

trading activities. All the other sectors will be subject to the standard rate of 15 per cent. The identified long term concessions such as institutional, miscellaneous and other exemptions granted without having any policy rationale will be revisited.

In order to ensure that shareholders get a reasonable dividend for their investment, the minimum amount of dividend to be distributed by quoted companies will be increased to 15 per cent of the distributable profits. Further I propose that at least 1 seat in the Director Board should be allocated for all the shareholders who hold 15 percent or more shares of that company.

#### ***Surtax on Tobacco, Liquor and Casinos***

Honourable Speaker, to avoid any undue benefit by tobacco, liquor and casino industries from corporate tax revisions and keeping in line with the government policy of creating a society free of tobacco, liquor and betting and gaming, I propose to impose a surtax at the rate of 25 per cent of income tax liability.

#### ***Personal Income Tax***

Honourable Speaker, at present, employees whose annual income is over Rs.750,000 is liable for PAYE tax which is a progressive tax. The maximum tax rate is 16 per cent. With a view to further simplifying the PAYE tax system and to ensure better compliance, I propose to amend the law applicable to the PAYE tax to ensure equal treatment to all employees. In order to provide concessions to employees, I also propose to increase the tax free annual threshold to Rs.2.4 million. The PAYE tax over and above this limit to be charged at a uniform 15 per cent and the taxable income will be inclusive of all the earnings by the employee with no exemptions. This method and rate will also be applied for individual income earners instead of the present progressive rate of up to 24 per cent. Further, any income from secondary employment will also be taxed at the same rate without any exemptions. Honourable Speaker, by applying prudent monetary and fiscal policies, Government has been able to maintain low interest rates during this year. This has immensely helped the public to obtain loans at low interest rates for investing in businesses enabling better returns. As a result, the interest earnings of long term depositors of cash suffered as the interest income has reduced. Hence, I propose to abolish applying 2.5 per cent withholding tax on deposits with effect from 01 January, 2016.

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

ESC is imposed as a levy for usage of infrastructure facility provided by Government. Presently, ESC is imposed only for loss making businesses or exempt businesses. In order to strengthen the collection of the charge and also considering the rationale of the imposition of ESC, the present exclusion of profit making businesses and the minimum threshold of payment of Rs. 120 million per year will be removed and the applicable

rate will be increased to 0.5 per cent. In addition, the period of carried forward balances will be limited to 3 years.

#### ***Value Added Tax (VAT)***

The VAT system in Sri Lanka is severely distorted due to the ad hoc policies adopted in time to time over the past few years. Under-invoicing of imports, leakages in the value chain and long list of exemptions resulted low revenue below expectation. Hon. Speaker, I propose to remove certain exemptions with the view to increase revenue. The present single rate will be revised to 3 bands 0 per cent, standard rate of 8 per cent and 12.5 per cent higher rate for service sector and the minimum threshold for the liability for VAT will be Rs.12 million per annum. The wholesale and retail trade will be excluded from VAT.

#### ***Nation Building Tax (NBT)***

Hon. Speaker I propose to reduce the NBT threshold in line with VAT and the rate will be increased to 4 per cent and certain exemptions will be removed. Revenue generated from the increase of rate will be transferred to the Consolidated Fund.

#### ***Betting and Gaming***

The casino entrance fee imposed in the last budget will be removed and the annual levy imposed on the business of gaming other than rufino, will be increased to Rs.400 million.

I also propose to amend the Finance Act to make directors and shareholders personally liable for non-payment or any act which is taken to avoid payment of Casino Industry Levy introduced in Interim Budget.

#### ***Tax Incentive Regime***

The Government would also like to propose to do away with ad hoc and unproductive tax concessions offered by different agencies as it has led to the existence of different tax regimes in the system, which has created un-competitiveness among the entrepreneurs. It has also created an environment where the tax regime is not compatible with the overall fiscal policy of the Government. Thus, I propose that the concessions granted for any investment should be strictly under the supervision and monitoring of the Ministry of Finance which would be governed by regulations issued by the Ministry.

#### ***Revisions to Motor Vehicle Taxes***

Honourable Speaker, it is reported that there are over 6 million vehicles in service in the country. Road accidents are also on the rise. Hence, we must care about