

Update on rapidly emerging government policy in responses to COVID-19

Policy changes are being proposed and implemented on a daily basis to protect the people, businesses and the economy from the disruption being caused by the COVID-19 pandemic. This update provides a snapshot of the **policy changes to the Foreign Exchange Regulations** by order published in Gazette Notification 2169/3 dated 02 April 2020.

No.	Type of Outward Remittance	Previous Position	Current Position
01.	Overseas investments by resident persons	Resident persons were granted general permission to invest in shares of foreign companies and debt securities of foreign companies, up to permitted limits.	This order suspends the general permission given to resident persons to undertake capital transactions outside Sri Lanka. The following being the only exceptions; a. Investments to be financed out of a foreign currency loan obtained by the investor from a person resident outside Sri Lanka under the provisions of the Foreign Exchange Act, or b. Investments to be made to fulfill the regulatory requirement in that country Provided that, the Head of Department of Foreign Exchange is satisfied with the fulfillment of such requirement.
02.	Capital transactions by Business Foreign Currency Account (BFCA) holders or Personal Foreign Currency Account (PFCA) holders	BFCA and PFCA account holders were permitted to engage in both current and capital transactions.	This order suspends capital transactions by BFCA and PFCA holders. Current transactions by BFCA and PFCA holders can continue without restriction.
03.	Annual migration allowance	Migrants were allowed an annual migration allowance of USD 30,000/-.	This order suspends the remittance of the annual allowance.
04.	Initial migration allowance	Migrants were allowed an initial allowance of a maximum of USD 200,000/-.	This order reduces the initial allowance to USD 30,000/-.

- ▶ This order is valid for a period of 3 months from 02 April 2020.
- ▶ It is our understanding that this order only suspends capital transactions by resident persons falling into the above four specified categories. It is also our understating that all other capital and current transactions not specified in this Gazette would continue without a change as per the prevailing regulations.
- ▶ Accordingly, foreign remittances for other transactions such as those listed below, can continue to be made through the normal banking channels and under the existing regulations in force.
 - Repatriation of capital amounts through the Inward Investment Account (IIA) including
 - Proceeds from the sale of shares
 - Repayment of debt
 - Sale of property
 - Dividend
 - Interest payment
 - Consultancy fees and technical fees
 - Royalty
 - Insurance premiums
 - Rental payments
 - Salaries and remuneration

This material was prepared to present time-sensitive information affecting our clients. Hence, it has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice.



Contact details

If you would like to know more about these developments and how they may affect your business, please contact one of the EY tax professionals based in the locations listed below:

- ▶ Mr. Duminda Hulangamuwa | Partner | duminda.hulangamuwa@lk.ey.com
- ▶ Mr. Sulaiman Nishtar | Partner | sulaiman.nishtar@lk.ey.com
- ▶ Ms. Roshini Fernando | Partner | roshini.fernando@lk.ey.com

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