

INTERIM BUDGET - 2015

STATEMENT MADE BY THE MINISTER OF FINANCE

Tudor V. Perera & Co.
Chartered Accountants,
Colombo

STATEMENT MADE BY THE MINISTER OF FINANCE

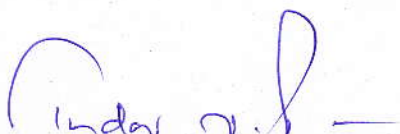
Hon. Ravi Karunanayake as the 19th Finance Minister of the Democratic Socialist Republic of Sri Lanka, on 29th January 2015, presented an interim budget of the new Government under the leadership of the newly elected President, His Excellency Maithripala Sirisena.

This document contains a summary of concessions granted and taxes levied, in connection with the implementation of the 100 day programme.

However, this should not be treated as authoritative statement, since the budget proposals are pending legislation.

The facts given are for general guidance and professional advice should be sought prior to acting on same.

Should you need further clarifications, please feel free to contact us.



TUDOR V. PERERA & CO.
Chartered Accountants

Colombo.
29th January 2015.

Table of Contents

1. Revenue Proposals
 - 1.1. Mansion Tax
 - 1.2. Super Gain Tax
 - 1.3. Migration Tax
 - 1.4. Excise Tax on Hybrid Vehicles and Revision of the Depreciation Table
 - 1.5. Special Levy on Casinos and Betting & Gaming Levy
 - 1.6. Annual Levy on Liquor and Beer Manufacture
 - 1.7. Levy on Licensed Mobile Telephone Operators
 - 1.8. Import License of Motor Vehicle Importers
 - 1.9. Fee on Outgoing Containers
 - 1.10. Levy on Direct to Home Services via Satellite
 - 1.11. Incentive for Intercropping Vegetable and Food Processing Industry

2. Specific Tax and Other Concessions
 - 2.1. PAYE Tax
 - 2.2. Income Tax Concessions for Lagging Regions
 - 2.3. Revision of Import Taxes on Vehicles below 1000 cc
 - 2.4. Cement and Steel Billets
 - 2.5. Domestic Production of Three Wheelers and Motor Cycles
 - 2.6. Increasing the Age Limit of Passenger Busses
 - 2.7. Donations to the National Kidney Fund
 - 2.8. Increase of Interest Rates on NRFC Accounts
 - 2.9. Issuing National Development Bonds to Sri Lankan Expatriates
 - 2.10. Cap on Credit Card and Micro Finance Interest
 - 2.11. Loans from Employees Provident Fund

3. Concessions to the Public
 - 3.1. Public Sector Salary Revision
 - 3.2. Pensions
 - 3.3. Fixed Deposits of Senior Citizens
 - 3.4. Proposals to Cushion the Cost of Living

1. REVENUE PROPOSALS

1.1. Mansion Tax

To impose a tax of Rs. 1 million per annum commencing from 2015 on owners' of every house valued at Rs. 100 million or more or on houses above 5,000 square feet. This tax will be collected by the respective local authority.

1.2. Super Gain Tax

A tax of 25% will be imposed on the profits of any Company or an individual exceeding Rs. 2,000 million earned in the year of assessment 2013/2014 as a one-off tax.

1.3. Migration Tax

A Sri Lankan citizen who is migrating to a foreign country will be liable to a tax of 20% on all foreign exchange released to be taken out of the country at the time of immigration.

1.4. Excise Tax on Hybrid Vehicles and Revision of the Depreciation Table

To revise the excise duty on hybrid motor vehicles effective from midnight today. It has also been proposed to remove the depreciation table currently used for the import of used motor vehicles.

1.5. Special Levy on Casinos and Betting and Gaming Levy

To impose a one-off special levy of Rs. 1 billion to be paid before 15th April 2015 on all casino operators. It has also been proposed to double the current levies charged on the betting and gaming industry.

1.6. Annual Levy on Liquor and Beer Manufacture

To impose a levy of Rs. 200 million per month on all companies that manufacture liquor and beer. It has also been proposed to double the liquor license fees currently charged and impose a special levy of Rs. 250,000/- as a one-off payment on bars and taverns.

1.7. Levy on Licensed Mobile Telephone Operators

To impose a one-off levy of Rs. 250 million on all mobile telecommunication operators. The Minister also requested from all mobile operators to desist from charging the 25% telecommunication levy from their respective customer that use reload services.

1.8. Import License of Motor Vehicle Importers

An import license of Rs. 1.5 million per annum is proposed to be charged on all importers engaged in the business of importing and selling motor vehicles.

1.9. Fee on Outgoing Containers

To impose a fee of USD 10/- per container for issuing a non-manipulation certificate for every outgoing container.

1.10. Levy on Direct to Home Services via Satellite

Businesses that provide direct to home services via satellite will be imposed a one-off levy of Rs. 1,000 million. It has been also proposed to levy a tax of Rs. 1,000 million as a one-off levy on satellite owners who utilize the location reserved for Sri Lanka satellites.

1.11. Incentive for Intercropping Vegetable and Food Processing Industry

A reduction of 50% of the current income tax rates will be granted for those engaged in the agriculture sector for intercropping. Further, in order to prevent the wastage in vegetables and fruits a 50% tax reduction will be granted to those who commence businesses of vegetable and food processing.

2. SPECIFIC TAX AND OTHER CONCESSIONS

2.1. PAYE Tax

To increase the tax free threshold from Rs. 600,000/- to Rs. 750,000/- per annum for employees in relation to employment income.

2.2. Income Tax Concessions for Lagging Regions

In order to encourage businesses to invest in lagging regions it has been proposed to grant a relief by reducing the income tax rate by 50%. The lagging regions are to be announced by the Commissioner General of Inland Revenue.

2.3. Revision of Import Taxes on Vehicles below 1,000 cc

To reduce the import point taxes by 15% for vehicles below the engine capacity of 1,000 cc.

2.4. Cement and Steel Billets

To remove customs duty applicable on cement and steel billets. As a result of this reduction, it is expected that the cost of cement would reduce by Rs. 90/- per bag.

2.5. Domestic Production of Three Wheelers and Motor Cycles

To remove import point taxes of spare parts for those who are engaged in assembling and manufacture of these products.

2.6. Increasing the Age Limit of Passenger Busses

To increase the age limit set for import of used passenger busses from five years to ten years.

2.7. Donations to the National Kidney Fund

To set up a National Kidney Fund and any contribution to the Fund is expected to be given a tax deduction.

2.8. Increase of Interest Rates on NRFC Account

To increase the interest rates on NRFC accounts to a minimum of 5%.

2.9. Issuing National Development Bonds to Sri Lanka Expatriates

To launch a National Development Bond for Sri Lankan expatriates living abroad and to grant a fixed interest rate of 4.5% with a minimum investment of USD 25,000/- and a maturity period of five years. The interest on such investments will be exempt from income tax.

2.10. Cap on Credit Card and Micro Finance Interest

To impose a cap of 8% on any interest charged on credit cards over and above the normal lending rates. With regard to interest rates on micro finance lending, a cap of 40% effective rate per annum will be imposed.

2.11. Loans from Employees Provident Fund (EPF)

To permit the members of the EPF to withdraw up to 30% of their balance for the purpose of purchase of land or construction of a house.

3. CONCESSIONS TO THE PUBLIC

3.1. Public Sector Salary Revision

To increase the public sector salary by Rs. 10,000/- per month. Of this sum Rs. 5,000/- will be granted from the month of February 2015 and the balance Rs. 5,000/- in June 2015.

The Hon. Minister requested the private sector to consider a salary increase of Rs. 2,500/- per employee per month.

3.2. Pensions

To increase the pension for public servants by Rs. 1,000/- per person per month effective from April 2015.

3.3. Fixed Deposits of Senior Citizens

To grant an interest rate of 15% per annum for the savings up to Rs. 1 million deposited in any commercial bank by senior citizens.

3.4. Proposals to Cushion the Cost of Living

Expected price reductions via reduction in Special Commodity Levy are as follows;

| Item No. | Commodity | Unit of Measurement | Existing Tax (Rs.) | Proposed Change in Tax (Rs.) | New Tax (Rs.) |
|----------|--|---------------------|--------------------|------------------------------|---------------|
| 1. | Sugar | 1 Kg. | 28 | (10) | 18 |
| 2. | Green Gram | 1 Kg. | 40 | (30) | 10 |
| 3. | Sprats | 1 Kg. | 26 | (15) | 11 |
| 4. | Canned Fish | 1 Kg. | 102 | (52) | 50 |
| 5. | Coriander neither Crushed or Ground | 1 Kg. | 46 | (20) | 26 |
| 6. | Coriander Crushed or Ground | 1 Kg. | 202 | (150) | 52 |
| 7. | Black Gram | 1 Kg. | 110 | (50) | 60 |
| 8. | Black Gram Flour | 1 Kg. | 300 | (100) | 200 |
| 9. | Maldive Fish | 1 Kg. | 302 | (200) | 102 |
| 10. | Turmeric not Crushed | 1 Kg. | 202 | (100) | 102 |
| 11. | Turmeric Crushed | 1 Kg. | 510 | (150) | 360 |
| 12. | Crushed Chilies | 1 Kg. | 150 | (25) | 125 |

In addition, tax has been reduced for the following items. As a result the prices of the following items have been reduced as follows;

- LP Gas by Rs. 300/- for 12.5 Kg. cylinders.
- Kerosene by further Rs. 6/- per liter to Rs. 59/-.
- Sugar reduced to Rs. 85/- per Kg.
- Milk powder reduced to Rs. 325/- per 400 g. packet.
- Sustagen reduced by Rs. 100/- per 400 g. tin.
- Wheat grain reduced by Rs. 10/- per Kg.
- Wheat flour reduced by Rs. 12.50 per Kg.
- Bread reduced by Rs. 6/- per loaf.
- Canned fish reduced by Rs. 60/- per Kg.