



National Budget 2019

EY

Building a better
working world

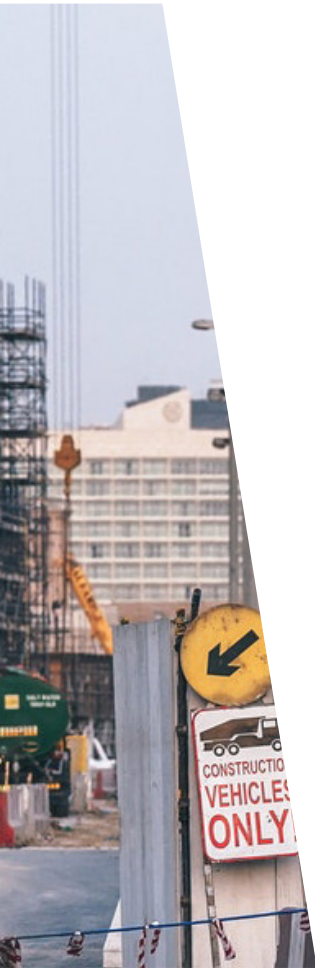




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Dear Client,

The Minister of Finance Hon. Mangala Samaraweera presented his second Budget for 2019 on March 5, 2019 under the theme 'empowering the people and enriching the poor'.

Through the budget the Government plans to maintain a budget deficit of 4.4% of GDP and achieve real growth in GDP of 3.5%.

A summary of the Government revenue and expenditure and the method of financing the budget deficit from additional revenue are given in annexures I and II.

In this year's budget there is no significant change proposed for corporate an individual income tax, VAT and NBT as the fiscal consolidation process has already taken place in the last two years. The significant revenue source is from the additional tax imposed on the importation of motor vehicles which amounts to approximately Rs 48 billion. On the expenditure, side the thrust of the Government appears to be the creation of sustainable development through the 'Gamperaliya' and 'Enterprise Sri Lanka' projects.

In the everchanging economic and social dynamics, there is no doubt that both business and government are facing challenging times. The continuous challenge will be to stay relevant and competitive always.

Signed
Ernst and Young
March 5, 2019

201, De Saram Place,
Colombo 10.



1. Income Tax

Income from sovereign bonds and foreign loans

Exemption granted currently to any non-resident person for interest income from any sovereign bonds denominated in foreign currency will be extended to cover earnings (gains and interest) from sovereign bonds denominated in both foreign currency and local currency.

Exemption granted currently to any commercial bank for interest income from any sovereign bonds denominated in foreign currency will be extended to include interest from Sri Lanka Development Bonds. This exemption will now be applicable for any resident person.

It has been proposed to exempt income tax on Interest paid to any person outside Sri Lanka on loans granted by such person to any person in Sri Lanka. This exemption will not be applicable to loans granted by a non-resident company to its holding company or a subsidiary company in Sri Lanka.

It is expected that the above changes will be effective from April 01, 2018.

Income from sovereign bonds and foreign loans

It has been proposed to exempt income tax (including withholding tax) on interest income earned by any resident person on NRFC and RFC accounts for 5 years.

Consequent to the enactment of the Foreign Exchange Act, No. 12 of 2012, all designated NRFC and RFC accounts have been re-designated to Personal Foreign Currency Accounts (PFCA). As such it is expected that proper reference will be enacted to grant the said

Interest income from minor savings

Interest income earned by children of age less than 18 years which is currently liable for both income tax and withholding tax will be exempted up to a maximum of Rs.5,000/- per month in relation to any deposit account maintained in a financial institution.

Definition of Gross Income

The term gross income for the purpose of applying concessional rate will be the total income excluding the investment income.

Currently, if a company qualifies for a concessional rate of 14%, then the taxable income is taxed at the rate of 14%. It has been proposed to apply the concessional tax rate of 14% only on the income from an activity eligible for the concessional tax rate and the investment income will also be liable for tax at 28%.

It is uncertain as to whether the concessional rate will be applicable to the balance taxable income if the 80% threshold is met.

Withholding Tax on Rent and Royalty payments

It is proposed to exempt withholding tax on royalty and rent payments not exceeding Rs.50,000 per month, subject to Rs.500,000/- for each year of assessment, made to any resident individual.



Economic Service Charge (ESC)

ESC on export goods or services

The present ESC rate of 0.5% on the turnover arising from the export of goods or services will be revised to 0.25%.

Import and sale to be exempted

At present, the turnover of any distributor is exempt from ESC. Further, the term distributor is defined to mean any person or partnership appointed by such manufacturer or producer of any goods in Sri Lanka. It has been proposed to include any person or partnership appointed by an importer of any goods to Sri Lanka, for the sale in the wholesale market in the above definition. This proposal could also have an impact on NBT, as the NBT Act refers to the ESC Act for the definition of distributor.

Revision of ESC on Importation

The basis of the calculation of ESC on the importation has been proposed to be the aggregate of the CIF value (as approved by the Director General of Customs) and the amount of any Custom Import Duty, CESS, PAL and SCL payable in respect of such articles or goods.

Currently, ESC is charged on any article subject to Special Commodity Levy under the provisions of Special Commodity Levy Act, No. 48 of 2007, Import of gold or other precious metal or Import of motor vehicles. It has been proposed to charge ESC on the importation of any article or good other than any capital goods as prescribed by the Minister of Finance.



2. Tax Incentives

Expansion of Existing Businesses

- ▶ At present, enhanced capital allowances are available only for investments 'other than the expansion of an existing business'. These enhanced capital allowances are granted in addition to normal capital allowances.
- ▶ It is proposed that tax concessions by way of enhanced capital allowances will be granted instead of normal capital allowances for the new investments made by existing businesses.
- ▶ While it is noted that the concession of enhanced capital allowances has been extended to an expansion of an existing business, there is no clarity on issues such as treatment of tax losses arising from such concession, whether such concession is subject to certain threshold.

Information Technology Services

- ▶ The requirement of maintaining a minimum of 50 employees in order to qualify for the additional deduction equal to 35% of the salary cost when calculating the income from the business of IT services is proposed to be removed.

Maternity payment rebates

- ▶ With a view to encourage female participation in the workforce, 50% of the salary cost of the mandatory three months maternity leave to be given as an additional deduction, subject to a maximum of Rs. 20,000/- per employee per month.
- ▶ The additional deduction to be extended to a 100% for the 4th month of maternity leave, if so granted.
- ▶ This concession would apply for a 5 year period.

Board of Investment Benefits

Proposed Incentives to Accelerate High Value Domestic and Foreign Direct Investments

A. Large Scale Projects (Investment above USD 100 million)

1) Accelerated Capital Allowances for Investments over USD100 Mn

A person that invests;

-a total sum of USD 100 Mn or more in depreciable assets, excluding intangible assets;

-in a project approved by the Board of Investment of Sri Lanka,

shall be eligible for a deduction of 150% of such actual expenditure incurred in each of such years on such assets for a period of 10 years from commercial operations.

It appears that the change from the enhanced capital allowances available in terms of the present law is that this proposal permits the investment to be phased out over a period of 10 years.

2) Applicable up-front taxes: Only during project implementation or construction period until commencement of commercial operations, the following exemptions are proposed for investment projects above USD 100mn:

- ▶ Exemption from NBT.
- ▶ Exemption from PAL.
- ▶ CESS will be exempt on all project related items.
- ▶ Duty and other taxes on negative list items.

3) Investments over USD 1 billion .

For investments over USD 1 billion, in addition to the benefits outlined in 1) and 2) above,

- ▶ The period for deduction of unrelieved losses shall be 25 years.
- ▶ The rate of dividend tax paid by the company to a non-resident shall be zero during the period that such dividends are paid out of profits sheltered by enhanced capital allowances.
- ▶ Expatriate employees shall be exempt from withholding tax on employment income during the period that profits are sheltered by enhanced capital allowances.

B. Mid-size Investments over USD 50 million

- ▶ For investments over USD 50 million but less than USD 100 million, the additional deduction would be 100% on actual expenditure under the same conditions of as set out in A) 1) above.
- ▶ The provisions of Section A) 2) above will also apply, whereby upfront taxes will be exempt for such investments during the period of construction.

Enshrining the Incentives

- ▶ It is proposed to amend the BOI law (and any other legislation as may be necessary) to permit the investors who sign an agreement under the BOI law to enjoy the above concessions under the IRA and other statutes, prevailing at the time of signing the agreement.



3. Changes to Value Added Tax

a) Sale of residential condominium units

Current position - Sale of condominium housing units is currently exempt from VAT up until 31st of March 2019.

Budget proposal - The Hon. Minister of Finance has proposed to impose VAT on the supply of condominium housing units with effect from April 1, 2019 where the deed of agreement relating to such supply is not executed prior to April 1, 2019.

The intention of the budget proposal presented by The Hon. Minister appears to be to continue the exemption for all S&P agreements signed prior to April 1, 2019 (even though installments pertaining to same may be collected after April 1, 2019).

The wording however in the budget proposal is vague and refers to a “deed of agreement”. The deed in relation to a condominium unit can only be executed upon obtaining the certificate of conformity upon completing the project. If the intention is in fact to exempt S&P agreements prior to April 1, 2019, the VAT Amendment Act will have to be worded appropriately to obtain the exemption. If the exemption is linked to the deed (as opposed to the S&P agreement), the installments collected after April 1, 2019 (regardless of the date of the S&P agreement) will be liable to VAT at 15%.

Input - In light of the above budget proposal, property developers are likely to have both liable and exempt supplies and hence the input relating to exempt supplies will have to be disallowed appropriately. SDP projects currently enjoying exemptions from VAT on inputs during the project implementation period under the relevant SDP gazette will continue to enjoy such exemption.



Effective date - The VAT proposals in relation to VAT unless otherwise stated will come into effect from June 1, 2019. In relation to VAT on the sale of apartments, as a specific date is mentioned the proposal should come into effect from April 1, 2019.

b) Import of pharmaceutical machinery

There is a proposal to re-define pharmaceutical machineries for the purpose of the VAT Act.

Presently the import of pharmaceutical machinery and spare parts for pharmaceutical machinery which are not manufactured in Sri Lanka (classified under certain HS codes), imported by pharmaceutical manufacturers and recommended by the Secretary to the Ministry of Health is exempt from VAT.

Accordingly, in most instances pharmaceutical machinery is only charged with PAL at 7.5% and NBT at 2% at the point of import. Whilst the budget proposal does not specify the parameters within which the pharmaceutical machinery will be redefined, if the definition is narrowed, VAT may be charged on the import of certain pharmaceutical machinery at the rate of 15%.

c) Locally produced rice products

Presently the supply of “locally produced rice products containing rice produced in Sri Lanka” is exempt from VAT. There is no clear guidance on the products which qualify for such exemption

It has been proposed to re-define the term “locally produced rice products” for the purpose of clarity and certainty. Further to this proposal, a Gazette Notification may be issued specifying the content of rice to be included in the product and specific criteria to avail the exemption, to avoid all products which contain even an insignificant amount of rice produced in Sri Lanka claiming the exemption.

d) VAT on specific goods

Provisions will be incorporated in the VAT Act, enabling the Minister to prescribe the basis of chargeability of VAT on certain goods as may be determined by the Minister. It is expected that the due process will be followed in bringing into legislature, the decisions taken by the Minister pursuant to this budget proposal.

e) VAT rate on sale of certain garments

The piece based VAT rate applicable on domestic sale of certain garments by the export oriented BOI companies will be increased from Rs. 75/- to Rs. 100/- on the basis of inflation indexation.

f) Effective date of the VAT proposals

The VAT proposals will be implemented from June 1, 2019 unless otherwise stated.





4. Changes to Nation Building Tax

a) Services of a construction contractor

The Hon. Minister of Finance has proposed to remove NBT from the main construction contractor. This proposal is made with the intention of reducing the cost of construction of property developers.

Currently, construction contractors enjoy an exemption only if the service is provided under a contract agreement executed prior to April 1, 2017. As per the budget proposals, the NBT amendments will take effect from June 1, 2019. It is expected that this exemption will apply to all construction contracts after June 1, 2019 irrespective of the date of signing the contract.

Construction sub-contractors will continue to enjoy the exemption from NBT regardless of the date of the contract agreement, in so far as such construction work is in respect of construction of the building.

b) Services provided by hotels, Destination Management Companies (DMC) and Tour operators.

The Hon. Minister has proposed to remove NBT on foreign currency receipts by tourist hotels registered by the Sri Lankan Tourism Development Authority. Currently only the services of a travel agent in respect of inbound tours operated is exempted from NBT if the payment for such service is received in foreign currency through a bank. If the proposal is enacted, hoteliers too will be able to enjoy the exemption from NBT on the foreign receipts. It is expected that all foreign receipts (even if paid by cash or credit card) will be exempted.

It is also proposed to make it mandatory for travel agents to remit funds to hotels in US Dollars when invoiced in US Dollars. The Central Bank is to issue directions in this regard. Further, to support the refurbishment of hotels the applicable CESS rates are proposed to be reduced

c) Foreign payments using credit/debit cards

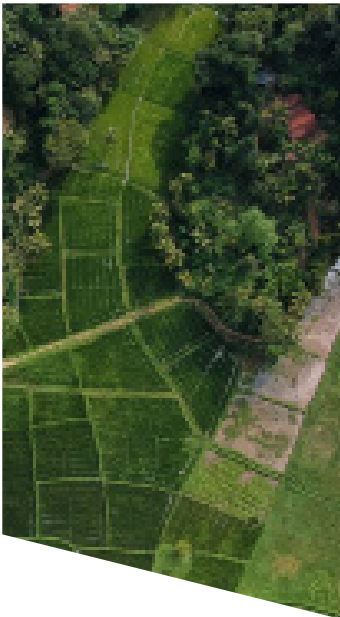
Instead of the existing stamp duty at 2.5%, NBT of 3.5% will be charged on all foreign payments made by using credit and debit cards. It is mentioned that this proposal is to help address taxation of off-shore digital services. Presently NBT is charged only on specific businesses carried out in Sri Lanka; if there is no service carried out in Sri Lanka it is likely to be excluded from NBT as the law stands to date.

However, with the enactment of this proposal, services provided entirely outside Sri Lanka will be liable for NBT. Payments made under booking apps, educational course fees, software and app purchases etc by credit/debit cards will be impacted.

d) Gems and jewellery

Presently the importation of gem stones for the purpose of re-export upon being cut and polished is exempt from NBT. There is a proposal to grant the exemption for lapidary service providers registered under the National Gem & Jewellery Authority. Therefore, the services of persons (registered under the National Gem & Jewellery Authority) involved in cutting and polishing of imported gems for re-export will be exempt from NBT.

It is also proposed to reduce the PAL on the un-cut gems imported to from 7.5% to 2.5%. PAL and customs duty concessions are also proposed on the importation of machinery used in lapidaries.

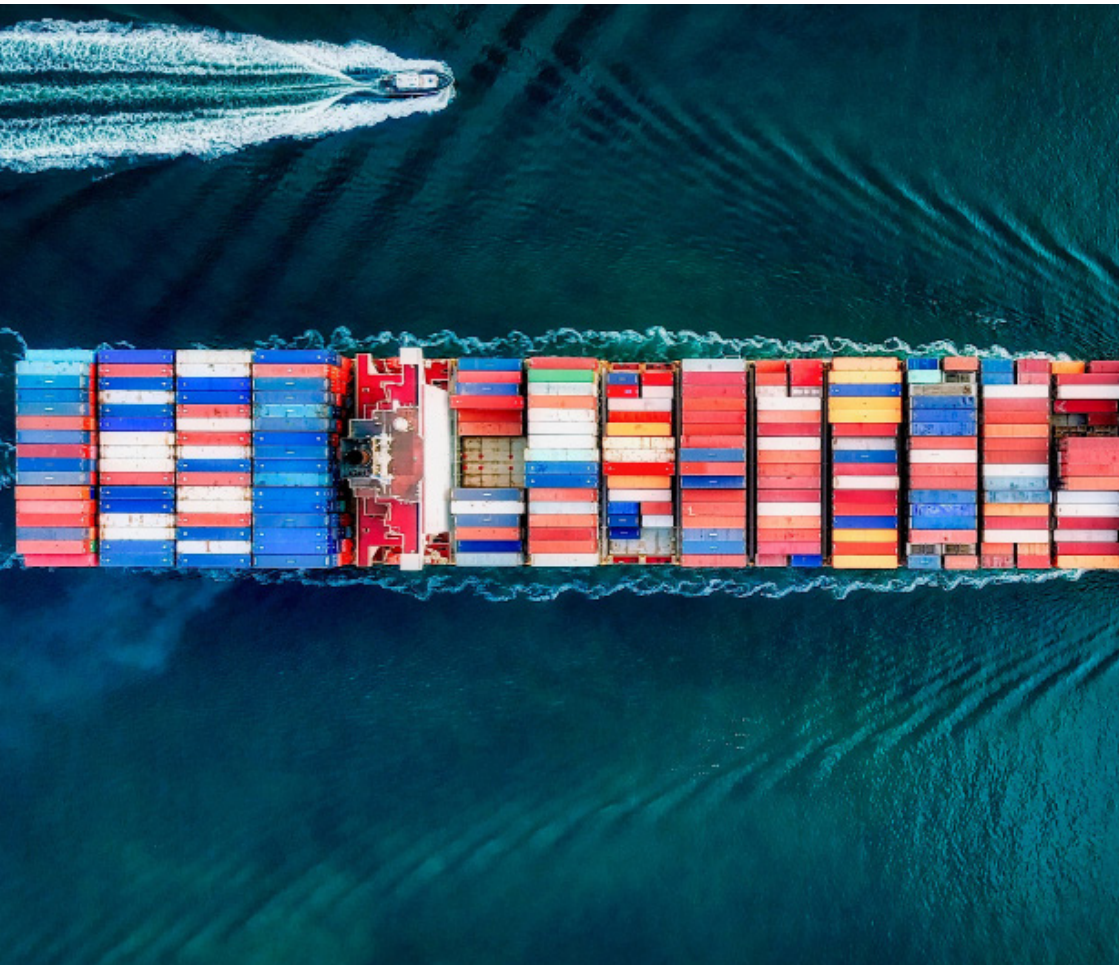


e) Manufacture of cigarettes

It is proposed to remove the exemption on the manufacture of cigarettes. If the proposal is enacted, NBT will be charged at 2% on such manufacture. There is also a proposal to revise the Excise duty on cigarettes effective from March 6, 2019 by 12%.

f) Effective date of the NBT proposals

The NBT proposals will be implemented from June 1, 2019 unless otherwise stated.



5. Changes to Ports and Airports Development Levy

With a view to reducing the upfront cost of investments for certain industries the following reductions in the PAL rates has been proposed:

- ▶ PAL on the import of items classified under HS Codes 0712.20.00, 0712.90.10 and 7801.10.00 will be reduced to 2.5%.
- ▶ For the lapidary sector, it is proposed to remove PAL on the items classified under HS Codes 8464.10.00, 8464.20.00 and 8464.90.00. Further, the PAL on the un-cut gems imported will be reduced from 7.5% to 2.5%.
- ▶ PAL on the high-tech machinery and equipment items classified under HS Codes specified in Annexure 3 will be reduced to 2.5%.
- ▶ PAL on the sale of pleasure or excursion vessels and yachts manufactured by any BOI company to another BOI company which chartering such vessels and yachts for its business, will be removed.

In the attached Annexure 3, the relevant HS Codes and the descriptions are given in detail.





6. Excise Duty

Excise (Special Provisions) Duty

1) Excise Duty on Sweetened Beverages

The excise (SP) duty imposes a tax on the sugar contained in beverages. Previously, the duty was imposed at a rate of LKR 12/- per litre or 50 cents per gram of sugar contained in the product, whichever is higher, exempting a particular quantum (in grams) of sugar per 100ml of the beverage. However, in accordance with the Budget Proposal, the exempt quantum of sugar in relation to particular beverages has been revised as follows;

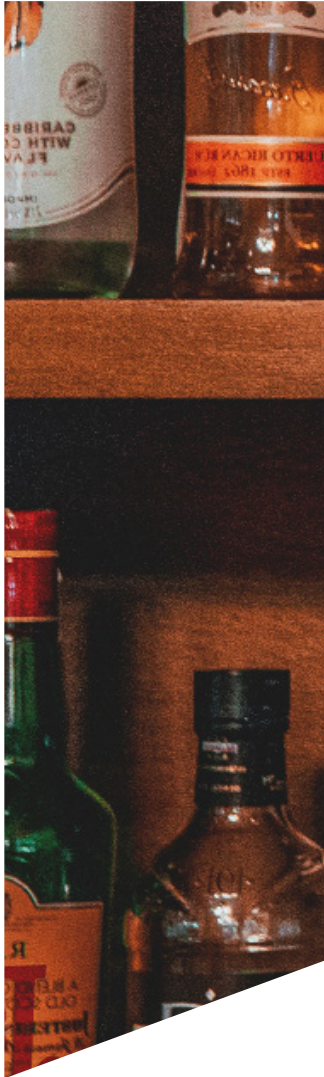
Carbonated Beverages	4g per 100ml
Fruit based beverages	8g per 100ml

And the duty rate on the excess of the exempt quantity has been revised to 40 cents per gram of sugar.

2) Excise Duty on Fatty Acids

The excise (SP) duty on fatty acids will be reduced as follows;

Palm oil fatty acids	the prevailing rate of 25% Excise (SP) Duty will be reduced to 20%
Tallow fatty acids	the prevailing rate of 25% Excise (SP) Duty will be reduced to 20%



3) Excise Duty on Refrigerators

The Excise (SP) Duty on household refrigerators will be revised from 17% to 25% in accordance with the Budget Proposal.

4) Excise Duty on Liquor

The excise duty on alcohol will be revised as follows:

Type	Rate (LKR per litre of alcohol)
Special Arrack	No change
Other Arrack	3,550/-
Country made foreign liquor	3,550/-
Beer less than 5%	2,700/-
Beer more than 5%	2,700/-
Wine- Local plant materials	600/-
Wine- Other	2,700/-

The excise duty rate of imported liquor will be revised as follows:

Malt Liquor (Beer)	Rs.55/- per bulk litre
Wine	Rs.110/- per bulk litre
Other liquor	Rs.215/- per bulk litre

4)Excise Duty on Tobacco

The excise duty on cigarettes will be increased by 12% as follows:

60 -67 mm	Rs. 19,500/- per 1000 sticks
67-72 mm	Rs. 23,000/- per 1000 sticks
72- 84 mm	Rs. 37,580/- per 1000 sticks
Exceeding 84 mm	Rs. 42,200/- per 1000 sticks

Duty Changes to Motor Vehicles

As the Government expects to collect additional revenue of approximately LKR 48 Billion from taxes imposed on motor vehicles, we have analyzed below the impact of the proposed increase on market value prices as follows: Illustration in the case of Petrol Vehicles:

Engine Capacity	Prevailing Rate for Petrol Vehicles (LKR per cm ³)	Proposed Rate for Petrol Vehicles (LKR per cm ³)	Prevailing Rate for Diesel Vehicles (LKR per cm ³)	Proposed Rate for Diesel Vehicles (LKR per cm ³)	Prevailing Rate for Petrol Hybrid Vehicles (LKR per cm ³)	Proposed Rate for Petrol Hybrid Vehicles (LKR per cm ³)	Prevailing Rate for Diesel Hybrid Vehicles (LKR per cm ³)	Proposed Rate for Diesel Hybrid Vehicles (LKR per cm ³)
x ≤ 1000cm ³	1750 OR LKR 1,500,000 per unit	2000 OR LKR 1,650,000 per unit	4,000	4,600	LKR 1,250,000 per unit	LKR 1,500,000 per unit	3,000	3,400
1000cm ³ < x ≤ 1300cm ³	2,750	3,200			2,000	2,300		
1300cm ³ < x ≤ 1500cm ³	3,250	3,700			2,500	2,850		
1500cm ³ < x ≤ 1600cm ³	4,000	4,250	5,000	5,750	3,500	4,000	4,000	4,600
1600cm ³ < x ≤ 1800cm ³	5,000	5,300	6,000	6,900	4,500	5,200	5,000	5,700
1800cm ³ < x ≤ 2000cm ³	6,000	6,350	7,000	8,000	5,000	5,700	6,000	6,900
2000cm ³ < x	7,000 to 11,000	No change	8,000 to 12,000	No change	6,000 to 10,000	No change	7,000 to 11,000	No change

Engine Capacity	Per the Prevailing Rate for Petrol Vehicles	Per the Proposed Rate for Petrol Vehicles	Increase	
			LKR	%
1300cm3	(*2750) = LKR 3,575,000/-	(*3200) = LKR 4,160,000/-	LKR 585,000/-	16.4%
1500cm3	(*3250) = LKR 4,875,000/-	(*3700) = LKR 5,550,000/-	LKR 675,000/-	13.85%
1600cm3	(*4000) = LKR 6,400,000/-	(*4,250) = LKR 6,800,000/-	LKR 400,000/-	6.25%
1800cm3	(*5000) = LKR 9,000,000/-	(*5,300) = LKR 9,540,000/-	LKR 540,000/-	6%
2000cm3	(*6000) = LKR 12,000,000/-	(*6,350) = LKR 12,700,000/-	LKR 700,000/-	

Luxury Tax on Motor Vehicles

Luxury tax on motor vehicles is to be imposed on the CIF value in the case of imported vehicles and the manufacturer's price in the case of locally assembled vehicles, in excess of the threshold as mentioned below:

Type of Vehicle	Luxury Tax-free Threshold (LKR)	Approx. USD value (1USD= 180LKR)	Rate (applied to the amount exceeding the Luxury Tax-free Threshold)
Diesel	3,500,000	19,450	120%
Petrol	3,500,000	19,450	100%
Hybrid Diesel	4,000,000	22,225	90%
Hybrid Petrol	4,000,000	22,225	80%
Electric	6,000,000	33,333	60%

Illustration based on the revised Excise (Special Provisions) Levy and the newly imposed Luxury Tax on Motor Vehicles :

Type of Vehicle	Per the Prevailing Rate for Petrol Vehicles	Per the Proposed Rate for Petrol Vehicles	Luxury Tax	Total Increase
For a petrol vehicle with an engine capacity of 1800 cm3 and a CIF value of LKR 6,500,000/-	(*5000) = LKR 9,000,000/-	(*5,300) = LKR 9,540,000/-	(6,500,000- 3,500,000) *100% = 3,000,000	LKR 3,540,000/-
For a petrol vehicle with an engine capacity of 2000 cm3 and a CIF value of LKR 6,500,000/-	(*6000) = LKR 12,000,000/-	(*6,350) = LKR 12,700,000/-	(6,500,000- 3,500,000) *100% = 3,000,000	LKR 3,700,000/-



7. Enterprise Sri Lanka

“Gamperaliya” Accelerating Village Development

The Gamperaliya Scheme which was launched in June 2018 to address critical infrastructure needs of the villagers will be further enhanced with the allocation of Rs.48Bn in budget 2019. The scope of the projects have also been widened.

Enterprise Sri Lanka “Taking-Off”

The Enterprise Sri Lanka loan scheme was launched on an island wide basis in 2018 to create an entrepreneur society, particularly amongst youth, by providing access to capital at concessionary interest rates.

The loan scheme will be extended to also purchase mid-range apartments and houses built by private entities whilst the loan range from Rs.5Mn - Rs.7.5Mn.

Home Sweet Home - To support specially the middle income first time home buyers, the Government will launch a concessionary loan up to Rs.10Mn at a 6% of interest with a repayment period of 25 years.

Housing loan to migrant workers - A housing loan scheme will be introduced referred to as ‘Dream Home’ to migrant workers for the purchase or construction of a house up to Rs.10Mn where the Government will bear 75% of interest cost with a repayment period to a maximum 15 years.



Growth through Supporting Livelihood

Under this scheme there is a proposal to increase the productivity of agriculture, fisheries, and plantation sectors through investments in technology and change in systems. This is expected to result in higher yields and better product quality.

In the agriculture sector a key requirement was to improve effective storage and reduce post harvest wastage. Building on the facility constructed in Dambulla the intention is to set up modern climate controlled warehousing in Katunayake, Enmilipitya, Jaffna and Keppetipola.

The intention is to invite the private sector to manage and operate these facilities and to provide climate controlled logistic facilities. This would be an ideal opportunity for the logistics industry to invest and manage the entire value chain of this significant market in logistics and storage. To facilitate such investments the removal of upfront costs and accelerated depreciation would also be granted. Please refer the section on investment incentives.

A Caring Society – Empowerment of Women

Participation of women in the private sector has been identified as a key factor limiting development in the economy. Lack of dependable child care facilities and inflexible labour laws have been recognized as key reasons, which compel women to leave the labour force or not enroll. Several measures to encourage greater participation of women were discussed, namely: Introduce guidelines and regulations for the formation and function of child care centres and after school & vacation centres by the Ministry of Women and Child Affairs, extension of “Rekawarana” concessionary loan scheme through “Enterprise Sri Lanka” as well as incentives for Corporate Income Tax. In addition to the above, the Honourable

Minister also discussed amendments to existing labour laws, which will facilitate more active participation of women. As a mechanism to encourage mandatory representation of women on Corporate Boards, it was also



Integration to Global Markets - Exports

Upgrading technical facilities and quality testing - In order to accelerate exports and other sources of foreign income, investments are to be continued into the Export Market Access Scheme and the National export Strategy (NES) which was initiated in 2018. The NES is to include the implementation of the National Quality Infrastructure Strategy which would be implemented as a public private collaboration to upgrade technical facilities for export product development and import quality testing, the lack of which has had an impact on several export industries.

FTAs - In this light the Government is committed towards a strategy of building a network of trade agreements to link regional and global value chains. Starting with Singapore FTA the intention is to continue with the FTA negotiation with India, China and Thailand.

Trading houses in key markets - Another proposal to further the above network is to establish trading houses for priority sectors in collaboration with the private sector in key markets. The intention being to support Sri Lankan companies in accessing distribution networks, linking buyers and other support on the ground.

Encouraging Innovation - There is also a proposal to introduce the Enterprise Innovation Program in order to support the development of innovative new products and technology by Sri Lankan companies. This program would be implemented over 3 years by providing matching grants for proof of concept, prototyping, R&D and technology adoption.

Start ups - From the perspective of encouraging start ups it has been proposed to introduce Limited Liability Partnerships from this year.



Capital market development - In order to develop the capital markets beyond bank financing there is a proposal to introduce script-less Sri Lanka development bonds and to enable coupon stripping of Treasury bonds.

- ▶ Script-less Sri Lanka Development Bonds - bonds where no physical certificate will be issued or exchanged.
- ▶ Coupon stripping - This is the separation of a bond's periodic interest payments from its principal repayment obligation to create a series of individual securities. The underlying bond will become a zero-coupon bond and each interest payment will become a separate zero-coupon bond which can be traded in the secondary market. This will enable price transparency and greater flexibility and promote investments in the capital market.

The proposals also accept that the existing Inland Revenue Act have caused several concerns for various industries related to exports and proposes to have consultations

Skills for Work - Healthcare Sector

The Healthcare Sector has been identified as requiring urgent need of relevant skills. The private sector has been persuaded to offer internationally accredited training courses for nursing, where the GOSL will provide a stipend of Rs. 10,000 per month per trainee for a period of two years. The Honourable Minister also encouraged a similar program for pharmaceutical professionals. In this instance, the GoSL will provide a stipend of Rs. 15,000 per month per apprentice for one year. The key objectives of such training / apprenticeship is that it expected that the success will enable the replication to other industries as well enable employment in non-governmental institutions.

The Hon. Minister has proposed various loan schemes ranging from Rs. 150,000 to Rs. 750 Mn and other initiatives to empower people, nurture the poor and to develop the SME sector. In addition non- financial support programs too have been proposed. Due to space constraints only those loan schemes above Rs 20mn are included in this publication.

Ran Aswenna

Agro & fish processing and multiday boats with modern facilities

Max Loan Rs 300 Mn | Interest Rate 13.86%
Interest Subsidy 50% | Lending Rate 6.93%
7 year repayment period with 1 year grace period

Agriculture

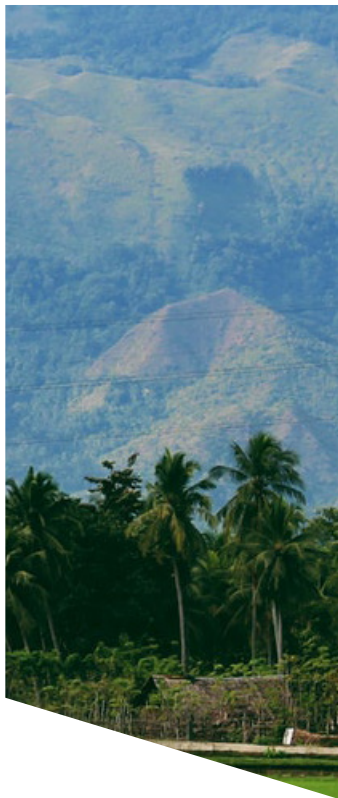
Companies engaged in commercial scale farming

Max Loan Rs 750 Mn | Interest Rate 13.86%
Interest Subsidy 50% | Lending Rate 6.93%
7 year repayment period with 1 year grace period

Jaya Isura - small scale companies

For small scale companies engaged in agriculture, fisheries, ornamental fisheries, livestock, floriculture, horticulture, light engineering, printing, tourism, handicrafts, wood based products, apparel, information technology, manufacturing industry, renewable energy sectors, with an annual turnover between Rs. 10 Mn to Rs. 250 Mn and a staff cadre from 5 to 50 persons.

Max Loan Rs 100 Mn for Export Businesses, Rs 50 Mn for Non Export Businesses
Interest Rate 13.86% | Interest Subsidy 50% | Lending Rate 6.93%
7 year repayment period with 1 year grace period



Jaya Isura - medium scale companies

For medium scale companies engaged in agriculture, fisheries, ornamental fisheries, livestock, floriculture, horticulture, light engineering, printing, tourism, handicrafts, wood based products, apparel, information technology, manufacturing industry, renewable energy sectors, with an annual turnover between Rs. 250 Mn to Rs. 750 Mn and a staff cadre from 51 to 300 persons.

Max Loan Rs 400 Mn for Export Businesses, Rs 200 Mn for Non Export Businesses

Interest Rate 13.86% | Interest Subsidy 25% | Lending Rate 10.40%
7 year repayment period with 1 year grace period

SMELoC Project

For Small and Medium Sized Enterprises a special line of credit (SMELoC) has been introduced.

Max Loan Rs 50 Mn | Lending Rate 11-14%
10 year repayment period with 2 year grace period

Pavithra Ganga Initiative

For Companies that already discharge their waste into the kelani river / lagoons

Max Loan Rs 30 Mn | Lending Rate 6.5%
10 year repayment period with 2 year grace period





8. Other Taxes

Carbon Tax

Carbon Tax that was introduced from January 1, 2019 will be revised in respect to hybrid and fuel vehicles as follows;

Category	Maximum Cap Rs.
Less than 5 years	3,500
5 to 10 years	5,500
Over 10 years	7,500

Betting & Gaming Levy

It was proposed to revise the Levy with effect from April 1, 2019 as follows:

Description	Present	Proposed
Annual levy - carrying on the business of gaming	Rs. 200 mn (including rudjino) per annum	Rs. 400 mn (Other than rudjino) per annum
Annual levy for carrying on the business of playing rudjino	NA	Rs.1mn
Casino Entrance Levy	USD 100	USD 50
Levy on gross collection	10%	15%

Livestock Industry

With a view of promoting livestock industry, it was proposed to remove PAL (7.5%) and NBT (2%) on the importation of Lucerne (Alfalfa) meal and pellets.

Go-Kart

With a view of promote Sri Lanka as a preferred destination in International Go-Kart Racing, it was proposed to remove Customs Import Duty and CESS on Go-Kart (CID 30%) and Go-Cart Tyres (CID 30% and CESS 15%).

International Telecommunication Operators Levy

International Telecommunication Operators Levy will be removed.



Annexure I

Revenue Proposals - 2019*

No	Proposal	Rs Mn / Per Annum
1	Revision of excise duty on motor vehicles and implementation of luxury tax on luxury motor vehicles.	48,000
2	Revision of Value Added Tax on disposal of garments by BOI approved enterprises to the local markets .	500
3	Revision of excise duty on cigarettes, liquor and selected goods .	37,000
4	Revision of Embarkation Levy and issuance fee of passports	8,000
5	Revision of CESS duty on Tendu (Beedie) leaves .	2,000
6	Imposition of Nation Building Tax on all foreign payments including off-shore digital services, made by using credit cards or debit cards and manufacturing of cigarettes.	5,000
7	Revision of fees and charges, which have not been revised since 2016 by 15%, fee of issuance of motor vehicles special number plates and expressways peak hours toll fee and implementation of Tourism Development Levy.	18,000

No	Proposal	Rs Mn / Per Annum
8	Revision of Customs Import Duty on selected goods, tobacco and liquor	20,000
9	Economic Service Charge on selected goods	15,000
10	Revision of license fee of casino and rudjino games and casino turnover levy and casino admission fee	2,500
11	Provision for Revenue Foregone by adjustments to the Inland Revenue Act, Ports and Airports Development Levy and CESS Duty	(6,000)

Compiled by Department of Fiscal Policy

* Revenue impact of certain revenue proposals have already been taken into the revenue estimates submitted together with the Appropriation Bill 2019.

Annexure II

Summary of the Budget (2015-2019)¹

Rs. Billion

Item	2015	2016	2017	2018 Provisional	2019 Budget	2020 Projection
Total Revenue and Grants	1,534	1,773	1,932	2,025	2,464	2,859
Total Revenue	1,528	1,766	1,924	2,013	2,451	2,844
Tax Revenue	1,356	1,464	1,671	1,712	2,077	2,420
Income Tax	263	259	275	310	385	480
Taxes on Goods and Services	804	842	1,026	1,062	1,293	1,510
Taxes on External Trade	289	363	370	340	399	430
Non Tax Revenue	99	222	161	208	267	302
Provincial Council Tax Sharing and Devolved Revenue	73	80	92	93	107	122
Grants	6	7	8	12	13	15
Total Expenditure	2,364	2,413	2,666	2,786	3,149	3,450
Recurrent	1,775	1,837	2,021	2,182	2,415	2,661
Salaries and Wages including Provincial Councils	618	632	660	697	778	863
Other Goods and Services including Provincial Councils	201	169	167	160	178	183
Interest	527	611	736	852	913	1,000
Subsidies and Transfers	428	425	458	473	546	615
Public Investment	603	594	657	625	756	811
Other	(14)	(18)	(12)	(21)	(22)	(22)
Revenue Surplus (+)/Deficit(-)	(247)	(71)	(97)	(169)	36	183
Primary Surplus (+)/Deficit(-)	(303)	(29)	2	91	228	409
Budget Surplus (+)/Deficit(-)	(830)	(640)	(734)	(761)	(685)	(591)
Total Financing	830	640	734	761	685	591
Total Foreign Financing	369	429	382	465	55	120
Foreign Borrowings-Gross	556	574	601	772	720	700
Project and Programme Loans	173	208	220	210	270	300
Foreign Commercial	383	366	381	562	450	400
Debt Repayment	(187)	(145)	(219)	(307)	(665)	(580)
Total Domestic Financing	461	211	352	296	630	471
Non - Bank Borrowings	197	399	120	279	362	295
Foreign Investments in T-Bills and T-Bonds	223	(121)	54	(129)	180	140
Bank Borrowings	41	(67)	133	38	88	36
Divestiture proceeds			45	108	-	
Revenue and Grants/GDP (%)	14.0	15.0	14.5	14.1	15.8	16.8
Total Revenue/GDP (%)	14.0	14.9	14.5	14.0	15.7	16.7
Tax Revenue/GDP	12.4	12.4	12.6	11.9	13.3	14.2
Non Tax Revenue/GDP (%)	0.9	1.9	1.2	1.4	1.7	1.8
PC Tax Sharing and Devolved Revenue/GDP (%)	0.7	0.7	0.7	0.6	0.7	0.7
Grants/GDP (%)	0.1	0.1	0.1	0.1	0.1	0.1
Total Expenditure/GDP (%)	21.6	20.3	20.1	19.4	20.2	20.3
Recurrent Expenditure/GDP (%)	16.2	15.5	15.2	15.2	15.5	15.7
Non Interest including Provincial councils/ GDP (%)	11.4	10.4	9.7	9.3	9.6	9.8
Interest/ GDP (%)	4.8	5.1	5.5	5.9	5.9	5.9
Public Investment/ GDP (%)	5.5	5.0	4.9	4.4	4.8	4.8
Revenue Surplus (+)/Deficit (-) GDP (%)	(2.3)	(0.6)	(0.7)	(1.2)	0.2	1.1
Primary Surplus (+)/Deficit (-) GDP(%)	(2.8)	(0.2)	0.0	0.6	1.5	2.4
Budget Surplus (+)/Deficit (-) GDP(%)	(7.6)	(5.4)	(5.5)	(5.3)	(4.4)	(3.5)

Compiled by Department of Fiscal Policy

¹ Including revenue and expenditure transfers to Provincial Councils

Annexure III

PORTS AND AIRPORTS DEVELOPMENT LEVY (PAL) Annexure 3

Effective from June 1, 2019

HS Code	Description
85.01.10.10, 85.01.31.90, 85.01.32.00, 85.01.33.00, 85.01.34.00, 85.01.40.10, 85.01.40.20, 85.01.40.90, 85.01.51.10	Electric motors and generators (excluding generating sets).
85.02.20.00, 85.02.31.00, 85.02.39.00	Electric generating sets and rotary convertors.
85.03.00.10, 85.03.00.20, 85.03.00.90	Parts suitable for use solely or principally with the machines of headings 85.01 or 85.02.
85.04.10.10, 85.04.10.90, 85.04.21.10, 85.04.21.90, 85.04.22.10, 85.04.22.20, 85.04.22.30, 85.04.23.90, 85.04.31.10, 85.04.31.90, 85.04.32.10, 85.04.32.90, 85.04.33.10, 85.04.33.90, 85.04.34.10, 85.04.34.90, 85.04.40.10, 85.04.40.30, 85.04.50.10, 85.04.50.90, 85.04.90.10, 85.04.90.90	Electrical transformers static convertors and indicators.
85.05.11.00, 85.05.19.00, 85.05.20.00, 85.05.90.00	Electro magnets; permanent magnets and articles intend to become permanent magnet after magnetization; electromagnetic or permanent magnets chucks, clamps and similar holding devices; electromagnetic couplings, clutches and breaks; electromagnetic lighting heads.
85.06.10.10, 85.06.10.90, 85.06.50.00, 85.06.80.00, 85.06.90.00	Primary cells and primary batteries.
85.07.10.90, 85.07.20.00, 85.07.30.00, 85.07.40.00, 85.07.50.00, 85.07.60.00, 85.07.80.00, 85.07.90.00	Electric accumulators including separators.
85.14.10.00, 85.14.20.00, 85.14.30.00, 85.14.40.00, 85.14.90.00	Industrial or Laboratory electric furnaces and Ovens; other industrial or laboratory equipment for the treatment of material by induction or dielectric loss.
85.15.11.00, 85.15.21.00, 85.15.29.00, 85.15.31.00, 85.15.39.00, 85.15.80.00, 85.15.90.00	Electric laser or other light or photon beam, ultrasonic, electron beam, magnetic pulse or plasma arc soldering, brazing or welding machines and apparatus, electric machines and operators for hot spraying of metals or cermet.

HS Code	Description
85.04.90.90	Electric instantaneous or storage water heaters and immersion heaters; electric space heating apparatus and soil heating apparatus; electro-thermic hair-dressing apparatus and hand dryers; electric smoothing irons; other electro-thermic appliances of a kind used for domestic purposes; electric heating resistors, other than those of heading 85.45.
85.25.50.00, 85.25.60.00	Transmission apparatus for radio-broadcasting or television, whether or not incorporating reception apparatus or sound recording or reproducing apparatus; television cameras, digital cameras and video camera recorders.
85.27.19.00, 85.27.29.00, 85.27.99.00	Reception apparatus for radio-broadcasting, whether or not combined, in the same housing, with sound recording or reproducing apparatus or a clock.
85.28.42.00, 85.28.49.90, 85.28.52.00, 85.28.59.90, 85.28.62.00, 85.28.69.00, 85.28.71.10, 85.28.71.90, 85.28.72.39, 85.28.72.49, 85.28.73.30, 85.28.73.90	Monitors and projectors, not incorporating television reception apparatus; reception apparatus for television, whether or not incorporating radio-broadcast receivers or sound or video recording or reproducing apparatus.
85.30.10.00, 85.30.80.00, 85.30.90.00	Electrical signaling, safety or traffic control equipment for railways, tramways, roads, inland waterways, parking facilities, port installations or airfields (other than those of heading 86.08).
85.31.10.00, 85.31.20.00, 85.31.80.10, 85.31.80.90, 85.31.90.00	Electric sound or visual signaling apparatus, other than those of heading 85.12 or 85.30.
85.32.10.00, 85.32.10.90, 85.32.22.90, 85.32.25.90, 85.32.29.90, 85.32.30.90, 85.32.90.90	Electrical capacitors, fixed, variable or adjustable (pre-set) (+).
85.33.29.00, 85.33.40.00	Electrical resistors (including rheostats and potentiometers), other than heating resistors.
85.34.00.00	Printed circuits.
85.35.10.00, 85.35.21.00, 85.35.29.00, 85.35.30.00, 85.35.40.00, 85.35.90.00	Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits for a voltage exceeding 1,000 volts.
85.39.10.00, 85.39.21.00, 85.39.22.00, 85.39.29.00, 85.39.31.00, 85.39.31.90, 85.39.32.00, 85.39.39.00, 85.39.41.00, 85.39.49.00, 85.39.50.00, 85.39.90.00	Electric filament or discharge lamps, including sealed beam lamp units and ultra-violet or infra-red lamps; arc-lamps; light-emitting diode (LED) lamps.
85.40.11.10, 85.40.11.90, 85.40.12.10, 85.40.12.90, 85.40.71.00, 85.40.81.00, 85.40.89.00	Thermionic, cold cathode or photo-cathode valves, and tubes.
85.41.29.00, 85.41.30.00	Diodes, transistors and similar semiconductor devices;
85.42.31.00, 85.42.32.00, 85.42.33.00, 85.42.39.00, 85.42.90.00	Electronic integrated circuits.
85.43.20.00, 85.43.70.20, 85.43.70.90, 85.43.90.00	Electrical machines and apparatus, having individual functions, not specified or included elsewhere.

HS Code	Description
85.45.20.00, 85.45.90.00	Carbon electrodes, carbon brushes, lamp carbons, battery carbons and other articles of graphite or other carbon, with or without metal, of a kind used for electrical purposes.
85.46.10.00, 85.46.20.00, 85.46.90.00	Electrical insulators of any material.
85.34.00.00	photosensitive semiconductor devices, including photovoltaic cells whether or not assembled in modules or made up into panels; light-emitting diodes (LED);
85.47.10.00, 85.47.20.00, 85.47.90.00	Insulating fittings for electrical machines, appliances or equipment, being fittings wholly of insulating material apart from any minor components of metal incorporated during moulding solely for purposes of assembly, other than insulators of heading 85.46; electrical conduit tubing and joints therefor, of base
	Waste and scrap of primary cells, primary batteries and electric accumulators; spent primary cells, spent primary batteries and spent electric accumulators; electrical

Effective from June 1, 2019

HS Code	Description
84.02.11.00, 84.02.19.00, 84.0220.00	Steam or other vapour generating boilers (other than central heating hot water boilers capable also of producing low pressure steam); super-heated water boilers.
84.03.10.00, 84.03.90.00	Central heating boilers other than those of heading 84.02.
84.04.10.00, 84.04.20.00, 94.04.90.00	Auxiliary plant for use with boilers of heading 84.02 or 84.03; condensers for steam or other vapour power units.
84.05.10.00, 84.05.90.00	Producer gas or water gas generators, with or without their purifiers; acetylene gas generators and similar water process gas generators, with or without their purifiers.
84.06.82.00, 84.06.90.00	Steam turbines and other vapour turbines.
84.07.10.00, 84.07.21.00, 84.07.29.00, 84.07.31.20, 84.07.31.90, 84.07.32.20, 84.07.32.90, 84.07.33.20, 84.07.33.90, 84.07.34.90, 84.07.90.10, 84.07.99.90	Spark-ignition reciprocating or rotary internal combustion piston engines.
84.08.10.00, 84.08.20.10, 84.08.29.90, 84.08.90.10, 84.08.90.90	Compression-ignition internal combustion piston engines (diesel or semi-diesel engines).
84.09.91.10, 84.09.91.90	Parts suitable for use solely or principally with the engines of heading 84.07 or 84.08
84.10.11.00, 84.10.12.00, 84.10.13.00, 84.10.90.00	Hydraulic turbines, water wheels, and regulators therefor.
84.11.11.00, 84.11.12.00, 84.11.21.00, 84.11.99.00	Turbo-jets, turbo-propellers, and other gas turbines.

HS Code	Description
84.12.21.00, 84.12.29.00, 84.12.31.00, 84.12.39.00, 84.12.80.00, 84.12.90.00	Other engines and motors.
84.14.10.00, 84.14.20.00, 84.14.40.00, 84.14.51.00, 84.14.59.00, 84.14.60.00	Air or vacuum pumps, air or other gas compressors and fans; ventilating or recycling hoods incorporating a fan, whether or not fitted with filters.
84.16.10.00, 84.16.20.00, 84.16.30.00, 84.16.90.00	Furnace burners for liquid fuel, for pulverized solid fuel or for gas; mechanical stokers, including their mechanical grates, mechanical ash dischargers and similar appliances.
84.18.10.10, 84.18.21.10, 84.18.29.10, 84.18.29.30, 84.18.29.90, 84.18.30.10, 84.18.30.30, 84.18.30.90, 84.18.40.10, 84.18.40.30, 84.18.40.90, 84.18.50.10, 84.18.69.10, 84.18.69.30, 84.18.69.50, 84.18.69.70, 84.18.91.90	Refrigerators, freezers and other refrigerating or freezing equipment, electric or other; heat pumps other than air conditioning machines of heading 84.15.
84.20.91.00, 84.20.99.00	Calendering or other rolling machines, other than for metals or glass, and cylinders therefor.
84.21.11.00, 84.21.12.00, 84.21.19.10, 84.21.19.90, 84.21.21.10, 84.21.22.00, 84.21.29.10, 84.21.29.90, 84.21.31.00, 84.21.39.00, 84.21.91.00, 84.21.99.10, 84.21.99.20, 84.21.99.90	Centrifuges, including centrifugal dryers; filtering or purifying machinery and apparatus, for liquids or gases.
84.22.19.00, 84.22.90.00	Dish washing machines; machinery for cleaning or drying bottles or other containers; machinery for filling, closing, sealing or labelling bottles, cans, boxes, bags or other containers; machinery for capsuling bottles, jars, tubes and similar containers; other packing or wrapping machinery (including heat-shrink wrapping machinery); machinery
84.24.10.00, 84.24.20.00, 84.24.30.00, 84.24.41.00, 84.24.49.00, 84.24.82.00, 84.24.89.00, 84.24.90.00	Mechanical appliances (whether or not hand-operated) for projecting, dispersing or spraying liquids or powders; fire
85.25.11.00, 84.25.19.00, 84.25.31.00, 84.25.39.00, 84.25.41.00, 84.25.42.00, 84.25.49.00	Pulley tackle and hoists other than skip hoists; winches and capstans; jacks.
84.26.11.00, 84.26.12.00, 84.26.19.00, 84.26.20.00, 84.26.30.00, 84.26.41.00, 84.26.49.00, 84.26.91.00, 84.26.99.00	Ships' derricks; cranes, including cable cranes; mobile lifting frames, straddle carriers and works trucks fitted with a crane.
84.27.10.00, 84.27.90.10, 84.27.90.90	Fork-lift trucks; other work trucks fitted with lifting or handling equipment.
84.28.20.00, 84.28.32.00, 84.28.33.00, 84.28.39.00, 84.28.40.00, 84.28.60.00, 84.28.90.00	Other lifting, handling, loading, or unloading machinery.
84.29.11.00, 84.29.19.00, 84.29.20.00, 84.29.40.00	Self-propelled bulldozers, angledozers, graders, levelers, scrapers, mechanical shovels, excavators, shovel loaders, tamping machines and road rollers.
84.30.10.00, 84.30.39.00, 84.30.61.00, 84.30.69.00	Other moving, grading, levelling, scraping, excavating, tamping, compacting, extracting or boring machinery, for earth, minerals or ores; pile-drivers and pile-extractors; snow-ploughs and snow-blowers.

HS Code	Description
84.30.10.00, 84.30.39.00, 84.30.61.00, 84.30.69.00	Other moving, grading, levelling, scraping, excavating, tamping, compacting, extracting or boring machinery, for earth, minerals or ores; pile-drivers and pile-extractors; snow-ploughs and snow-blowers.
84.31.10.00, 84.31.20.00, 84.31.31.00, 84.31.39.00, 84.31.41.00, 84.31.42.00, 84.31.43.00	Parts suitable for use solely or principally with the machinery of headings 84.25 to 84.30.
84.32.90.00	Agricultural, horticultural or forestry machinery for soil preparation or cultivation; lawn or sports-ground rollers.
84.33.19.00, 84.33.59.00, 84.33.90.90	Harvesting or threshing machinery, including straw or fodder balers; grass or hay mowers; machines for cleaning, sorting or grading eggs, fruit or other agricultural produce, other than machinery of heading 84.37.
84.35.10.00	Presses, crushers and similar machinery used in the manufacture of wine, cider, fruit juices or similar beverages.
84.36.29.00, 84.36.99.00	Other agricultural, horticultural, forestry, poultry-keeping or bee-keeping machinery, including germination plant fitted with
84.37.90.00	Machines for cleaning, sorting or grading seed, grain or dried leguminous vegetables; machinery used in the milling industry or for the working of cereals or dried leguminous vegetables, other than farm-type machinery.
84.38.20.00, 84.38.30.00, 84.38.40.00, 84.38.50.00, 84.38.90.00	Machinery, not specified or included elsewhere in this chapter, for the industrial preparation or manufacture of food or drink,
84.39.20.00, 84.39.30.00, 84.39.99.00	Machinery for making pulp of fibrous cellulosic material or for making or finishing paper or paperboard.
84.40.10.00	Book-binding machinery, including book-sewing machines.
84.41.10.00, 84.41.20.00, 84.41.30.00, 84.41.40.00, 84.41.80.00, 84.41.90.00	Other machinery for making up paper pulp, paper or paperboard, including cutting machines of all kinds.
84.42.30.00, 84.42.50.00	Machinery, apparatus and equipment (other than the machines of headings 84.56 to 84.65) for preparing or making plates,
84.43.32.10, 84.43.32.30, 84.43.32.90, 84.43.39.10, 84.43.39.20, 84.43.31.10, 84.43.39.30, 84.43.39.90, 84.43.91.00, 84.43.99.10, 84.43.99.20	Printing machinery used for printing by means of plates, cylinders and other printing components of heading 84.42; other printers,
84.48.49.00, 84.48.59.00	Auxiliary machinery for use with machines of heading 84.44, 84.45, 84.46 or 84.47; parts and accessories suitable for use solely or principally with the machines of this heading or of heading 84.44, 84.45, 84.46 or 84.47
84.49.00.00	Machinery for the manufacture or finishing of felt or nonwovens in the piece or in shapes, including machinery for making felt hats; blocks for making hats.

HS Code	Description
84.53.10.00, 84.53.20.00, 84.53.80.00, 84.53.90.00	Machinery for preparing, tanning or working hides, skins or leather or for making or repairing footwear or other articles of hides, skins or leather, other than sewing machines.
84.54.20.00, 84.54.30.00, 84.54.90.00	Converters, ladles, ingot moulds and casting machines, of a kind used in metallurgy or in metal foundries.
84.55.10.00, 84.55.21.00, 84.55.22.00, 84.55.30.00, 84.55.90.00	Metal-rolling mills and rolls therefor.
84.56.11.00, 84.56.12.00, 84.56.20.00, 84.56.30.00, 84.56.40.00, 84.56.50.00, 84.56.90.00	Machine-tools for working any material by removal of material, by laser or other light or photon beam, ultrasonic, electro-discharge,
84.57.10.00, 84.57.30.00	Machining centres, unit construction machines (single station) and multi-station transfer machines, for working metal.
84.58.11.00, 84.58.19.00, 84.58.91.00, 84.58.99.00	Lathes (including turning centres) for removing metal (+).
84.59.29.00, 84.59.41.00, 84.59.59.00, 84.59.61.00, 84.59.69.00, 84.59.70.00	Machine-tools for drilling, boring, milling, threading or tapping by removing metal, other than lathes of heading 84.58 (+).
84.60.22.00, 84.60.22.00, 84.60.23.00, 84.60.24.00, 84.60.29.00, 84.60.39.00, 84.60.90.00	Machine-tools for deburring, sharpening, grinding, honing, lapping, polishing or otherwise finishing metal or cermets by
84.61.50.00, 84.61.90.00	Machine-tools for planning, shaping, slotting, broaching, gear cutting, gear grinding or gear finishing, sawing, cutting-off and other machine-tools working by removing metal or cermets, not elsewhere specified or included.
84.62.10.00, 84.62.21.00, 84.62.29.00, 84.62.31.00, 84.62.39.00, 84.62.41.00, 84.62.49.00, 84.62.91.00, 84.62.99.00	Machine-tools for working metal by forging, hammering or die-stamping; machine-tools for working metal by bending, folding, straightening, flattening, shearing, punching or notching; presses for working metal or metal carbides, not specified above (+).
84.63.10.00, 84.63.20.00, 84.63.30.00, 84.63.90.00	Other machine-tools for working metal or cermets, without removing material.
84.64.10.00, 84.64.20.00, 84.64.90.00	Machine-tools for working stone, ceramics, concrete, asbestos-cement or like mineral materials or for cold working glass
84.65.10.00, 84.65.20.00, 84.65.91.00, 84.65.92.00, 84.65.93.00, 84.65.94.00, 84.65.95.00, 84.65.96.00, 84.65.99.00	Machine-tools for working wood, cork, bone, hard rubber, hard
84.66.10.00, 85.66.20.00, 85.66.30.00, 85.66.91.00, 85.66.92.00, 85.66.93.00, 85.66.94.00	Parts and accessories suitable for use solely or principally with the machines of headings 84.56 to 84.65
84.67.11.00, 84.67.19.00, 84.67.21.00, 84.67.22.00, 84.67.29.00, 84.67.81.00, 84.67.89.00, 84.67.91.00, 84.67.92.00, 84.67.99.00	Tools for working in the hand, pneumatic, hydraulic or with self-contained electric or non-electric motor.

HS Code	Description
84.68.20.00, 84.68.80.00, 84.68.90.00	Machine-tools for deburring, sharpening, grinding, honing, lapping, polishing or otherwise finishing metal or cermet by
84.68.20.00, 84.68.80.00, 84.68.90.00	Machinery and apparatus for soldering, brazing or welding, whether or not capable of cutting, other than those of heading 85.15; gas-operated surface tempering machines and appliances.
84.70.21.00, 84.70.29.00, 84.70.50.00, 84.70.90.00	Calculating machines and pocket-size data recording, reproducing and displaying machines with calculating functions; machines for accounting, postage-franking, ticket-issuing and similar machines, incorporating a calculating device; cash registers.
84.71.30.10, 84.71.41.10, 84.71.49.10, 84.71.50.10, 84.71.60.00, 84.71.80.00, 84.71.90.00	Automatic data processing machines and units; magnetic or optical readers,
84.72.10.00, 84.72.30.00	Other office machines.
84.73.21.00, 84.73.29.00, 84.74.30.10, 84.73.49.90, 84.73.50.90	Parts and accessories suitable for use solely or principally with the machines of
84.75.29.00, 84.75.90.00	Machines for assembling electric or electronic lamps, tubes or valves or flashbulbs, in glass envelopes; machines for manufacturing or hot working glass or glassware.
84.76.21.00, 84.76.29.00, 84.76.89.00, 84.76.90.00	Automatic goods-vending machines including money changing machines.
84.78.10.00, 84.78.90.00	Machinery for preparing or making up tobacco, not specified, or included elsewhere.
84.79.10.00, 84.79.20.10, 84.79.29.90, 84.79.30.00, 84.79.40.00, 84.79.50.00, 84.79.60.00, 84.79.71.00, 84.79.79.00, 84.79.81.00, 84.79.89.10, 84.79.89.30, 84.79.89.40, 84.79.90.00	Machines and mechanical appliances having individual functions, not specified or included.
84.80.10.00, 84.80.20.00, 84.80.30.00, 84.80.41.00, 84.80.49.00, 84.80.50.00, 84.80.60.00, 84.80.71.00	Moulding boxes for metal foundry; mould bases; moulding patterns; moulds for metal, metal carbides, glass, mineral materials, rubber or plastics.
84.81.10.00, 84.81.20.00, 84.81.30.00, 84.81.40.00, 84.81.80.10, 84.81.80.20, 84.81.80.30, 84.81.80.40, 84.81.80.50, 84.81.80.60, 84.81.90.10, 84.81.90.20, 84.81.90.30, 84.81.90.90	Taps, cocks, valves and similar appliances for pipes, boiler shells, tanks, vats or the like and thermostatically controlled valves.
84.82.10.00, 84.82.20.00, 84.82.30.00, 84.82.40.00, 84.82.50.00, 84.82.80.00, 84.82,91.00, 84.82.99.00	Ball or roller bearings.
84.83.10.00, 84.83.20.00, 84.83.30.00, 84.83.40.00, 84.83.50.00, 84.83.60.00, 84.83.90.00	Transmission shafts and cranks; bearing housings and plain shaft bearings; gears and gearing; ball or roller screws; gear boxes and other speed changers, including torque converters; flywheels and pulleys, including pulley blocks;

HS Code	Description
84.84.10.00, 84.84.20.00, 84.84.90.00	Gaskets and similar joints of metal sheeting combined with other material or of two or more layers of metal; sets or assortments of gaskets and similar joints, dissimilar in composition, put up in pouches, envelopes or similar packings; mechanical seals.
84.86.10.00, 84.86.20.00, 84.86.30.00, 84.86.40.00, 84.86.90.00	Machines and apparatus of a kind used solely or principally for the manufacture of semiconductor boules of wafers, devices, electronic integrated circuits or flat panel displays; machines; parts and accessories.
84.87.10.00, 84.87.90.00	Machinery parts, not containing electrical connectors, insulators, coils, contacts or other electrical features, not specified or included elsewhere.

It has been proposed to exempt PAL on items used in the lapidary industry classified under the HS codes given below.

HS Code	Description
84.64.10.00	Sawing machines
84.64.20.00	Grinding or polishing machines
84.64.90.00	Other

PAL will also be exempted on sale of pleasure or excursion vessels and yachts manufactured by a BOI company, to another BOI company which charters such vessels and yachts for its business.

The proposed changes are effective immediately unless stated otherwise.

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