

National Budget 2025

HIGHLIGHTS

Economic Intelligence Unit
The Ceylon Chamber of Commerce



EIU View on the Budget

The 2025 Budget focuses on **stability, governance, investment-led growth, trade facilitation, and digital transformation**. While it aligns with many private sector priorities, **effective execution and clarity in policy implementation** remain key concerns.

Strengths

- **Policy Continuity & Fiscal Stability:** Retaining the **existing tax framework** and aligning with the **Public Financial Management Act** reinforces **investor confidence** and macroeconomic discipline.
- **Reform Momentum:** The commitment to **Customs Act revisions, Digital ID, SOE restructuring, and trade facilitation** supports a more efficient business environment.
- **Digital Economy & E-Governance:** Introduction of **Sri Lanka's Unique Digital ID (SL-UDI)** and an **Apex Digital Economy Authority** is a strong step toward reducing bureaucracy and enhancing transparency.
- **Infrastructure & Energy Commitments:** Budgetary allocations for **logistics modernization, renewable energy, and port expansions** signal long-term growth plans.

Considerations

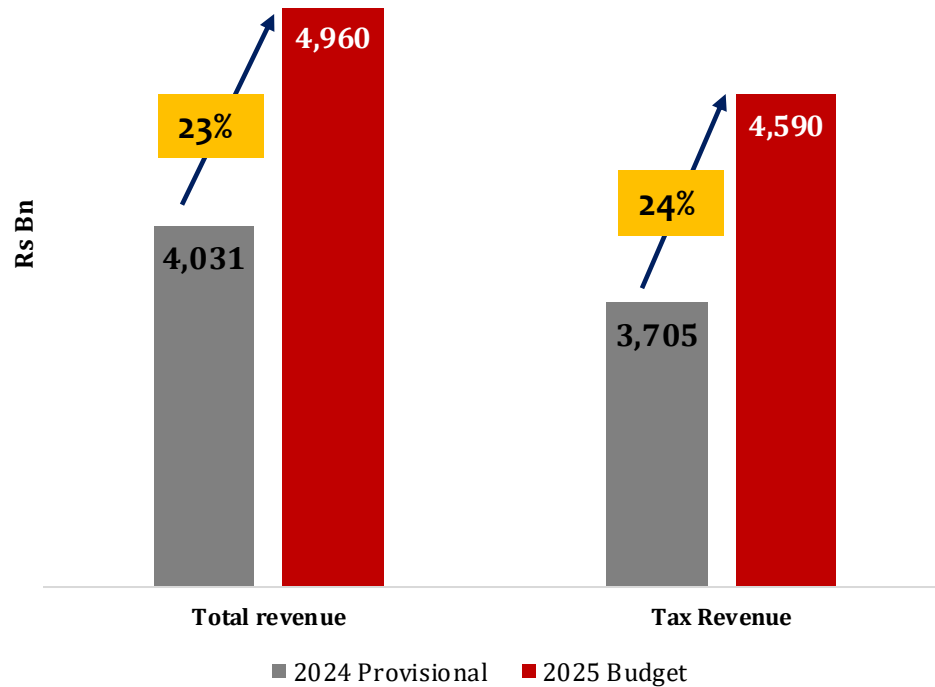
- **Investment-Led Growth Needs Clearer Support for MSMEs:** While investment promotion is prioritized, **specific mechanisms to strengthen MSME growth and resilience** need more clarity.
- **Sectoral Strategy for Agriculture:** The **Rs. 254 billion** allocated to agriculture should focus on **modernization, value chains, and climate resilience** rather than broad-based support.
- **Time-Bound Implementation:** Proposals like the **National Single Window (NSW), Investment Protection Bill, and PPP Act** need **defined execution timelines** to ensure effectiveness.
- **11 new laws** – sufficient engagement with relevant stakeholders

Areas of Concern

- **SOE Governance & Reform Execution:** While the formation of a **Holding Company for SOEs** aligns with best practices, **clear oversight, independent governance, and transparency** are critical for success.
- **Labour Market & Inclusivity:** The budget lacks targeted policies to boost **women's economic participation**. Structural reforms in **labour laws, flexible work policies, and financial inclusion** are necessary.
- **SVAT removal** and replaced by a riskbased refund system
- **Overall execution is key**

Highlights of the National Budget 2025

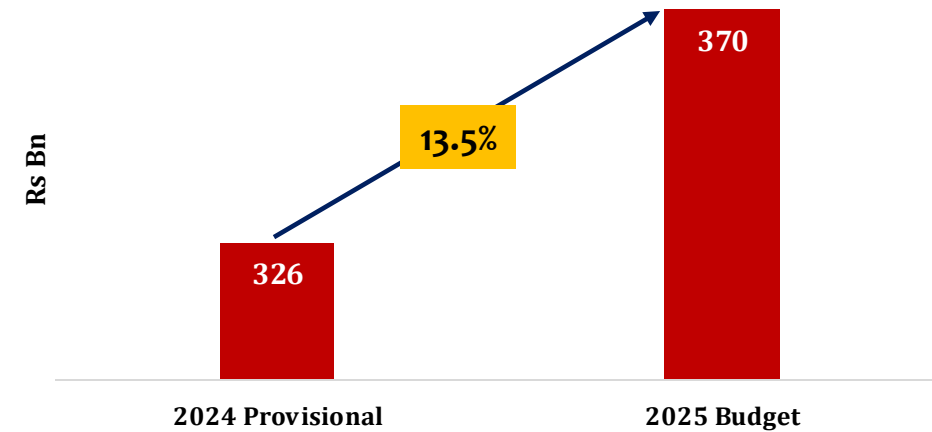
23% Increase in Total Revenue is Expected



Additional Tax Revenue Expected in 2024: **Rs. 886 Bn**

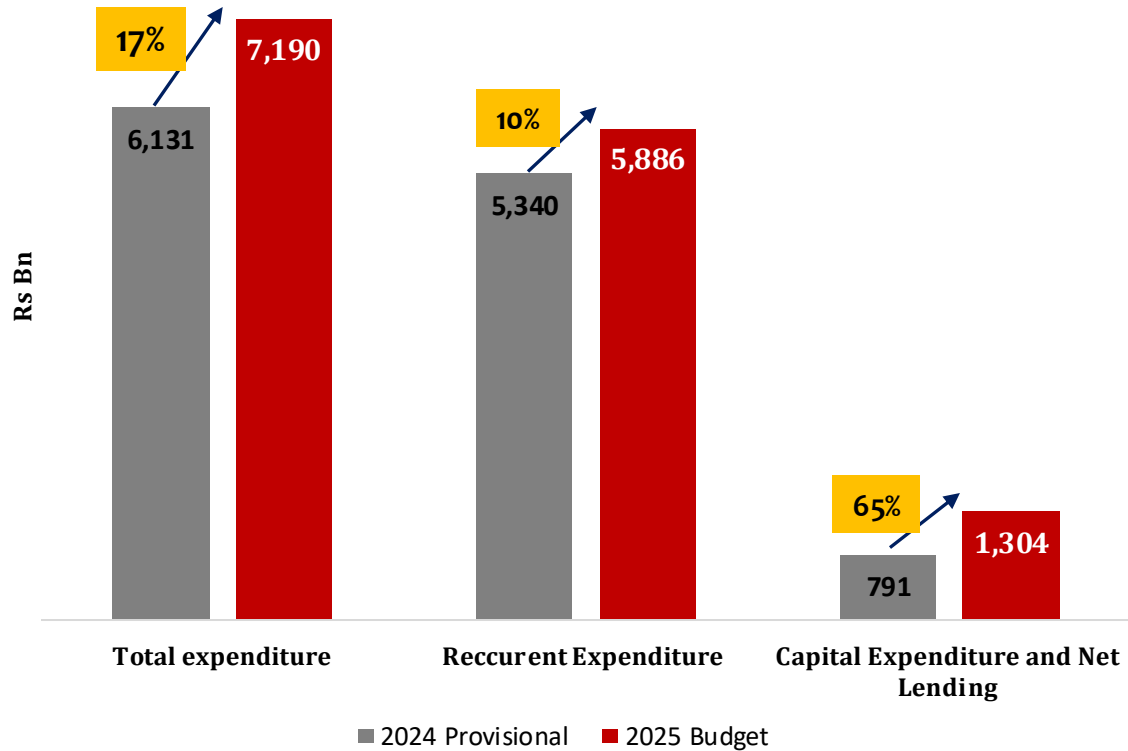


13.5% Increase in Non-Tax Revenue is Expected

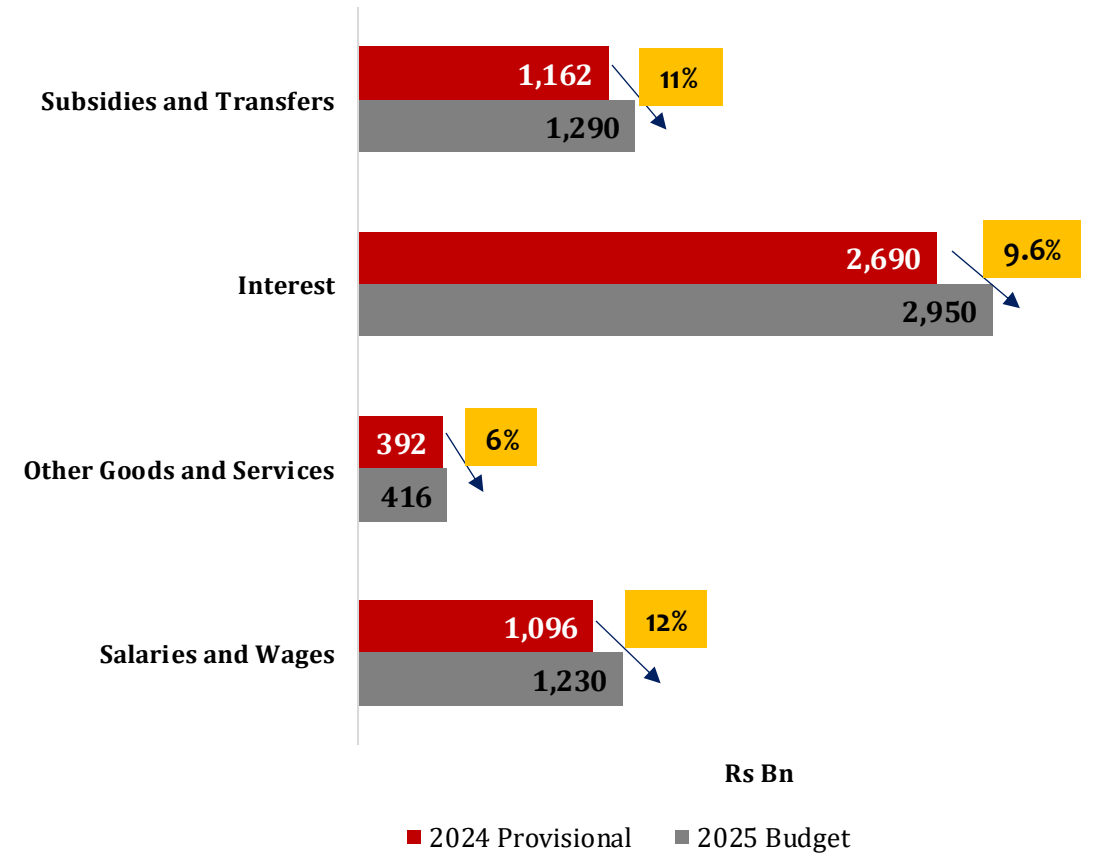


Highlights of the National Budget 2025

17% Increase in Total Government Expenditure is Expected



Recurrent Expenditure Breakdown



Highlights of the National Budget 2025

Budget Estimates as a % of GDP	2023	2024 Provisional	2025 Budget
Revenue and Grants	11.1	13.6	15.1
Total Revenue	11.0	13.4	15.0
Tax Revenue	9.8	12.3	13.9
Non-Tax Revenue	1.2	1.1	1.1
Grants	0.09	0.20	0.09
Total Expenditure	19.4	20.4	21.8
Recurrent Expenditure	17.0	17.8	17.8
Non-Interest	8.1	8.8	8.9
Interest	8.9	9.0	8.9
Public Investment	3.4	2.7	4.0
Revenue Surplus/ Deficit	(6.0)	(4.4)	(2.8)
Primary Surplus/ Deficit	0.6	2.2	2.3
Budget Surplus/ Deficit	(8.3)	(6.8)	(6.7)

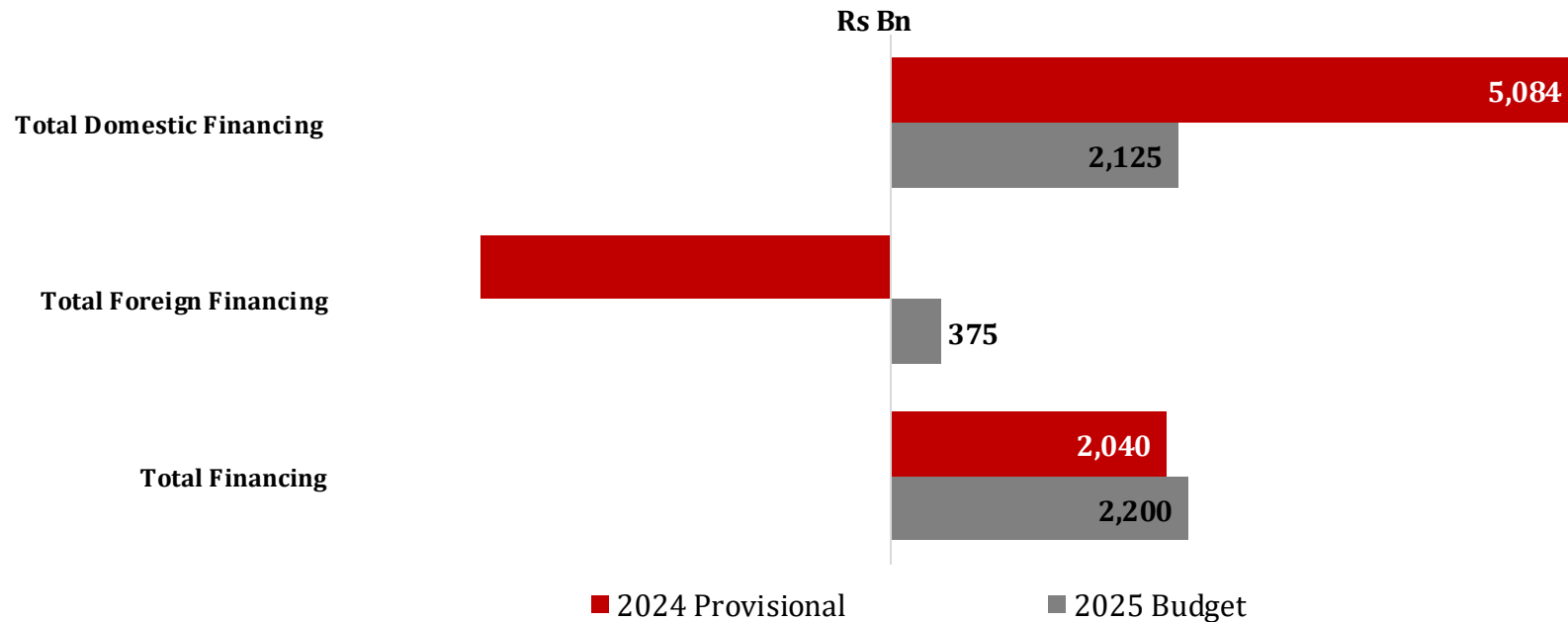
Highlights of the National Budget 2025

**Total Revenue and Grants -
Rs. 4,990 Bn**

**Total Expenditure and Net Lending -
Rs. 7,190 Bn**

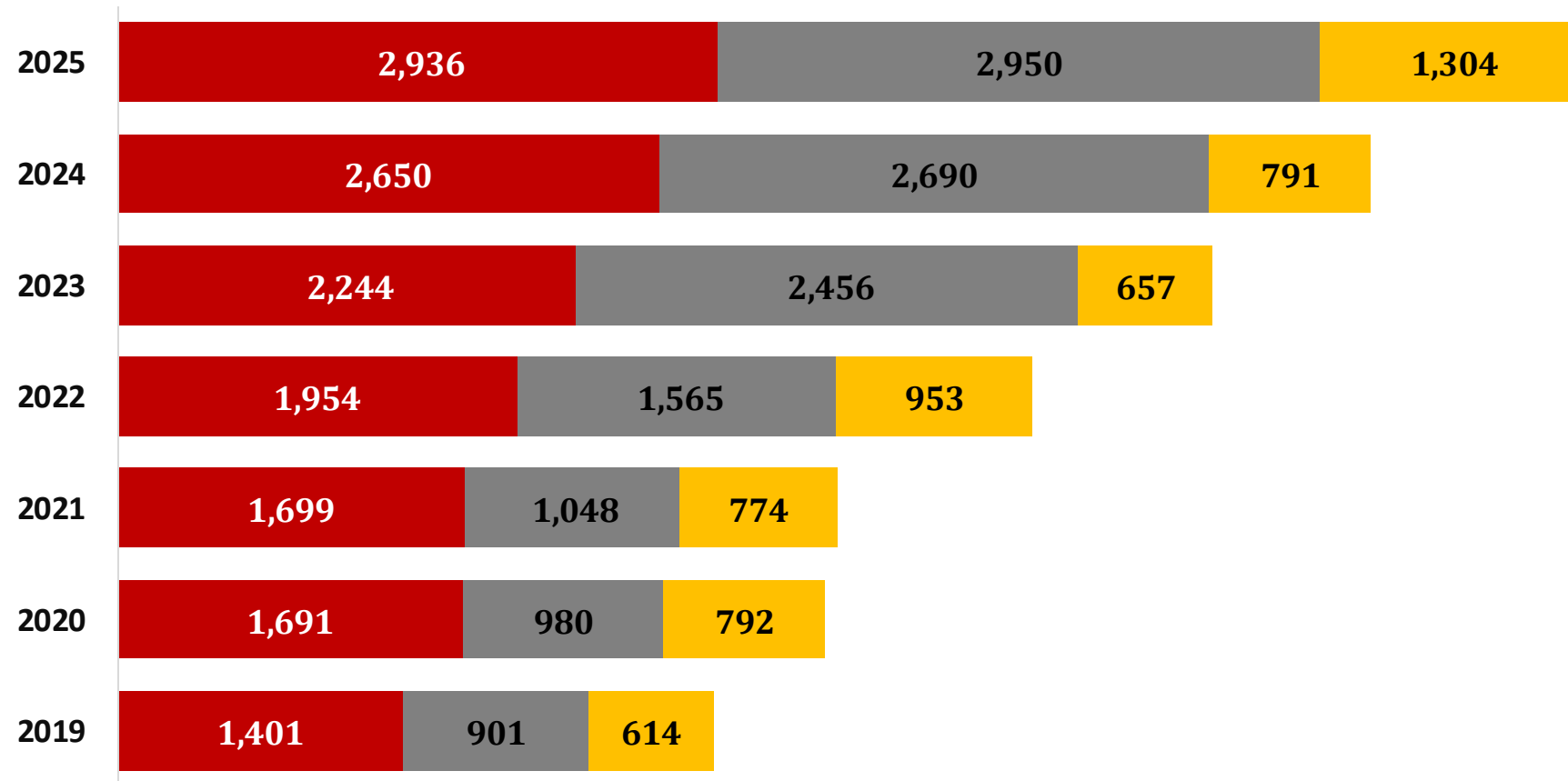
**Budget Deficit
Rs. 2,200 Bn**

Deficit Financing



Highlights of the National Budget

Composition of Budget Allocation



Rs Bn

■ Recurrent Spending (Excl. interest payments) ■ Interest Payments ■ Capital Expenditure

Key Proposals of the Budget

Digital

- Introduce Sri Lanka Unique Digital Identification (SL-UDI) for all citizens.
- New regulations and law for Digital Economy – Data Protection Authority, strengthen legislation and institutions related to Cyber Security, Data Privacy, and Data Protection.
- Promote digital payment infrastructure and shift away from a cash-based economy.
- Facilitate a conducive investment environment for private capital and partnerships.
- Allocate funds to bolster the acceleration of Digital Economy Development.
- Concept of 'all services from one place' for digitizing public services.

Tax

- Increase tax-free threshold for personal income tax.
- Remove VAT on fresh milk and yoghurt.
- Introduce VAT on digital services and corporate income tax on export of services.
- Increase corporate tax on cigarettes, liquor, and gaming.

Export Development and Trade

- Formulate the national export development plan (2025-2029).
- Allocation of Rs. 500 million to support the initial development of the National Single Window System, Truck Appointment System, E-Cargo Tracking System and Port Community System.
- Implement new tariff rates based on a National Tariff policy to ease high quality raw material supply.
- Expand Free Trade Agreements (FTAs) with strategic partners.
- Enhance economic diplomacy and leverage Sri Lankan expatriates.
- Automate and integrate key border agencies and exporter registration.
- Introduce a new Customs Law and expand Double Taxation Avoidance Agreements (DTAs).
- Facilitate exporters to receive trademark protection globally through accession to the Madrid Protocol.

Key Proposals of the Budget

Logistics and Transport

- Complete East and West Container Terminal projects and call for Expression of Interest for new projects.
- Allocate Rs. 1,000 million to support the initial development and establishments of advanced scanning systems for Port of Colombo and Bandaranayake International Airport.
- Allocate funds for land acquisition and preparatory works for logistics infrastructure.
- Establish an Internal Container Dry Port (ICD) at Veyangoda.
- Rs. 500 million for Kerawalapitiya to address port congestion.
- Rs. 3,000 million to procure 100 low-floor buses for Colombo.
- Rs. 250 million for preliminary work on Kelaniweli railway line expansion.
- Liberalize motor vehicle imports from 1st February 2025.

Agriculture and Land

- Continue fertilizer subsidy for paddy farmers: Rs. 35,000 million.
- Maintain a buffer stock of rice: Rs. 5,000 million.
- Establish a sound data and information system for agriculture.
- Rs. 200 million for freshwater fishing industry development.
- Rs. 500 million for coconut cultivation in Northern Coconut Triangle.
- Rs. 250 million to support production of Ceylon cinnamon and other local products.

SME Development

- Set up a development bank through the existing state bank mechanism, Support this task through the National Credit Guarantee Institution (NCGI).
- Rs. 1 billion for commercialization of research and new innovations.

Key Proposals of the Budget

Health

- Digitalization of health system functions.
- Strengthen estate-level health care through Public Private Partnerships (PPPs).
- Increase health budget to Rs. 604,000 million.
- Ensure supply of pharmaceuticals and medical supplies: Rs. 185,000 million.
- Implement a 5-year national program for children with neurodevelopmental disabilities: Rs. 200 million.
- Develop a model daycare center for children with autism: Rs. 250 million.

Investment

- Support expansion of export-oriented investment and eco-industrial parks.
- Revisit the Economic Transformation Act.
- Enact an Investment Protection Bill.
- Introduce laws for effective implementation of the one-stop-shop concept.
- Review and rationalize barriers for local firms to invest overseas.
- Introduce a Public Private Partnership (PPP) Bill.
- Provide technical and financial assistance for quality testing and certifications.
- Rs. 1,000 million for commercialization of research and new innovations.
- New Act for Public-Private Partnerships.
- Expand Bandaranaike International Airport Terminal 2 with Japanese investments.

SOE Reforms

- New program to address SriLankan Airlines' long-standing debt.
- Establish a Holding Company to improve governance, financial discipline, and operational efficiency of SOEs.

Key Proposals of the Budget

Tourism

- Develop local destinations with branding and infrastructure.
- Allocate Rs. 500 million for infrastructure development in 2025.
- Rs. 500 million to develop new tourist locations like Anuradhapura and Yapahuwa.

Education

- Upgrade school infrastructure: Rs. 10,000 million.
- Construct a model early childhood education center: Rs. 80 million.
- Increase stipend for vocational education students: Rs. 200 million.
- Rs. 100 million for Jaffna Library infrastructure development and Rs. 200 million for other regional libraries.

Climate Sustainability

- Rs. 5,000 million for Clean Sri Lanka program.
- Rs. 750 million for waste disposal facility in Anuradhapura.
- Leverage opportunities in ESG-based financing.

Energy

- Continue government investment and Welcome local and foreign investors with competitive tariffs.
- Develop 61 oil tanks in Trincomalee with international partners.

Social Protection

- “Aswesuma” Government increases social protection spending to Rs. 232.5 billion (2025).
- Empowerment programme for 1.2 million beneficiaries:
 - Rs. 500 million allocated.
 - ADB & World Bank funding for 25,000 families (pilot programme).

Key Proposals of the Budget

Legal

- Introduce legal reforms for governance, public-private partnerships, procurement, asset management, and anti-money laundering.
- Strengthen legal framework to address corruption.

New laws and legal amendments

- The Act on the Exchange of Information between State Institutions
- Investment Protection Act
- State Business Enterprises Management Act
- Public – Private Partnership Investment Management Act
- Statistics Act
- Valuation Act
- Public Asset Management Act
- Public Procurement Law
- Micro Finance and Credit Regulatory Authority Act
- Strengthening of Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Framework
- Amendment to Paddy Marketing Board Act No 14 of 1971
- Expedite enactment of Proceeds of Crime bill and strengthen CIABOC.

Similarities between Budget 2024 and Budget 2025

1. Focus on Economic Stability

- Both budgets emphasize economic stabilization following Sri Lanka's financial crisis in 2022.
- Fiscal discipline is a core objective to avoid further economic downturns.

2. Debt Restructuring & Fiscal Consolidation

- Debt restructuring was a key focus in Budget 2024 and continued in Budget 2025.
- The government acknowledged the need for sustainable debt repayment frameworks.

3. Taxation & Revenue Mobilization

- Both budgets prioritize increasing government revenue through tax reforms.
- Efforts to expand the tax base and improve tax compliance are highlighted in both speeches.

4. Public Sector Salary Adjustments

- Budget 2024 proposed increasing the Cost of Living Allowance (COLA) for public sector employees.
- Budget 2025 continues discussions on fair wage increases, balancing fiscal limitations.

5. State-Owned Enterprises (SOEs) Reforms

- Both budgets discuss the inefficiencies of state-owned enterprises and the need for restructuring.
- Government expenditure on loss-making SOEs is a concern in both years.

6. Energy Sector Adjustments

- Budget 2024 introduced measures to reduce energy sector inefficiencies and push for renewable energy.
- Budget 2025 continues this approach with an emphasis on market-oriented policies.

7. Inflation & Monetary Policy

- Inflation control remains a priority, with both budgets recognizing its impact on economic stability.
- Budget 2024 highlighted a reduction in inflation from 70% to single digits.
- Budget 2025 continues focusing on inflation control while ensuring economic growth.

Similarities between Budget 2024 and Budget 2025

8. Social Welfare and Protection Programs

- The **Aswesuma program** was expanded in Budget 2024, aiming to provide relief to vulnerable groups.
- Budget 2025 further strengthens social protection with targeted assistance to low-income populations.

9. Foreign Direct Investment (FDI) & Trade Promotion

- Encouraging **FDI and export-led growth** is emphasized in both budgets.
- Expansion of trade agreements and business-friendly policies is a shared objective.

10. Governance & Transparency

- Budget 2024 and Budget 2025 both stress the importance of **good governance, reducing corruption, and public sector efficiency improvements.**

11. Digitalization and Economic Modernization

- Digital transformation is a key focus in both years, aiming to improve **government efficiency, tax collection, and trade facilitation.**

Differences between Budget 2024 and Budget 2025

2024 Budget	2025 Budget
Focused heavily on immediate economic stabilization , cutting unnecessary expenditures, and implementing structural reforms	Shifts towards growth-oriented policies while maintaining stability
Focused on initiating the debt restructuring process , including negotiations with creditors.	Declares that debt restructuring is nearly complete, with a long-term sustainability framework in place
Introduced a Cost of Living Allowance (COLA) increase of Rs. 10,000 for public employees, effective from April 2024.	Does not promise specific salary hikes but emphasizes fair and sustainable wage increases based on revenue growth.
Increased tax rates to meet fiscal shortfalls, which was unpopular among businesses and individuals.	Signals a potential review of tax structures, aiming for a fairer system with improved compliance .
Had a significant increase in social welfare spending under the Aswesuma program (Rs. 183 billion).	Continues this trend but focuses more on better targeting of beneficiaries and efficiency improvements.
Emphasized the privatization or restructuring of inefficient SOEs like the Ceylon Electricity Board (CEB) and Ceylon Petroleum Corporation (CPC).	Expands on this by advocating for Public-Private Partnerships (PPPs) to manage state enterprises more efficiently
Proposed lifting legal barriers for large-scale renewable energy projects and restructuring the Ceylon Electricity Board (CEB).	Moves towards energy price stabilization while ensuring that energy policy reforms continue.
Introduced export and investment incentives, but with a focus on fiscal discipline.	Places a stronger emphasis on regional trade agreements, RCEP, and ASEAN integration, promoting Sri Lanka as an export-oriented economy.
Highlighted Sri Lanka's limited access to external financing due to ongoing debt restructuring.	Expects a smoother debt repayment framework, with a focus on capital markets and long-term fiscal sustainability.
Emphasized general economic stability but had limited focus on income inequality.	Promotes economic democracy and broader participation in economic growth, especially for MSMEs.
Introduced basic digital reforms for tax collection and public services.	Accelerates the digital transformation agenda , making it a central pillar for governance efficiency.
Was a stabilization budget , focusing on fiscal discipline, economic survival, and avoiding another crisis.	Builds upon this stability and shifts towards economic growth , investment, and broader public participation.

Chamber's Proposals included in the National Budget 2025

Ceylon Chamber Proposals 2025	National Budget Proposals 2025
Negotiating new FTAs with strategic countries to strengthen economic ties with ASEAN through RCEP and other regions	Sri Lanka's network of FTAs with strategic partners, particularly with a view to greater economic ties with ASEAN nations will be expanded through the RCEP and other agreements.
Accelerate the implementation of the Trade National Single Window (NSW). To enable this, fast-track automation of key border agencies and integrate these into the NSW without delay	Key border agencies and exporter registration will be automated and integrated through implementation of the Trade National Single Window (TNSW)
Introduction of a modern customs law replacing the existing Customs Ordinance.	The new Customs Law will be introduced to enhance trade facilitation and revenue collection
Expand Sri Lanka's network of Double Taxation Avoidance Agreements beyond the current 44 countries.	Double Taxation Avoidance Agreements will be expanded beyond the existing 44 DTAs with priority given to countries with high trade and investment potential
Take necessary actions to improve country's B-Ready ranking , particularly in areas where the country has lagged for years in the Doing Business rankings, such as registering property, getting credit, paying taxes, trading across borders, and enforcing contracts.	Improvements in the country's ease of doing business will be prioritised in key areas such as registering property, ease of paying taxes, trade facilitation, enforcement of contracts, and obtaining credit to attract FDI
Introduce a one-stop-shop for business operations. This system should consolidate all necessary approvals	Introduce laws to ensure effective implementation of the one stop-shop concept which consolidates all necessary approvals
Establish a Public-Private Partnership (PPP) legal framework for attracting FDIs.	Establish a Public-Private Partnership (PPP) legal framework for attracting FDIs
Complete Bandaranaike International Airport (BIA) Terminal 2 expansion project by Q2 2026, with renewed support from JICA and the Government of Japan	Bandaranaike International Airport Terminal 2 will be expanded with the support of Japanese investments.
Establish a dedicated tourist hotline to provide tourists with a reliable and immediate channel to connect directly with the nearest police station for assistance with issues such as hotel disputes or conflicts with locals.	Improve tourist safety and facilities through a combination of technology-based solutions linking the tourist police, Government agencies and civic organizations to provide information on tourist attractions, receive security alerts, feedback on tourist experience and monitor complaints to law enforcement authorities.

Chamber's Proposals included in the National Budget 2025

Ceylon Chamber Proposals 2025	National Budget Proposals 2025
Establish a specialized funding agency to address the critical issue of limited access to finance, the primary constraint faced by MSMEs.	The function of a development bank through a new administrative structure will be established through the existing state bank mechanism.
Streamlining NMRA approvals and implement eNMRA to speeds up access to safe drugs and devices.	Digitalization within Sri Lanka's health system - digitalization of functions of NMRA, State Pharmaceuticals Corporation (SPC)...
Address the government's healthcare funding limitations by increasing private sector involvement in healthcare service delivery	Actions will be taken to expedite the process of strengthening estate level health care service through PPP with Regional Plantation Companies.
Need for access to more pools of capital for ESG compliant / sustainable finance is essential to support renewable energy, climate-resilient agriculture, SMEs, and sustainable tourism. National level initiatives to access globally available pools of sustainable finance, need to be led by the appropriate national institutions (MoE, CEA, SDC etc) working together with the banking sector and non-bank financial institutions.	Leverage opportunities in sustainable financing to foster a vibrant ecosystem of ESG based financing. The MoE will work in coordination with the MoF and Central Bank, to access globally available pools of sustainable financing linked to climate change initiatives and related endeavours
Introduction of the Unique Digital ID to every Citizen by 2026.	Introduction of Sri Lanka Unique Digital Identification (SL-UDI) for all citizens is a key priority.
Establish comprehensive national data protection and cyber security measures to enhances security, builds trust in digital services, and safeguards national security.	Sri Lanka's Digital Economy will be governed and protected through the creation of new legislation and the strengthening of existing legislation. Legislation and institutions will be strengthened related to Cyber Security, Data Privacy and Data Protection.
Align entrance ticket pricing for tourist sites and implement digital systems across all sites to facilitate ticket purchases and capacity planning, including for trains, parks, and other attractions.	A digital ticketing system will be introduced to address issues of overcrowding and improve capacity of the sector.
Continue with SOE Reforms (divesting non-strategic entities and bringing all other remaining SOEs under a holding company).	A Holding Company under the full control of the Government will be established under which selected SOEs are held as subsidiaries with a view to improve governance, financial discipline and operational efficiency.

Similarities Between Vision 2030 and Budget Speech 2025

Vision 2030	2025 Budget
Aims for a 6.5% GDP growth rate by 2030, reducing the unemployment rate below 5%, and keeping inflation under 5%.	Expects economic growth of around 5% and emphasizes fiscal discipline to maintain a primary surplus of 2.3% of GDP.
Targets exports to reach 30% of GDP and diversification into 2-3 new export sectors generating \$1 billion each.	Introduces a National Export Development Plan (2025-2029) and aims for \$19 billion in exports in 2025
Aims for a 10% digital economy contribution to GDP and the full implementation of Digital ID	Prioritizes digital transformation, proposing Sri Lanka's Unique Digital Identification (SL-UDI) and legislation to strengthen cybersecurity and digital payments .
Proposes a National Implementation Oversight Committee , mandatory regulatory impact assessments , and stricter public sector KPIs	Introduces the Clean Sri Lanka initiative to combat corruption and increase transparency in public finance.
Targets 70% renewable energy in electricity generation and 20% reduction in commercial energy intensity .	Supports renewable energy investments and plans policy reforms for energy pricing and regulatory improvements
Aims for SMEs to contribute 60% to GDP and 55% of total employment .	Emphasizes access to finance for SMEs , including the establishment of a Development Bank and National Credit Guarantee Institution .
Prioritizes universal health coverage and social safety nets	Allocates funds to Aswesuma cash transfers, healthcare digitalization , and education access .
Promotes private sector involvement in education and universal health insurance .	Allocates Rs. 135 billion for university education improvement , increases scholarships, and prioritizes healthcare digitalization

Similarities Between SLES Key Findings and Budget Speech 2025

Sri Lanka Economic Summit	2025 Budget
<ul style="list-style-type: none"> • Targets economic growth of over 4% in 2025. • Targets USD 2 billion in FDI in 2025, with at least USD 1 billion confirmed by mid-2025. • Focuses on six key sectors: hospitality, logistics, renewable energy, technology, agriculture, and apparel. • Plans to reduce investment approval time (e.g., BOI approval to be reduced from 80 days to less than two weeks). 	<ul style="list-style-type: none"> • Forecasts economic growth of around 5% in 2025. • Proposes an Investment Protection Bill to attract long-term, stable investments. • Focuses on improving ease of doing business, digitizing approval processes, and implementing a one-stop investment approval system.
<ul style="list-style-type: none"> • Targets USD 15 billion digital economy contribution (12% of GDP) by 2030. • Aims to expand Sri Lanka’s digital workforce to 200,000. • Plans to grow digital exports from USD 1.5 billion to USD 5 billion. • Proposes lowering average digital transaction costs below 1%. 	<ul style="list-style-type: none"> • Implements the Sri Lanka Unique Digital Identification (SL-UDI). • Prioritizes cybersecurity, data privacy, and digital payments. • Allocates Rs. 3,000 million for digital economy development
<ul style="list-style-type: none"> • Targets USD 28 billion in merchandise trade by 2030. • Plans to import semi-processed coconut products for re-export. • Proposes integrating 9 out of 34 state agencies into the National Trade System by mid-2025. 	<ul style="list-style-type: none"> • Develops a National Export Development Plan (2025-2029). • Aims to reach USD 19 billion in exports in 2025. • Supports FTA expansion, digital trade facilitation, and simplification of tariff policies.
<ul style="list-style-type: none"> • Proposes listing loss-making SOEs on the Colombo Stock Exchange through a holding company. • Suggests a PPP model for SOEs to improve governance. 	<ul style="list-style-type: none"> • Introduces a Holding Company under government control to improve governance and operational efficiency in SOEs. • Plans PPP-driven restructuring of SOEs while ensuring government retains control over essential services.
<ul style="list-style-type: none"> • Plans to increase land allocated for industries from 0.4% to 1% by 2030. • Allocates 50,000 acres for industries, with approvals processed within 22 days. • Identifies 10,000 acres for renewable energy projects to lower electricity costs. • Allocates 3,000 acres for tourism projects. 	<ul style="list-style-type: none"> • Supports leasing out underutilized state land for industrial and agricultural investments. • Prioritizes renewable energy projects to reduce electricity costs. • Proposes a National Tourism Commission to improve tourism sector governance.

Similarities Between SLES Key Findings and Budget Speech 2025

Sri Lanka Economic Summit	2025 Budget
<ul style="list-style-type: none"> Plans to consolidate all SME and enterprise development agencies (e.g., NEDA, IDB) for better coordination. Supports scaling up micro and small-scale exporters. 	<ul style="list-style-type: none"> Establishes a Development Bank and National Credit Guarantee Institution to improve SME access to finance. Supports SME participation in global value chains.
<ul style="list-style-type: none"> Targets 2.5 million tourist arrivals in 2025. Plans to formalize 80% of the tourism industry (currently 60%). Proposes a new Tourism Act for structural reforms. 	<ul style="list-style-type: none"> Focuses on value-driven tourism rather than just arrivals. Allocates Rs. 500 million for infrastructure improvements in key tourist destinations. Introduces digital ticketing systems and improved tourist safety measures.
<ul style="list-style-type: none"> Targets reducing electricity costs from 30-40 US cents per unit to 8 US cents. Identifies 10,000 acres for renewable energy projects. 	<ul style="list-style-type: none"> Prioritizes renewable energy investments and pricing reforms. Introduces policies to increase energy efficiency and reduce dependency on fossil fuels.
<ul style="list-style-type: none"> Supports continuing the Economic Transformation Act with necessary amendments. 	<ul style="list-style-type: none"> Launches the Clean Sri Lanka initiative to enhance anti-corruption measures and governance reforms. Strengthens public financial management and fiscal accountability.