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## Budget Proposals 2018 – Taxation

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**CJ**

*See Beyond the Numbers*

■ Assurance ■ Tax ■ Transactions ■ Advisory

## BUDGET PROPOSALS – 2018

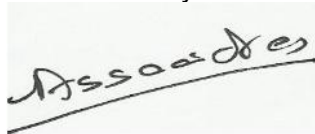
We are pleased to present you the salient features of the Budget Proposals presented by His Hon Mangala Samaraweera the Minister of Finance on 09<sup>th</sup> November 2017.

We hope this information will help you in planning your taxes better.

However, it should be noted, as this information are proposals, they may be subject to amendments and changes during the legislation.

Please feel free to contact us for any further clarification on these proposals.

Yours faithfully

A handwritten signature in black ink that reads "Assaades" with a horizontal line underneath it.

**C J Associates**  
Chartered Accountants



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### Budget Proposals - 2018

#### Part I – Taxation

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

###### 1.1 Liquor

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

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

###### 1.2 Non-potable alcohol

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

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

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

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

###### 1.4 Liquor Licenses

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

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

1.5 Changes to Excise Duty will be published by Gazette.

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

###### 2.1 Canned Beer

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

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

- 2.2.1 Excise duty based on the quantum of sugar contained will be introduced for the beverages with added sugar.
- 2.2.2 This duty applicable for beverages classified under HS Code 22.02
- 2.2.3 The rate will be 50 cts per gram of sugar

**2.3 Plastic resin**

- 2.3.1 Excise duty on plastic resin will be introduced at Rs.10 per Kg.
- 2.3.2 This duty will be applicable for items classified under the HS Codes 3901.10, 3901.20, 3902.10, 3903.11 and 3904.10

**2.4 Motor vehicles**

- 2.4.1 Ad-valorem rate of excise duty on motor vehicles will be removed
- 2.4.2 Excise duty will be applied based only on the Engine Capacity (cubic centimeter (cm<sup>3</sup>)) for petrol and diesel motor vehicles
- 2.4.3 Excise duty base for electric vehicles will be the motor power of the engine (kilowatt (Kw))
- 2.4.4 The rate for Engine capacity based excise duty on **petrol fuel & petrol hybrid** motor cars are as follows.

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

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

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

2500cm <sup>3</sup> < x	2750 cm <sup>3</sup>	9,000	8,000
2750cm <sup>3</sup> < x	3000 cm <sup>3</sup>	10,000	9,000
3000cm <sup>3</sup> < x	4000 cm <sup>3</sup>	11,000	10,000
4000 cm <sup>3</sup> <		12,000	11,000

2.4.6 Duty rates for Electric vehicles are as follows:

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

2.4.7 Duty rates for three wheelers are as follows:

- i. Petrol - Rs.2,100 per cm<sup>3</sup>
- ii. Diesel - Rs.1,250 per cm<sup>3</sup>
- iii. Electric
  - Unregistered (brand new) - Rs.7,500 per Kw
  - Registered (used) - Rs.10,000 per Kw

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

## 2.5 Vehicle permits for public sector employees

2.5.1 Upper ceiling of excise duty concession of vehicle permits for public sector employees will be defined in rupee value without changing the existing concession rate.

2.5.2 Upper ceiling of CIF value of imported vehicles will be removed

2.5.3 Restriction on transferability will be removed

2.5.4 Payable duty will be the higher value of the duty calculated as per Column (IV) below

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

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

### 3. Finance Act

#### 3.1 Cellular Tower Levy

3.1.1 A tax will be introduced on mobile towers

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

**3.2 SMS Advertising Levy**

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

**3.3 Carbon Tax**

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

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

- 3.3.3 Electric vehicles are exempted from the levy

**3.4 Debt Repayment Levy**

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

**3.5 Luxury Tax on Motor Vehicles**

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



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

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

##### 4.1 Removal of exemptions

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

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

4.1.2 Sale of condominium housing units

**4.2 New Exemption**

4.2.1 Solar tracker classified under HS Code 84.79.89.50

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

5.1 Exemptions

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

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

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

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

5.2 Exemption on liquor will be removed.

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

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

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

**7. Customs Import Duty**

7.1 Exemption of Custom Import Duty

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

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

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

## 8. CESS Duty

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

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

## 9. Ports and Airports Development levy

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

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

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

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

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

**18. Other Fees and Charges**

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

**19. Technical Rectifications and Administrative provisions**

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

**20. Effective Dates of Tax Proposals**

Unless stated otherwise, the proposals in relation to:-

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

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

## **Part II – Explanatory Notes**

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

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

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

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

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

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

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

alternate crops.

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

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

- *Bankruptcy laws:*

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

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

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

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

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

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

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



<b>3.Riya Shakthi</b>	<b>Beneficiaries:</b> Owners of the school service vans <b>Maximum Loan Amount (Rs.):</b> 4,000,000 <b>Interest Subsidy from the Government:</b> 75% <b>Interest rate to the Customer:</b> 3.27%
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<b>4.Rivi Bala Savi</b>	<b>Beneficiaries:</b> Households <b>Maximum Loan Amount (Rs.):</b> 350,000 <b>Interest Subsidy from the Government:</b> 50% <b>Interest rate to the Customer:</b> 6%
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<b>5.Diri Saviya</b>	<b>Beneficiaries:</b> Poultry producers, Self-employees <b>Maximum Loan Amount (Rs.):</b> 50,000 <b>Interest Subsidy from the Government:</b> 100% <b>Interest rate to the Customer:</b> 0%
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<p><b>6.Jaya Isura</b></p>	<p><u><i>Category I</i></u>  <b>Beneficiaries:</b> Small enterprises with an annual turnover between Rs 25 Mn to Rs 250 Mn and with an employment cadre of 10 to 50 who are engaged in agriculture, fisheries, livestock, floriculture, horticulture, light engineering, printing, tourism, handicrafts, apparel, information technology and manufacturing industry sectors.</p> <p><b>Maximum Loan Amount (Rs.):</b> 100,000,000  <b>Interest Subsidy from the Government:</b> 50%  <b>Interest rate to the Customer:</b> 6.54%</p> <p><u><i>Category II</i></u>  <b>Beneficiaries:</b> Medium entrepreneurs with an annual turnover between Rs 250 Mn to Rs 750 Mn and with an employment cadre of 51 to 300 who are engaged in the same sectors mentioned under the Category I.  <b>Maximum Loan Amount (Rs.):</b> 400,000,000  <b>Interest Subsidy from the Government:</b> 25%  <b>Interest rate to the Customer:</b> 9.81%</p>
<p><b>7.Sonduru Piyasa</b></p>	<p><b>Beneficiaries:</b> Owners of the houses with less than 750 sq.ft.  <b>Maximum Loan Amount (Rs.):</b> 200,000  <b>Interest Subsidy from the Government:</b> 50%  <b>Interest rate to the Customer:</b> 6.54%</p>

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

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

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

#### 3.1 Tax benefits

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

#### 3.2 Credit schemes

Individuals, companies incorporated under the Companies Act, No. 7 of 2007, co-operative societies, farmers/fisheries societies engaged in agriculture, agro processing including drip irrigation, poultry, canning, plantation and tourism industry, that will invest in

technology for the generation of solar power to be used for their own operations, will be supported through the introduction of a loan scheme at a subsidized interest rate of 8%.

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

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

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

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

5.1 The companies that already discharge their waste into the Kelani River, lagoons and estuaries will be:  
supported in the next 5 years to invest in technology to ensure zero discharge of waste into these water bodies .  
eligible to utilize the “E- Friends” credit facility at a concessionary interest rate of 6-8%.

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

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

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

6.2 The support provided by the Government will include:

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

- ) provision of a letter of undertaking or a guarantee to the respective State bank for the equipment, and other facilities purchased and, to bear at least 75% of the lease cost on behalf of the company during the lifetime of the lease.
  - ) make available the “Enterprise Sri Lanka Credit Schemes” to these companies.
  - ) provision of technical support to incorporate companies, maintain books and records, negotiations with financial institutions will be provided by the private sector consultants. Each company incorporated under this mechanism will have a consultant company to support and the cost of the company for consultations for a period of 36 months will be borne by the Government in full, while for a period of another 24 months the Government will bear 50% of such cost. An incentive package based on the performance of these companies will be made available to these consultants.
  - ) bear the hire purchase lease rental and the interest subsidies by the Government.
- 6.3 These facilities by the Government will be 10% above the norm for companies headed by women.
- 6.4 The above facilities for companies headed by differently abled will be 15% above the norm.
- 6.5 Financial and non-financial support such as transfer of technical knowhow, packaging and marketing of products or services etc. will be coordinated and provided by the Department of Development Finance at the Ministry of Finance and Mass Media.

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

**7.1 The “Erambuma” Credit Scheme**

- University graduates with viable business ideas are eligible to utilize the “Erambuma” credit facility.
- The maximum loan size is Rs. 1.5 million per idea per person.

-The interest is 100% subsidized by the Government and the repayment is fully guaranteed through a Government guarantee. **7.2 The “IT Initiative”**

- The Government will finance the “IT Initiative” by providing Rs. 3 billion over a period of 3 years.

-This initiative will provide both financial and non-financial support by way of grants, equity investments, credit facilities, mentoring, technical support etc. to:

- local startups

attract foreign startups

Small and medium IT companies with a turnover around USD 2-3 million per annum to at least double their revenue in 3 years.

create the enabling environment by supporting establishment of Incubators, the acquisition and augmentation of skills and know-how in collaboration with the local universities etc.

| The Government will facilitate effective collaboration between the Universities and the Industry in the following manner.

The IT industry to be able to acquire and augment the skills set in line with the demand in collaboration with the University of Colombo (UoC) and Moratuwa (UoM) and, the SLIIT.

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

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

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

The “I2I” aims to connect university graduates and NVQ 4 certified graduates for a registered patent or a viable business idea with the industry. (Industry will adopt the Innovator). The Government will bear:

- the monthly salary, i.e., 50% up to a maximum of Rs. 50,000 per month for a period of 24 months, and the cost of patenting in Sri Lanka and counsel on patenting

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

- 8.1 We will introduce an “Export Market Access Support Programme” targeting the extension of support to:
- local companies that already have exports of less than USD 10 million per annum.
  - potential new entrants to the export market to better access the global value chains.
- 8.2 This programme will facilitate:
- meeting of the cost of compliance which includes the cost of provision of free samples, intellectual property registration, insurance and promotional costs undertaken overseas.
  - meeting of the full or partial cost of rent of retail shop space or shelf space occupied by domestic brands that reach overseas markets for a maximum period of 36 months.
- 8.3 Product development assistance to exporters to develop new products or improve existing products to meet the export market standards and financial support will be provided through the “Enterprise Sri Lanka” Credit schemes.
- 8.4 This programme will be implemented through the EDB.

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

### **9.1 Homestay Programme:**

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

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

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

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

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

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





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#### GENERAL INFORMATION

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