

## *APPENDIX 1*

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## Appendix 1

### Major Economic Policy Changes and Measures: January - October 2015<sup>1</sup>

#### Real Sector<sup>2</sup>

- 22 January 2015 - The retail prices of major petroleum products were reduced as follows:
- Petrol (92 Octane) by Rs. 33 to Rs. 117 per litre
  - Petrol (95 Octane) by Rs. 30 to Rs. 128 per litre
  - Auto Diesel by Rs. 16 to Rs. 95 per litre
  - Super Diesel by Rs. 23 to Rs. 110 per litre
  - Kerosene by Rs. 16 to Rs. 65 per litre
  - Industrial Kerosene by Rs. 16 to Rs. 94 per litre
- 30 January 2015 - The retail price of kerosene was reduced by Rs. 6 to Rs. 59 per litre.
- The price of a 12.5 kg cylinder of LP gas was reduced by Rs. 300 to Rs. 1,596.
- 01 February 2015 - Passenger bus fares were reduced by 8.2 per cent on average.
- 20 February 2015 - The maximum retail price of certain items were set as follows:
- Ordinary Portland, Portland Limestone and Masonry cement at Rs. 840 per 50 kg bag
  - White sugar (unpacketted) at Rs. 87 per kg
  - Full cream milk powder at Rs. 325 per 400 g pack and Rs. 810 per 1 kg pack
  - Sustagen at Rs. 1,500 per 400 g pack
  - Wheat flour (unpacketted) at Rs. 87 per kg
  - Green gram (Moong) at Rs. 265 per kg
  - Dried sprats (imported) at Rs. 385 per kg
  - Canned fish at Rs. 140 per net weight of 425 g or drained weight of 280 g and Rs. 70 per net weight of 155 g or drained weight of 105 g
  - Seeds of coriander, neither crushed nor ground, at Rs. 350 per kg
  - Black gram at Rs. 300 per kg
  - Maldives fish at Rs. 1,740 per kg
  - Turmeric crushed or ground at Rs. 800 per kg
  - Chillies crushed or ground at Rs. 400 per kg
- 15 July 2015 - The price of a 12.5 kg cylinder of LP gas was reduced by Rs. 100 to Rs. 1,496.

<sup>1</sup> This includes major economic policy changes and measures implemented from January to October 2015. Policy changes and measures that have been announced and are yet to be implemented during the remaining period of 2015 are also included.

<sup>2</sup> Details of fiscal incentives granted for the development of the real sector are included in policy measures under the fiscal sector.

- 15 September 2015 - The electricity tariff based on Time of Use (TOU) for domestic consumers connected with 3-phase 30A or above was introduced as an optional tariff. The new tariff structure is as follows:

Time of Use (TOU)	Energy Charge (Rs./kWh)	Fixed Charge Rs./month)
Off peak (22:30 – 05:30 hrs)	13.00	
Day (05:30 – 18:30 hrs)	25.00	540.00
Peak (18:30 – 22:30 hrs)	54.00	

## External Sector

### Trade and Tariff

- 01 January 2015 - Special Commodity Levy (SCL) on the importation of b' onions was decreased to Rs. 10 per kg from Rs. 50 per kg for a period of four months.
- 22 January 2015 - SCL on the importation of rice was increased to Rs. 20 per kg from Rs. 1 per kg for a period of four months.
- 30 January 2015 - Excise (Special Provisions) duty on motor vehicles with less than 1,000 cc was revised downwards and excise duty on hybrid motor vehicles was revised upwards.
- The importation of Portland cement and semi-finished products of iron or non alloy steel was exempted from Customs duty.
- SCL on the importation of the following food items was reduced for a period of six months:
- Maldives fish from Rs. 302 per kg to Rs. 102 per kg
  - Sprats from Rs. 26 per kg to Rs. 11 per kg
  - Green gram (Moong) from Rs. 40 per kg to Rs. 10 per kg
  - Black gram from Rs. 110 per kg to Rs. 60 per kg
  - Chillies (crushed or ground) from Rs. 150 per kg to Rs. 125 per kg
  - Coriander (seeds) from Rs. 46 per kg to Rs. 26 per kg
  - Coriander (crushed or ground) from Rs. 202 per kg to Rs. 52 per kg
  - Turmeric (neither crushed nor ground) from Rs. 202 per kg to Rs. 102 per kg
  - Turmeric (other) from Rs. 510 per kg to Rs. 360 per kg
  - Black gram flour from Rs. 300 per kg to Rs. 200 per kg
  - Canned fish from Rs. 102 per kg to Rs. 50 per kg
  - Sugar from Rs. 28 per kg to Rs. 18 per kg

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- 15 February 2015 - SCL on the importation of potatoes was increased to Rs. 40 per kg from Rs. 10 per kg for a period of four months.
- SCL of Rs. 10 per kg on the importation of mackerel was extended for a period of four months.
- 25 February 2015 - SCL on the importation of peas, chickpeas, cowpeas, Masoor dhal, kurakkan, millet and margarine was extended for a period of six months.
- 18 March 2015 - SCL on the importation of mackerel was reduced to Rs. 6 per kg from Rs. 10 per kg for a period of six months.
- 26 March 2015 - SCL on the importation of rice was increased to Rs. 40 per kg from Rs. 20 per kg for a period of four months.
- 02 April 2015 - SCL on the importation of fresh or chilled fish, dried fish, yogurt, butter, dairy spreads, red onions, garlic, fresh oranges, grapes, apples, cumin seeds, fennel seeds, mathe seeds, kurakkan flour, ground nut, mustard seeds, vegetable oils and salt was extended for a period of six months.
- 24 April 2015 - SCL on the importation of potatoes was increased to Rs. 55 per kg from Rs. 40 per kg for a period of four months.
- SCL on the importation of b'onions was increased to Rs. 30 per kg from Rs. 10 per kg for a period of four months.
- 06 May 2015 - Customs duty of Rs 35 per kg, Value Added Tax (VAT) of 11 per cent, Ports and Airports Development Levy (PAL) of 5 per cent and Nation Building Tax (NBT) of 2 per cent were imposed on the importation of rice, in place of SCL of Rs. 40 per kg.
- 06 June 2015 - SCL on the importation of potatoes was decreased to Rs. 30 per kg from Rs. 55 per kg for a period of three months.
- SCL on the importation of b'onions was decreased to Rs. 10 per kg from Rs. 30 per kg for a period of three months.
- 17 June 2015 - SCL on the importation of Masoor dhal (red lentils-split and yellow lentils-split) was decreased to Rs. 0.25 per kg from Rs. 5 per kg for a period of four months.
- SCL on the importation of crude oils of soya-bean, palm and sunflower was increased to Rs. 105 per kg from Rs. 90 per kg for a period of four months.
- SCL on the importation of other vegetable oils was extended for a period of four months.
- 29 June 2015 - SCL of 10 per cent on the importation of maize and grain sorghum was extended for a period of four months.
- 21 July 2015 - SCL on the importation of crude oils of soya-bean, palm and sunflower was decreased to Rs. 90 per kg from Rs. 105 per kg for a period of six months.
- SCL on the importation of Maldives fish, dried sprats, green gram, black gram, chillies, seeds of coriander, turmeric, black gram flour, vegetable oils except crude oil, canned fish and sugar was extended for a period of six months.

- 08 September 2015 - SCL on the importation of potatoes was increased to Rs. 40 per kg from Rs. 30 per kg for a period of six months.
- SCL on the importation of b'onions, peas, chickpeas, cowpeas, Masoor dhal (red and yellow lentils – whole), millet, kurakkan, margarine and sugar was extended for a period of six months.
- 18 September 2015 - SCL of Rs. 6 per kg on the importation of mackerel was extended for a period of six months.
- 23 September 2015 - SCL on the importation of the following items was increased for a period of six months:
- Soya-bean oil, palm oil and sunflower oil and their fractions, whether or not refined, but not chemically modified (crude oil) from Rs. 90 per kg to Rs. 110 per kg
  - Soya-bean oil, Sunflower seed, safflower or cotton seed oil, palm oil and fractions whether or not refined, but not chemically modified (other) from Rs. 110 per kg to Rs. 130 per kg
  - Coconut (copra), palm kernel or babassu oil and fractions whether or not refined, but not chemically modified (crude oil) from Rs.110 per kg to Rs. 130 per kg
  - Palm kernel or babassu oil and fractions thereof (other oil) from Rs.125 per kg to Rs. 145 per kg
- 02 October 2015 - SCL on the importation of fresh or chilled fish, dried fish, yogurt, butter, dairy spreads, red onions, garlic, fresh oranges, grapes, apples, seeds of cumin, seeds of fennel, mathe seeds, kurakkan flour, ground nut, mustard seeds and salt was extended for a period of six months.
- 03 October 2015 - Excise (Special Provisions) duty rates on the importation of cigarettes was revised upwards.
- Excise duty on any liquor made from any cereal molasses, palmyrah, coconut and processed arrack, country made foreign spirits and malt liquor manufactured in Sri Lanka was revised upwards.
- 19 October 2015 - The method of computation for the Custom value of motor vehicles for the purpose of calculation of excise duty payable at the time of Customs, was revised.

## Fiscal Sector

### Government Revenue

- 01 January 2015 - VAT rate was reduced to 11 per cent from 12 per cent.
- The importation of machinery, equipment and spare parts by Sri Lanka Ports Authority (SLPA) to be used exclusively within specified ports was exempted from VAT and NBT.
- The limit of the value of imported samples for the exemption from the VAT and NBT of Rs. 25,000 was increased to Rs. 50,000.

- The quarterly turnover of Rs. 250 million applicable for the imposition of VAT on wholesale or retail trade was reduced to Rs. 100 million.
- The threshold of liable supplies for the registration for VAT purposes was increased to Rs. 15 million per annum, from Rs. 12 million per annum.
- The threshold of liable turnover of NBT was increased to Rs. 3.75 million per quarter from Rs. 3 million per quarter.
- Betting and Gaming levy applicable on gross collection was increased to 10 per cent from 5 per cent.
- Casino entrance levy of US dollars 100 was imposed on every person who enters casino entertainment place.

01 April 2015

- Profits and income of the following persons/institutions were exempted from income tax:
  - Unit Trust from investments made on or after 01 January 2015, in US dollar deposits or US dollar denominated securities listed in any foreign stock exchange
  - Company, partnership or body of persons outside Sri Lanka from any payment made by way of royalty as a specific requirement of any IT/BPO company in Sri Lanka for a period of 2 years from the commencement of such IT/BPO company
  - Investment made on or after 01 January 2015 in any Corporate Debt Security, issued by the Urban Development Authority (UDA)
- Concessionary income tax rates were introduced as follows:
  - A deduction of 10 per cent of income tax payable by any local manufacturer who has commenced the business of manufacturing during the 1970s.
  - 12 per cent on the local sugar industry
  - The annual turnover limit of small and medium undertakings qualifying for the concessionary rate of 12 per cent was increased from Rs. 500 million to Rs. 750 million
  - One half of the profits and income from the production of films or dramas of any individual who produces an award winning cinema or a drama at an international film/drama festival was exempted for a period of 5 years from the year in which such award is received
  - 16 per cent applicable for certain categories of employment income was extended to cover other employment categories
  - New undertakings, with not less than US dollars 2 million and engaged in the manufacture of products for export were granted a frontloaded depreciation allowance and the dividend distributed out of such profits will be exempted for five years
  - The applicable tax rate on the profits and income of an existing enterprise outside the Western Province and carrying on a business of manufacture of products other than liquor or tobacco was reduced by 50 per cent not exceeding Rs. 500 million for a period of 5 years subject to certain conditions

- Any company, which registers with the Inland Revenue Department (IRD) for tax purposes on or before 31 December 2015 with a committed investment in excess of Rs. 500 million, to be made in any manufacturing business, was entitled for a reduction of 50 per cent of the applicable tax rate for a period of 7 years
- A single withholding tax rate of 2.5 per cent was introduced irrespective of the amount of interest.
- Interest income of senior citizens was exempted from withholding tax.
- A triple deduction was granted to any person registered with the Tertiary and Vocational Education Commission (TVEC) on expenditure incurred on standard skill development training provided to trainees.
- The exempted amount from the employment income (annual) on Pay-As-You-Earn (PAYE) tax was increased to Rs. 750,000 from Rs. 600,000.

### One off Levies

- A levy of Rs. 250,000 was imposed per tavern or liquor sales outlet.
- A levy of Rs. 1,000 million was imposed on all Casino operators.
- A levy of Rs. 250 million was imposed on all licensed mobile telephone operators in Sri Lanka.
- A levy of Rs. 1,000 million was imposed on satellite owners who utilise the Sri Lankan satellite locations.
- A levy of Rs. 1,000 million was charged on dedicated sports channels operating island wide using more than 5 transmitting locations.
- A Mansion Tax of Rs. 1 million was imposed on owners of all houses valued not less than Rs. 150 million or on houses above 10,000 square feet, on an annual basis.
- A Super Gains Tax at a rate of 25 per cent was imposed on profits over Rs. 2,000 million on individuals/companies profit in the tax year 2013/2014.

### Forthcoming

- A 20 per cent tax will be imposed on all foreign exchange released to be taken out of the country by migrants at the point of immigration with effect from 01 November 2015.
- An import license fee of Rs. 1.5 million per annum will be charged with effect from 01 January 2016, on all importers engaged in the business of importing and selling motor vehicles.

### Government Expenditure

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|------------------|---|
| 01 February 2015 | - Salaries of government employees were increased by Rs. 7,000 per month of which Rs. 5,000 was given in February and the balance was given in June 2015. |
| 01 April 2015    | - Monthly interim allowance paid to pensioners was increased by Rs. 1,000 per month to Rs. 3,500 per month.   |

- 01 July 2015 - A special allowance was granted for the officers in the Executive Service Category in the Public Sector as follows :

Category	Monthly Allowance (Rs.)
Active service period of less than 6 years	3,000
Active service period of 6 or more years, but less than 11 years	5,000
Active service period of 11 or more years, but less than 19 years	10,000
Officers of Grade I or above having an active service period of 19 or more years	15,000

### Debt Management

- 12 January 2015 - Consultancy and project management work was commenced for the electronic trading of government securities and the establishment of a Central Counterparty (CCP).
- 19 January 2015 - Issuance of Sri Lanka Development Bonds (SLDBs) up to a limit of US dollars 1,500 million for the year 2015 was authorised.
- 10 June 2015 - The authorised limit on the issuance of SLDBs was increased up to US dollars 2,500 million for the year 2015.
- 05 October 2015 - Multi-currency functionality in LankaSettle system was enabled in order to facilitate the scripless trading and recording of legal ownership of SLDBs denominated in US dollars to promote the secondary market for SLDBs.
- 20 October 2015 - The authorised limit on the issuance of Treasury bills was increased up to Rs. 1,250 billion from Rs. 850 billion.

### Monetary Sector

- 02 March 2015 - The 5.00 per cent special Standing Deposit Facility (SDF) rate was withdrawn while the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) continued to remain at 6.50 per cent and 8.00 per cent, respectively.
- 15 April 2015 - The SDFR and SLFR were reduced to 6.00 per cent and 7.50 per cent, respectively.
- 30 October 2015 - The minimum cash margin requirement of 100 per cent against Letters of Credit (LCs) opened with commercial banks for the importation of motor vehicles was imposed until 01 December 2015.



## Financial Sector

### Licensed Banks

- 01 January 2015 - Deposit insurance coverage per depositor per institution under the Sri Lanka Deposit Insurance and Liquidity Support Scheme (SLDILSS) was increased to Rs. 300,000 from Rs. 200,000.
- 01 February 2015 - A 50 per cent waiver was granted on the capital of the cultivation loans up to a maximum amount of Rs. 100,000 granted by state banks to farmers and transferred to non performing category on or before 31 January 2015.
- 13 March 2015 - An interest rate of 15 per cent per annum was granted for the savings of senior citizens (above 60 years of age) who opened one year rupee fixed deposits up to Rs. 1.0 million with effect from 16 January 2015 and an interest rate of 12 per cent per annum for the savings of senior citizens (above 60 years of age) who opened rupee fixed deposits up to Rs. 2.5 million prior to 16 January 2015.
- 15 March 2015 - Interest payments in excess of 12 per cent on pawning advances were waived up to a maximum amount of Rs. 200,000, granted by state banks and transferred to the non performing category on or before 31 January 2015, at the point of settlement of pawned advances on or before 30 June 2015.
- 31 March 2015 - Directions were issued to licensed banks to implement the Liquidity Coverage Ratio under Basel III Liquidity Standards, from 01 April 2015.
- 15 April 2015 - A circular was issued to apprise licensed banks to expand access to banking as outlined in the Interim Budget for 2015.
- 01 June 2015 - The Circular issued on 16 October 2014 to Licensed Commercial Banks (LCBs) on recovery of accommodation to exporters was rescinded, and the previous Circulars came in to effect with an amendment to reduce the applicable enhanced interest rate from 1,000 basis points to 500 basis points.
- 28 July 2015 - Payment and Settlement Systems Circular No. 01 of 2015 on Maximum Limits on Transaction Value and Fees of Common Electronic Fund Transfer Switch (CEFTS) was issued to impose maximum per transaction value limit and maximum fees chargeable on transactions effected through CEFTS.
- 06 August 2015 - Payment and Settlement Systems Circular No. 02 of 2015 on Maximum Limits on Transaction Fees of Sri Lanka Interbank Payment System was issued to impose maximum transaction fee that can be charged from customers for fund transfers effected through Sri Lanka Interbank Payment System.
- 07 August 2015 - Payment and Settlement Systems Circular No. 03 of 2015 on Operator Charge and Maximum Limits of Transaction Fees of LankaSettle System was issued to impose maximum transaction fee for fund transfers effected through Real Time Gross Settlement (RTGS) System and to reduce transaction fee charged by Central Bank of Sri Lanka (CBSL) as the operator of the RTGS System.

- 15 September 2015 - Directions were issued to licensed banks, Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) to maintain a maximum loan to value ratio of 70 per cent on loans and advances granted for the purpose of purchase or utilisation of motor vehicles.
- 29 October 2015 - Directions were issued to licensed banks, LFCs and SLCs informing the applicability of the maximum loan to value ratio of 70 per cent shall come into force with effect from 01 December 2015.

### Other Financial Institutions

- 23 June 2015 - The annual licensing fee of finance companies was increased.

### Other

- 26 March 2015 - The Insurance Board of Sri Lanka (IBSL) issued a direction to all insurance companies to settle their insurance claims amount due within sixty days of the admission of liability and upon the establishment of the identity of the claimant.
- 24 April 2015 - The Colombo Stock Exchange (CSE) listing rules were amended pursuant to the Securities Exchange Commission (SEC) Directive (SEC/LEG/14/12/41) on the mandatory disclosure in respect of the basis of an offer price at an Initial Public Offer (IPO) of shares.
- 29 May 2015 - The rate of interest applicable for loans granted to borrowers by Participating Financial Institutions (PFIs) under the Smallholder Plantation Entrepreneurship Development Programme (SPEnDP) was reduced to 7 per cent per annum from 9 per cent per annum and the rate of interest applicable for refinance facilities granted to PFIs by the CBSL was reduced to 3 per cent per annum from 4 per cent per annum.
- The Automated Trading rules (ATS rules) of the CSE, relating to the methodology of computing the closing price of securities traded on the automated trading (except debt securities) were amended.
- 01 July 2015 - The period of operation of the Credit Guarantee Scheme for Pawning Advances was extended for further six months, commencing from 01 July 2015 to 31 December 2015.
- 06 July 2015 - Operating Instructions of the New Comprehensive Rural Credit Scheme (NCRCS) were amended to incorporate the implementation of warehouse receipts financing under the scheme to provide short term credit to small farmer producers.
- 10 July 2015 - The application fees for entities licensed/ registered by the SEC were revised pursuant to the Circular No. SEC/Stamp duty/2015/03 issued by the IRD.
- 07 August 2015 - Operating Instructions were issued to implement the “Working Capital Loan Scheme for Tea Factories,” introduced by the government.