

**Department of Fiscal Policy  
Ministry of Finance and Planning  
The Secretariat  
Colombo  
Sri Lanka**

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# **BUDGET BRIEF**

**Towards  
A New  
Sri Lanka**

**2006**

**Ministry of Finance and Planning**

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# *Incentives for Development*

## *1. Expanding the Development Horizon*

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### *Agriculture*

- All varieties of fertilizer will be at Rs. 350 per 50 kg bag for cultivation of paddy and Vegetables. The scheme is to be extended to small holder tea plantations as well
- Agricultural product zones for identified crops such as Mangusteen, Orange, Delum, Durian, Papaw, Rambutan, Pineapple and Peanuts
- Development of seed farms at Horana, Seetha Eliya, Giranduru Kotte and Labuduwa to provide high quality seeds and planting materials
- Development of Maha- Illuppallama Field Crop Research Institute to promote seed varieties for dry zone agriculture
- Reestablishment of a Paddy Marketing Board and all storages to be brought under this institution
- A guaranteed price of Rs. 16.50 to 17.50 per kg for paddy
- Implementation of a new incentive package consisting of credit, seed and fertilizer at affordable prices for paddy
- Establishment of an Irradiation Plant
- Amendment of banking regulations to make it mandatory that credit extended to agriculture be increased to 10% during the next three years
- A National Organic Standards and Certification programme and technology

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### *Plantations- Tea, Rubber and Coconut*

- A revolving fund for the development activities in the plantation sector with special emphasis on stallholder plantations
  - Increased new planting and replanting subsidy by 25% for tea, rubber and coconut cultivations
  - Subsidy to encourage coconut cultivation in Mahaweli areas, Galle,
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Matarara, Hambantota and in the traditional coconut triangle districts and to encourage the development of rubber in the Monaragala district

- Development of excess land owned by the Plantation Ministry

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### *Livestock Development*

- Purchase price of liquid milk increased to Rs. 25-30 per liter
- A special concessionary credit scheme will be implemented to assist dairy farmers to purchase high yielding cows

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### *Fisheries*

- Establishment of a Fishing Promotion fund to promote deep sea fishing
- An ornamental fish exchange project
- Promotion of prawn farming in Batticaloa districts and further improvement of infrastructure in Puttalam district
- Develop a multi-day boat manufacturing industry and provide easy payment scheme for fishermen to purchase boats and operation of motor vessel for offshore and deep sea fishing
- Development of state-of-the-art- fish market complex in place of St. John's Market in Central Colombo
- Establishment of Ocean University

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### *Cashew Industry*

- Establishment of high yielding seed clone gardens in Maha Oya, Anuradhapura and Moneragala
- Promotion of cashew auctions in Puttalam and Vauniya

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### *The Mahaweli Economy*

- A special SME credit scheme dedicated to 500 SMEs to be implemented to create high-tech export oriented agro-processing industries including rice milling
- Promotion of Dhabulla as a central hub city

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### *Rural Electrification*

- Assistance by way of a subsidy of Rs 10,000 for each new renewable energy connection provided to rural households
- Issue of a “ Renewable Energy Support Bond” for Rs 2 Billion in 2006 through a development financing institution to provide financing to support rural electrification

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### *Gama Neguma*

- Initiative to provide all basic infrastructure such as feeder roads, water supply schemes, pre-school facilities, markets, playgrounds, cemeteries etc. with the participation of the community itself.

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### *Construction Industry*

- Establishment of a credit guarantee scheme for construction companies to import modern machinery and equipment on concessionary finance terms by the subsidizing of interest cost
- Establishment of “Lanka Putra” Bank for Reconstruction and Development to promote the financing of reconstruction and development programmes of small and medium infrastructure projects undertaken by Sri Lankan construction companies

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### *Textile*

- Completion of the debt restructuring programme introduced in 1998 on a risk sharing basis between banks
- Development of the Thulhiriya complex as a dedicated textile zone
- Establishment of a “College of Textiles and clothing” at Thulhiriya
- A regional Apparel Hub - A new apparel hub will be set up in Katunayake to expand to the domestic apparel market subject to the requirement of having to maintain the minimum export quantum and liable to VAT

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### *Tourism*

- Promotion of up market tourism by encouraging additions to eco tourism product lists
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### *Printing and Packaging*

- Establishment of a packaging development center equipped with testing laboratories

### *Private Bus Operators*

- A concessional credit scheme to assist private bus operators to update fleets by subsidizing interest cost

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### *Innovation Facilitation and Research And Development*

- Setting up of an Innovation Facilitation Net work linked to the Inventors Commission and the University of Moratuwa
- Allocation of funds to the National Research Council to promote scientific research and network with other research institutes

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### *Creation of a domestically sourced Export Industry*

- Input and intermediate goods manufacturers supplying non-traditional export oriented companies including apparel manufacturers registered with the TQB/EDB be brought under the suspended VAT scheme with a facility to import raw material as well as capital goods on a deferred VAT Basis.

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### *Media Personnel*

- Media personnel will be provided with concessional financial arrangements enabling them to purchase computers, motor bicycles. In addition media equipment to be made free from customs duty and VAT
- Financial assistance to young journalists to develop their professional skills in learning institutes

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### *Kantha Diriya - Giftware and Handloom Industry*

- Small and medium handloom manufactures scatters around Colombo, Ampara, Kurunegala, KEgalle and Kandy will be clustered under “Kantha Diriya” self employment programme
- Development of a unique Sri Lankan giftware collection chain through the promotion of a core group of 250 small and medium scale enterprises manufacturing high quality giftware, and linked to the tourist Industry
- National strategy focusing on training, product designing, market promotion and organizing buyer-seller markets for the handloom industry to create 20,000 jobs and revenue of Rs. 1bn

## *2. Empowering the people*

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### *Children affected by Tsunami and NorthEast conflict*

- Opening of a “Senehasa” bank account for children affected by the tsunami and the north east conflict and a monthly sum of Rs 1,500/= per child to be deposited until the age of 18
- Accumulated fund will be double if selected to vocational training institute and will be trebled if child enters university

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### *Homes for Children, Elderly and Differently Abled*

- Interest income exempted from Income Tax
- Homes to be refurbished in 2006
- “Rakawarana Niwasa” home to be established for differently abled
- The allowance granted for differently abled will be increased
- Items used by differently abled people to compensate their disability would be exempted from all taxes and duties

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### *Quality Health System for the less privileged*

- Upgrading of 17 hospitals to functional district base hospitals
- Legislature relating to mental health, blood transfusion, national drugs, medical research etc
- Formulation of a school health policy
- Recruitment of public health midwives
- Vehicle and residential facilities to be provided to attract specialized doctors to these hospitals.

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### *Mothers and Children*

- School meal programm
- Introduction and expansion of Mother and Child nutrition Programmes
- Medical advise and related services at rural hospitals for expectant mothers
- A monthly allowance of Rs. 200 to purchase milk for children up to 5 years of age

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### *Livelihood development*

- Supplementary income for Samurdhi beneficiaries in dairy development, self employment and man power for community based infrastructure projects provided by Samurdhi beneficiaries
- Increase Samurdhi monthly allowance by 50%
- A concessionary loan will be provided to Samurdhi Development Offices to purchase a motor cycle
- Death assistance will be increased from Rs. 5,000 to Rs. 10,000 and child birth allowance to increased from Rs 2,500 to Rs. 5,000

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### *Estate Infrastructure and Community Development*

- Plantation Development Trust will concentrate on water supply, pre-shools, child development and sports
- Expansion of Praja Shakthi Programme focusing on micro enterprises
- Setting up of a vocational training college in Nuwara Eliya
- Rehabilitation of Estate Roads and development 50,000 houses

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### *Yovun Diriya*

- Recruitment of 10,000 graduates during 2006 to fill vacancies in the government sector
- A new scheme will be implemented to accredit skills providers

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### *Foreign Employment*

- Special training programme in areas such as nursing, shipping and computer science
- An English medium nursing collage to be set up to cater for foreign employment needs
- Returners after one year of continuous employment abroad will be given a special duty free allowance up to US\$ 5,000 on the basis of the period of stay

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### *Low Income Urban Housing Development*

- Set up a new Urban Housing Development Corporation to implement a dedicated housing development programme for shanty dwellers

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### *Crime Prevention*

- Promotion of community policing by the recruitment of graduates New police stations with sophisticated communication equipment and mobile facilities to be built near commercial centers
- Electronic surveillance system in Colombo
- Sea surveillance mechanism to reduce drug trafficking along Puttlam Colombo coastal belt
- Installation of an automated finger printing system to address commercial cyber crime

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### *Art and Culture*

- Setting up of a Kala Nikethanaya in the hill country for all artists to engage in creative efforts
- The National Film Academy proposed last year will be constructed in 2006 with assistance from UNESCO
- A modern performing art theater to be set up with the assistance from China in 2007

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### *Development of Religious Activities*

- A religious training programme
- Provide financial assistance for the for the preservation and development of important religious places such as temples, kovils, mosques and churches
- An annual allowance of Rs. 2000 as book allowance for dharama school teachers

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### *Disaster Risk Management*

- Establishment of a integrated disaster management programme to deal with natural disasters ,with the assistance of other relevant agencies and donor assistance. Funds to be allocated to the National Council of Disaster Management for this purpose.
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### *3. Rewarding Productivity*

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#### *Benefits to Public Servants In service*

- A new salary structure for employees in public service with a minimum salary of Rs 11,630/- per month
- A Cost of Living Allowance(COLA) of Rs 1,000/-per month to be given
- 50%of the salary increase to be given in 2006 and 50%to be given in 2007 subject to a minimum pay increase of Rs 1,300/- per month inclusive of the COLAin 2006
- Public servants to be entitled to encash their unutilized leave
- 7 days compulsory leave
- Introduction of a Risk Insurance scheme for specific categories of employees in sectors such as Health, Forest Conservation, Wild Life Conservation, railway etc
- Dedicated wards for public servants in Government Hospitals
- Introduction of Housing Loan schemes to public servants, police and armed forces through the banking system from 2006
- Transfer of public servants vehicle loan schemes to the banking system for better management
- A new scheme to enable public servants to purchase vehicles with engine capacity up to 1,500 cc at concessionary duty rates to be introduced next year.
- Agrahara Insurance Trust (AIT) - An insurance trust to be set up to manage the health insurance scheme of the public servant and pensioners
- Every male public servant will be granted 3 days special leave in the event of his spouse gives birth to a child
- Formulation of Public Sector Occupational Classification

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### *Pensioners*

- Salary increase granted by P.A. Circular No. 2/97 to apply to pensioners who have retired prior to 1st January 1997 with effect from 1st January 2006 without payment of arrears.50% of the increase to be granted in 2006 and the balance to be granted in 2007
- A Cost of Living Allowance(COLA) of Rs 500/- per month to be given. This will be adjusted to the cost of living index every six months with Rs.2.50 change
- Interim allowances paid to pensioners will be consolidated and a 10%increase in their pension will be effective 1st January 2006 subject to a minimum of Rs 500/- and a maximum of Rs 1,250/- per month. Employees retiring between 1st December 2004 and 31st December 2005 will not qualify for this increase. Therefore pensioners will get a minimum increase of Rs. 1,000/= from these changes
- Widows who wish to remarry will be made eligible to receive their W&OP allowance
- Special wards for pensioners in government hospitals

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### *Professionals*

- Specialised doctors working in designated hospitals to be given official vehicles and residential facilities
- Foreign currency earnings of professionals within/outside Sri Lanka to be exempted from income tax
- Consessional duty on the purchase of vehicles on investment in foreign currency denominated treasury bonds

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### *International Relations and Strategic Studies*

- Creation of a new institution to focus on international relations and strategic economic issues and to foster niche markets.

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### *Tax Academy*

- In order to increase the depth and quality of the knowledge of taxation an independent tax academy will be established.

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### *Academy of Labour Relations*

- Establishment of an academy to carry out studies and conduct seminars on labour related issues, which will work closely with the National Productivity Secretariat, Trade Unions and Trade Chambers through a consultative process.
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# *Tax Proposals*

## *4. Income Tax*

### *Corporate Income Tax*

The following rate changes have been announced.

	<b>Existing</b>	<b>Proposed</b>
Co-operative societies	20%	5%
All Companies with taxable Income not exceeding Rs 5mn	20%	15%
Quoted Public Companies (for a period of 5years from listing)	30%	33 1/3%
Other companies (including quoted after 5 years)	32.5%	35%

} If taxable  
income  
exceeds  
Rs. 5 Mn

### *Personal Income Tax*

Tax free threshold Rs. 300,000

	<b>Existing</b>	<b>Proposed</b>
First Rs.300,000	5 %	5 %
Next Rs.200,000	10%	10%
Next Rs.200,000	15%	15%
Next Rs.200,000	20%	20%
Next Rs.200,000	25%	25%
Balance	30%	-
Next Rs. 500,000	-	30%
Balance		35%

## ***Business of Gaming***

Business of Gaming will be taxed at 40%

## ***Social Responsibility Levy (SRL)***

The rate of SRL has been increased to 1%

## ***Interest Income of Charitable Organizations***

Charitable Organizations are at present liable to a final tax of 10% on interest income as in the case of any resident individual. It is proposed to exempt such organizations carrying on any home for children, the elderly and the differently abled from tax on interest.

## ***Tower Hall Foundation and Cultural Fund***

The Tower Hall Foundation as the main centre of performing arts will be exempt from all taxes.

## ***Taxation of Annuities***

Purchased annuities (as a source of income) will be exempt from income tax.

## ***Shipping Agents - reduced tax rate for transshipment profits***

Shipping agents approved by the Director of Merchant Shipping, will be taxed at 15% - the rate applicable to exports - in respect of the profits attributable to transshipment agency fees, received in foreign currency.

Ships registered under the Sri Lank flag will be exempt from VAT.

### ***Taxation of Interest from Banks and Financial Institutions***

In order to help banks/financial institutions and to improve compliance the following measures will be taken:

- Deductions of tax will not be made only if
  - (i) the depositor makes a declaration that his total income from interest does not exceed Rs. 9,000/= per month, or Rs. 108,000/= per annum;  
or
  - (ii) the total interest from the branch of the bank/financial institution does not exceed Rs. 1,000/= per month, or Rs. 12,000/= per annum
  
- Interest from which deduction has been made at 10 percent will not form part of the assessable income of individuals; the tax deducted will be the final tax

### ***Interest on Corporate Debt Securities***

The interest from corporate debt securities is taxed at the standard marginal tax rates ranging from 5% to 30%. It is proposed to tax such interest at a flat 10% rate in the same way as interest from banks/financial institutions.

### ***Betting & Gaming Levy***

The levy will be revised as follows:

- |                             |                   |
|-----------------------------|-------------------|
| ▪ Live telecast centres     | Rs 300,000/- each |
| ▪ Non live telecast centres | Rs 50,000/- each  |

### ***Subcontracting Income of Apparel Sector***

The income of a registered apparel manufacturer arising from subcontracting arrangements entailing sewing and assembly of garments and/or provision of services that result in improving either the quality or character or value of the garment to be exported, will be treated in the same way as export income provided that such income is received in convertible foreign currency from the exporter of the final product. Hence such income will be liable to income tax at 15%.

### *Transfer Pricing*

Provisions in relation to transfer pricing will be included in the Inland Revenue Act in order to provide a more comprehensive legal basis to enforce the principle of "Arms Length" price.

### *Thin Capitalization*

The tax or other statutes covering corporate entities do not at present prescribe a debt equity ratio. Hence a company may have a high or low debt to equity ratio and any quantum of interest paid is tax deductible.

Thin capitalization rules normally prescribe debt equity ratios and limit the amount of tax deductible interest. The debt equity ratios to be prescribed are as follows.

Manufacturing companies	2:1
Others	3:1

Consequently deduction in respect of the interest paid to by one member of a group of companies to another member will be limited to one half or one-third of the interest paid to that or any other member of the group depending on whether or not the paying member is a manufacture.

#### 4. Value Added Tax

Item	Existing Rate	New Rate
Import of Milk Processing Machinery	15%	Exempt
Import of Milk Yarn, Dyes - used by any BOI fabric manufacturer	Excluded	Excluded
Yarn , Dye - used for handloom manufacturing	15%	Exempt
Import of Construction Machinery and equipment including crushing machinery	15%	Exempt
Services provided by the Tower Hall Foundation	15%	Exempt
Import of new plant and machinery for new industries located outside Colombo and Gampaha districts	Exempt /15% / 20%	Exempt
Registration under the Sri Lanka flag of any ship	15% (36 months deferment)	Exempt
Medicated Soft drinks (Ginger beer, Peyawa, Nelli etc.)	20%	15%
Computers and Accessories	15%	Exempt
Import of unprocessed Timber logs	15%	Exempt
Agro foods manufactured out of grain cultivated in Sri Lanka	15%	Exempt
Import of high technology machinery for handloom industry	15%	Exempt
VAT on Financial Services	15%	20%
Supply of essential goods is now taxed at 5% at the point of import and again at the point of sale by the importer. IN terms of the new proposal, tax at 5% will be only at the point of import		

### ***VAT Refunds***

The existing provisions of the VAT Act entitle exporters to receive their refunds within a period of 30 days. This period will be reduced to 15 days, in relation to those who back their refund claims either with a bank guarantee or an insurance bond, to cover the full amount of the refund. This period in relation to others will be extended to 45 days in view of the risks involved in processing of claims.

In order to facilitate the refund process, a dedicated account will be maintained with the Central Bank to which 10 percent of the VAT collected on imports will be regularly credited, to ensure a smooth flow of funds for refunds by the Department.

### ***VAT Refund System at the Airport***

A VAT refund system will be established at the Bandaranaike International Airport, complying with international practices. Such refunds will be made if the claim is in excess of US\$100.

### ***Advancing the Date of Payment of VAT***

Currently taxable persons with a taxable supply of over Rs. 30 million per annum pay the tax on a quarterly basis and file the return also on a quarterly basis. These persons will be required to pay the VAT on a monthly basis but continue to file the return on a quarterly basis subject to any adjustments which may be made at the end of that quarter.

## 6. *Economic Service Charge (ESC)*

The changes proposed to simplify and rationalize the ESC law as well as to provide relief to certain industries are as follows:

1. The ceiling of Rs. 50 million placed on the total ESC payable by any entity will be raised to Rs. 60 million and the threshold for liable turnover will be brought down to Rs. 40 million.
2. Under the present law, the base of the ESC for any year, is the turnover for the previous year. The base will be changed to the turnover of the current year.
3. ESC paid can now be set-off against the income tax attributable to profits from the liable turnover only. The set-off in future will be permitted against any income tax.
4. Institutions referred to in Section 8(b) of the Inland Revenue Act will be exempt.

### **The Summarized ESC Rates**

Turnover to which profits exempt from income tax are attributed	0.25%
Turnover of any BOI enterprise, during the tax holiday period	0.25%
Turnover of any tea, rubber, coconut processing factory	0.5%
Turnover to which profits chargeable with income tax at rates specified in the Sixth schedule of the Inland Revenue Act are attributable	0.5%
Turnover from any wholesale or retail business other than manufacturer or producer	0.5%
Other liable turnover	0.1%

**Note:** Turnover in the case of distributors, cutting and polishing of diamonds etc. will be adjusted so as to reduce their effective liability.

## *7. Stamp Duty*

Re-introduce Stamp Duty in respect of instruments and documents (other than those which are subject to Debit Tax and letters of credit which are subject to the Port and Airport Development Levy and documents relating to share market transactions) will be reintroduced.

## *8. Customs Tariff*

▪ Milk Processing Machinery	Exempt
▪ Milk Powder	Gradual removal of existing waiver
▪ Machinery for Handloom industry	Exempt
▪ Import of plant and machinery with line Ministry supervision under certain sectors such as health care, printing gems cutting and polishing packing and rice milling	Exempt
▪ Packaging and printing materials	Exempt
▪ Imported cans	6%
▪ Three wheel tyres	15%
▪ Musical instruments	15%
▪ Import of new machinery for industries located outside Colombo and Gampaha subject to certain conditions	Exempt
▪ Large construction machinery and equipment including machinery for crushing	Exempt
▪ Import of motor car below 1500 cc by compliant tax payers	Duty waiver up to 25% of levies

## *9. Port and Development Levy*

The PAL currently charged at 0.25% on imports used for exports will be removed. However, the current levy of 1.5% charged on items other than imports used for exports will be increased to 2.5%.

## ***10. Other Tax Incentives***

### ***Agro Processing***

Profits from the processing of primary agricultural produce will be exempt from income tax.

### ***Export of Agricultural Products***

Profits from the export of non-traditional agricultural products will be exempt from income tax .

### ***Regional Development***

Any company setting up any new industry in any district outside the districts of Colombo and Gampaha will qualify for the following incentives.

1. Exemption from income tax of the profits of that industry for a period of 5 to 10 years depending on the quantum of investment.
2. Investment relief to the investor for the sums invested
3. Exemption from VAT and Customs Duty of any plant and machinery imported for the use in such undertaking.
4. For those companies located in the Colombo and Gampaha districts, the cost of relocating their industries in any other district will be deductible in arriving at the taxable income. This is in addition to the above incentives, however, their should not be reductions in the employments levels before and after the relocation

Further, the profits of any institution from the provision of any credit facility for the setting up of any new industry or for any relocation will be exempt from income tax.

In order to qualify for the above incentives the following conditions will apply in relation to new industries:

- I. Minimum investment of Rs. 30 million in machinery and buildings.
- II. The investment must be made within a period of two years from 1st, April 2006.
- III. Direct employment to at least 200 persons.

## ***Advanced Technology***

### **Income tax**

The depreciation allowance in respect of advanced technology based plant and machinery used in the health care, printing, gem cutting and polishing, packaging and rice milling industries will be increased from the current 12.5% to 33 1/3%.

### **Customs Duty**

The import of the above mentioned plant and machinery for use in the above mentioned industries will be exempt from customs duty; the time allowed for the import of advanced technology-based plant and machinery for use by SMES will be extended up to December, 2007, the investments limits in respect of such plant and machinery will also be reduced from Rs.5 Mn. to Rs. 2 Mn.

## ***Incentives for Professionals***

### **Income Tax**

The profits of any company from the provision in Sri Lanka of professional services for payment in foreign currency to a person or a partnership outside Sri Lanka will be taxed at 15%. Profits from the provision of such services by any individual or partnership in or outside Sri Lanka and by any company outside Sri Lanka will be exempt.

### **Duty Concessions**

Professionals (individuals) in Sri Lanka who invest tax exempt professional earnings in foreign currency treasury bonds will qualify for entitlement to import a vehicle of value not in excess of 1/5th of the sum invested. This entitlement is also available to those Sri Lankans living abroad, if their foreign currency holdings are invested in such bonds.

## ***International Sports Events / Under 19 World Cup***

All international sports events will be exempt for income tax.

## *11. Tax Administration*

### *Delegation of Authority*

Customs and Inland Revenue laws will be amended to limit the delegation of authority to senior cadre officials of these two departments. The provisions in the VAT Act relating to official secrecy will be amended to bring them in line with those in the Inland Revenue Act.

### *Time-Bar on Income Tax*

The time-bar given to file returns will be reduced to 6 months and time bar permitted to tax authorities to make assessments will be reduced to 18 months from the end of the tax year. In respect of other cases time bar for making assessments will be reduced to 3 years.

### *Tax Compliance*

Several measures will be taken to improve tax compliance by strengthening the tax administration as well as awarding recognition to the best tax payers.

### *Tax Returns*

The return furnished by any individual for the year 2005/06 or any subsequent year of assessment will be accepted and no further assessment will be made by the Department provided that,

- The return and payment requirements for the 3 preceding years have been complied with.
- Such individual pays as tax any sum not less than 120% of the tax or declares an assessable income of not less than 125% of that for the immediately preceding year and furnishes the return accordingly, and
- Such individual makes an affidavit that there is no fraud or willful default committed in relation to the tax payable for that year;

### ***Incentives for Good Taxpayers***

Where the full amount of the tax due from an individual for any year of assessment is paid one month before the due date a discount of 10% of the tax due for that year will be allowed.

### ***Compliant Taxpayers***

Where an individual for any year of assessment has paid income tax not less than Rs.250,000 and has maintained this position over a period of 5 years commencing from 2003, that person will be given a waiver of 25 percent of all duties and taxes payable to import a vehicle of his choice provided that the engine capacity of the vehicle does not exceed 1,500cc. if it is a car. No engine limit will apply on vehicles such as vans, trucks and motor-bicycle and utility vehicles.

### ***Acknowledgement of Appeals***

Legislation will be introduced to provide where the letter of acknowledgement is not issued, within 30 days of making an appeal then the appeal will be deemed to have been acknowledged. This will apply to both income tax and value added tax and a ruling is required to be issued within 12 months by an officer in the rank of a Commissioner or above and counter signed by Commissioner General himself.

### ***A New Inland Revenue Act***

A new Inland Revenue Act will be introduced. It will be presented to the Parliament before 31<sup>st</sup> March 2006.

## 11. Summary of the Budget 2006

	2004	2005 Budgeted	2005 Revised	2006 Projected
<b>Total Revenue</b>	<b>311,473</b>	<b>389,492</b>	<b>385,722</b>	<b>484,376</b>
Tax Revenue	281,552	351,119	345,387	435,292
Income Tax	41,372	55,361	55,911	75,560
Taxes on Goods and Services	191,525	229,515	224,692	279,494
Taxes on External Trade	48,655	66,243	64,784	80,238
Non Tax Revenue	29,921	38,373	40,335	49,084
<b>Total Expenditure</b> (excluding Post-Tsunami reconstruction Expenditure)	<b>476,905</b>	<b>560,638</b>	<b>554,269</b>	<b>681,642</b>
Recurrent	389,679	418,988	437,280	506,856
Salaries and Wages	106,187	140,517	140,517	168,570
Interest	119,782	128,001	119,409	151,259
Subsidies and Transfers	105,367	91,534	115,379	117,238
Other Goods and Services	58,343	58,936	61,975	69,789
Public Investments	97,630	144,440	118,879	178,295
Other	(10,404)	(2,790)	(1,890)	(3,510)
Revenue surplus/Deficit(-)	(78,206)	(29,496)	(51,558)	(22,480)
Budget Deficit	(165,432)	(171,146)	(168,547)	(197,266)
<b>Total Financing</b>	<b>165,432</b>	<b>171,145</b>	<b>168,547</b>	<b>197,266</b>
Total Foreign Financing	45,752	58,884	52,463	76,783
Net Foreign Borrowings	37,071	48,684	45,063	66,383
Foreign Borrowings	70,112	91,000	66,379	118,573
Debt Repayments	33,041	42,316	21,316	52,190
Foreign Grants	8,681	10,200	7,400	10,400
Total Domestic Financing	117,243	104,761	115,259	120,483
Non-Bank Borrowings	69,274	104,761	108,584	120,483
Bank Borrowings	43,289	-	6,675	-
Other	4,680	-	-	-
Capital Revenue Asset sales	2,437	7,500	825	-
<b>As a % of GDP</b>				
Revenue/GDP (%)	15.3	17.1	16.4	17.8
Tax/GDP (%)	13.9	15.4	14.7	16.0
Non Tax/GDP (%)	1.5	1.7	1.7	1.8
Expenditure/GDP (%)	23.5	24.6	23.5	25.1
Current Expenditure/GDP (%)	19.2	18.4	18.5	18.6
Public Investment/GDP (%)	4.8	6.3	5.0	6.6
Revenue Account/GDP (%)	(3.9)	(1.3)	(2.2)	(0.8)
Budget Deficit/GDP (%)	(8.2)	(7.5)	(7.1)	(7.3)
Foreign Aid/GDP (%)	2.3	2.6	2.2	2.8
Domestic Financing/GDP (%)	5.8	4.6	4.9	4.4
Non Bank Financing/GDP (%)	3.4	4.6	4.6	4.4
Bank Financing/GDP (%)	2.1	-	0.3	-
<b>MEMO: Tsunami related expenditure</b>			<b>32,418</b>	<b>50,000</b>
current expenditure			16,692	3,000
capital expenditure			15,726	47,000
<b>Financing</b>			<b>32,418</b>	<b>50,000</b>
Foreign Grants			21,592	31,840
Foreign Borrowing			3,826	15,600
Domestic Financing			7,000	2,560
<b>Tsunami expenditure / GDP (%)</b>			<b>1.4</b>	<b>1.8</b>
<b>Public Investment with Post-Tsunami reconstruction expenditure / GDP (%)</b>			<b>5.7</b>	<b>8.3</b>
<b>Budget Deficit with Post-Tsunami expenditure / GDP (%)</b>			<b>8.5</b>	<b>9.1</b>