

BOX 10

Major Economic Policy Changes and Measures: 2014¹Real Sector²

- 02 February 2014 - The maximum retail price of a 400 g packet of full cream milk powder was increased by Rs. 61 to Rs. 386 and the maximum retail price of a 1 kg packet of full cream milk powder was increased by Rs. 152 to Rs. 962.
- 16 September 2014 - The average electricity tariff for domestic users (D-1) was reduced by 25 per cent per unit and the fuel adjustment charge was removed. Accordingly, the new electricity tariff applicable for domestic user category is as follows:

Range	Consumption (kWh/ month)	Energy Charge (Rs./ kWh)	Fixed Charge (Rs./ month)
0-60 units per month	0-30	2.50	30.00
	31-60	4.85	60.00
above 60 units per month	0-60	7.85	n.a.
	61-90	10.00	90.00
	91-120	27.75	480.00
	121-180	32.00	480.00
	>180	45.00	540.00

- 17 September 2014 - The retail prices of major petroleum products were reduced as follows:
- Petrol (92 Octane) by Rs. 5 to Rs. 157 per litre
 - Petrol (95 Octane) by Rs. 5 to Rs. 165 per litre
 - Auto Diesel by Rs. 3 to Rs. 118 per litre
 - Super Diesel by Rs. 5 to Rs. 140 per litre
 - Kerosene by Rs. 20 to Rs. 86 per litre
- 10 October 2014 - The price of a 12.5 kg cylinder of LP gas was reduced by Rs. 250 to Rs. 2,146.
- 01 November 2014 - Water tariff of household consumers up to 25 units per month was reduced by 10 per cent.
- 15 November 2014 - The average electricity tariff for consumers in "Industry" and "General Purpose" categories which consume less than 300 kWh per month was reduced by 25 per cent.
- The average electricity tariff for consumers in "Industry" and "General Purpose" categories which consume over 300 kWh per month was reduced by 15 per cent.
 - The average electricity tariff for "Hotels" was reduced by 15 per cent.
- 06 December 2014 - The retail prices of major petroleum products were reduced as follows:
- Petrol (92 Octane) by Rs. 7 to Rs. 150 per litre
 - Petrol (95 Octane) by Rs. 7 to Rs. 158 per litre
 - Auto Diesel by Rs. 7 to Rs. 111 per litre
 - Super Diesel by Rs. 7 to Rs. 133 per litre
 - Kerosene by Rs. 5 to Rs. 81 per litre
 - Industrial Kerosene by Rs. 5 to Rs. 110 per litre

¹ This includes major economic policy changes and measures implemented during 2014 as well as those that have been implemented during the first three months of 2015 and policy measures envisaged to be taken in the near future.

² Details of fiscal incentives granted for the development of the real sector are included as policy measures under the fiscal sector.

- 07 December 2014 - The price of a 12.5 kg cylinder of LP gas was reduced by Rs. 250 to Rs. 1,896.
- 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 was 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 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

External Sector

Trade and Tariff

- 21 January 2014 - The duty free limit of spirit (ethyl alcohol) to be used by the government or government approved research and educational institutions, hospitals and government departments was set at 10,000 litres per month.
- 03 February 2014 - Customs duty waiver granted on the importation of milk powder was increased to Rs. 68 per kg from Rs. 18 per kg. Hence, the applicable duty rate is Rs. 57 per kg.
- 06 February 2014 - Special Commodity Levy (SCL) on the importation of split masoor dhal was reduced to Rs. 5 per kg from Rs. 22 per kg for a period of five months.
- 07 February 2014 - SCL on the importation of potatoes was increased to Rs. 25 per kg from Rs. 10 per kg for a period of five months.

08 March 2014	- SCL on the importation of whole masoor dhal was reduced to Rs. 10 per kg from Rs. 18 per kg for a period of five months.
17 March 2014	- SCL on the importation of red onion and b' onion of Rs. 5 per kg and Rs. 10 per kg, respectively, was extended for a period of five months.
09 April 2014	- SCL of Rs. 5 per kg was imposed on the importation of rice for a period of three months in place of Customs duty of Rs. 20 per kg, Value Added Tax (VAT) of 12 per cent, Nation Building Tax (NBT) of 2 per cent and Ports and Airports Development Levy (PAL) of 5 per cent.
10 April 2014	- Full Customs duty waiver of 7.5 per cent was granted on the importation of infant milk foods. Hence, the applicable duty rate is 0 per cent.
11 April 2014	- SCL was introduced at 10 per cent per kg on the importation of maize and grain sorghum in place of Customs duty of 15 per cent, VAT of 12 per cent, NBT of 2 per cent, PAL of 5 per cent and Cess of 35 per cent for a period of two months.
22 May 2014	- SCL on the importation of the following food items was reduced for a period of seven months: <ul style="list-style-type: none"> - Potatoes from Rs. 25 per kg to Rs. 15 per kg - Sugar from Rs. 30 per kg to Rs. 25 per kg - SCL on the importation of fresh or chilled fish, Maldives fish, dried sprats, dried fish, yogurt, butter, garlic, peas, chickpeas, green gram (moong), black gram, cowpea, fresh oranges, grapes, apples, chillies, seeds of coriander, seeds of cumin, seeds of fennel, turmeric, mathe seeds, kurakkan, kurakkan flour, black gram flour, ground nut-shelled, mustard seeds, vegetable oils, margarine, canned fish and salt was extended for a period of seven months.
24 May 2014	- SCL on the importation of the whole masoor dhal was reduced to Rs. 5 per kg from Rs. 10 per kg for a period of seven months. <ul style="list-style-type: none"> - SCL of Rs. 5 per kg on the importation of the split masoor dhal was extended for a period of seven months.
02 June 2014	- Customs duty waiver granted on the importation of milk powder was reduced to Rs. 43 per kg from Rs. 68 per kg. Hence, the applicable duty rate is Rs. 82 per kg.
11 June 2014	- SCL of 10 per cent per kg on the importation of maize and sorghum was extended till 15 July 2014.
09 July 2014	- SCL of Rs. 5 per kg on the importation of rice was extended for a period of five months.
16 July 2014	- SCL on the importation of potatoes was reduced to Rs. 5 per kg from Rs. 15 per kg for a period of three months. <ul style="list-style-type: none"> - SCL on the importation of sugar was increased to Rs. 28 per kg from Rs. 25 per kg for a period of three months.
18 July 2014	- SCL on the importation of mackerel was revised from 10 per cent or Rs. 10 per kg, whichever is higher, to Rs. 10 per kg for a period of seven months.

26 July 2014	<ul style="list-style-type: none"> - SCL on the importation of the following food items was reduced for a period of three months: <ul style="list-style-type: none"> - Peas whole from Rs. 22 per kg to Rs. 15 per kg - Peas split from Rs. 25 per kg to Rs. 18 per kg - Chick peas whole from Rs. 12 per kg to Rs. 7 per kg - Chick peas split from Rs. 15 per kg to Rs. 10 per kg - Green gram (Moong) from Rs. 102 per kg to Rs. 70 per kg - Cowpea from Rs. 100 per kg to Rs. 70 per kg - Masoor dhal red lentils-whole from Rs. 5 per kg to Rs. 2 per kg - Masoor dhal yellow lentils-whole from Rs. 5 per kg to Rs. 2 per kg - Kurakkan from Rs. 100 per kg to Rs. 70 per kg - SCL of 10 per kg on the importation of maize and sorghum was extended for a period of three months. - SCL of Rs. 5 per kg on the importation of masoor dhal red lentils-split and masoor dhal yellow lentils-split was extended for a period of three months.
12 August 2014	<ul style="list-style-type: none"> - SCL of Rs. 5 per kg on the importation of red onion was extended for a period of four months. - SCL on the importation of b'onion was increased to Rs. 25 per kg from Rs. 10 per kg for a period of four months.
15 August 2014	<ul style="list-style-type: none"> - SCL on the importation of potatoes was increased to Rs. 15 per kg from Rs. 5 per kg for a period of four months.
23 August 2014	<ul style="list-style-type: none"> - SCL on the importation of potatoes was increased to Rs. 40 per kg from Rs. 15 per kg for a period of four months. - SCL on the importation of b'onion was increased to Rs. 35 per kg from Rs. 25 per kg for a period of four months.
05 September 2014	<ul style="list-style-type: none"> - SCL on the importation of rice was decreased to Rs. 1 per kg from Rs. 5 per kg for a period of three months. - SCL on the importation of sugar was increased to Rs. 33 per kg from Rs. 28 per kg for a period of three months.
06 September 2014	<ul style="list-style-type: none"> - The importation of fresh or chilled potatoes was suspended.
02 October 2014	<ul style="list-style-type: none"> - The importation of fresh, chilled or frozen fish excluding fish fillet and other fish meat was banned.
09 October 2014	<ul style="list-style-type: none"> - Customs duty waiver granted on the importation of milk powder was removed. Hence, the applicable duty rate is 25 per cent or Rs.125 per kg.
10 October 2014	<ul style="list-style-type: none"> - The duty free limit for the importation and local supply of spirit (ethyl alcohol) to be used by the Medical Supply Unit of the Ministry of Health was set at 20,000 litres per month.

25 October 2014

- 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 increased.
- Excise (Special Provisions) duty rates on malt liquor manufactured in and issued from any licensed brewery established in Sri Lanka was increased.
- Excise (Special Provisions) duty rates on the importation of cigarettes was revised upwards.
- Customs duty on the importation of milk powder was increased to Rs. 225 per kg from Rs. 125 per kg and a Customs duty waiver of Rs. 100 per kg was granted. Hence, the applicable duty rate is Rs. 125 per kg.
- SCL on the importation of peas, chickpeas, green gram (Moong), black gram, cowpea, masoor dhal (red lentils), yellow lentils, maize, grain sorghum, kurakkan, millet and margarine was extended for a period of four months.
- Excise (Special Provisions) duty was charged in lieu of VAT, NBT, Cess, Customs duty and PAL on motor vehicles specified under Chapter 87 of the Customs Tariff Guide.
- Excise duty was charged on the manufacture of liquor in lieu of VAT and NBT
- Customs duty and Cess were charged on the import of liquor in lieu of VAT and NBT
- Excise (Special Provisions) duty was charged on the manufacture or the importation of cigarettes in lieu of VAT and NBT
- 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.
- Excise duty rates on liquors (other than toddy or any liquor made from any cereal) containing more than 4 per cent by volume, of alcohol manufactured by processes other than distillation from natural products of the palm tree or any other plant, manufactured in Sri Lanka were revised upwards.
- Cess on the exportation of certain agriculture commodities including tea, rubber, coconut, vanilla, spices and natural sands and minerals was revised.
- Cess on the importation of certain items including meat, sea foods, butter and fats, vegetables, coconuts, nuts, fruits, tea, liquor, etc. (Gazette No 1885/46) was revised.
- Following items were exempted from Excise (Special Provisions) duty:
 - Motor vehicle/article imported under various agreements and Memorandum of Understandings (MOUs) entered into by the government of Sri Lanka with overseas organisations and foreign governments
 - Locally assembled/manufactured articles, classified under the H.S. Codes 84 and 85, with not less than 30 per cent domestic value addition recommended by the Minister-in-charge of the subject of industries
 - Vehicles imported or locally manufactured which are procured through finance leasing or direct purchasing utilising funds from the Consolidated Fund by the government agencies on the approval of the Department of National Budget

- 03 November 2014 - Customs duty waiver of 4 per cent was granted on the importation of gold. Hence, the applicable duty rate was 3.5 per cent.
- 08 November 2014 - Customs duty waiver granted on the importation of milk powder was reduced to Rs. 90 per kg from Rs. 100 per kg. Hence, the applicable duty rate is Rs. 135 per kg.
- Customs duty waiver granted on the importation of petrol was reduced to Rs. 20 per litre from Rs. 23 per litre. Hence, the applicable duty rate is Rs. 15 per litre.
- Customs duty waiver granted on the importation of diesel was reduced to Rs. 11 per litre from Rs. 13 per litre. Hence, the applicable duty rate is Rs. 4 per litre.
- 02 December 2014 - SCL on the importation of potatoes was decreased to Rs. 20 per kg from Rs. 40 per kg for a period of four months.
- SCL on the importation of b' onion was increased to Rs. 50 per kg from Rs. 35 per kg for a period of four months.
- SCL on the importation of green gram (Moong) was decreased to Rs. 40 per kg from Rs. 70 per kg for a period of four months.
- SCL on the importation of sugar was decreased to Rs. 28 per kg from Rs. 33 per kg for a period of four months.
- SCL applicable on the importation of fresh or chilled fish, Maldives fish, sprats, dried fish, yogurt, butter, dairy spreads, red onion, garlic, fresh oranges, grapes, apples, chillies, seeds of coriander, seeds of cumin, seeds of fennel, turmeric, mathe seeds, rice, kurakkan flour, black gram flour, ground nut, mustard seeds, vegetable oils, margarin, canned fish and salt was extended for a period of four months.
- 05 December 2014 - Customs duty waiver of Rs. 20 per liter granted on the importation of petrol was removed. Hence, the applicable duty rate is Rs. 35 per litre.
- Customs duty waiver granted on the importation of diesel was reduced to Rs. 6 per litre from Rs. 11 per litre. Hence, the applicable duty rate is Rs. 9 per litre.
- 13 December 2014 - SCL on the importation of potatoes was decreased to Rs. 10 per kg from Rs. 20 per kg for a period of three months.
- 01 January 2015 - SCL on the importation of b' onion 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.
- Importation of Portland cement and semi-finished products of iron or non alloy steel were 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 (seed) 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

Foreign Exchange Management

- | | |
|---------------|---|
| 17 March 2014 | - Permission was granted to Licensed Commercial Banks (LCBs) to acquire, hold and transfer international sovereign bonds issued outside Sri Lanka by the government of Sri Lanka in the years 2010, 2011 and 2012 from the secondary market. |
| 28 May 2014 | <ul style="list-style-type: none"> - Permission was granted to Authorised Dealers (ADs) to issue foreign travel cards to individuals who are eligible to obtain foreign exchange for travel purposes. - Minimum balance requirement imposed on Special Foreign Investment Deposit Account (SFIDA) was removed. - Foreign Exchange Earners' Account (FEEA) holders were allowed to make payments relating to foreign contracts out of the existing funds in the FEEA. - ADs were permitted to make outward remittances in respect of payments of interest for the credit facilities offered to an importer of goods by the supplier of such goods. - ADs were permitted to issue, extend the validity period and amend clauses of a Letter of Credit (LC) without referring to the Controller of Exchange. - Permission was granted to foreign investors to invest in non-listed debentures through the Securities Investment Account (SIA). - The eligibility to obtain Electronic Fund Transfer Cards (EFTC) was widened to most of the foreign currency account holders (including Migrant Block Accounts, SIA, Diplomatic Accounts, etc.) - Permission was granted for ADs to make outward remittances in relation to requirements imposed by foreign governments on students residing in Sri Lanka applying for student visa. - Permission was granted to a person resident in Sri Lanka who intends to proceed outside Sri Lanka for studies, to open, maintain and operate accounts with a bank outside Sri Lanka. |

- 29 September 2014 - Permission was granted to ADs to grant loans in foreign currency to FEEA holders for any purpose assessing the FEEA holder's ability to service the loan out of foreign exchange cash flows of the FEEA holder over a reasonable period of past and future.
- 27 October 2014 - ADs were informed that Chinese Renminbi (RMB) could be used in opening and maintaining foreign currency accounts.
- 31 December 2014 - Permission was granted to ADs to issue foreign currency notes up to US dollars 10,000 or its equivalent in any other convertible foreign currency, as a part of the travel allowance for persons resident in Sri Lanka who are travelling abroad.
- The conditions and requirements imposed on persons in or resident in Sri Lanka performing the service of freight forwarding were removed.

Fiscal Sector

Government Revenue

- 01 January 2014 - The importation or local purchase of copper cables, which are used for high tech equipment in the telecom industry was exempted from VAT.
- The present VAT exemption applicable on the importation of gully bowlers, semi-trailers for road tractors, any machinery or equipment used for garbage disposal activities carried out by any local authority was expanded to cover purchasing such items from local manufacturers.
 - The importation or supply of ties and bows, designer pens, frozen bait, fish hooks/rods/reels, fishing tackle, marine propulsion engines was exempted from VAT.
 - VAT exemption granted on the importation or supply of the following goods was removed and made liable for 12 per cent VAT:
 - Paddy, rice, wheat, cardamom, cinnamon, cloves, nutmeg, mace, pepper, desiccated coconuts, rubber, latex, fresh coconuts, tea including green leaf, rice flour, wheat flour, bread, eggs, liquid milk or powdered milk
 - Agricultural tractors or road tractors for semi-trailers
 - Machinery and equipment for tea and rubber industries
 - Machinery for modernisation of factories
 - Plant and machinery by an undertaking qualified for a tax holiday
 - Pharmaceutical preparations
 - The quarterly turnover of Rs. 500 million applicable for the imposition of VAT on wholesale or retail trade was reduced to Rs. 250 million.
 - The exemption applicable to the supply of goods was limited to a maximum of 25 per cent of the total supplies in the case of a wholesale or retail business, which supplies goods liable to VAT and exempted from VAT.
 - Receipts in foreign currency received by any headquarters or regional offices of institutions in the international network, relocated in Sri Lanka were exempted from VAT and NBT.
 - Definition of "International transportation" for VAT purposes was expanded to cover services directly related to the transportation of goods or passengers between international airports situated within Sri Lanka.

	<ul style="list-style-type: none"> - Following items were exempted from NBT: <ul style="list-style-type: none"> - Retail trade of goods at duty free shops - Sale of locally manufactured coconut oil by the manufacturer, for a period of three years - Distribution of LP gas - Services provided in any airport for payments in foreign currency - The application of the exemption from the NBT on goods subject to SCL was restricted to the NBT payable at the point of Customs only. Accordingly, the local supply of such goods was liable to the NBT. - The exemption of financial services from the NBT was terminated in view of the withdrawal of the requirement of depositing funds in the Investment Fund Account (IFA). - The exemption of the NBT on the turnover from the sale of tractors was restricted to locally manufactured tractors. - Pharmaceutical preparations were made liable to the NBT at the import point. - The Telecommunication Levy was increased from 20 per cent to 25 per cent. However, the concessionary rate of 10 per cent applicable on the services provided through internet/broadband, to facilitate Information Technology (IT) and Business Process Outsourcing (BPO) sectors remains unchanged. - Import duty on IT supportive printers, optical fiber cables, solar control films, branded items for market development, machinery and heavy industry, Ayurvedic industry, fisheries industry, confectionery industry, gold and motor vehicle imports and other industries for local value addition was revised.
21 January 2014	<ul style="list-style-type: none"> - Cess was removed on the importation of film of a thickness not exceeding 0.30 mm for packing of pharmaceuticals. - Cess was imposed on the importation of sanitary towels and tampons to 30 per cent or Rs. 350 per kg. - Cess was increased on the importation of wet cleaning tissues to 30 per cent or Rs. 350 per kg.
01 April 2014	<ul style="list-style-type: none"> - Profits and income (other than income from dividends and interest) of the following institutions were exempted from income tax: <ul style="list-style-type: none"> - National Enterprise Development Authority established under the National Enterprise Development Authority Act, No. 17 of 2006 - Sri Lanka Institute of Marketing incorporated under the Sri Lanka Institute of Marketing Act, No. 41 of 1980 - The Institute of Physics, Sri Lanka incorporated under the Institution of Physics Sri Lanka (Incorporation) Act, No. 12 of 1986 - Lionel Wendt Memorial Fund incorporated under section 114 of the Trusts Ordinance - Concessionary income tax rates were provided for profit and income earned from the following: <ul style="list-style-type: none"> - The present concessionary rate of 12 per cent applicable to profits and income from the supply of certain services to garment exporters was extended to cover services provided to exporters of goods or services or the foreign principal directly.

- The maximum rate of income tax applicable on employment income in excess of Rs. 35 million, of professionals was reduced to 16 per cent.
- Interest on loan facilities provided by banks for the construction of residential apartments of professionals is taxed only at ½ of the applicable rate.
- Professionals who establish corporate entities to provide international services were taxed at ½ of the applicable corporate income tax rate for a period of 5 years.
- A 10 per cent income tax deduction was allowed to ship operator or any agent of a foreign ship who provides services to trainees for the skill development in the shipping industry.
- The 10 per cent rate applicable on profits of qualified exports was revised to 12 per cent.
- The 10 per cent rate for undertakings with an annual turnover not exceeding Rs. 500 million was revised to 12 per cent.
- Restrictions were imposed as follows on the applicability of tax holidays and qualifying payments:
 - Exemption from income tax for any company engaged in research and development was restricted to investments made prior to 01 April 2014.
 - The deduction of the investment for expansion of an existing undertaking as qualifying payments was restricted to such investments made prior to 01 April 2014.
 - The monthly emoluments for the purpose of definition of an “executive officer” were revised from Rs. 20,000 to Rs. 75,000.
- Following deductions and qualifying payments were provided for income tax purposes.
 - Special expenses connected with the incorporation of International Headquarters or Regional Head Offices.
 - Qualifying payment of an amount not exceeding Rs. 50,000 per month on the capital repayment with regard to the construction of residential apartments for professionals.
 - Total cost of acquisition of International Intellectual Properties with established international brand names.
 - The cost of acquisition or merger of financial institutions calculated in the manner specified by the Central Bank of Sri Lanka (CBSL).
- 24 April 2014 - Provisions were made to obtain a tax clearance certificate by a company before effecting the liquidation or any change such as amalgamation, merger, re-structuring, etc.
- 26 May 2014 - Stamp Duty criteria on any share certificate consequent to the issue, transfer or assignment of any number of shares of any company were revised.
- 01 January 2015 - The rate of VAT 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 the VAT and the NBT.
- The limit of the sample value for the exemption from the VAT and the NBT of Rs. 25,000 was expanded 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.

Forthcoming

- 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 for gross collection was increased to 10 per cent from 5 per cent.
- An entry fee of US dollars 100 was introduced on every person who enters casino entertainment activity.
- Profits and income of the following persons/institutions will be 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
- Concessionary income tax rates to be introduced are as follows:
 - A deduction of 10 per cent of income tax payable by any local manufacturer who has commenced the business of manufacturing during 1970's.
 - 12 per cent will be applied on the local sugar industry
 - The annual turnover limit of small and medium undertakings qualifying for the concessionary rate of 12 per cent will be 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 will be 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 will be extended to cover other employment categories
 - New undertakings with not less than US dollars 2 million and engaged in manufacture of products for export will be 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 will be 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 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 will be 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 will be introduced irrespective of the amount of interest.
- Interest income of senior citizens will be exempted from withholding tax.

- A triple deduction will be granted to any person registered with the Tertiary Vocational Education Commission (TVEC) on expenditure incurred on standard skill development training provided to trainees.
- The exempted amount from the employment income on Pay-As-You-Earn (PAYE) tax will be increased to Rs. 750,000 from Rs. 600,000.
- A one off special levy of Rs. 1,000 million will be imposed on all Casino operators.
- The annual levy payable under the Betting and Gaming Levy Act will be doubled.
- A special one off levy of Rs. 250,000 will be imposed per tavern or liquor sales outlet.
- A one off levy of Rs. 250 million will be imposed on all licensed mobile telephone operators in Sri Lanka.
- A one off special levy of Rs. 1,000 million will be imposed on Satellite owners who utilise the location reserved for Sri Lankan satellite.
- A levy of Rs. 1,000 million will be charged on dedicated sports channels operating island wide using more than 5 transmitting locations.
- The tax of 25 per cent on reloads charged from the customer will be borne by the mobile facility operators.
- Imposing a Mansion Tax of Rs. 1 million on owners of all houses valued at Rs. 150 million or more or on houses above 10,000 square feet whichever is higher on an annual basis
- Imposing a 20 per cent tax on all foreign exchange released to be taken out of the country by migrants at the point of immigration
- Imposing a 25 per cent one off Super Gain Tax on profits over Rs. 2,000 million on individuals/companies profit in the tax year 2013/2014

Government Expenditure

- | | |
|------------------|--|
| 01 January 2014 | - The Cost of Living Allowance (COLA) for public servants was increased by Rs. 1,200 to Rs. 7,800 per month. |
| | - The COLA for pensioners who retired before 2006 was increased by Rs. 500 to Rs. 3,675 per month and for pensioners who retired after 2006 by Rs. 350 to Rs. 3,525 per month. |
| 01 November 2014 | - Interim allowance of Rs. 3,000 per month and Rs. 2,500 per month was granted to all public servants and pensioners, respectively. |
| 01 January 2015 | - The COLA for public servants was increased per month by Rs. 2,200 to Rs. 10,000 per month. |
| 01 February 2015 | - Salaries of state sector employees were increased by Rs.7,000 of which Rs. 5,000 was given in February and the balance will be given in June. |

Monetary Sector

- | | |
|-----------------|---|
| 02 January 2014 | - The Standing Rate Corridor (SRC) was established in place of the Policy Rate Corridor. |
| | - The Standing Repurchase Facility was renamed as the Standing Deposit Facility (SDF) with the Standing Deposit Facility Rate (SDFR) as the rate for the placement of overnight excess funds of the banking system with the CBSL. |

	<ul style="list-style-type: none"> - The Standing Reverse Repurchase Facility was renamed as the Standing Lending Facility (SLF) with the Standing Lending Facility Rate (SLFR) as the rate for the lending of overnight funds to the banking system by the CBSL. - The SLFR was reduced by 50 basis points to 8.00 per cent, thereby compressing the SRC to 150 basis points from the current 200 basis points.
01 February 2014	<ul style="list-style-type: none"> - The minimum cash margin requirement of 100 per cent against LCs opened with commercial banks for the importation of motor vehicles was removed. - In view of Central Bank's zero credit risk in rupee transactions, the requirement of providing collateral by the Central Bank to participants at Open Market Operations (OMO) under the SDF was discontinued.
23 September 2014	<ul style="list-style-type: none"> - Access to the SDF by a particular OMO participant was limited to a maximum of 3 times per calendar month at the current SDF rate of 6.50 per cent per annum and any deposit exceeding three times to be accepted at a reduced rate of 5.00 per cent per annum. For the month of September, SDF access at 6.50 per cent was limited to twice.
02 March 2015	<ul style="list-style-type: none"> - The 5.00 per cent special SDF rate was withdrawn. The SDFR and SLFR continue to remain at 6.50 per cent and 8.00 per cent, respectively.

Financial Sector

Licensed Banks

17 February 2014	<ul style="list-style-type: none"> - SDF balances of licensed commercial banks with the CBSL were determined as liquid assets for the purpose of meeting the Statutory Liquid Assets Ratio.
25 February 2014	<ul style="list-style-type: none"> - Upper limit of the fees that can be charged by the card issuer from the customer when using another bank's ATM for withdrawal of funds was increased to Rs. 30 from Rs. 15 per withdrawal. - Upper limit of the interchange fee that can be charged by the financial acquirer from the card issuer for withdrawal of funds by a customer of such issuer was increased to Rs. 35 from Rs. 20 per withdrawal.
31 March 2014	<ul style="list-style-type: none"> - Guidelines on the standardised approach on computation of risk-weighted amount for operational risk under Basel II capital adequacy framework were issued to the licensed banks.
24 April 2014	<ul style="list-style-type: none"> - Deduction of withholding tax was discontinued on the interest paid for the deposits made at the SDF of CBSL.
05 June 2014	<ul style="list-style-type: none"> - Regulatory framework on valuation of immovable property, including the eligibility criteria for valuers was issued to licensed banks.
17 June 2014	<ul style="list-style-type: none"> - A Credit Guarantee Scheme for Pawning Advances (CGSPA) was introduced.
26 June 2014	<ul style="list-style-type: none"> - Directions on maximum amount of accommodation were amended. - Directions were issued to licensed banks to implement the baseline security standards for information security management from 01 July 2015 onwards.
01 July 2014	<ul style="list-style-type: none"> - The Net Open Position (NOP) of commercial banks was revised upwards to US dollars 189 million from US dollars 120 million.
01 September 2014	<ul style="list-style-type: none"> - General Direction on imposing certain prudential and obligatory requirements to ensure smooth operations of the Common Electronic Fund Transfer Switch was issued to LankaClear (Pvt) Ltd and member institutions.

30 September 2014	- Guidelines were issued to licensed banks on the Stress Testing Framework of banks.
01 October 2014	- The operations of the IFA was ceased.
09 October 2014	- The rate of interest applicable on pawning advances under CGSPA was reduced to 12 per cent per annum from 15 per cent per annum.
10 October 2014	- Guidelines were issued on tax incentives to promote financial sector consolidation.
16 October 2014	- Circulars issued on the recovery of accommodation to exporters were withdrawn.
27 November 2014	- A Circular was issued to licensed banks on reporting foreign inward remittances.
23 December 2014	- A Circular was issued to all LCBs incorporated in Sri Lanka and Licensed Specialised Banks (LSBs) to maintain a minimum core capital level of Rs. 10 billion and Rs. 5 billion, respectively, commencing from 01 January 2016.
30 December 2014	- The period of operation of CGSPA was extended for a further period of six months from 01 January 2015 to 30 June 2015. - The CGSPA was extended to Licensed Finance Companies (LFCs).
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 rupees one 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 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.
Forthcoming	- Implementing Basel III Capital Standards in line with the international framework - Issuing prudential regulations to regulate the exposure of the banking system to asset markets and other potential economic shocks - Strengthening the crisis management and resolution framework
Other Financial Institutions	
17 January 2014	- The master plan on the proposed financial sector consolidation programme was announced by the CBSL.
31 March 2014	- The maximum limit on rates of interest that could be offered by LFCs on time deposits, non-transferable certificate of deposits and debt instruments was revised.
30 June 2014	- A decision was taken to apply the Weighted Average Yield Rate of 91 day and 364 day Treasury Bills applicable for the first quarter of 2014, on the determination of maximum interest rates offered by LFCs on time deposits, non-transferable certificate of deposits and debt instruments from 01 July 2014 until further notice.

Other

- 01 January 2014 - The one-off transaction relating to segregation of composite insurance companies was treated as continuation of the respective business and the tax neutrality position was provided on the same basis for life and general insurance.
- 02 January 2014 - The Insurance Board of Sri Lanka (IBSL) issued a Direction to insurance companies to allow them to have common infrastructure with another insurer, after having considered the applicability of certain criteria of the segregation guidelines issued by the IBSL.
- 30 January 2014 - A Circular was issued to authorised money changers regarding their obligations on prevention and suppression of terrorism and terrorist financing under the United Nations Security Council Resolutions 1267 (1999).
- 02 February 2014 - IBSL rules were amended, permitting any newly formed insurance company which is in compliance with the regulations that require the segregation of long-term insurance business and general insurance business, to have paid up share capital of not less than Rs. 100 million at the time of its registration as an insurer and thereafter to increase the capital to Rs. 500 million on or before 7 February 2015.
- 11 February 2014 - The application, registration and annual licensing fees applicable for Registered Finance Leasing Establishments were revised.
- 10 April 2014 - The interest rate applicable for sub loans granted by Participating Financial Institutions (PFIs) to the borrowers under Self Employment Promotion Initiative Loan Scheme (SEPI) was reduced to 9 per cent per annum from 10 per cent per annum and the maximum sub loan size was increased to Rs. 500,000 from Rs. 250,000.
- 11 April 2014 - The CSE listing rules pertaining to related party transactions and dealings by Directors and CEOs of listed companies were amended as per SEC Directives dated 12 December 2013 and 27 December 2013.
- 24 April 2014 - The SEC issued a Directive for all registered Investment Managers to commence business operations within six months of the date hereof if they have not already commenced business operations for which the registration is granted.
- The SEC issued a Directive to adopt and incorporate the definition of Public Holding which is stated in the listing rules of the CSE pursuant the Directive issued (SEC/LEG/13/12/37) on the maintenance of a minimum public float as the common definition of Public Holding.
- 06 June 2014 - The scale of financing of New Comprehensive Rural Credit Scheme (NCRCS) was increased and the interest rate to the end borrower and the interest subsidy paid by the government were reduced to 7 per cent per annum and 5 per cent per annum respectively.
- 10 June 2014 - A Circular was issued by the IBSL to all insurance companies and insurance broker companies to maintain a register of insurance agents (other than for individuals).
- 25 June 2014 - A Circular and Directives were issued to LCBs, LSBs and LFCs regarding their obligations on prevention and suppression of terrorism and terrorist financing under the United Nations Security Council Resolutions 1373(2001).
- 07 July 2014 - A Circular and Directives were issued to insurance companies regarding their obligations on prevention and suppression of terrorism and terrorist financing under the United Nations Security Council Resolutions 1373(2001).
- A Circular and Directives were issued to stock brokers regarding their obligations on prevention and suppression of terrorism and terrorist financing under the United Nations Security Council Resolutions 1373(2001).

- | | |
|-------------------|--|
| 17 July 2014 | - Eligibility criteria on the size of a farm was reduced to 7 cows from 25 cows under the interest subsidy scheme of the Commercial Scale Dairy Development Loan Scheme (CSDDLs). |
| 22 September 2014 | - A Directive was issued by the SEC to relax the application of price constraints imposed on the crossing board of CSE for share transactions which fall within the ambit of the financial consolidation plan of the Central Bank. |
| 24 September 2014 | - A Directive was issued by the SEC to unit trusts directing them to maintain a minimum of 50 unit holders for each fund at all times and imposing certain conditions surrounding the threshold. |
| 16 October 2014 | - The loan scheme of Resumption of Economic Activities in the Eastern Province (REAEP) was concluded. |
| 25 October 2014 | - Land Alienation Act was enforced, rules pertaining to sale or lease of land to foreigners. |
| 05 November 2014 | - The rate of interest applicable for loans under the Saubagya Loan Scheme was reduced to 8 per cent per annum from 9 per cent per annum. |
| 18 November 2014 | - A Direction was issued by the IBSL to all insurance companies and insurance brokers to enter into written agreements with their insurance agents (other than individuals) in respect of several obligations. |
| 03 December 2014 | - The rate of interest charged from borrowers under the CSDDLs was reduced to 6 per cent per annum from 8 per cent per annum. |
| 23 December 2014 | - A Directive was issued by the SEC for entities mandating disclosures in respect of the basis for offer price in the prospectus of companies seeking a listing of shares of an Initial Public offer (IPO) |
| 31 December 2014 | - A Circular was issued by the CSE amending the rating requirements set out in the listing rule relating to the listing of debt securities. |