The Ceylon Chamber of Commerce
Recommendations for the National Budget 2026

Introduction

The Ceylon Chamber of Commerce (CCC) is pleased to submit its proposals for consideration in the formulation of the National Budget 2026. Representing the collective voice of the private sector, these recommendations are designed to advance Sri Lanka's path toward sustained economic stability, enhanced competitiveness, and inclusive growth.

In preparing this submission, the Chamber has drawn extensively on consultations with member companies, industry associations, Sector and Steering Committees of the Chamber. The proposals presented here focus on key macroeconomic reforms that can enable stronger export performance, attract quality investment, foster innovation and digital adoption, enhance labour market flexibility, and strengthen public sector delivery.

As with previous years, our recommendations are presented in two sections:

Section A:
Broadly, proposals in this section take a macro view, beyond individual company requests, and can be considered by the Ministry of Finance as proposals that have sector-wide consensus.

Section B:
This section, to be submitted separately this year, comprises proposals received from individual member companies, sectoral and steering committees, and trade associations of the Ceylon Chamber of Commerce. The proposals are organized under five main themes for consideration by the Ministry of Finance:

- Ease of Doing Business
- Driving Investments
- Improving Economic Activity
- Legislative Bottlenecks
- Other

This year, the Chamber has prioritized presenting **Section A at the outset**, to allow Government policymakers to incorporate these macro-level proposals into the national resource allocation framework during the budget preparation stage.

Section A: Macroeconomic Proposals

Key Objectives of the Macro Proposals

The Chamber's macro-level recommendations are designed to advance the following national objectives:

1. **Boost Trade Competitiveness** by operationalizing the National Single Window, modernizing customs processes, phasing out para-tariffs, and formulating a forward-looking national trade policy to expand market access and value addition.
2. **Accelerating Investment and Economic Transformation**. Modernize the BOI Act, establish a strong PPP framework, and professionalize investment promotion with robust investor facilitation and commercial diplomacy, while expediting the Economic Transformation Act's implementation with skilled staffing and modern governance to drive growth.
3. **Accelerate the Digital Economy** via rollout of the National Digital ID, integration of government digital platforms, initiation in commercial rollout of 5G Broadband Services, SME digital transformation in programs, expansion of rural broadband, wider adoption of digital payments, and stronger data protection and cybersecurity.
4. **Improve the business readiness of Sri Lanka** by embedding reforms to enhance performance in the World Bank's B-READY Index, including regulatory simplification, digital trade facilitation, and transparent reform tracking.
5. **Optimize Land Use and Access** by implementing a national land use plan, modern land registry, improved access to land for investment, and reforms to clarify ownership and usage rights.
6. **Reposition Tourism as a High-Value Sector** through execution of the national destination marketing plan, airport expansion, regional infrastructure improvements, and development of cultural and festive tourism offerings.
7. **Modernize Labour and Employment Policies** by enacting a consolidated Employment Act, introducing unemployment insurance, ensuring efficient use of EPF/ETF funds, and enforcing return-of-service obligations for state-funded scholarships.
8. **Advance Public Sector Reform and Green Governance** through acceleration of SOE reforms, strengthening of carbon market governance, and creation of credible climate instruments to unlock sustainable finance.
9. **Strengthen SME Development** by accelerating the 2016 SME Policy review and implementation, integrating entrepreneurship into the national curriculum, expanding awareness and participation in NCGI guarantee schemes, and promoting AI readiness through toolkits and nationwide literacy programs to enhance productivity and competitiveness.
10. **Reform Tax Policy and Administration** to incentivize investment, innovation, and employment while enhancing fairness, transparency, and efficiency in tax administration, including the establishment of a Tax Ombudsman.
11. **Legislation and Governance**. Institutionalize a structured stakeholder consultation framework in the legislative process to ensure laws are practical, transparent, and aligned with industry realities. Despite 11 legal reforms proposed in the 2025 National Budget, there has been little visible progress, highlighting the urgent need for the government to accelerate implementation.

1.0. Trade Promotion and Facilitation

1. **Establishment of the National Single Window (NSW) as Per Committed Timelines**

   Having ratified the WTO Trade Facilitation Agreement in 2016, Sri Lanka has made consistent progress on the NSW project, including establishing a Project Implementation Unit and commissioning a needs assessment by September 2025. To meet the 2026 operationalization target, the government must urgently decide on the system's architecture. To ensure the most appropriate system is selected for enhancing private sector competitiveness, attracting foreign direct investment, and reducing operational costs, the government should:

   - **Call for EOI to Compare Features:** The Government should issue a Call for Expressions of Interest (EOI) for the NSW, inviting vendors to submit their proposals and technical specifications. This will enable a transparent, side-by-side comparison with the UNCTAD's ASYCUDA based- solution. The EOI process should be independently evaluated, with Sri Lanka engaging international experts to conduct a thorough and impartial assessment of the capabilities and limitations of an ASYCUDA-based Single Window.
   - **Competitive Bidding:** The government should not select the ASYCUDA-based system by default. Instead, it should initiate an open and competitive bidding process to carefully compare all available solutions and select the one that best fits the country's needs.
   - **Legislation for NSW and Independent Operator:** To prevent potential conflicts of interest arising from a lead agency also operating the NSW, the Government should establish a legal independent entity to manage the system. Comprehensive NSW legislation should be introduced in parallel with the system's implementation, providing the necessary legal mandate, governance framework, and operational independence.

2. **Reform the Outdated Customs Ordinance** to align with modern global trade practices, enabling faster, digitized, and more transparent customs processes. The new framework should integrate risk-based inspections, pre-arrival processing, and harmonized documentation to reduce delays and compliance costs.
3. **Appoint a National FTA Negotiation Team to drive a Forward-Looking Market Access program** anchored on diversification, value addition, and strategic market access. This policy should be implemented by a dedicated, skilled, and credible FTA negotiation team empowered to position Sri Lanka competitively in global trade, while ensuring alignment between trade agreements and domestic economic priorities.
4. **Implement the National Tariff Policy that would phase out para-tariffs** such as CESS and PAL in a structured manner, while introducing a **Trade Adjustment Program** to support industries during the transition. The program should focus on improving productivity, facilitating technology adoption, and enhancing export readiness, ensuring domestic industries remain competitive in liberalized markets.

2.0. Investment Promotion and Facilitation

1. **Modernize the Board of Investment (BOI) and Consolidate Investment Zone Management.** The BOI currently performs multiple roles as regulator, investment facilitator, developer, and operator, which weakens accountability and efficiency. Multiple institutions are also involved in promoting and managing investment zones, creating fragmentation and hindering effective coordination of available land banks. The management of all industrial zones should be consolidated under a single dedicated agency. Any outsourcing to private developers or operators should be coordinated by this agency. Modernizing the BOI Act to establish a legally empowered One-Stop Shop for investment approvals and aftercare services, with statutory timelines, integrated digital platforms, and clear accountability mechanisms, will ensure full coordination across line agencies, reduce bureaucracy, and improve investor confidence.
2. **Establish a Comprehensive PPP Framework to Drive FDI and Innovation.** Establish a dedicated PPP Agency and enact a comprehensive legal PPP framework with Parliamentary approval to streamline and govern all PPP projects. A strong framework will enhance public-private collaboration, ensure transparency, and boost investor confidence, aligning Sri Lanka with international best practices for attracting FDI. To accelerate this process, the government should prioritize the implementation of the PPP Investment Management Act**,** as proposed in the 2025 National Budget.
3. **Introduce a One-Stop-Shop for Large-Scale Investments**. Establish a centralized one-stop-shop under the BOI to streamline approvals, facilitation, and aftercare for investments exceeding USD 50 million.
4. **Upgrade Investor Facilitation Capacity** through a Professionalized Investment Promotion Agency. The current BOI structure places disproportionate focus on zone administration at the expense of investor promotion and facilitation, with inadequate staffing and skills. To address this, establish a professionalized Investment Promotion Agency within the Economic Commission of Sri Lanka (ECSL), supported by a strong business case that includes competitive salaries, clear KPIs, and ongoing training, while allowing lateral hires from the private sector on fixed-term contracts. This reform, enabled under the Economic Transformation Act, will enhance lead conversion, strengthen investor after-care, and increase reinvestment rates.
5. **Establish a High-Level Investment Problem-Solving Mechanism**. To address delays in complex projects caused by multi-agency bottlenecks, establish a high-level, empowered escalation mechanism modeled after Malaysia's PEMANDU Delivery Unit. This would take the form of a monthly cross-agency investment clinic, led by the President or Minister of Finance, to unblock priority projects, with decisions formally recorded and tracked within the Economic Transformation Act's institutional framework. This mechanism will accelerate financial closure and project implementation, demonstrate government commitment to investors, and improve pipeline management.
6. **Commission at least one Private Sector-Led Investment Zone in 2026.** This zone could be designed to promote sector-specific clusters, such as ICT, high-value manufacturing, or innovation-driven enterprises, with streamlined approvals, modern infrastructure, and targeted incentives. By allowing the private sector to take the lead in development and management, the zone can act as a demonstration model for public-private collaboration**,** attract international investors, create high-skilled employment opportunities, and accelerate Sri Lanka's transition to a knowledge-based economy.

7. **Expand Access to Enhanced Capital Allowances for SMEs.** Lowering the current eligibility threshold for enhanced capital allowances would allow a broader range of SMEs to access this incentive, encouraging wider participation in investment activities across the business spectrum. By targeting these measures to smaller enterprises, the government can stimulate long-term investments, enhance productivity, and support sustainable economic growth, while promoting a more inclusive investment environment. For labour-intensive industries, similar outcomes can be achieved through additional deductions on account of salary costs for incremental employment generation. Promoting regional development through further enhanced deductions for investment/cost of people in underdeveloped areas could also be considered in line with existing regulations.
8. **Repositioning Sri Lanka's missions abroad** as commercial diplomacy hubs, supported by a strengthened tripartite arrangement between the Ministry of Foreign Affairs, BOI, and Department of Commerce (DOC) under MoFA's leadership. Each mission should include a dedicated BOI and DOC representative responsible for delivering measurable trade and investment targets, leveraging local market intelligence, and building stronger global business linkages to enhance investor confidence and drive trade and investment flows into the country.
9. **Introduce a Residence Visa Scheme for Foreign Investors** who meet a defined minimum investment threshold in priority sectors or qualifying projects. This will attract long-term capital inflows, entrepreneurial talent, and technical expertise, contributing to sustained economic development and integration into global value chains.

3.0. Economic Transformation Act Review

1. **Expedite the Review of the Economic Transformation Act** and Operationalizing the Economic Commission of Sri Lanka and Investment Zones Sri Lanka for enhanced Investment Facilitation. Establish and operationalize the Economic Commission of Sri Lanka (ECSL) and Investment Zones Sri Lanka (IZSL) as mandated by the Economic Transformation Act No. 45 of 2024 to replace outdated BOI-era processes. This includes staffing ECSL/IZSL with skilled professionals, issuing clear operating rules and investor service standards, integrating with the NSW and Trade Information Portal (TIP), and publishing service-level dashboards. The result will be a streamlined, single gateway for investment, clearer mandates, faster approvals, and a stronger FDI pipeline.
2. **Operationalize Economic Transformation Act (ETA) Institutions.** Following the passage of the ETA in 2024, it is critical to establish key institutions, including the Economic Commission of Sri Lanka (ECSL), Investment Zones Sri Lanka (IZSL), Office for International Trade (OIT), National Productivity Commission (NPC), and Sri Lanka Institute of Economics and International Trade (SLIEIT), with clear rules, adequate staffing, and dedicated budgets. Issue commencement orders, regulations, and staffing plans according to a defined timeline, ensuring integration with the NSW and TIP This will enhance policy coherence and strengthen Sri Lanka's investment and export initiatives.
3. **Establish a Super-Grade Public Service Cadre for Critical Economic Institutions.** Key economic agencies such as ECSL, IZSL, OIT, Treasury units, and regulators face skill and staffing shortages and cannot compete with market salaries, which undermines their effectiveness. Create a special super-grade cadre offering market-

aligned, fixed-term contracts (3–5 years), allowing lateral entry from the private sector and academia, with merit-based recruitment, appraisal, and inter-agency mobility. This will strengthen professional execution capacity, ensure durable policy implementation, and attract valuable private expertise into the public sector.

4.0. Digital Drive

1. **Roll Out the National Digital ID System** by 2026 to serve as a foundational platform for secure identity verification across public and private services. This will streamline government service delivery, enhance transparency, enable efficient targeting of social benefits, and support greater financial inclusion by facilitating access to banking and digital payment systems.
2. **Integrating fragmented government digital platforms into a single interoperable system** will improve efficiency, reduce duplication, and enhance service delivery for citizens and businesses. Such integration will also strengthen transparency and accountability, while directly contributing to higher performance in the World Bank's B-READY Index by improving areas such as business registration, tax compliance, and regulatory governance, thereby enhancing Sri Lanka's investment climate.
3. **Initiate the Commercial Launch of 5G Broadband Services:** Although the TRCSL published a draft Notice of Assignment ("NOA") in December 2024, announcing its intention to auction spectrum blocks in the 3.5 GHz band and the 27GHz band for the launch of commercial 5G services, the final NOA has not been issued to date and commercial 5G services have not been launched in Sri Lanka. 5G would play a key role in Sri Lanka positioning itself as a regional leader in digital transformation:
    - **Critical enabler of the digital economy:** The World Bank notes that for some developing nations 5G are an "on-ramp to Industry 4.0" for Smart Agriculture, Smart Factories, Smart Cities , Smart Utility, Smart Ports E-Government and Service Delivery. Further, ultra-fast, reliable connectivity allows public services to be delivered digitally and in real-time. 5G is poised to make e-government more efficient, transparent, and accessible (i.e. Digital ID, Smart Port City, e-learning in public schools, tele-justice and tele-health in government hospitals). This will align with the Sri Lanka Digital Strategy 2030 which sees 5G as a transformative technology that can drive innovation, improve public services, and support sectors like smart agriculture, healthcare, education, and manufacturing.
    - **Ensure the proliferation of high-speed broadband services:** As per the GSMA, Sri Lanka Mobile Network Experience Rank deteriorated from 65 to 90 from 2014 to 2023. In terms of mobile broadband speeds, Sri Lanka is ranked 85th out of 104 Countries (Source: Ookla), down from 65th place in 2014 with speeds ranging from an average of 25-39 Mbps [1/3rd of Global or Regional Average] translating to one of the lowest speeds in the region. In terms of fixed broadband, Sri Lanka is ranked 124th out of 151 Countries (Source: Ookla), and is frequently below ITU's 25 Mbps threshold, translating to the lowest speed in the region.

- **Increase GoSL revenues:** Once auctioned 5G spectrum fees and annual spectrum fees will provide an important source of non-tax revenue for the GoSL.
- **Boost GDP growth:** Faster 5G rollout will enable digital innovation, attract foreign investment, and accelerate socio-economic development. In 2024, mobile technologies (led by 5G) contributed about 5.8% of global GDP ($6.5 trillion), and it is projected that advanced technologies like 5G and the ensuing digital transformation will boost the economy by nearly $11 trillion in 2030. Studies show that each 10% increase in broadband internet penetration can raise a developing country's GDP growth by around 1.38% (Source: World Bank). 5G alone is expected to result in additional 1.7% of global GDP (Source: Oxford Economics).

4. **Promote Digital Payment Adoption through Incentives and Regulatory Reforms.** Digital payments remain limited in Sri Lanka, with transaction fees and lack of incentives hindering adoption and slowing the growth of the digital economy. To drive uptake, the Treasury can absorb digital payment transaction fees for one year, regulate the Merchant Discount Rate, and mandate that high-value transactions (e.g., above LKR 1 million) be conducted digitally. Complementary measures such as providing tax breaks to corporates that facilitate digital payments and requiring all merchants to offer digital payment options will further accelerate adoption. Increased digital payment use will expand the fintech sector, streamline transactions, reduce cash-handling costs, and generate jobs across fintech, e-commerce, and related support services, laying a strong foundation for a digitally driven economy.
5. **Establish a Government-Supported Special Fund** dedicated to accelerating SME digital adoption, implemented in collaboration with relevant industry associations and the Ministry of Digital Economy. The fund should provide targeted financial and technical support for digital transformation programs, enabling SMEs to adopt modern technologies, integrate into digital supply chains, and improve operational efficiency. By addressing resource constraints faced by industry bodies, this initiative will facilitate sector-wide digitalization, enhance SME competitiveness, and strengthen overall productivity, contributing to inclusive economic growth.
6. **Allocate Dedicated Funds to Expand High-Speed Broadband** to rural and underserved regions, ensuring equitable access to digital infrastructure across the country. This investment should be supported by transparent spectrum allocation, incentives for private sector participation, and coordination with national digital strategies. Expanding broadband coverage will bridge the digital divide, promote inclusive economic growth, and enable rural communities and SMEs to participate in digital commerce, e-governance, and online education, fostering nationwide digital adoption and productivity gains.
7. **Strengthen National Cybersecurity and Data Protection.** Sri Lanka faces insufficient national cybersecurity capacity and lacks robust privacy laws. Investing in cybersecurity infrastructure, raising public awareness, and enacting modern data protection legislation will strengthen investor and public trust while safeguarding national digital assets.

8. **Promoting Inclusivity in the ICT Sector**. Expand digital literacy and entrepreneurship programs targeting women and marginalized groups to address their underrepresentation in the ICT sector, thereby enhancing inclusivity,

broadening the talent pool, and supporting equitable economic growth while positioning Sri Lanka as a more competitive and socially inclusive digital economy.

5.0. Getting Ready for Better Performance in the World Bank B-READY Index

1. **Establish a National B-READY Task Force** under the Ministry of Finance with strong private sector representation to coordinate and monitor reforms across all pillars of the index. The Task Force should have a clear mandate, defined timelines, and authority to engage with multiple agencies to address bottlenecks.
2. **Prioritize Digital Trade Facilitation Reforms** by fast-tracking automation of regulatory processes, implementing the National Single Window, and integrating border agencies through interoperable systems to improve efficiency in trading across borders.
3. **Simplify and Modernize Business Regulations** by streamlining business registration, property transfer, tax compliance, and credit access processes, ensuring they are fully digitized and user-friendly to both domestic and foreign investors.
4. **Adopt International Best Practices in Regulatory Governance** including regular impact assessments of new regulations, public consultation mechanisms, and transparent publication of regulatory changes to ensure predictability for businesses.
5. **Strengthen Coordination Between Reform Initiatives** such as the WTO Trade Facilitation Agreement (TFA), digital government strategies, and investment climate reforms to ensure that B-READY-related actions are embedded into broader national economic priorities.
6. **Introduce a Public Progress Dashboard** to track Sri Lanka's performance on B-READY reform actions, improving accountability and keeping both the public and private sector informed of progress and gaps.

6.0. Land Management

1. **Implement a National Land Use Plan and Digital Land Registry**. Develop and enforce a comprehensive national land use plan to optimize land allocation across sectors. Establish a modern digital land registry system to ensure transparent, efficient, and secure land records management. Complement this with necessary reforms to land ownership laws to improve clarity and functionality in the land market.
2. **Enhance Access to Land for Investment.** Facilitate investment by improving access to land through the creation of a national land bank or by designating specific zones for private sector development. These zones would focus particularly on industrial and export-oriented activities to stimulate economic growth and increase export competitiveness.
3. **Clarify Ownership and Usage Rights with Coordinated Reform Efforts.** Pursue land reforms aimed at clarifying ownership and land usage rights to reduce disputes and uncertainty. Strengthen inter-agency coordination to address and resolve historical bureaucratic bottlenecks that have hindered efficient land administration and market operations.

7.0. Tourism Sector Development

1. **Execute the National Tourism Destination Marketing Plan.** Implement the comprehensive marketing plan aimed at repositioning Sri Lanka as a high-value, diverse tourist destination. This involves targeted international campaigns highlighting Sri Lanka's unique cultural heritage, natural beauty, wellness tourism, and emerging niche markets such as eco-tourism and adventure tourism. The plan will also focus on attracting tourism-related foreign direct investment to enhance infrastructure, hospitality services, and tourism experiences.
2. **Establish a unified government body** for tourism to replace the current fragmented structure with inclusion of the related private sector associations. This would streamline policy, reduce duplication, and enable faster implementation.
3. **Expand Bandaranaike International Airport (BIA) Capacity.** Accelerate the expansion of Bandaranaike International Airport Terminal 2, leveraging strategic partnerships and Japanese investment. This expansion is critical to increase the country's arrival capacity, reduce congestion, and improve passenger experience, thereby supporting higher tourist volumes and facilitating smoother connectivity to key source markets.
4. **Enhance Tourism Infrastructure and Connectivity.** Invest in upgrading tourism infrastructure across key destinations, including transport networks, accommodation facilities, and digital connectivity. Strengthening regional airports and road links will promote balanced regional tourism development, dispersing economic benefits beyond traditional hubs.
5. **Develop and Promote Cultural and Festive Activities.** Encourage the development and promotion of cultural and festive events beyond the traditional Kandy Perahera. These activities should be strategically scheduled during periods of high tourist influx to maximize visitor engagement and economic impact. Collaborations with private sector stakeholders will be key to ensuring vibrant, well-organized events that enrich the tourist experience and celebrate Sri Lanka's rich cultural diversity.

8.0. Employment and Labour Force

1. **Modernize Employment Laws through a Consolidated Employment Act.** The current employment framework, including laws like the Termination of Employment of Workmen (Special Provisions) Act (TEWA), is rigid and limits labor market flexibility. To fast-track labour reforms, the Cabinet has approved a stakeholder committee to review and revise existing labor laws**,** providing a structured timeline for implementation. Pass a consolidated Employment Act incorporating balanced separation rules alongside an Unemployment Insurance (UI) scheme to protect workers while enabling employers to hire more flexibly. This reform will encourage formal job creation, ensure worker protection during employment transitions, and enhance overall labor market efficiency.
2. **Merge EPF and ETF Administration and Repurpose ETF as Unemployment Insurance**. The existence of both EPF and ETF creates administrative duplication and is perceived by employers as an added tax burden. Merge the governance and administration of EPF and ETF, and repurpose the ETF into an Unemployment Insurance (UI) scheme through statutory amendments to the EPF Act No. 15 of 1958 and ETF Act No. 46 of 1980. This will reduce administrative costs, provide counter-cyclical worker protection through UI, and preserve the integrity of retirement savings.

3. **Implement Scholarship Bonds and Enforce Return-of-Service for Publicly Funded Scholarships**. Publicly funded scholarships currently risk permanent brain drain due to weak enforcement of return obligations. Require a bonded service period (e.g., two years) for recipients of state-funded higher-education scholarships, supported by enforceable mechanisms embedded within public service regulations. This will build a steady pipeline of skilled officials and improve the public return on investment from scholarship programs.

9.0. Public Sector Reforms

1. **Expedite SOE Governance Reforms through the State Commercial Enterprises Bill.** Delays in establishing the independent holding company model and performance management hinder SOE efficiency. Accelerate the passage of the State Commercial Enterprises Bill to institute a central holding company, enforce performance contracts, and establish independent Boards. This will enhance accountability, reduce fiscal risks, and improve service delivery.

10.0. Climate

1. **Securing Sri Lanka's Position as a Regional Transshipment and Logistics Hub** With global shipping and aviation sectors transitioning to green fuels, our ports and airports must modernize accordingly. NDC 3.0 should include clear targets for infrastructure upgrades (e.g., bunkering and SAF blending), aligned with green port concepts in the proposed new terminals such as the North Port and the West Container Terminal Phase 2 outlined in the 2025 Budget. This will help preserve and grow transshipment volumes while attracting new investments.
2. **Enhancing Export Market Access Through Credible Decarbonization**
   Sri Lanka's key exports, particularly in apparel, agriculture, and seafood face increasing scrutiny on sustainability from global buyers. A clearly articulated renewable energy roadmap under NDC 3.0, anchored to the 70% RE target by 2030, would strengthen buyer confidence, reduce energy costs, and attract high-energy industries. This is a powerful lever for boosting exports and industrial growth.
3. **Unlocking Over US$1 Billion Annually from Carbon Markets**
   The Government can tap into voluntary and compliance carbon markets through a robust framework under Articles 6.2 and 6.4 of the Paris Agreement. Public–private collaboration to generate credible carbon credits from landscapes, marine areas, and industrial mitigation efforts could deliver over US$1 billion per year directly supporting fiscal and climate goals. In the near term activate existing fund lines through arrangements such as Joint Credit Mechanism (JCM)
4. **Mobilizing Climate Finance for Economic Transformation**
   Global climate funds are actively seeking credible, investment-ready opportunities. If NDC 3.0 includes well-designed, conditional adaptation and mitigation targets especially in energy, transport, agriculture, and urban resilience, it can serve as a pipeline for attracting concessional and blended finance. This is essential to bridging Sri Lanka's infrastructure gap without increasing debt burdens.
5. **Getting Ahead in Climate Adaptation to Protect Economic Stability** Climate-related losses already cost Sri Lanka US$3–5 billion every seven years. Yet, adaptation planning remains fragmented. NDC 3.0 can help define national priorities and channel global adaptation funding if it includes sector-specific implementation plans and governance mechanisms backed by private sector expertise and co-investment

11.0. Agriculture

1. **Establish a dedicated CROPIX–Industry Interface Framework**. Enable certified private entities to access anonymized farmer and crop data for value-added services (e.g., API access for agri-input suppliers, exporters, logistics).
2. **Expand the Farmer Digital Registry**. Link all farmers to a unified national database with unique IDs tied to subsidies, credit schemes, and advisory services.
3. **Capacity Building for Extension Officers**. Train 10,000 agriculture officers in digital platforms, data interpretation, and farmer advisory using tools like CROPIX.
4. **Strengthen Data Governance and Cybersecurity**. Ensure farmer data privacy, establish clear guidelines for data sharing, and set standards for interoperability across platforms.
5. **Develop High-tech model farms for key crops** (Paddy, TEA, Rubber, Coconut, Cinnamon) addressing 'Data-driven smart farming, precision Agriculture techniques, GIS based solutions, etc, as Private-Public partnerships.

12.0. SME Sector Development

1. **Accelerate the Review and Implementation of the SME Policy**. Expedite the ongoing review of the 2016 SME Policy and ensure swift and coordinated implementation. Establish clear accountability frameworks and strengthen cohesive action among key institutions, NEDA, IDB, EDB, SEDD, and others; to avoid duplication, streamline support, and drive targeted interventions across the SME lifecycle, from startups to export-ready enterprises.
2. **Integrate Entrepreneurship into the National Curriculum**. Embed entrepreneurship education across the national curriculum from Grade 6 upwards to foster a culture of innovation and risk-taking from an early age. Link classroom learning with practical exposure through partnerships with incubators, industry mentors, and business accelerators, equipping students with the skills and mindset required to thrive in a dynamic economic environment.
3. **Promote AI Readiness for SMEs**. Develop and roll out SME-focused AI toolkits to provide low-cost, practical AI solutions that enhance productivity, efficiency, and market competitiveness. Partner with academia and industry experts to launch AI literacy and prompt engineering programs nationwide, ensuring SMEs, especially those in rural areas, can integrate AI-driven tools for operations, marketing, and decision-making.

13.0. Tax Administration

1. **Tax Policy targeted towards encouraging capital formation and employment generation**. To encourage greater investment in capital by businesses, the focus should shift from tax rate concessions to an investment expenditure-based incentive structure. This entails extending the framework for enhanced capital allowances or double deductions and/or accelerated depreciation on qualifying investment expenditures. Such measures are a more effective tool for promoting business expansion and modernisation, whilst ensuring that concession on investment expenditure is directed only in cases of business enhancements rather than replacing an existing process or operation, except for targeted industries such as leisure which

rely on refurbishments to better position their properties to drive higher foreign exchange earnings.

2. **Promoting Innovation and Research and Development (R&D)**. Enhancing the R&D tax incentive by allowing businesses to claim [200%] of their R&D expenditures would serve as a powerful stimulus to innovation and support businesses in pursuing research that drives technological advancement, digitization, and long-term competitiveness.
3. **Exempting Foreign-Sourced Income of Non-Citizens and Dual Citizens Resident in Sri Lanka**. Reintroducing the source principle of taxation for non-citizens and dual citizens resident in Sri Lanka for tax purposes would exempt income from foreign sources, limiting taxation to income derived from sources within Sri Lanka.

   This measure is particularly relevant for addressing brain drain and attracting skilled professionals, investors, and entrepreneurs from the diaspora. The absence of a tax exemption on foreign income acts as a disincentive for non-citizens and dual citizens to return or relocate to Sri Lanka, while many countries adopt the source principle precisely to attract global talent.

   The former Inland Revenue Act included a similar provision (Section 15), and the potential revenue loss from reinstating it is expected to be marginal. However, the impact on attracting highly skilled professionals and capital inflows could be substantial. Communicating this exemption effectively would bolster Sri Lanka's efforts to revitalise its economy by mobilising global expertise and resources.

4. **Ensuring Transparency and Fairness in Administering Fiscal Statutes**

4.1. Tax Assessment Committee. Formalising and strengthening the composition and mandate of the Tax Assessment Committee would promote balanced and informed decision-making. The mandate should be clearly articulated, underscoring independence and a primary focus on interpreting the law in a fair, transparent, and consistent manner—avoiding differing and conflicting interpretations depending on the tax officer handling a file.

All proposed tax assessments exceeding a prescribed threshold value should be subject to mandatory consultation with the Tax Assessment Committee prior to issuance to ensure alignment with published rulings, positions taken for other taxpayers, internal guidelines, and relevant Court of Appeal or Supreme Court precedents. A majority-based decision-making process is recommended rather than requiring unanimity, to facilitate efficient decision-making while reinforcing fairness and transparency.

4.2. Reinstating the Original Design and Objectives of RAMIS. The Revenue Administration Management Information System (RAMIS) should be implemented in line with the original objectives. Modernising tax administration, promoting automation, and eliminating discretionary power associated with traditional file assessors, thereby enhancing transparency.

RAMIS was designed to perform risk-based analyses and autonomously select audit cases, followed by a structured due diligence process to ensure objectivity and reduce manual intervention. However, current implementation deviates from this design, with file assessors still active and the intended detachment between officer and file unrealised. Realigning RAMIS with its original purpose would strengthen integrity, consistency, and automation in tax administration.

4.3. Preserving Policy-Making Authority within the Ministry of Finance. The authority to formulate tax policy must remain solely with the Ministry of Finance through enacted statutes or Ministerial Gazettes. Tax policy decisions, especially with significant implications, must follow a formal process of debate, decision-making, and stakeholder consultation. Broad discretionary powers within the tax administration arm should be avoided, as this undermines rule of law, transparency, and accountability, and risks creating legal and regulatory uncertainty. Matters such as conditions for chargeability, deductibility of expenditure, and provisions affecting taxpayer obligations should remain under the exclusive purview of the Ministry of Finance.

4.4. Proper Training for IRD Officers. Training content should include aspects aligned with the taxpayer charter and obligations of tax officials, including the importance of focusing on risk-based audits rather than re-auditing financial statements from scratch.

4.5. Establish a Tax Ombudsman. A Tax Ombudsman should be established as an independent and impartial authority to address taxpayer grievances on administrative matters. Formally recognized through amendments to existing tax legislation, the Ombudsman's scope should be limited to administrative issues such as refund delays, RAMIS system inefficiencies, and communication breakdowns. This neutral escalation mechanism would enhance transparency, improve administrative efficiency, and strengthen voluntary compliance.

14.0. Legislation and Governance

The practice of introducing new legislation without engaging relevant industry stakeholders undermines the development of practical, enforceable, and effective regulatory frameworks. Without consultation, laws risk being disconnected from on-the-ground realities, leading to compliance challenges, operational disruptions, and increased costs for businesses. Moreover, it erodes trust between the private sector and regulators, and may stifle innovation or competitiveness within key industries. Timely and structured industry engagement ensures that legislative objectives are achieved without imposing disproportionate or unintended burdens. Addressing this issue is essential to uphold principles of good governance, transparency, and policy effectiveness.

To ensure that new legislation is both effective and implementable, it is proposed that a **mandatory stakeholder consultation framework** be institutionalized as part of

the legislative drafting process. This framework should include the following key elements:

1. **Advance Notice of Legislative Proposals:** Regulators and policymakers should issue public notices of proposed legislation at least few weeks in advance, outlining the objectives and potential implications.
2. **Stakeholder Mapping and Inclusion:** Relevant industry bodies, business associations, consumer groups, and subject matter experts should be identified and invited to participate in a structured consultation process.
3. **Formal Consultation Period:** A reasonable time frame (e.g., 21–30 days) should be allocated for written submissions, roundtable discussions, and sector-specific briefings.
4. **Publication of Consultation Outcomes:** A summary of stakeholder feedback and how it has been considered in finalising the legislation should be made publicly available to promote transparency and accountability.
5. **Ongoing Dialogue Mechanisms:** Post-enactment, a joint government-industry review panel should be established to monitor implementation challenges and recommend timely amendments, if necessary.

By embedding these mechanisms into the legislative process, the government can ensure laws are grounded in practical realities, support compliance, and foster a culture of cooperation and mutual respect between the state and private sector

If the provisions of the proposed Companies Bill relating to the regulation of beneficial ownership and effective control are subjected to meaningful stakeholder consultation prior to enactment, several positive implications can be anticipated:

1. **Clarity and Practical Applicability of Disclosure Requirements:** Through consultation with companies, legal practitioners, compliance officers, and regulators, the drafting of beneficial ownership disclosure obligations can be refined to ensure clarity, avoid overly burdensome administrative requirements, and account for complex corporate structures (e.g., trusts, nominee arrangements, offshore holdings).
2. **Sector-Specific Compliance Pathways:** Different industries—such as banking, insurance, listed companies, or SMEs, may face distinct challenges in identifying or verifying beneficial owners. Stakeholder input would enable the tailoring of compliance mechanisms or transitional arrangements appropriate to each sector.
3. **Alignment with International Standards and Local Realities:** Stakeholder engagement can help ensure that Sri Lanka's approach aligns with FATF recommendations and other global transparency initiatives, while also being grounded in domestic legal infrastructure and enforcement capabilities.
4. **Reduced Risk of Non-Compliance and Legal Uncertainty:** By anticipating and addressing operational concerns during the drafting phase, the likelihood of widespread non-compliance, conflicting interpretations, or legal challenges post-implementation can be significantly reduced.
5. **Stronger Enforcement Support:** Regulators and law enforcement agencies will benefit from industry insights into data accuracy, availability, and reporting mechanisms—leading to better design of enforcement tools and audit trails.

6. **Preservation of Business Confidence and Ease of Doing Business:** When businesses perceive that legislative changes are introduced transparently and with due regard to commercial realities, it promotes regulatory trust and reduces fears of sudden, disruptive change—especially important for investor confidence.
7. **Safeguards for Legitimate Privacy and Confidentiality Interests:** Stakeholder discussions can help strike the right balance between transparency and the protection of sensitive ownership information, especially in cases involving family businesses or private equity structures.

Submitting the Companies Bill to structured stakeholder consultation, particularly on the sensitive and technically complex area of beneficial ownership—will result in more balanced, enforceable, and credible regulation. It will strengthen the country's anti-money laundering and corporate governance regimes, while also supporting legal certainty and sustainable economic growth.

Accelerate Implementation of 11 Legal Reforms proposed in the National Budget 2025. The 2025 National Budget proposed 11 key legal reforms critical for driving economic transformation and investor confidence. However, there has been little to no progress in implementing these reforms to date. Urgent action is required to expedite the legislative process with clear timelines and accountability to ensure these reforms deliver their intended impact.

Proposed 11 Legal Reforms in the National Budget 2025

1. *The Act on the Exchange of Information between State Institutions*
2. *Investment Protection Act*
3. *State Business Enterprises Management Act*
4. *Public – Private Partnership Investment Management Act*
5. *Statistics Act*
6. *Valuation Act*
7. *Public Asset Management Act*
8. *Public Procurement Law*
9. *Micro Finance and Credit Regulatory Authority Act*
10. *Strengthening of Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Framework*
11. *Amendment to Paddy Marketing Board Act No 14 of 1971*

15.0. Finance and Capital

1. **Increase Single Borrower Exposure Limits for Domestic Financial Institutions**: Current single borrower limits restrict large-scale financing, limiting growth opportunities for major businesses. Increase these exposure limits for domestic financial institutions specifically for growth-oriented investments, while implementing safeguards to manage concentration risk. This will facilitate significant capital investments by corporates, support business expansion and job creation, and enhance the effective use of local capital resources.
2. **Relax Exchange Control Restrictions to Facilitate Overseas Investments**: Current exchange control restrictions limit Sri Lankan companies from expanding abroad, constraining global growth and foreign income generation. Relax these rules to allow

overseas investments by Sri Lankan companies, with mandatory repatriation of dividends and earnings to Sri Lanka. This will support regional and global market expansion, generate foreign exchange inflows, and enhance corporate competitiveness and diversification.