery and equipment by reducing prevailing taxes at the point of Customs on such imports. I also propose to expand guarantees provided by Construction Guaranty Fund to improve access to finance for small construction companies. The grace period given to apply default status prescribed by CRIB will be extended to 3 months with regard to construction contracts with Government agencies. I propose to issue permits to all well-established local road construction companies import bitumen to improve competition in the supply. I also propose to earmark a section of the Northern expressway to local construction companies in order to further develop this industry. The expansion in the construction industry demands construction materials that can be manufactured locally. In order to promote such industries, I also propose to maintain adequate tariff differentials at the point of

Customs between finished products and associated raw materials. I propose to impose conditions at the time of approval by the Government, requiring direct involvement of local contractors with regard to foreign investment in the local construction industry

32. Urban Settlements

32.1 Honorable Speaker, the housing schemes developed several decades ago requires considerable rehabilitation and improvement to reposition them as decent urban settlements. Similarly, new constructions have been undertaken to provide decent housing facilities for those who are still living in urban shanties. The Urban Development Authority and the National Housing Development Authority have made several initiatives to provide decent housing for this segment of the population over the next 3 years. Already, the *Maligawatta* Housing Scheme has been transformed as a modern facility through a major rehabilitation initiative. Continuing this effort, I propose to allocate Rs. 750 million to top up the existing provisions, to accelerate the rehabilitation and modernization of existing housing schemes to provide decent living environments.

33. Expansion of Grater Colombo Development Activities

33.1 With the completion of the Katuanyake Expressway next year, and its connectivity to Southern expressway in 2014, will expand the development frontiers of Western Province. Several townships outside Colombo will experience a new wave of development. The development of the *Veres Ganga* basin to prevent frequent flooding and damages to property and infrastructure will be a major investment in the move to diversify development in the Western

Province. The surrounding areas will consist of a water front environment providing better living facilities to the people and will also attract tourists for water sports at the *Bolgoda* Lake and the Bird Sanctuary at Attidiya. Therefore, high priority will be given to accelerate the development of *Veras* Ganga basin to expand development frontiers of the Western Province beyond Colombo city limits with an investment of US\$ 300 million. I also propose to allocate a further Rs. 1,000 million to the Land Reclamation and Development Corporation, for the rapid development of the canal system, surrounding lands and public facilities around Colombo.

34. Health

34.1 Honorable Speaker, in order to eliminate provincial disparities in health facilities and to provide a quality health service throughout the country, a modernization program of the hospital network has been undertaken. Under this initiative while expanding the availability of required doctors, nurses, para-medical officers, technical and support staff, there will be ambulances, medical equipment and other facilities also provided. In 2013, Rs. 125 billion has been allocated for the provision of health services. The Government has diverted its attention to manufacture pharmaceutical products locally to meet the rising pharmaceutical demand in the provision of health services. Therefore, funds have been allocated to expand the capacity of the Pharmaceutical Manufacturing Corporation. Further, in order to encourage, domestic pharmaceutical manufacturing companies to expand their capacity to manufacture high quality drugs, procurement contracts with the State Pharmaceutical Corporation and required investment

incentives will be arranged. Although, our country has been successful in eliminating vulnerabilities to communicable diseases, the rising tourist arrivals will demand preventive measures by strengthened quarantine services at the airport.

- 34.2 Honorable Speaker, indigenous health facilities will also be expanded to prevent rising incidence of communicable diseases and towards elderly care. Further, priority will be given in the next 3 years to promote and conserve traditional indigenous medicine by involving well known indigenous doctors with the Department of Ayurveda and its hospital network. Therefore, I propose to implement a conservation scheme to mobilize well known indigenous doctors to develop a genuine indigenous medical system in Sri Lanka. I also propose to encourage research interests in indigenous medicine and food varieties that have been widely used in the past in Sri Lanka to prevent non communicable diseases. Therefore, I propose Rs. 300 million to launch these initiatives in 2013. I also propose to implement at the point of Customs strict quality enforcement measures including labeling requirements in all 3 languages, to prevent substandard pharmaceuticals and Ayurvedic products entering the domestic market.

35. Differently Abled People

- 35.1 Honorable Speaker, our Government remains committed to provide equal access to differently abled people. In this context, steps have been taken to exempt all clearly identifiable aiding equipment required for such people from all taxes, while procedures have also been simplified. Provision has been made to wave taxes on such

unidentified item to further assist the differently abled. Specific guidelines will be issued to require all banking and financial institutions ensure that teller machines will provide easy access to the differently able people. It will be made mandatory that all public places should ensure priority access to such people.

36. Education

36.1 Honorable Speaker, our country is well known for its social developments. The free education policy contributed to sustain developed schools, universities and a vocational education institutional network throughout the country. The provision of text books, uniforms, season tickets and mid-day meals free of charge, made a significant value addition to benefits that derived from free education. The Government maintaining its commitment to provide free education spent Rs. 154.2 billion from the National Budget in 2012. The Government expenditure on education, which account for 9 percent of total Government expenditure, is to provide free education from the kindergarten till university graduation. I believe that the recent comparison of Sri Lanka's free education expenditure will receive a justifiable ranking only if it compared with expenditure incurred by Governments to provide free education in other countries. Parents in this country also spend a considerable amount for their children to attend overseas universities, international schools, high learning academic institutions and fee levying educational services outside schools. In this background, Sri Lanka spends Rs. 306 billion on education, which is 4.1 percent of the National Income.

36.2 Honorable Speaker, the transformation to achieve a developed human resource base requires tackling many challenges. We must target 80 percent enrolment in secondary education as well as literacy in computer technology, mathematics, science and English among our children. We also need to ensure that avenues are created for 10 percent of children entering schools each year to move into universities and 40 percent to enter vocational and technical education. Our children must be exposed to a variety of skills and child development programs. Provincial disparities in primary and secondary education need to be eliminated. Skills education and university education should be re-oriented to ensure that all graduates who pass out will be gainfully employed in the economy, which should be the priority in education reforms. Toward this, carrier development among teachers and university academia, training, improvements in teacher training and the working environments, an incentive structure and professional security for academic staff, modern infrastructure and technology and accommodation for students, need to be expanded. Therefore, while increasing budgetary allocations continuously for education over the medium term, the Government will encourage our society to divert more resources on human resource development.

36.3 Honorable Speaker, in this background, recruitment of school teachers within respective localities and training them on required subjects have become a practical solution to resolve the teacher shortage in provinces and to improve quality standards of primary education. Therefore, I propose a further allocation of Rs.900 million for the provincial teacher training program for such schools under Provincial Councils. I also propose to allocate Rs. 1,600 million to set

up 20 Technical Colleges attached to Vocational Technical University Colleges, that will accommodate over 50,000 Advanced Level students who will be given new diplomas, that will cater to the demands of international markets. Recognizing prospects for overseas employment for youths with technical skills, dedicated vocational education facilities in these colleges will be made available to all prospective youths identified by the Foreign Employment Bureau.

36.4 The National School of Business Management which is affiliated to 5 international universities has commenced 12 Graduate Programs. This school with an investment of Rs. 7.2 billion will commission its new complex at Homagama as Asia first Green University. In the backdrop of large interest in food production, it is necessary to expand the agricultural technical expertise significantly, particularly to meet the private sector demand for such skills. Therefore, I propose to provide an allocation of Rs. 350 million to expand the capacity of 5 Agricultural Training Schools to be equipped with modern technology and research facilities to increase the student intake from 400 to 1,500 from 2013, for two year Diploma Programs.

36.5 The recent Supreme Court judgment on University Admission has required our universities to accommodate a further 5,000 students. This is far beyond the capacity of infrastructure, lecturers, and hostel facilities available in our universities, particularly in useful areas such as medicine, engineering, business studies etc. However, taking this challenge as an opportunity to expand the capacity of our universities, I propose a supplementary budgetary allocation of Rs. 4,000 million for university education expansion. The bulk of this

expenditure is expected to be on account of salaries of university staff as they will be involved in managing a higher student population, commencing from 2013.

36.6 Honorable Speaker, in terms of a Budget Proposal in 2011, long term development plans have been submitted by the universities of Jaffna, Sri Jayawardenapura and Ruhuna to make a comprehensive transformation in those universities. I propose a separate allocation of Rs. 5,000 million in support of initial Capital Expenditure over the next 3 years, to complete Phase I of this transformation. I also propose to provide suitable land free of charge to well-wishers, who wish to build hostels for university students. I request the Vice Chancellors and Alumni Associations to work on such initiatives.

36.7 Honorable Speaker, Sri Lanka Navy has gained exceptional and unique experience in defending the country from terrorist threats for 30 long years. Therefore, in order to provide training to our friendly countries and to mobilize scholars from reputed naval academies to expand resource capabilities, I propose to provide an initial capital of Rs. 500 million to expand the training capacity of the Naval Academy in Trincomalee from 3,000 to 5,000, to position Sri Lanka Naval Academy in the global map. I also propose to provide Government assistance and treasury guarantees to the Kothalawala Defence Academy which has already received international recognition, to raise capital to set up a medical faculty and a teaching hospital.

36.8 I will assure children and parents of this nation through this august assembly that this Government under no circumstance will

compromise its commitment to deepen the scope of free education. In this background, it has been proposed to increase expenditure on education by 14 percent in 2012 and by a further 15 percent to about Rs. 177.6 billion in 2013.

37. Research, Technology and Development

37.1 Honorable Speaker, the 2013 Budget provides Rs. 9 billion for direct expenditure on research and related work done by researchers in Government research institutions. In the 2011 Budget, I announced the implementation of a scheme to provide a research allowance for university staff and professionals in the public sector, to engage in research. As announced in the 2012 Budget, I introduced a provision to the tax laws to provide triple deductions to the private sector to fund research in collaboration with Government research institutions.

37.2 Our medical practitioners who have undertaken about 300 innovative research initiatives on wide aspects of medical science and health administration have presented such outcomes in international forums and published many of them in reputed medical journals. Scientific researchers in Government research institutions have also committed to about 500 research projects which have attracted global interest. I am also encouraged by research initiatives undertaken by our university academic staff on many disciplines including the research in food technology, dairy farming and animal husbandry, aquaculture, nanotechnology, seeds and planting materials, Dengi control, information technology, clinical research, textile technology, renewable energy, organic products etc.,

which are of immense value towards national development. I propose to fund any such research expense by any of our universities or research institutions to intensify research interest among our scientists. Therefore, I propose to increase the present allocation to the National Research Council by further Rs. 250 million to meet such research related expenses. I also propose to grant a triple deduction for research expenditure and a lump sum depreciation for capital expenditure on required equipment and development of laboratory facilities to encourage private sector engagement in research and innovation.

38. Knowledge Services Industry

38.1 Honorable Speaker, Our country has witnessed the emergence of a knowledge services industry in recent years. It engages numerous professionals. The industry which consists of IT, Business Process Outsourcing (BPO) and Knowledge Process Outsourcing (KPO) has attracted internationally reputed service providers into the country. A large number of local companies have also consolidated in this sector. IT based research activities have also expanded. The industry generates nearly US\$ 400 million of foreign exchange earnings and employs about 65,000. Our aim is to promote this to a billion dollar industry with 150,000 direct employments in the next 3 years. The Government has already setup an IT Park in Hambantota.

38.2 As IT and enabling services attract high salaries and professional carrier services, I propose to limit their maximum personnel income tax rate at 16 percent. I also propose to reduce the telecommunication levy applicable to internet tariff from 20 percent to 10 percent to

reduce the cost of broadband facilities. An allocation of Rs. 300 million will be provided to Information and Communication Technology Agency (ICTA) to promote training to improve and quality certification in the IT and BPO industry. I also propose to set up *Nenasala* centers in every *Grama Niladari* division as a special project to broaden the access to IT facilities. Such centers will be setup by rehabilitating abandoned schools and other public buildings. These centers will accommodate various other educational facilities that disseminate knowledge on maternal and child nutrition, best agricultural practices and transfer of technology and knowhow initiatives. I propose an allocation of Rs. 750 million for this initiative to be implemented parallel with the proposed poverty reduction initiative.

39. Media Personnel and Artists

39.1 Honorable Speaker, in my previous Budget, a loan scheme free of interest and repayable over a long term was introduced to facilitate journalists and artists to purchase vehicles in appreciation of their pivotal role in the society. The first phase of this scheme provided such facilities to 150 journalists and artists. As this programme is expected to provide such facilities to nearly 1,000 during the next year, I propose an allocation of Rs. 200 million to finance the full interest cost of this scheme.

40. Foreign Employment and Welfare

40.1 Honorable Speaker, we must give special attention to ensure the welfare of overseas employees who are contributing about US\$ 6,000 million as foreign exchange earnings. I propose to extend housing

loan facilities to those who are returning from such employment through *Samurdhi* Banks with a guarantee from the Foreign Employment Bureau to assist them to develop their housing facilities. I also propose to implement a lending scheme through *Samurdhi* Banks and Regional Development Banks to provide up to Rs. 250,000 at 10 percent increase to assist low income people to start small enterprises. I propose to set up two new Foreign Employment Technical Colleges to enhance their skills level and orient them to the needs specific country environments to help those who are going abroad for foreign employment. These colleges will have twinning arrangements with institutions reputed for technology, tourism, beauty culture, accounting techniques etc. I propose to invest of Rs. 300 million to implement this initiative.

41. Capital Market Developments

41.1 Sri Lanka's equity market has consolidated well. Equity participation by foreign investors has exceeded by US\$ 267 million during the last ten months. Market capitalization has increased to 40 percent of GDP with several new listings in the Colombo Stock Exchange. I propose to offer a 3 year half tax holiday for new companies that will be listed in the Colombo Stock Exchange before December 2013, and maintain a minimum of 20 percent of its shares with the public.

41.2 As well established companies could also list their debt in the Colombo Stock Exchange to raise capital and expand the depth of the market, I propose to exempt withholding tax on interest income earned from investing in bonds and debentures listed in the Colombo Stock Exchange. In order to popularize Unit Trusts among

Sri Lankans working overseas and living abroad and small time investors, I propose to allow direct investments in foreign currencies in Unit Trusts without having to channel through Securities Investment Account (SIA). I propose to apply the 10 percent tax applicable to Unit Trusts also to Unit Trust Management companies in order to strengthen the management of Unit Trusts. I propose to exempt transfer of shares for margin trading from Stamp Duty, to facilitate such market transactions. The Capital Market Development Master Plan prepared in consultation with all stakeholders will facilitate the development of diverse products in the market. I propose to appoint a Presidential Task Force to implement this plan, by mobilizing all stakeholders involved in the capital market.

- 41.3 As Stock Brokers must be encouraged to develop their infrastructure rapidly in support of debt and equity market expansion, I propose to permit them to claim a lump sum depreciation for expenditure on IT infrastructure, branch networking, and such other capital items. I propose to raise the re-insurance premium charged by the National Insurance Trust Fund from 20 percent to 30 percent and transfer the entire amount to set up a separate re-insurance fund to meet re-insurance requirements of Sri Lanka's insurance industry.

42. Foreign Exchange Management

- 42.1 Honorable Speaker, improved investor confidence and emerging domestic entrepreneurs in foreign exchange earning sectors have improved capacity to mobilize their funding requirements from global financial markets. Therefore, I propose to allow corporate entities to borrow up to US\$ 10 million per annum over a next 3

years without having to obtain Exchange Control Department approval. I also propose to permit licensed commercial banks to borrow up to US\$ 50 million each year for three years without the approval from Exchange Control Department.

42.2 Honorable Speaker, permitting transactions to those engaged in the supply of goods and services to tourism and foreign businesses to transact in foreign currency and allowing them to retain a part of their earnings would be beneficial for the development of such sectors. Hence, I propose to permit all such service providers to accept foreign currency provided such earnings are deposited in the banking system within 7 working days of such transactions. I also propose to permit all residents to maintain Foreign Exchange Earners' Accounts in currencies of their choice in licensed commercial banks to deposit foreign exchange earnings from services provided to non-residents.

42.3 Honorable Speaker, amendments were introduced to legislations in Parliament in 2009 as per one of my Budget proposals, to bring about a new business life particularly to those who have lost title documents and other assets during the conflict, by waiving off their taxes and other liabilities prior to December 2009. In the background of emerging development scenarios, I propose to amend such legislative provisions to enable those who were so affected and particularly those who live abroad to take a long term view in Sri Lanka by raising the prescribed limit for exemption from tax and exchange controls, to Rs. 300 million. Providing a further a window to facilitate the transfer of foreign savings of resident Sri Lankans as well as expatriates, I propose to permit such transfers to investments

in instruments up to US\$ 5 million to be done without the approval from the Exchange Control Department. I also propose a 3 year tax holiday period for such investment. The prevailing tax rules restrict the movements of Sri Lankans as they are required to be absent from the country for 365 days to become non-residents. In order to encourage Sri Lankans living abroad to move freely with their savings made overseas and engage in residential activities, I propose to reduce this requirement to 183 days. These arrangements will provide a mechanism to overcome the difficulties in exchange control and taxation areas for those who left the country during the conflict and propose to return to settledown.

43. Development Finance

43.1 Honorable Speaker, I propose to encourage the DFCC Bank and the NDB Bank to raise over 10 year tenure long term foreign development finance up to US\$ 250 million each, to provide long term funding for SMEs, plantations, the construction industry and other manufacturing industries. As an incentive to these two development finance institutions to promote such capital formation, the Government will underwrite the exchange risks of such borrowings. I propose to exempt interest income from such lendings from income taxes. Government will also facilitate such borrowings by floating domestic bonds, enabling these two institutions to invest their surplus funds until loan proceeds are fully utilized. This will enable domestic entrepreneurs to borrow long term funds at low interest rates to meet their funding requirements.

44. The Tax system

- 44.1 Honorable Speaker, I introduced far reaching reforms in the 2011 Budget, towards a simpler and a broad base tax regime in our country. I removed several taxes affecting business development among small and medium scale entrepreneurs. I introduced a Special Commodity Levy in place of several taxes levied at the point of Customs for 30 over commodities. I exempted people earning less than Rs. 50,000 per month from Personal Income Tax. Businesses engaged in exports, construction, tourism, commercial agriculture and the SME sector now pay only 12 percent Income Tax.
- 44.2 I propose to further simplify our tax system to enable tax administration to focus on the highest level of the tax paying community. Therefore, I propose to exempt businesses having an annual turnover less than Rs. 12 million from Nation Building tax (NBT) and Value Added Tax (VAT), with effect from January 2013.
- 44.3 Honorable Speaker, since the Nation Building Tax and Value Added Tax are imposed only at the points of import and in the manufacturing stages booming supermarket chains and luxury shopping complexes do not pay these taxes. Therefore, I propose to extend the coverage of these two taxes to supermarkets and large scale trading operations generating a quarterly turnover in excess of Rs. 500 million. As the threshold is high, small boutiques and shops will not be liable for these taxes. The use of the tax system to reach the high spending society will contribute to expand the tax based and also promote equity in taxation.

44.4 Honorable Speaker, out of the 27,645 businesses in the Large Taxpayer Unit only 11,101 companies have a turnover above Rs. 10 million. They generate 97 percent of revenue from VAT and NBT in addition to Corporate Income Tax. Since the Inland Revenue Department needs to pay greater attention to corporate entities and intensify its tax audit activities, the management of such large tax files will be brought under one consolidated unit. I propose to streamline related operations and expand tax audits on the Simplified VAT System, which I introduced last year to improve the VAT refund system to enable exporters to overcome their difficulties. It has been planned to introduce ASYCUDA World to Sri Lanka Customs by the end of this year and a Revenue Administration Management Information System (RAMIS) to the Inland Revenue Department by 2014, to improve services of both agencies. The scope of the Tax Appeals Commission which was set up by me last year will be further expanded. In order to improve the efficiency of the tax administration which is complemented by the Tax Appeals Commission, the time-bar applicable to the filling of a tax return will be reduced to 18 months and a 6 month time-bar will be fixed to issue interpretation by the Tax Interpretation Committee. I propose to expand the concessions available to tax payers who are maintaining a 10 year minimum tax payment of Rs. 250,000 per annum.

44.5 I propose to raise the Airport Tax by US\$ 10 and the Online Visa Fee by US\$ 5 from January 2013. I also propose to update several administrative fees and charges which have not been updated for several years. I also propose to introduce amendments to the Finance Act requiring all regulatory agencies and government departments to

transfer revenue in excess of the required establishment expenditure and a 3 months working capital requirement, to the Consolidated Fund, once in 3 months. I propose to increase duties by 10- 20 percent on all vehicles imported under concessional schemes.

44.6 Honorable speaker, I propose to increase the registration fees on betting businesses to Rs. 2 million and on gaming activities to Rs. 100 million. I also propose to impose a 5 percent tax on the turnover of a gaming business. The highest income tax rate of 40 percent will be maintained for profit of such businesses. As it is necessary to limit the operation of the gaming business to identified locations and require such businesses to comply with prescribed regulations as well as minimum investment requirements, I propose to require all such businesses to register within 3 month from today with the Department of Inland Revenue. All such businesses which do not comply with the proposal will be removed from their operations. I also propose to raise the duty imposed on imported liquor and sprits by 25 percent.

45. Retired Public Servants

45.1 Honorable Speaker, the majority of those who retired prior to 2004, are above 70 years of age. They have retired at considerably lower salary scales than those who retired after 2006. These retirees get a pension which is less than Rs. 10,000 per month. Therefore, in order to provide some relief to them, I propose to grant a special allowance of Rs.750 per month to those who retired before 2004, and Rs. 500 per month to those who retired from 2005 to 2006. I propose to grant 50 percent of this increase from January 2013 and the balance from July

2013. I also propose to increase the cost-of-living allowance to all pensioners, by Rs. 500 per month from January 2013.

46. Labour Relations and the Forgotten July Strikers

46.1 Honorable Speaker, the promotion of harmonious labour relations is in the best interest of economic development. Employers need a productive workforce to do their business. Similarly, employees need good business enterprises so that their jobs are protected and they can earn their living. As you would recall, soon after I became the Minister of Labour, I re-activated the National Labour Council which had been defunct since 1990, to create a consultative forum for all stakeholders. Our Government since 2005 further strengthened the workings of this Council. In a highly globally competitive environment, such a harmonious relationship is vital to maintain our economic strength, for business development and for the welfare of the labour force. Therefore, I propose to provide Rs. 250 million to finance initiatives to raise labour productivity, employment opportunities and welfare schemes, collectively formulated by the National Labour Council, to promote labour relations.

46.2 Honorable Speaker, the 1980 July strike marked a black spot in our country's labour relations. It displaced a large numbers of workers from jobs and caused them hardships. Since the formation of the United Front Government in 1994, a series of schemes have been implemented to compensate them. However, there seemed to be a group that has not been able to adopt any acceptable livelihood sources due to complex administrative mechanisms associated with the provision of such relief, to such victims. Therefore, I propose to

allocate Rs. 300 million annually to grant a monthly living allowance of Rs. 5,000 to those who complete 65 years of age, on 01st January 2013.

47. Management of State Owned Enterprises

47.1 Honorable Speaker, following the report submitted by the Committee On Public Enterprises (COPE) chaired by Hon. DEW Gunasekera, I have advised the Ministry of Finance and Planning to pay close attention to the implementation of those recommendations. Although there are 270 such entities that come under the preview of COPE, only 70 of them are engaged in business. It has been identified that about 20 of them are large scale entities operating in banking, insurance, ports, airports, aviation, petroleum, electricity, water supply, transportation, trade and marketing.

47.2 Honorable Speaker, previous governments which placed trust in the privatization of these enterprises have not infused adequate capital to such enterprises. Capitalization of SriLankan Airline which, was taken over from Emirate with the help of the three State Banks, commenced only since this year. Non-performing loans of the Ceylon Electricity Board were transferred to the Government only this year. The freedom to follow a cost recovery pricing policy for most of the business enterprises has not been implemented. This Government which is firmly committed not to privatize state enterprise has to manage all these challenges systematically over the medium term. Nevertheless, 46 out of 70 enterprises have transformed in to profit making state. I am also encouraged to note that almost all enterprises have complied with the requirement of submitting their Annual

Reports to Parliament on time and there is improvement with regard to accounting and auditing practices pertaining to their operations. This systemic positive transformation of state enterprises, amply demonstrate that the trust placed in state enterprises by our Government has begun to pay dividend.

47.3 Honorable Speaker, the evaluation of state enterprises purely from the point of view of commercial profit is not justifiable considering their contribution to economic and social welfare, by expanding the bank branch network all island, by providing electricity and water to all etc. If electricity and fuel are supplied to the market at cost price, at least Rs. 200 billion losses could be eliminated, leave alone making profits. If such action is taken, how many other enterprises will suffer and how many will loose employment? What would be the extent of the decline in living standards? These aspects should also be given consideration, when critics evaluate the so called lost making Electricity Board and Petroleum Corporation.

47.4 Steps are being taken to provide greater commercial autonomy to these enterprises and make their respective Board of Directors and senior Management accountable for the operations. The proposed reforms will include having to abide by accepted standards on international accounting, the regulatory environment, procurement, pricing, financial and human resource management and labour relations.

47.5 State enterprise will also be encouraged gradually to reduce their reliance on the National Budget for capital formation. The state banks, Insurance Corporation, Airport and Aviation Authority and

Ports Authority have adopted their own fund raising arrangements on the strength of their balance sheets. It is proposed to encourage entities engaged in commercial operations in running rest houses, property development, trading activities, wildlife, universities, research institutions, construction companies etc, to have greater commercial freedom subject to compliance with recognized financial and auditing standards. In order to facilitate this process, it is proposed to make relevant amendments to the 1971 Finance Act and the 2003 Fiscal Management (Responsibility) Act.

48. The Public Service

48.1 Honorable Speaker, this Government has increased salaries, Cost-of-Living and other allowances to public servants, considerably. Salary anomalies of public servants were corrected. The salary arrears of teachers have been settled. Specific service related allowances have also been provided to professionals and university lecturers. Housing, vehicle and other loan facilities have been expanded. Agrahara Medical Insurance Scheme and Upahara telecommunication facilities were provided. The freeze on recruitment to the public service was removed and recruitment commenced. Since 2006 nearly 91,000 unemployed graduates have been recruited to the public service and a new Services Minute to institutionalize the Development Officers Service was created to secure their career prospects. Intensified staff training programmes have been expanded to improve language, IT and professional skills among public servants. Foreign training opportunities have also been expanded.

48.2 The Government now engages 1,300,000 public servants. This is twice the size in 2005. The engagement of such a large number of people is done by spending Rs. 366 billion for wages alone. This was Rs. 139 billion in 2005. In addition Rs. 112 billion is spent for the payment of pension to retired public servants of around 500,000. Despite attractions in the public service while incurring such large expenditure, the deployment of adequate staff to rural areas remains a challenge. We have therefore, decided to recruit qualified staff in selected categories, particularly for teaching and rural centric work programmes from the relevant localities itself. At least there should be a mechanism to redeploy excess staff in urban, semi-urban and rural areas within respective districts.

48.3 Honorable Speaker, as the preparation of service minutes has taken a longer time than expected, I propose to set up a Special Task Force to coordinate relevant stakeholders to finalize all these service minutes, under the overall guidance of the Public Service Commission. It is proposed that the entire public service be computerized to be able to provide online services. Financial Regulations (FRs), and the Establishment Code will be revised to suit needs of a middle income country. I invite the guidance of the Public Accounts Committee for these major reforms. As the next 3 years are dedicated to eradicate poverty the public services at provincial and rural levels must be provided maximum strength. I request all public servants to commit to make 2013 the Year of Excellence in public services. I propose to set up a special unit in the Cabinet Secretariat to monitor service delivery at field level, with the technical assistance from the ICTA.

48.4 Honorable Speaker, the provision of reasonable remuneration to public servants must be guided by both employee needs as well as the affordability to the Government. After all, salaries of public servants are paid from taxes collected from the people. Therefore, an increase is justifiable only if it is affordable. Public servants have a daunting task in the management of post conflict development and administration challenges, in the backdrop of our country emerging as a middle income economy free from poverty. Public servants and Trade Unions deserve a special appreciation for their responsible conduct during humanitarian operations to liberate the country from terrorism as well as during the global crisis in 2009 and this year. Therefore, the Government remains committed to ensure salaries, pension rights, a decent working environment, skills development and employment security, that would be more attractive as opposed to other sectors. Therefore, I also propose to set up a new Pay Commission to re - examine the overall salary structure of the public sector and formulate a National Wage Policy to address concerns of both the public sector as well as the private sector.

48.5 Honorable Speaker, I also propose to increase the allowances given to public servants by a minimum of Rs. 1,500 per month from next year. A Cost-of- Living allowance of Rs. 750 per month will be paid from January to all public servants. The balance will be provided by granting a further 5 percent of the basic salary subject to a minimum of Rs. 750 and a maximum of Rs, 2,500 as an additional allowance, to all public servants. In order to reduce the pressure on development spending plans and contain inflationary pressures that would stem from such increases, I propose to grant 50 percent of the proposed 5 percent increase from May 2013 and the balance from September. All

those in staff categories will be given 50 percent from July and the balance from October 2013. I also propose to revise the service related allowances formulated for Judges, University Academic Staff, Medical Practitioners, and specialized categories, recognizing their special role within the affordable limits in the Budget and capacity to sustain them over the medium term and grant 50 percent of the increase from January 2013 and the balance from July.

48.6 Honorable Speaker, I propose that the insurance premium of the Agrahara Insurance Scheme will be revised to Rs.125. I also propose to raise the insurance benefits on account of death to Rs. 100,000 and to raise insurance benefits for surgeries in respect of kidney failure, cancer and heart disease by Rs. 50,000.

49. Modernization of the Parliament Complex

49.1 Honorable Speaker, the Bandaranaike Memorial International Conference Hall which was opened in 1975 has been fully refurbished in terms of the Government's overall development programme. In a similar manner the refurbishment program of the Superior Court Complex which was built in 1988 has also commenced. During consultation of the Budget preparation you emphasized the importance of modernizing the Parliament Complex and the residential facilities of Members of Parliament and staff which have been used since 1982 when Parliament was opened. Action has been initiated to seek assistance from our friendly nations to venture on this modernization programme while preserving the architectural identity of the complex and the bio diversity of its surrounding environment to preserve the pride of this august

Parliament. Therefore, I propose to an allocation of Rs. 500 million to approach this initiative to be completed through a two year program.

50. Conclusion

50.1 Honorable Speaker, all the Budget proposals that I presented have been formulated targeting 3 important objectives to be realized over the next 3 years starting from 2013. Transformation of our country into a poverty free upper middle income economy, strengthening food, water and environment security and placing the country on a path to realize quality education, skills development, research and technology revolution. Despite financial constraints and the unfavorable global situations, I decided to further improve the incentive structure of the public service and the private sector since I firmly believe that the joint commitment of both the public sector and the private sector, can only engineer the development process to be able to realize above goals.

50.2 Honorable Speaker, our country has climbed to a high performance level relating to Millennium Development Indicators. Economic indices such as unemployment, inflation and the budget deficit has continued to decline underscoring the stability of our journey of progress. The recognition of our country as one of the best destinations for investment and tourism by reputed global agencies is on the rise. We are well on the way in our climb to attain a position in the 30 best countries to do business. Every government in the past attempted to apply models form other countries as sole alternatives for development. The who embraced such models gradually moved away from them, since they could not sustain such

positive trends for 7 long years when they were responsible for development. There is no doubt that all problems have not disappeared within 7 years but the country has got into to a positive mood. It is indeed a transformation towards a strong economy free of poverty. It is a transformation that will not only provide electricity, water, sanitation and housing but also quality education and a healthy life. It is a transformation to a country that will ensure food, electricity, energy and environment security. It is a creation of all of us. It is indeed a journey by our selves.

50.3 Honorable Speaker, Members of this Parliament, both in the Opposition and in Government have demonstrated that we can work together in the national interest. With the maturity gained through longstanding political experiences, influenced by traditional rural norms and nurtured by family values, you gave the leadership to this august Parliament to host the Commonwealth Parliamentary Conference which reminded me of the silent leadership that was given by my farther, late D A Rajapaksa, at a time when we were children. We all should work with a similar sprit when we address our nation's problems as well. If we are able to do so, no one will be able to undermine the souverinity of our nation.

50.4 A change in the prevailing Provincial Council system is necessary to make devolution more ameaningful to our people. Devolution should not be a political reform that will lead us to separation but instead it should be one that unifies all of us. It should not involve high spending and complex governance structures that will impose further burden on people. Everybody who met me from all corners of Sri Lanka whether they were Tamils, Muslims or Sinhalese, asked

for greater access to education, health, employment opportunities, better living and equal standards across the nation. The elimination of provincial disparities using national standards is the main weapon through which national reconciliation can be promoted. This Government remains committed to ensure that these aspirations of our people will be fulfilled.

50.5 Therefore, I wish to extend a warm invitation to the Leader of the Opposition, Leader of the Tamil National Alliance (TNA) and the *Janatha Vimukthi Peramuna* (JVP) to cooperate with us constructively to solve problems confronted by our people. That will be an effort which ensures greater self-respect than having to lobby foreign countries to interfere in our internal problems. The Leader of the Opposition, the Leader of the TNA and me, are experienced enough in life and politics, to spearhead this task.

50.6 Honorable Speaker, the journey towards poverty reduction and upliftment of our lower income people has become rough with the Parliament been dragged into a long process in passing the Bill to establish *Divi Neguma* Development Department. This amply demonstrates that we still have not reached the mile post that permit us to rest as a nation free of risks. There will be more political, economic and natural Tsunamis. They will remain to be unpredictable. Yet, our resolution to alleviate poverty and uplift the living environment of the poor remain an uncompromised goal. Let's commit to create a poverty free Sri Lanka by 2015.

May the Triple Gem Bless You !

SUPPORTING DOCUMENTS
AND
TECHNICAL NOTES
TO THE
BUDGET SPEECH
2013

DOCUMENTS CONNECTED TO THE BUDGET 2013

DOCUMENTS:

- 1. Fiscal Management Report 2013- The Ministry of Finance and Planning (The Department of Fiscal Policy)**
- 2. Budget Estimates (Volume 1,2,3) 2013- The Ministry of Finance and Planning (The Department of National Budget)**
- 3. Global Partnership towards Development- The Ministry of Finance and Planning (The Department of External Resources)**

TECHNICAL EXPLANATIONS:

- 4. Statistical Tables-(Department of Fiscal Policy and The Department of National Budget)**
 - i. The New Revenue Proposals-2013 (Table I)**
 - ii. The New Expenditure Proposals-2013 (Table II)**
 - iii. Gross Borrowing Requirements – 2013 (Provisioning for Accounting Transactions) (Table III)**
 - iv. Summary of the Budget 2011- 2013 (Economic Format) (Table IV)**
- 5. Technical Notes to the Budget Proposals- The Ministry of Finance and Planning (The Department of Fiscal Policy)(Annex I)**
 - i. Income Tax- Amendments to Inland Revenue Act No 10 of 2006**
 - ii. Value Added Tax –Amendments to Value Added Tax Act No 14 of 2002**
 - iii. Nation Building Tax- Amendments to Nation Building Tax Act No 09 of 2009**
 - iv. Sale of manufactured goods to local market by export oriented companies**
 - v. Cess**
 - vi. Customs Duty**
 - vii. Excise (Special Provisions) Act No 13 of 1989**
 - viii. Special Commodity Levy Act No 48 of 2007**
 - ix. Betting & Gaming Act No 40 of 1988**
 - x. Ports and Airports Development Levy Act No 18 of 2011**
 - xi. Telecommunication Levy Act No 21 of 2011**
 - xii. Investment Fund Account**
 - xiii. Strategic Development Projects Act 14 of 2008**
 - xiv. Finance Acts**
 - xv. Economic Service Charge- Amendments to Economic Service Charge Act No 13 of 2006**
 - xvi. Tax Concessions to SME sector**
 - xvii. Embarkation Levy / Visa Fee**
 - xviii. Stamp Duty (Special Provisions) Act No 12 of 2006**
 - xix. Tax Appeals Commission Act No 23 of 2011**
 - xx. Changes to Fees and Charges**
 - xxi. Streamlining Valuation**
 - xxii. Technical Rectification**
 - xxiii. Effective dates of proposals**

Table 1 : New Revenue Proposals - 2013

	Rs. million
New Revenue Proposals	32,500
1. Broadening the VAT and NBT to Supermarket Network (Quarterly Threshold over Rs. 500 million)	5,250
2. Adjustments in Betting and Gaming Levy	5,000
3. Adjustments in Customs Duty on imported hard Liquor, Beer and Sprit	3,000
4. Adjustments in Embarkation Levy and Online Visa Fee	1,250
5. Revision of Administrative Fees and Charges	1,200
6. Adjustments in Revenue Licensing Fee on Motor Vehicles (Transfer to provincial councils)	1,000
7. Revision of Cess Levy	2,800
8.. Revision of Special Commodity Levy on selected agricultural imports to Support Domestic Agriculture	3,500
9. Adjustments in Customs Duties on Import of Finished and Raw Materials to Support Local Industries	1,750
10. Revision of Excise (Special Provisions) Duty on Motor Vehicles	1,250
11.. Consolidation in Corporate Tax Planning and Auditing	1,000
12. Income/ Profit Transfer from State Institutions and Enterprises	7,500
13. Impact on Concessions for Telecommunication Levy on Broadband and lower PAL rate on Selected Consumables for Apparel Sector	(1,000)

Compiled by the Department of Fiscal Policy

Table II : New Expenditure Proposals -2013
Allocations to be made from Treasury Votes

Proposals		<i>Rs. Million</i>
1	Salaries and Pension Revisions Including the Corrections of Anomalies , the Special Allowances	35,000
2	Transfers to <i>Ranaviru Seva</i> Authority	1,000
3	National Reconciliation Initiatives	500
4	Special Programme on the Religious Activities	200
5	Poverty Reduction Initiatives	1,500
6	Debt Recovery Relief Programme	1,000
7	Environment Conservation Initiative	500
8	Kolonnawa Garment Factory Modernization	300
9	Rehabilitation of Water Supply Schemes	300
10	Rehabilitation of Storage Facilities	500
11	Expansion of <i>Lak Sathosa</i> Marketing Network	500
12	Construction and Rehabilitation of Fishery Harbours and Landing Centers	2,000
13	Establishment of Ocean Secretariat	200
14	Mechanization of Tea Plucking	200
15	Distribution of Lands for Small Holder Plantation	100
16	Organic Fertilizer for Coconut Cultivation	100
17	Contribution to <i>Lankaputhra</i> Development Bank for Credit Guarantee Scheme	500
18	Legal Aid Commission and <i>Bim Saviya</i>	500
19	Contribution to Local Authorities	1,750
20	Contribution for Provincial Councils for Special Programmes	2,000
21	Development of Traditional Indigenous Medicine	300
22	Training of Provincial Councils' Teachers	900
23	Expansion of Technical University Colleges	1,600
24	Expenses on University New Admissions	4,000
25	University Township Programme	1,500
26	Development of Naval Academy	300
27	Rehabilitation of Urban Housing Schemes	750
28	Flood Protection and Land Development in Urban Areas	1,000
29	Contribution to National Research Council	250
30	Contribution to ICTA and <i>Nenasala</i> Programme	1,050
31	Interest Subsidy on the Loan Granted to Media Personal and Artists	200
32	July Strikers Livelihood Support Programme	300
33	Parliament Complex Development	500
34	Supplementary Capital Expenditure	8,000
35	Provisions Already Provided in the Treasury Miscellaneous Vote	(30,000)

Complied by the Department of National Budget

**Table III : Gross Borrowing Requirements- 2013
(Provisioning for Accounting Transactions)**

Item	<i>Rs. billion</i>
Total Receipts other than Government Borrowings	1,304
Total Payments Including Debt Repayments	2,567
Provision for Advanced Accounts	4.5
Risk Provision	35
Total Gross Borrowing Requirement to be recorded in Government Accounts	1,303
Of which	
Total Debt Repayments	747

Complied by the Department of National Budget and Department of Treasury Operations

Note: Considering the proposed reduction in public debt to DGP ratio, it is proposed to increase the guarantee limit specified in the section 03 of the Fiscal Management (Responsibility) Act No. 03 of 2003

Table IV: Summary of the Budget (2011-2013)

	Rs. billion.		
	2011	2012	2013 Budget
Total Revenue and Grants	949.9	1,075.0	1,277.9
Total Revenue	934.8	1,055.0	1,257.9
Tax Revenue	812.6	920.9	1,132.0
Income Tax	157.3	184.3	221.9
Taxes on Goods and Services	468.0	515.5	632.9
Taxes on External Trade	187.3	221.1	277.2
Non Tax Revenue	122.2	134.1	125.9
Grants	15.1	20.0	20.0
Total Expenditure	1,400.1	1,540.2	1,785.4
Recurrent	1,006.6	1,113.3	1,267.4
Salaries and Wages	319.6	364.4	414.4
Other Goods and Services	113.7	123.3	140.4
Interest	356.7	393.7	444.8
Subsidies and Transfers	216.6	231.9	267.8
Public Investment	407.5	437.3	529.6
Education and Health	37.1	46.4	59.6
Infrastructure	370.4	390.9	470.0
Other	(14.0)	(10.4)	(11.7)
Revenue Surplus(+)/Deficit(-)	(71.8)	(58.3)	(9.4)
Budget Deficit Surplus(+)/Deficit(-)	(450.2)	(465.2)	(507.4)
Total Financing	450.2	465.2	507.4
Total Foreign Financing	194.0	205.6	86.0
Net Foreign Borrowings	84.5	77.6	86.0
Foreign Borrowings-Gross	177.6	249.6	234.0
Debt Repayments	88.4	166.0	143.0
Foreign Commercial	109.5	128.0	0.0
Total Domestic Financing	256.2	259.6	421.4
Non-Bank Borrowings	39.4	84.6	289.4
Foreign Investments in T-Bills and T-Bonds	25.0	100.0	62.0
Bank Borrowings	191.8	75.0	70.0
Revenue and Grants/GDP (%)	14.5	14.2	14.7
Revenue /GDP%	14.3	14.0	14.5
Tax/GDP (%)	12.4	12.2	13.0
Expenditure/GDP (%)	21.4	20.4	20.5
Current Expenditure/GDP (%)	15.4	14.7	14.6
Public Investment/GDP (%)	6.2	5.8	6.1
Revenue Surplus (+) / Deficit (-) GDP (%)	(1.1)	(0.8)	(0.1)
Budget Surplus (+) / Deficit (-) GDP (%)	(6.9)	(6.2)	(5.8)

Compiled by the Department of Fiscal Policy

Technical Notes

Budget Proposals 2013 – Taxation

1 Income Tax (Amendments to the Inland Revenue Act No 10 of 2006)

1.1 Exemptions/ Taxation at concessionary rates

1.1.1 Exemptions

1.1.1.1 Institutional

Profits and income (other than income from dividends and interest) of the following will be exempt from income tax :

(a) College of General Practitioners of Sri Lanka established under Act No 26 of 1974.

(b) Sri Lanka Social Security Board established under Sri Lanka Social Security Board Act No 17 of 1996.

(c) Any Public Corporation to the extent of provision of services free of charges out of the funds voted by Parliament from the Consolidated Fund or out of any loan arranged through the Government.

(d) Sri Lanka Savings Bank which is merged with National Development Trust Fund (NDTF).

(Section 7 of the Inland Revenue Act will be amended).

1.1.1.2 Source wise

(a) The exemption of profits and income from any off-shore business referred to in paragraph (b) of section 13 of the Inland Revenue Act will be extended to include situations where goods are procured from one Country and transported to another Country other than Sri Lanka (with effect from 1.4.2012).

(b) Royalty, franchising fee or any payment for designing made to any foreign collaborator by a BOI registered company during the period of tax holiday under section 17A or Section 16D of Inland Revenue Act, where the foreign direct investment raised outside Sri Lanka exceeds US\$ 50Mn, if such services are :

- essential in carrying out activities in Sri Lanka; and*
- not obtainable in Sri Lanka;*

as determined by the BOI on request made for that purpose.

(c) Profits and income of any Government assisted private school which is not established under the Companies Act and registered with the Ministry of Education which is mandated to follow the Government curricula set by the Ministry of Education and the circulars issued by such Ministry.

(d) Interest income from investment made on or after 1.1.2013 in:

- Corporate Debt Securities, quoted in any Stock Exchange licensed by the Securities and Exchange Commission of Sri Lanka (including the deduction of WHT under section 135); or

- Municipal Bonds issued with the approval of the General Treasury (including the deduction of WHT under section 134).

(e) Profits and income (except income from dividends and interest) of Lanka Puthra Development Bank

(Section 13 of the Inland Revenue Act will be amended).

(f) The income from emoluments arising in Sri Lanka of any individual who is an expert within the meaning of paragraph (dd) of subsection (1) of section 8 of the Inland Revenue Act, and who is not a citizen of Sri Lanka and brought to Sri Lanka by a BOI registered company , during the period of tax holiday under section 17A or section 16D of the Inland Revenue Act , where the total investment made is out of foreign direct investments exceeding US\$ 50Mn, if such services are essential to carry out the activities of the company, as determined by the BOI on request made for this purposes.

Provided that the number of experts in an undertaking to whom this provision is applicable shall not exceed five.

(Section 8 of the Inland Revenue Act will be amended).

(g) The exemption on income from loans taken from persons outside Sri Lanka referred to in section 9(a) of the Inland Revenue Act will be amended to cover bonds as well effective from 1.4.2012.

(Section 9(a) of the Inland Revenue Act will be amended).

(h) The profits and income of an undertaking from cultivation of renewable energy crops in agricultural lands.

(Section 16E will be introduced in the Inland Revenue Act)

1.1.1.3 Tax concessions to Sri Lankan citizens earning outside Sri Lanka

(a) The present rule in deciding residency of an individual based on his absence from Sri Lanka for an unbroken period of 365 days referred to in section 79(3) of the Inland Revenue Act, will be removed. Accordingly, only the 183 days rule will apply in deciding residency.

(Section 79 of the Inland Revenue Act will be amended)

(b) *The profits and income derived from any source outside Sri Lanka by an individual who is a resident and citizen of Sri Lanka, will be exempt from income tax, if such income is remitted to Sri Lanka through a bank in Sri Lanka.*

(Section 13 of the Inland Revenue Act will be amended)

(c) *The present exemption on profits and income derived from outside Sri Lanka applicable to dual citizens who arrive and stay in Sri Lanka referred to in section 15 of the Inland Revenue Act, will be extended to individuals who have obtained permanent resident status in any other country or any similar status in which such individual obtains the citizenship in Sri Lanka and any other country.*

(Section 15 of the Inland Revenue Act will be amended)

1.1.2 Concessionary rates

1.1.2.1 *The present rate of 28% will be reduced to 10% in relation to Unit Trust Management Companies.*

1.1.2.2 *The maximum rate of income tax applicable to pilots on the profits from employment referred to in Section 40A and the qualified employees referred to in Section 40B (where identified professional services are provided to persons out of Sri Lanka for payment in foreign currency) will be reduced to 16%.*

1.1.2.3 *The maximum rate of income tax applicable on employment income being compensation for loss of employment which is not uniformly applicable to all the employees [as referred to in sub section (2) of section 35] will be reduced to 16%.*

1.1.2.4 *The tax rate on profits from poultry farming will be reduced to 10%.*

1.1.2.5 *Any supply of goods manufactured in Sri Lanka or provision of services, to foreign ships for payments in foreign currency will be treated as deemed exports and the profit and income therefrom will be taxed subject to the concessionary rate of 12%.*

1.1.2.6 *The sale of any product manufactured in Sri Lanka for payment in foreign currency through foreign exchange earning account authorized by the Central Bank of Sri Lanka will be treated as deemed exports and the profits and income therefrom will be taxed at the concessionary rate of 12%.*

1.1.2.7 *The sale of goods manufactured in Sri Lanka by an export oriented BOI registered enterprise to :*

- Any BOI registered enterprise enjoying tax holiday under section 16C, 17A or 16D of the Inland*

Revenue Act or the Strategic Development Projects Act and which is , permitted to import project related goods or raw materials on duty free basis under the provisions of that BOI Agreement, during the project implementation period; or

- *Any person eligible to import specific goods on duty free basis under any Government Authority;*

will be treated as deemed exports of the manufacturer of such goods up to the quantity approved by the BOI as import replacement, for tax purposes.

1.1.2.8 *“Organic tea in bulk” will be classified as nontraditional goods, for the application of the concessionary rate of 12%.*

1.1.2.9 *The annual turnover of Rs 300Mn referred to in section 59B will be revised to Rs 500Mn for the application of the concessionary rate of 10%.*

1.1.2.10 *Tax payable by any company listing its shares on or after 1.4.2013, and more than 20% of its shares are issued to the general public , will be reduced by 50% for the year of assessment in which such shares are listed and for the two years of assessment immediately succeeding that year of assessment.*

1.1.2.11 *The profits and income of any person or partnership from operating any mini hydro power project or other alternative energy source will be taxed at the concessionary rate of 12%.*

(Relevant Sections and the Rate Schedules will be amended).

1.2 Ascertainment of profits and income

1.2.1 Deductions (allowable under section 25 of the Act)

1.2.1.1 Allowance for Depreciation

The cost of acquisition of any plant, machinery or equipment acquired on or after April 1, 2013 :

(a) for technology upgrading purposes or introducing any new technology will be allowed for deduction at 50% per year;

(b) for energy efficiency purposes, which provides more than 30% of the total requirement of the power generation out of alternative energy resources will be allowed for deduction in full ;

(c) for the establishment of Broker Back Office system to be compliant with the CSE requirements in relation to the Risk

Management System will be allowed for deduction in full; and

- (d) for any export industry will be allowed for deduction at 50% per year.*

1.2.1.2 Special Levies charged by the Government

Any sum paid by a Public Corporation or Government owned business undertaking as a special levy to the Government will be allowed as an expenditure deductible.

1.2.1.3 Research and Development expenses

The triple deduction allowed for expenditure on research and development carried out through Government institutions will be extended to such expenditure incurred on research carried out through private institutions as well.

1.2.1.4 Advertisement expenses

The present restriction on the deduction of advertisement expenses (25%), will be removed for specific sponsorship of international sport events approved by the Minister of Sports [with effect from August 1, 2012]

(Section 25 of the Inland revenue Act will be amended)

1.3 Withholding Tax on interest income from Corporate Debt Security

1.3.1

The following Provisions will be made in relation to interest income on Corporate Debt Securities not exempt from income tax:

- (a) Deduction will be on the full interest for the respective period at the time of issue, or where the security is issued with floating rate of interest, at the time beginning of each reviewing period ; and*
- (b) Where no deduction has been made up front , deduction will be at the time of payment of interest (payable on or after April 1, 2011) ;*

(Section 135 of the Inland revenue Act will be amended)

1.4 Transfer pricing legislation

- (a) Separate provisions will be made for the determination of arms length price of goods and services in local transactions of associated undertakings;*
- (b) Provisions will be introduced for advance pricing arrangements.*

(Section 104 of the Inland Revenue will be amended)

1.5 Time bar

The present time bar period of 2 years will be reduced to 18 months effective from the year of assessment commencing from April 1, 2013.

(Section 163 of the Inland Revenue Act will be amended)

1.6 Taxation of BOI registered enterprises after the expiry of tax holiday

Where the BOI enters into an agreement with any enterprise, which provides for income tax concessions, and :

(a) the taxation under such agreement after the expiry of the tax exemption period provided thereunder is more burdensome, than the taxation under the Inland Revenue Act, then provisions of the Inland Revenue Act will apply; and

(b) the income tax concessions provided under BOI agreement will not be extended through supplementary agreements.

(The Inland Revenue Act will be amended to provide such provisions)

1.7 Any request for interpretation will be dealt with within six month.

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

2.1 Exemptions

(a) The supplies made by the following Institutions will not be liable to VAT:

(i) Central Bank of Sri Lanka (including the VAT on Financial services)

(ii) Any Public Corporation to the extent of provision of services on behalf of the Government, free of charges out of the funds voted by Parliament from the Consolidated Fund or out of any loan arranged through the Government.

(b) The supply of services to a Unit Trust by the Unit Trust management company will be exempt from VAT.

(c) The supply of hotel accommodation to any sportsman, organizer of any sport event or sponsor arriving in Sri Lanka for participating in any sport event or activity connected with sport will be exempt from VAT ;

(d) Locally manufactured products out of coconut waste (coco peat, coir fiber, grow pellets, grow bags, twist fiber, coconut husk) will be exempt from VAT.

(e) **The import or supply of following items will be exempt from VAT:**

- Bowsers under H. S. Code No 8704.23.10, 8704.23.20, 8704.32.10, 8704.32.20
- Bulldozers, graders, levelers, excavators under H.S.Code No 84.29
- Fire fighting vehicles under H. S. Code No 8705.30.10
- Road tractors for semi trailers under H. S. Code 8701.20.10 -
- Raw materials for the manufacture of energy saving bulbs under H. S. Code No 8543.90

(PART II of the First Schedule will be amended)

2.2 Imposition of VAT for whole sale and retail businesses

Any person or a partnership carrying on a business of wholesale or retail trade and making a quarterly turnover/ supplies (including exempt turnover/ supplies) not less than Rs 500 Million, will be liable to be registered for VAT. However, the VAT is chargeable on liable supplies only.

(Section 3 of the VAT Act will be amended)

- 2.3** *The VAT exemption applicable on services which result in the improvement of quality, character or value of any fabric or garment will be :*
- *restricted to such services provided to non-exporters; and*
 - *extended to cover such services related to yarn.*
- (Item (xLiii) of paragraph (b) of PART II of the First Schedule will be amended)*

2.4 SVAT Scheme

- (a)** *Relevant amendments will be incorporated to the VAT Act and the Guidelines issued (for SVAT), where necessary with the view to further simplification of the scheme.*
- (b)** *The Guidelines will be regularized through Gazette notifications.*
- (c)** *Provisions will be made for SVAT registration mandatory.*
- (d)** *Penal provisions will be introduced for non compliance with the statutory requirements of the SVAT Scheme.*
- (Relevant provisions of the VAT Act will be amended)*

2.5 Filing of VAT Returns

The date of filing VAT return will be extended to 30th day of the month, while keeping the due date for payments as 20th.

(Section 21 of the VAT Act will be amended)

3 Nation Building Tax (NBT) [Amendments to NBT Act No 9 of 2009]

3.1 Exemptions

3.1.1 *Solar panel modules, accessories or solar home systems for the generation of solar power energy under H.S Code Nos 8501.31.10, 8541.40, 8513.10.10, 9405.10.10, 9405.10.20, 9405.20.10, 9405.20.20, 9405.40.30, 9405.40.40, 9032.89.10, and 8539.31.20.*

3.1.2 *Coal under H.S.Code Nos 2701.11, 2701.12 and 2701. 19.*

3.1.3 *The import of goods for any international sports event approved by the Minister of Finance.*

3.1.4 *Gems imported subject to Special Service Fee at the rate specified in the Gazette published under section 6A(a) of the Customs Ordinance,(Chapter 235) including any subsequent sales of such gems as processed gem.*

NBT on local sales of imported gems without any processing (imposed in lieu of Turnover Tax) remains taxable.

3.1.5 *The turnover of the following Institutions will not be liable for NBT*

(a) *Central Bank of Sri Lanka.*

(b) *Any Public Corporation to the extent of provision of services on behalf of the Government, free of charges out of the funds voted by Parliament from the Consolidated Fund or out of any loan arranged through the Government.*

Schedule of excepted articles or services of the NBT Act will be amended.)

4 Sale of manufactured goods to local market by export oriented companies

The export oriented enterprises engaged in manufacturing of garments or ceramic products, will be permitted to increase their domestic sales up to 40% subject to VAT and NBT in lieu of all the indirect taxes payable on sale.

The present piece based tax of Rs 25/- per piece on sale applicable to garments will be removed.

Such enterprise will be treated as export enterprise for SVAT purposes.

The income tax on the profits and income from sale (both export and the sales made to local market) will be at the concessionary rate of 12%.

5 Cess

Cess will be increased or imposed on import of following items

Item	H S Headings / H S Code
Dairy products	04.03, 04.04, 04.05, 04.06
Birds' eggs	04.08
Edible products of animal origin	04.10
Cut flowers and flower buds, Foliage	06.03, 06.04
Fresh, preserved, dried vegetables and fruits/ Other vegetable and fruit products	07.02, 07.04, 07.05, 07.06, 07.07, 07.08, 07.09, 07.10, 07.11, 07.12, 07.14, 08.01 (except 0801.31.10 and 0801.31.90), 08.02, 08.03, 08.04 (except 0804.10), 0805.10.20, 0805.40, 0805.50, 0805.90, 0806.20, 08.07, 0808.30, 0808.40, 08.09, 08.10, 08.11, 08.12, 08.13, 08.14, 20.01, 20.02, 20.03, 20.04, 20.05, 20.06, 2007.91, 2007.99, 20.08(except 2008.30.10 and 2008.50.10), 20.09 (except 2009.11.10)
Edible oils	15.08, 15.09, 15.10, 1512.21, 1512.29, 1513.21, 1513.29, 15.14, 15.15, 15.16.20
Margarine	1517.10
Sausages and preserved meat products	16.01, 1602.32, 1602.50, 1602.90, 16.03
Honey and jaggery	17.02
Confectioneries	17.04, 18.06
Bakery products	19.05
Food preparations	21.03, 21.04, 21.05
Mineral water	22.01, 22.02
Vinegar	22.09
Salt	25.01
Lubricants	2710.19.80
Gauze and bandage	30.05, 58.03
Putty	3214.10
Soap	34.01 (except 3401.20)
Adhesives	3506.91, 3903.90.10, 3905.12, 3905.21, 3906.10.10, 3906.90.10, 3919.90
Handles for toothbrushes	3926.90.60
Tyres for cars and light truck	4011.10, 4011.20.90
Soap wrappers	48.11 (except 4811.10)
Wet cleansing tissues	56.01
Fabrics	50.07, 51.11, 51.12, 51.13, 52.08, 52.09, 52.10, 52.11, 52.12, 53.09, 54.07, 54.08,

	55.12, 55.13, 55.14, 55.15, 55.16, 58.01, 58.02, 5804.21, 5804.29, 5804.30, 58.06, 58.09, 58.11, 59.01, 60.01, 60.02, 60.03, 60.04, 60.05, 60.06
<i>Steel</i>	7214.20.90, 7306.61.90
<i>Aluminum wire</i>	7605.11
<i>Radiators and parts</i>	8708.91
<i>Taxi meters</i>	9029.10.10
<i>Prefabricated buildings</i>	94.06

Cess on import of following items will be reduced / removed

<i>Item</i>	<i>H S Headings / H S Code</i>
<i>Water less urinals</i>	3922.90
<i>Jute fabrics</i>	53.10
<i>Groats and meal of maize of maize</i>	1103.13
<i>Natural honey</i>	04.09

Cess on Exports of following items will be increased

<i>Item</i>	<i>H S Headings / H S Code</i>	
<i>Cinnamon</i>	0906.11	
<i>Cloves</i>	0907.10	
<i>Natural Sands</i>		
	<i>Waste</i>	2505.10.10
	<i>Other</i>	2505.10.90
	<i>Other</i>	2505.90
<i>Quartz</i>	2506.10.10	
<i>Clay</i>	25.07	
<i>Phosphate</i>	2510.10.10	
<i>Stones (Emery, corundum)</i>	2513.20	
<i>Stones (Gravel, pebbles, etc)</i>	2517.49	
<i>Mica</i>		
	<i>Crude</i>	2525.10
	<i>Waste</i>	2525.30
<i>Steatite</i>		
	<i>Not crushed</i>	2526.10
	<i>Crushed</i>	2526.20
<i>Other minerals</i>	25.30	
<i>Ilmanite</i>	2614.00.10	
<i>Rutile</i>	2614.00.20	
<i>Titanium</i>	2614.00.90	
<i>Zirconium</i>	2615.10	
<i>Niobium, tantalum, vanadium</i>	2615.90	

6 Customs Duty

The policy on Customs Duty structure remains unchanged except for the following revisions.

Hs Code	Proposed Customs Duty
1. To promote local Livestock industry	
<i>Milk powder</i>	
0402.10	30% or Rs.125/- per kg (A Duty waiver of 15% or Rs. 18/- per kg)
0402.21	30% or Rs.125/- per kg (A Duty waiver of 15% or Rs. 18/- per kg)
0402.29	30% or Rs.125/- per kg (A Duty waiver of 15% or Rs. 18/- per kg)
2. To encourage local value added industries	
<i>Glass beads</i>	
7018.20	Free
<i>Maize starch</i>	
1108.12	15%
<i>Molded or pressed articles of paper pulp</i>	
4823.70	5%
<i>Polyester resin</i>	
3907.91.00	Free
<i>Pneumatic tyres of rubbers</i>	
4011.20. 10 (New NSH)	15% or Rs 70/- per kg
4011.20. 90 (New NSH)	15% or Rs 70/- per kg
4011.10	30% or Rs 140/- per kg
<i>Wet cleansing Tissues</i>	
5601.21.10 (New NSH)	30%
5601.21.90 (New NSH)	Free
5601.22.10 (New NSH)	30%
5601.22.90 (New NSH)	Free
5601.29.10 (New NSH)	30%
5601.29.90 (New NSH)	Free
<i>Structure and parts of structure - Iron or steel</i>	
7308.90.90	30%
<i>Coated Papers- Printing or graphic purposes</i>	
4810.22	5%
4810.29	5%
3. To promote use of water preserving sanitary ware	
<i>Water less urinals</i>	
3922.90.10 (New NSH)	Free
4. To promote use of renewable energy sources	
<i>Day lighting devices which capture sunlight transfer & diffuse light in a building interior</i>	
7610.90.10 (New NSH)	5%
9405.50.20 (New NSH)	5%
5. To make the taxes on imports to be in line with the domestic taxes	
<i>Beer made form malt</i>	
2203.00	Rs.150/- per l
<i>Spirit</i>	

2207. 10	Rs.250/- per l
2207. 20 .10	Rs.200/- per l
2207. 20 .20	Rs.200/- per l
2207. 20 .90	Rs.200/- per l
<i>Spirits obtained by distilling grape wine or grape marc</i>	
2208. 20	Rs.1250/- per l
<i>Whiskies</i>	
2208. 30	Rs.1250/- per l
<i>Rum</i>	
2208. 40. 10	Rs.1250/- per l
2208. 40. 90	Rs.1250/- per l
<i>Gin & Geneva</i>	
2208. 50	Rs.1250/- per l
<i>Vodka</i>	
2208. 60	Rs.1250/- per l
<i>Liquors and cordials</i>	
2208. 70	Rs.1250/- per l
2208. 90.10	Rs.1250/- per l
2208. 90.90	Rs.1250/- per l

7 Excise (Special Provisions) Act No 13 of 1989

The Excise (SP) Duty on following HS Codes will be revised:

Item	HS Code
<i>Go Karts</i>	8703.21.62
<i>Trishaws</i>	8703.21.51, 8703.21.54, 8703.21.55, 8703.31.50, 8703.31.60,
<i>Motor Cars (less than 1,000 cc)</i>	8703.21.69, 8703.21.79, 8703.21.92, 8703.21.93
<i>Trucks - g.v.w. is between 5 & 20 tonnes</i>	8704.22.30, 8704.22.40, 8704.32.30, 8704.32.40
<i>Trucks - g.v.w. is exceeding 20 tonnes</i>	8704.23.30, 8704.23.40
<i>Single Cabs</i>	8704.21.81, 8704.21.82, 8704.31.71, 8704.31.72
<i>Aerated Water</i>	2201.10.90, 2202.10, 2202.90.90
<i>Pipe Tobacco</i>	2403.19.10, 2403.91.10, 2403.99.10
<i>Hearses</i>	<i>Exemption will be removed</i>

8 Special Commodity Levy Act No 48 of 2007

In order to encourage local industries, the Special Commodity Levy presently applicable on following items will be revised.

Item	HS Code
<i>Chilies – Crushed or ground</i>	0904.22.10
<i>Canned fish</i>	1604.11, 1604.12, 1604.13, 1604.14, 1604.15, 1604.16, 1604.17, 1604.19, 1604.20
<i>Black gram</i>	0713.31.90
<i>Maldiv fish</i>	0305.59.10
<i>Grapes</i>	0806.10
<i>Coriander - crushed or ground</i>	0909.22

<i>Turmeric - crushed</i>	<i>0910.30.90</i>
<i>Ground Nut - shelled</i>	<i>1202.42</i>
<i>Mustard seeds</i>	<i>1207.50</i>
<i>Seeds of cumin</i>	<i>0909.30</i>
<i>Palm oil- crude and refined</i>	<i>1507.10, 1507.90, 1511.10, 1511.90.10, 1511.90.20, 1511.90.90, 1512.11, 1512.19, 1513.11.11, 1513.11.19, 1513.11.21, 1513.11.29, 1513.19.10, 1513.19.90</i>

9 Betting & Gaming Levy (B&G) [Amendments to B&G Levy Act No 40 of 1988]

The present tax structure of the business of Betting and Gaming will be revised as follows:

9.1 The annual levy payable will be revised as follows:

(a) The Business of Bookmakers:

- Betting business through Agents Rs 2,000,000 per year
- Where live telecast facilities are used Rs 500,000/- per year
- Where live telecast facilities are not used Rs 25000/- per year

(b) The business of Gaming:

- Gaming including rudojino Rs 100 Million per year

9.2 In lieu of all indirect taxes other than taxes referred to in paragraph (a) and (b) above a 5% all inclusive levy will be charged on gross collection(as Betting and Gaming Levy) on monthly basis.

(The Betting & Gaming Levy Act will be amended)

9.3 The present income tax at the rate of 40% will remain unchanged. No operator is permitted to carry on a business of Betting or Gaming activities without a registration with the Department of Inland Revenue for tax purposes.

10 Port and Airport Development Levy (PAL) [Amendment to PAL Act no 18 of 2011]

10.1 Exemptions

10.1.1 Solar panel modules, accessories or solar home systems for the generation of solar power energy under H.S Code Nos 8501.31.10, 8541.40, 8513.10.10, 9405.10.10, 9405.10.20, 9405.20.10, 9405.20.20, 9405.40.30, 9405.40., 9032.89.10, and 8539.31.20.

10.1.2 Medical equipment to be donated to an institution which provides free healthcare services with the approval of Ministry of Health.

10.1.3 Coal under H.S.Code Nos 2701.11, 2701.12 and 2701. 19.

10.2 PAL on the consumables for the textile & apparel industry under the following H.S. Code Nos will be reduced to 2.5%.

Consumables

H. S. Code	Description
84.48.51	Sinkers, needles and other articles used in forming stitches
84.52.30	Sewing machine needles
84.52.90	Other parts of sewing machines

84.51.90	<i>Ironing parts</i>
34.02	<i>Organic surface active agents</i>
34.02.11	<i>Anionic</i>
34.02.12	<i>Cationic</i>
34.02.13	<i>Non- ionic</i>
34.02.19	<i>Other</i>

11 Telecommunication Levy [Amendment to Telecommunication Levy Act No 21 of 2011]
The present 20% rate of Telecommunication Levy will be reduced to 10% in respect of services provided through Internet /broad band, to facilitate IT and BPO sectors.

12 Investment Fund Account (IFA)

12.1 *The investment in sustainable energy sources including solar power and women entrepreneurship venture capital projects up to Rs 10Mn each will be added as qualifying sectors for lending funds of the Investment Fund Account.*

12.2 *Where the funds in the investment fund account have not been utilized as per the Guidelines issued by the Central Bank of Sri Lanka/ Inland Revenue Department by 30.6.2013, the respective institutions are required to transfer the funds lying credit of the funds to the Treasury.*

13 Amendments to Strategic Development Projects Act No 14 of 2008.

Provisions will be incorporated to exempt Cess on importation of raw materials, during the project implementation period, in cases where the required raw materials are not available in Sri Lanka for the required quantity

14 Amendments to Finance Acts

14.1 *Taxes/ levies paid on raw materials imported to be used for manufacture of goods for export subject to following taxes not exempted under the relevant legislations will be rebated on specific cases identified in line with the provisions in the Custom Ordinance :*

(a) *Cess under Export Development Act;*

(b) *Special Commodity Levy under the Special Commodity Levy Act No 48 of 2007.*

14.2 *The definition of “semi – luxury dual purpose motor vehicle ” referred to in the Finance Act No 16 of 1995, will be amended to exclude any single cab or light truck less than GVW 3500 Kg used for transport of goods, therefrom such vehicles will not be liable to semi luxury dual purpose motor vehicle levy payable on or after 1.1.2013.*

14.3 *PART IV of the Finance Act No 12 of 2012 will be amended to provide for the following:*

(a) *To publish regulations to form the basis in which the guideline and approval would be granted.*

(b) *To determine the scope of the exemptions to be granted.*

(c) *To declare the relevant areas to be brought under the Acts.*

15 Economic Service Charge (ESC) [Amendments to ESC Act No 13 of 2006]

15.1 Funds voted by Parliament from the Consolidated Fund or from any loan arranged through the Government for the provision of services on behalf of the Government of Sri Lanka by any Public Corporation will not be treated as turnover for the purposes of ESC.

15.2 Central Bank will be exempt from ESC.

16 Tax Concessions to SME sector

16.1 Any person or partnership, with an annual liable turnover/ supplies not exceeding Rs 12mn, from all the businesses carried on by such person or partnership will not be liable to pay VAT and NBT (including NBT on whole sale or retail business).
(Section 10 of the VAT Act and section 3 of the NBT Act will be amended).

16.2 (a) Income tax and corresponding indirect taxes payable by any person having turnover not exceeding Rs 300 Million per year from every trade or business carried on by such person for any period ending prior to April 1, 2011, and not complied with tax laws, will be exempted from payment of such taxes, if the past earnings are invested prior to 31.3. 2014, in any trade or business and duly comply with tax laws; and

(b) The profits and income from such trade or business (carried on by capitalizing such earnings) will be exempt from income tax for a period of 5 years.

16.3 Tax exemptions to individuals returning after the completion of foreign employment

Any individual who returns from foreign employment and invest his/her savings to commence new businesses will be exempt from all taxes payable on turnover and on the profits and income from all such new businesses for a period of 5 years.

17 Embarkation Levy / Visa fee

(a) The present Embarkation Levy will be increased to US\$ 25/-

(b) Online Visa fee will be increased to US\$ 5

18 Stamp Duty (Special Provisions) Act No 12 of 2006

18.1 Exemptions

Stamp Duty on the instrument of transfer of stocks transferred by any person to a margin trading account (slash account) and vice versa will be exempted.

18.2 Changes

Instrument	Duty
Affidavit	Rs.250.00
Policy of Insurance	Rs.1.00 for every Rs.1000.00 or part thereof of the aggregate of the premia payable on the policy
Notary Warrant	Rs.2000.00

<i>Periodic Licence to carry on Trade business etc.</i>	Rs.2000.00 or 10% of licence fee whichever is less Rs 20,000
<i>Licence for sale of liquor</i>	
<i>Demand for payment on usage of a credit card</i>	Rs 15/- for every thousand or part thereof

19 Tax Appeals Commission Act No 23 of 2011

The Tax Appeals Commission Act will be amended to provide for the following:

- (a) *Extension of time to hear and conclude the appeals that were pending in the Board of Review as at 31.3.2011 and stand transferred to Tax Appeal Commission..*
- (b) *Making provisions to continue hearing the appeals that arose under Inland Revenue Act No 28 of 1979, 38 of 2000 or Finance Act No 11 of 2004.*
- (c) *Making provisions for stating cases for the opinion of the Courts of Appeal (by the Tax Appeals Commission) will be included in the Tax Appeals Commission Act itself.*
- (d) *Time for preferring an appeal to the Commission will be adjusted to be one month from the date of transmission of reasons for respective determination of the Commissioner General.*
- (e) *With regard to the deposit (25% of tax) to be made as a prerequisite for preferring appeal to the Commission , provisions will be made to refund any excess of such deposit and transfer the tax to the Commissioner General of Inland Revenue*
- (f) *With regard to the bank guarantee (in place of deposit), the beneficiary thereof and tenor thereof will be specified.*
(Tax Appeals Commission Act will be amended w.e.f.1/4/2011)

20 Changes to Fees and Charges

20.1 The Department of Registrar of Companies

Description	Rs
<i>For registration of a Limited Company</i>	15,000
<i>For registration of an unlimited company</i>	12,500
<i>For registration of a company limited by Guarantee</i>	25,000
<i>For registration of mortgages, charges and debentures</i>	5,000
<i>For registration of an annual return</i>	5,000
<i>The registration of any document required or authorized to be registered or required to be delivered, sent, given or forwarded to filled with, the Registrar-General of Companies, other than the notices and reports required to be delivered to the Registrar-General of Companies by a receiver or manager, an administrator or a liquidator</i>	1,000
<i>For approval of a name of a company (Name Request)</i>	1,000
<i>For inspection of a file kept by the Registrar-General of Companies</i>	500
<i>For certification of any document or extract thereof filed</i>	500

<i>with the Registrar-General of Companies</i>	
<i>For inspecting the register of charges</i>	500
<i>For registration of Company Secretaries</i>	5,000
<i>Amount to be credited to a bank to defray the expenses of an off-shore company for the purpose of its office in Sri Lanka</i>	US \$ 100,000
<i>For registration of an off-shore company</i>	100,000
<i>For Renewal of an off-shore company</i>	100,000
<i>For registration of a place of business in Sri Lanka by an Overseas Company</i>	50,000
<i>For re-registration of an existing Company</i>	10,000

20.2 **The Registrar General's Department**

Description		Fee (Rs.)
Marriages		
Registration of Marriages by a Christian Minister		100.00
Registration of Marriages (General)		
i.	<i>Entry of a marriage notice at the office</i>	100.00
ii.	<i>Entry of a marriage notice at another place</i>	200.00
iii.	<i>Registration of marriage at the office</i>	750.00
iv.	<i>Registration of marriage outside the office (section 38-1)</i>	1,000.00
v.	<i>Registration of marriage outside the office (section 38-2)</i>	5,000.00
vi.	<i>Issue of Registrar's certificate</i>	1,000.00

Registration of Kandyan Marriages

i.	<i>Receiving a marriage notice under section 16 (1) and (2)</i>	50.00
ii.	<i>Receiving a marriage notice under Section 16 (3)</i>	50.00
iii.	<i>Receiving a marriage notice under Section 16 (4)</i>	100.00
iv.	<i>Obtaining a special licence</i>	500.00
v.	<i>Obtaining a licence to register a marriage outside the office between 6.00 a.m. to 6.00 p.m.</i>	100.00
vi.	<i>Obtaining a licence to register a marriage outside the office between 6.00 p.m. to 6.00 a.m.</i>	500.00
vii.	<i>Registration of a marriage at the office</i>	100.00
viii.	<i>Registration of a marriage outside the office</i>	
	<i>Within 6.00 a.m. to 6.00 p.m.</i>	500.00
	<i>Within 6.00 p.m. to 6.00 a.m.</i>	1,000.00
Obtaining a certified copy of Kandyan marriage certificate		1,000.00
Birth		
Registration of Births Occurred at Sri Lanka or Foreign Country		No Change
Obtain a Certified Copy of the Certificate of Birth		
	<i>If the number of the certificate of birth & the registered date is known</i>	50.00
	<i>If the number of the certificate of birth & the registered date is not known</i>	
	<i>for search of birth registers for period of 03 months</i>	100.00
	<i>for search of birth registers for period of 02 years</i>	200.00
Alteration of Information in a Birth Register		25.00
Registration of Past Births		
	<i>within 12 months of occurrence</i>	10.00

<i>more than 12 months of occurrence</i>		25.00
Translate Birth Certificate		200.00
Deaths		
Registration of Occurred in Sri Lanka or Foreign Country		No Change
Alteration of Information in a Death Register		25.00
Obtain a Certified Copy of the Certificate of Death		
i.	<i>If the death certificate number & the registered date is known</i>	50.00
ii.	<i>If the death certificate number & the registered date is not known,</i>	
iii	<i>- for search of death registers for period of 03 months for search of death registers for period of 02 years</i>	50.00 150.00
Registration of Past Death		
i.	<i>Within 12 months of occurrence of the death</i>	10.0
ii.	<i>More than 12 months of occurrence of the death</i>	25.00
Translate Death Certificate		200.00

20.3 Day Book Entry Registration Fees

Description	Fees (Rs.)
<i>Original of Deeds sought to be registered at the Land Registry per document</i>	5.00
• Revenue to Central Government	
<i>Charge levied on a Caveat effective of 6 months (to be in effect for a period of 02 years)</i>	2,500.00
<i>Charge levied for a Land Registry Search</i>	500.00
<i>Stamp Fees for Annual Notarial Registration</i>	1,000.00
<i>Charges to be paid by a Registered Attorney for Case File Records (per proxy instead of a case)</i>	200.00

20.4 Revenue Licensing Annual Fee for Motor Vehicles

Vehicle Category	New Revenue Licensing fee (Rs.)
Lorry, Ambulance, Hears	
Petrol	
<i>up to 2000 kg</i>	1,500
<i>exceeding 2000 kg but not exceeding 5000 kg</i>	2,000
<i>exceeding 5000 kg but not exceeding 10000 kg</i>	2,500
<i>exceeding 10000 kg but not exceeding 15000 kg</i>	3,000
<i>exceeding 15000 kg but not exceeding 20000 kg</i>	4,500
<i>exceeding 20000 kg but not exceeding 25000 kg</i>	4,600
<i>exceeding 25000 kg but not exceeding 30000 kg</i>	6,000
<i>exceeding 30000 kg</i>	7,000
Diesel	
<i>up to 2000 kg</i>	3,000
<i>exceeding 2000 kg but not exceeding 5000 kg</i>	4,000
<i>exceeding 5000 kg but not exceeding 10000 kg</i>	6,000
<i>exceeding 10000 kg but not exceeding 15000 kg</i>	7,000

<i>exceeding 15000 kg but not exceeding 20000 kg</i>	10,000
<i>exceeding 20000 kg but not exceeding 25000 kg</i>	12,000
<i>exceeding 25000 kg but not exceeding 30000 kg</i>	14,000
<i>exceeding 30000 kg</i>	15,000
	700
Motor Bicycles	750
Three- wheelers	
Busses	
<i>Omnibus belonging to persons other than SLTB</i>	150
<i>Private motor coach</i>	500
Dual purpose vehicles	
Petrol	
<i>up to 1000 kg</i>	2,000
<i>exceeding 1000 kg but not exceeding 1500 kg</i>	2,200
<i>exceeding 1500 kg but not exceeding 2000 kg</i>	2,700
<i>exceeding 2000 kg but not exceeding 2500 kg</i>	3,100
<i>exceeding 2500 kg but not exceeding 3000kg</i>	4,200
<i>exceeding 3000 kg but not exceeding 3500 kg</i>	10,000
<i>exceeding 3500 kg but not exceeding 4000 kg</i>	12,000
<i>exceeding 4000 kg</i>	15,000
Diesel	
<i>up to 1000 kg</i>	3,500
<i>exceeding 1000 kg but not exceeding 1500 kg</i>	4,000
<i>exceeding 1500 kg but not exceeding 2000 kg</i>	4,200
<i>exceeding 2000 kg but not exceeding 2500 kg</i>	5,500
<i>exceeding 2500 kg but not exceeding 3000kg</i>	9,000
<i>exceeding 3000 kg but not exceeding 3500 kg</i>	10,000
<i>exceeding 3500 kg but not exceeding 4000 kg</i>	12,000
<i>exceeding 4000 kg</i>	15,000
Motor Car	
Petrol	
<i>up to 762 kg</i>	2,000
<i>exceeding 762 kg but not exceeding 1016 kg</i>	2,200
<i>exceeding 1016 kg but not exceeding 1270kg</i>	3,000
<i>exceeding 1270 kg</i>	4,000
Diesel	
<i>up to 762 kg</i>	3,100
<i>exceeding 762 kg but not exceeding 1016 kg</i>	4,000
<i>exceeding 1016 kg but not exceeding 1270kg</i>	6,000
<i>exceeding 1270 kg</i>	8,000

21 **Streamlining valuation on the basis of mapping developed in line with the transaction values of the areas in the mapping plan to be used as the basis of the valuation.**

22 Technical Rectifications

Necessary adjustments will be made to the respective provisions of the Inland Revenue Act No 10 of 2006, 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 (Amendment) Acts, Default Tax (Special Provisions) Act No 16 of 2010, Telecommunication Levy Act No 21 of 2011 and Tax Appeals Commission Act No 23 of 2011 to rectify certain ambiguities and unintended effects (including differences in translations).

23 Effective dates of proposals

Unless stated otherwise, the proposals in relation to :

- (i) Income Tax and Economic Service Charge will be implemented with effect from April 1, 2013.*
- (ii) Value Added Tax, Finance Acts, Telecommunication Levy Act, Betting & Gaming Levy Act , Nation Building Tax and Airport Departure Tax , Stamp Duty and changes to fees and charges will be implemented with effect from January 1, 2013.*
- (iii) Cess, Ports and Airports Development Levy, Excise (Special) Duty, Customs Duty and Special Commodity Levy will be implemented with immediate effect.*