ANNUAL BUDGET ANALYSIS 2026

Key Insights

Budget 2026

KPMG in Sri Lanka

Reviving Growth. Rebuilding Trust.

ANNUAL BUDGET ANALYSIS 2026

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For the clients of KPMG in Sri Lanka

The Hon. President Anura Kumara Dissanayake in his capacity as the Minister of Finance of Sri Lanka presented the 80th Annual National Budget at the Parliament on the 07 November 2025.

His Excellency the President, in presenting the Budget Speech, outlined a policy direction anchored towards an Inclusive and Democratic Development through Structural Reforms. The proposals emphasize the creation of a productive, inclusive, and digitally empowered economy aimed at broadening revenue generation, improving public service delivery, people centered governance, equitable distribution of economic benefits and ensuring long-term fiscal stability.

An analysis of the Government's key economic and fiscal proposals are presented in this edition of the KPMG Budget Analysis.

This publication has been compiled on a high-level review of the proposals in the limited time available to us. We may also emphasize that these proposals need to be enacted by Parliament for legal enforcement.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

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ANNUAL BUDGET ANALYSIS 2026

Budget at a Glance

Budget at a Glance

Summary of budget estimates

The 2026 Budget targets revenue of Rs. 5,300 billion, including Rs. 4,910 billion in taxes, against expenditure of Rs. 7,057 billion, resulting in a deficit of Rs. 1,757 billion. A primary surplus of Rs. 860 billion (2.3% of GDP) is projected, with the deficit financed through Rs. 235 billion in foreign and Rs. 1,522 billion in domestic borrowings.

Sri Lanka's progress toward economic recovery in 2025

Sri Lanka's recovery is strengthening, with reserves surpassing USD 6 billion and revenue reaching 15.9% of GDP. The Government expects to regain pre-crisis stability by end-2025. Reflecting this progress, Fitch, Moody's, and S&P have upgraded ratings to CCC+, Caa1, and CCC, respectively, while the debt restructuring process nears completion, reinforcing fiscal stability.

GDP growth

The Government aims to achieve a sustained growth rate exceeding 7% within the next few years.

Government debt

- Government debt, which stood at 114.2% of GDP in 2022, is projected to decline to 96.8% by 2026, with a further reduction to around 87% expected by 2030. This is expected to be achieved by keeping the gross financing requirement below 13% of GDP and limiting annual foreign currency debt servicing to no more than 4.5% of GDP in the medium term

Strategic objectives

The Government's strategic objectives focus on achieving sustainable growth, attracting foreign investment through transparent, rules-based mechanisms, and integrating Sri Lanka into global value chains. Key priorities include strengthening public-private partnerships and SMES, modernizing state enterprises, diversifying exports, ensuring debt sustainability with a 95% debt-to-GDP target by 2032, enhancing the production economy, infrastructure development and advancing digitalization while strengthening social safety nets for the most vulnerable people.

Budget at a Glance

New laws and regulations to be finalized

The Government plans to introduce new laws in 2026 to enhance governance and investment protection. Key measures include legislation on public-private partnerships, state enterprises, and asset management, a Digital Assets Declaration System, and a code of ethics for Judicial Officers. The Port City and Strategic Development Acts will be amended, alongside new rules for public asset oversight.

Direct to indirect tax ratio

The Government aims to gradually adjust the direct-to-indirect tax ratio from 25:75 to 40:60 to enhance tax efficiency and equity.

Eradication of rural poverty

The Government aims to empower rural communities through a modern, sustainable development programme focused on expanding economic opportunities, improving infrastructure, promoting a productive economy, ensuring planned urbanization, and enhancing access to quality education and healthcare.

Strengthening exports

The Government aims to achieve export diversification by introducing a new tariff policy, improve necessary financial facilities for the promotion of new goods and services exports and establish a "Trade National Single Window".

Strengthening small and medium-sized enterprises (SMEs)

The Government plans to strengthen domestic production by providing targeted subsidies, technology, and market access to SMEs. Further, SMEs will be made more efficient, by consolidating the functions of the Industrial Development Board, National Enterprise Development Authority and the Medium-sized Enterprises Development Board under the Industrial Development Board.

Budget at a Glance

Economic sovereignty and food security

The Government is expecting to modernize paddy processing, strengthen food storage, and expand irrigation to boost agricultural productivity. It will enhance dairy and livestock production by improving breeding and nutrition. Coconut cultivation will be expanded, with support for small-scale growers to increase productivity and exports.

Public sector

The Government aims to modernize the public service by merging or closing redundant institutions, improving efficiency, digitizing services, upgrading assets, and settling long-overdue payments to restore accountability. Public sector reforms will continue in 2026, addressing salaries, pensions, and welfare through a new commission, salary revisions, concessional loans, enhanced benefits, increased allowances, and regularization of long-serving temporary staff.

Silver economy

Ministry of Rural Development, Social Security, and Community Empowerment to formulate policy to make senior citizens active stakeholders of society.

Promoting the blue economy

Sri Lanka aims to leverage its strategic location in the Indian Ocean to harness marine and coastal resources for sustainable economic growth and position itself as a regional hub for blue economy investments.

Providing relief to Sri Lankans abroad

The Government aims to introduce housing loan schemes at concessionary interest for migrant workers using funds of the Lanka Bureau of Foreign Employment according to the interest reimbursement method.

Logistics

The Government aims to strengthen Sri Lanka's position as a regional logistics hub by expanding port and airport infrastructure, enhancing digitalization and automation, and promoting public-private partnerships to improve efficiency, cargo handling, and overall operational capacity

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Direct Tax Proposals

Direct Tax Proposals

1. Enhanced Capital Allowance

Enhanced capital allowances are currently provided under the provisions of the Inland Revenue Act No. 24 of 2017 (IRA) for:

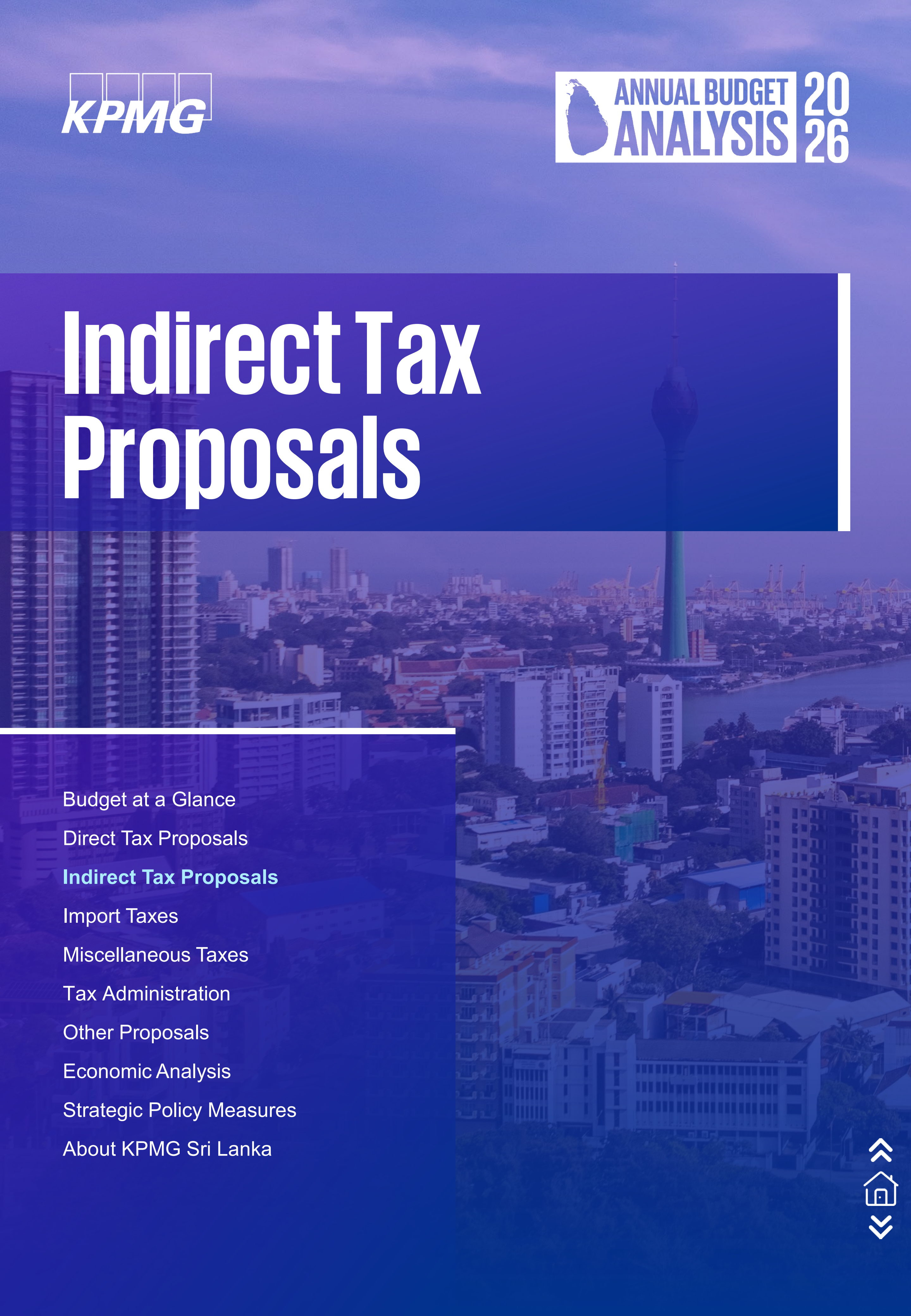
- New investments made by any person and
- Expansions carried out by existing undertakings that have entered into agreements with the Board of Investment (BOI), in respect of investments in depreciable assets exceeding USD 3 Mn.

To promote and expand new investments by SMEs, it is proposed to reduce the qualifying investment threshold for the existing enhanced capital allowances from USD 3 Mn to USD 250,000.

Current Qualifying Investment Threshold (USD)	Place of Investment	Enhanced Capital Allowance	Revised Qualifying Investment Threshold (USD)
3 Mn - 100 Mn	Other than Northern Province	100%	250,000 - 100 Mn
Exceeding 3 Mn	Northern Province	200%	Exceeding 250,000

The enhanced capital allowance can be claimed in addition to the capital allowance claim provided under Section 16 of the IRA. Any loss incurred as a result of claiming the enhanced capital allowances may be carried forward for up to ten (10) Years of Assessment.

It will be necessary to review the Statutory provisions to ascertain whether the incentive proposed is confined for new investments or would be extended for expansion of existing undertakings.



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Indirect Tax Proposals

Indirect Tax Proposals

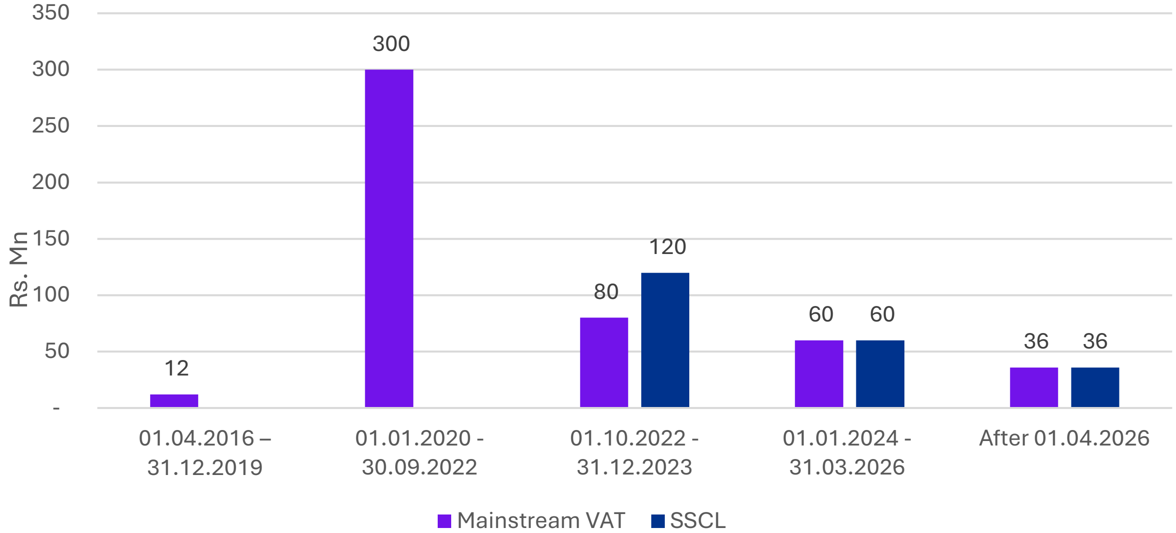
1. Reduction of VAT and SSCL registration thresholds

The Value Added Tax (VAT) and Social Security Contribution Levy (SSCL) thresholds are proposed to be reduced as follows w.e.f. 01 April 2026.

Tax Type	Current Threshold	Proposed Threshold
VAT	Rs. 60 Mn (p.a.) Rs. 15 Mn (per taxable period)	Rs. 36 Mn (p.a.) Rs. 9 Mn (per taxable period)
SSCL	Rs. 60 Mn (p.a.) Rs. 15 Mn (p.q.)	Rs. 36 Mn (p.a.) Rs. 9 Mn (p.q.)

This measure aims to broaden the tax base by bringing a larger segment of businesses into the formal tax net. Lowering the threshold will align the VAT system with international VAT practices, ensuring that medium size enterprises contribute to the national development.

The following depicts the changes in the VAT and SSCL registration thresholds from 01 April 2016 onwards. Please note that SSCL was introduced w.e.f. 01 October 2022.



2. Imposition of VAT and SSCL on imported coconut oil and palm oil replacing SCL

The proposal intends to impose VAT and SSCL on imported coconut oil and palm oil which is currently subjected to Special Commodity Levy at Rs. 150 per kilogram and Rs. 275 per kilogram, respectively. Accordingly, VAT at the rate of 18% and SSCL at the 2.5% would be imposed on imported coconut oil and palm oil w.e.f. 01 April 2026.

Currently, local producers who sells coconut oil and palm oil are subject to VAT and SSCL. The motive of the above proposal would be to create a level playing field between local producers and importers, mitigate the price variations disparity to ensure a fair competitive market and align with the standard tax structure applicable to locally produced coconut oil and palm oil.

3. Imposition of VAT on imported fabric replacing CESS

Currently, locally manufactured fabric is subject to VAT, while imported fabric enjoys VAT exemption, but is charged a CESS of Rs. 100 per kilo gram. It is proposed to abolish CESS on imported fabrics and to impose VAT, aligning the treatment of imported and locally manufactured fabric under the same tax framework. This would be effective from 01 April 2026.

This measure is to ensure a fair and uniform tax regime for both imported as well as locally manufactured fabric.

4. Imposition of SSCL on sale of vehicles

The proposal aims to bring an effective collecting mechanism by imposing SSCL on importation or manufacture and sale of vehicles. Accordingly, SSCL is proposed to be charged at the time of importation or manufacture and sale of such vehicles. The proposal also intends to exempt SSCL on any subsequent sale of such vehicles.

This proposal would be implemented effective from 01 April 2026.

Currently, any motor vehicle identified under HS code for Custom purpose and liable to the excise duty under the Excise (Special Provisions) Act at the time of importation or manufacture and sale of such vehicle are exempt from SSCL.

The proposed change appears to be aimed at streamlining the collection process
effectively thereby, enhancing the SSCL revenue generation.

However, ambiguity exists as to whether this proposal would cause any changes or remove the current Excise Duty applicable to motor vehicles.

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Import Taxes

Implementation of a National Tariff Policy and phasing out of Para-tariffs

The current Custom Import Duty bands of 0%, 15% and 20% will be revised to a more streamlined structure of 0%, 10%, 20% and 30% effective from April 2026. This reform aims to enhance external trade competitiveness, reduce distortion in the tariff regime and align Sri Lanka's trade policy with international best practices.

Along with the above revision, phased removal of para tariff will be undertaken through a carefully designed roadmap.

The underlying rationale for this change is to promote trade competitiveness by streamlining and rationalizing the tariff regime.

A commitment was made in March 2024 that para-tariffs would be phased out within 5 years, however, under the present regime, a timeframe has not been mentioned.

While the proposal to phase out para-tariffs with minimal revenue impact is a positive step, the absence of a clear timeframe creates uncertainty for businesses and investors. A defined schedule would help ensure predictability and confidence in the reform process

Miscellaneous Taxes

Miscellaneous Taxes

1. Telecommunication Levy

The proposal seeks to introduce bad debt/ bad debt recovery adjustments in computing the telecommunication levy.

This amendment will be incorporated into the Telecommunications Levy Act, with the possibility of further revisions being introduced periodically as deemed necessary.

Under the current legislative framework, the Telecommunication Levy Act does not provide for any adjustments relating to bad debts incurred or recovered in the calculation of such levy.

The proposed amendment seeks to provide clear guidelines in computing the same ensuring transparency and consistency.

2. Amendment of tax laws - Anti-Money Laundering and Counter-Terrorism Financing

New legal provision to be introduced to the relevant tax laws to exchange information with the financial intelligence unit and other enforcement agencies in relation to Anti-Money Laundering and Countering Financing Terrorism (AML/CFT) framework.

The above proposal is expected to reinforce the Government's efforts under AML/CFT framework, primarily through enhanced enforcement measures such as prosecutions and the imposition of fines and penalties.

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Tax Administration

Tax Administration

1. Strengthening Tax Collection

It is proposed to implement a comprehensive reform aimed at strengthening the income tax system, enhancing the efficiency of Value Added Tax (VAT) and Excise duty administration, and expanding the formal sector through simplified procedures and a digital-first compliance framework.

2. Improving the Tax Audit Process

Amendments will be introduced to the tax statutes to reinforce and establish a transparent, rule-based revenue administration through the implementation of a modern tax audit framework. This initiative is intended to enhance the integrity, efficiency, and fairness of tax administration, with the new audit framework taking effect from Returns filed from January 2026, aimed at reducing discretion and mitigating corruption.

Under the proposed system, tax files will be selected through a transparent risk assessment process conducted by the Risk Management Unit, and subject to review by a Committee appointed by the Commissioner General of Inland Revenue (CGIR), if required.

3. Establish single DIR office complex

Allocation of Rs. 2,000 Mn to establish a new office complex for Department of Inland Revenue (DIR) integrating all divisional offices under one roof, to provide reliable and efficient services to taxpayers and strengthen the tax collection process.

4. Implementation of RAMIS 3.0

The DIR is presently undergoing a modernization initiative through the implementation of Revenue Administration Management Information System (RAMIS) 3.0, with the aim of establishing a more progressive and equitable tax system.

5. Development of National Electronic Invoicing System

Introduce an API-based integrated framework to facilitate seamless connectivity between taxpayers' Enterprise Resource Planning (ERP) systems and the Revenue Administration Management Information System (RAMIS), with the objective of initiating a national e-invoicing system in Sri Lanka.

The initiative is expected to be implemented within this year, following a pilot project involving a selected group of companies equipped with ERP systems capable of supporting API integration.

1st phase

Extended to cover export-oriented enterprises and other selected pilot companies

2nd phase

Will broaden the scope to include all VAT-registered taxpayers

3rd phase

Deployment of e-invoicing system through point-of-sale (POS) machines to enable real-time transaction recording and enhance tax compliance via a fully web-based platform

This is a welcome move that will strengthen VAT compliance, reduce fraud and improve efficiency in VAT registration. However, integration cost for businesses such as ERP upgrades, API development and POS deployment should be carefully considered.

Other Proposals

Tax exemption for construction of new telephone towers

It is proposed to grant tax exemptions for a period of five years for the construction of new telephone towers undertaken under the "Digital Technology Expansion Programme."

Future Statutory wording would reveal the scope of taxes to be eliminated, i.e. Income tax, VAT, SSCL and Telecommunication Levy etc. and the beneficiary of this tax concession, i.e. telecom operator, tower construction company or consumers.

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Economic Analysis

Economic Analysis

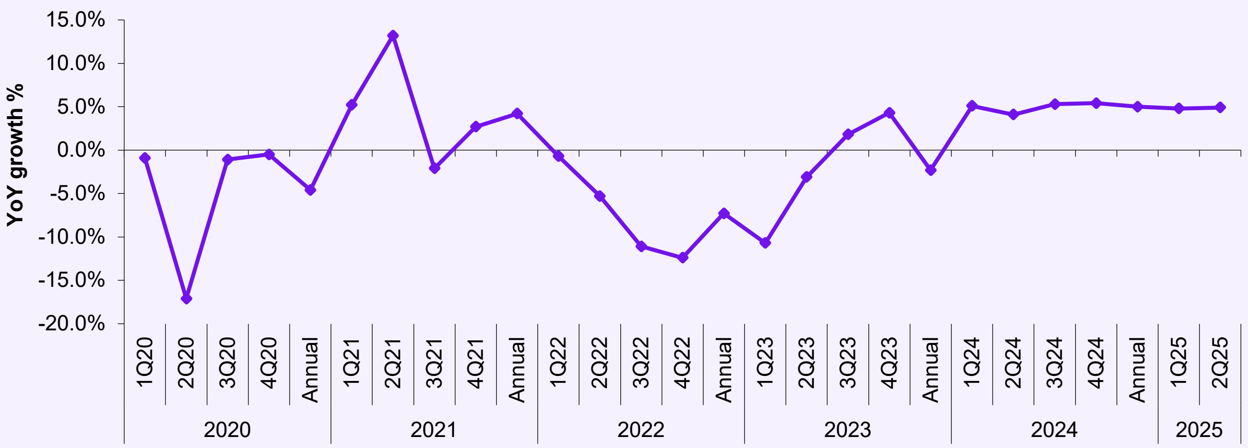
Sri Lanka's Economy: Reform driven growth gaining momentum, but structural challenges persist.

The Economic engine is gathering momentum for a Take-Off

Sri Lanka has now recorded six consecutive quarters of GDP growth, marking a decisive recovery path following the 2022 economic crisis. The economy expanded by 5.0% year on year (YoY) in FY2024, returning to positive territory, and is on track to achieve a further 5.0% YoY growth in FY2025.

This rebound has been underpinned by IMF-led policy reforms and a firm commitment by successive governments to maintain fiscal discipline and pursue structural adjustment targets. The Sri Lankan economy continues to be driven predominantly by the services sector, followed by industry and manufacturing. Encouragingly, both the industrial and agricultural sectors have also demonstrated renewed strength, recording YoY growth of 5.8% and 2.0% respectively, in 2QFY2025, signaling a broad-based recovery across the key engines of economic growth.

Real GDP quarterly growth rate - (2022 - 2Q2025)



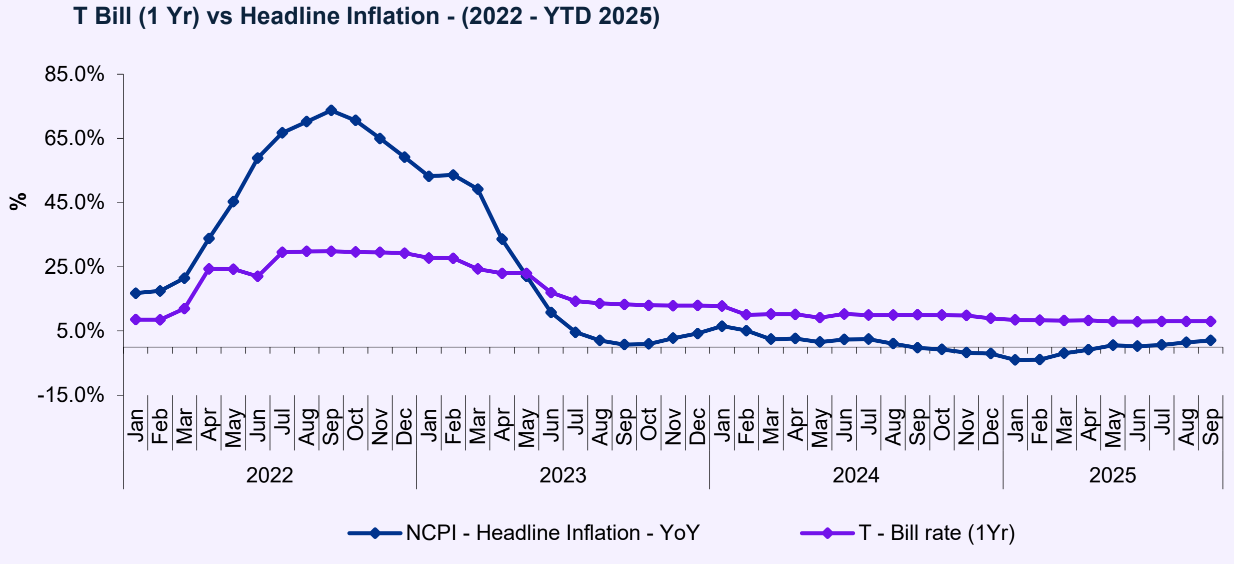
Economic Analysis

Growth fueled by declining Interest rates and anchored Inflation

The Central Bank of Sri Lanka (CBSL) has done a commendable job in restoring price stability following the 2022 economic crisis. Inflation fell to single digits by mid-2023 and is now anchored below 5%. With the introduction of a Flexible Inflation Targeting (FIT) framework in October 2023, the CBSL has set an inflation target range of 3.0% – 7.0%, to be maintained over the medium term.

With inflation under control, monetary policy has shifted towards an accommodative stance. In late 2024, the CBSL transitioned to a Single Policy Interest Rate Framework, simplifying its monetary policy signaling and reducing the policy rate to 7.75%. Treasury bill yields, a key indicator of short-term market rates, have continued their downward trend, falling to single-digit levels by November 2024 and approaching pre-crisis levels, while liquidity conditions in the financial system remain in surplus.

Consequently, lending rates have eased, spurring private-sector credit growth, a leading indicator of real-sector expansion. As of August 2025, private-sector credit grew by around 20.5% YoY and continues to rise steadily each month. Given the lagged correlation between credit growth and GDP performance, this steady pickup in private credit and investment is expected to fuel continued economic momentum through FY2026, led primarily by domestic consumption and business expansion.



Fiscal reforms under IMF – EFF program yielding results

The IMF-supported Extended Fund Facility (EFF), introduced in March 2023 (Sri Lanka's 17th engagement with the IMF) under a USD 2.9 Bn four-year program, has focused on restoring fiscal discipline through revenue enhancement, state-owned enterprise (SOE) reforms, cost-reflective pricing mechanisms, expenditure rationalization, monetary and debt management reforms, and strengthened governance frameworks.

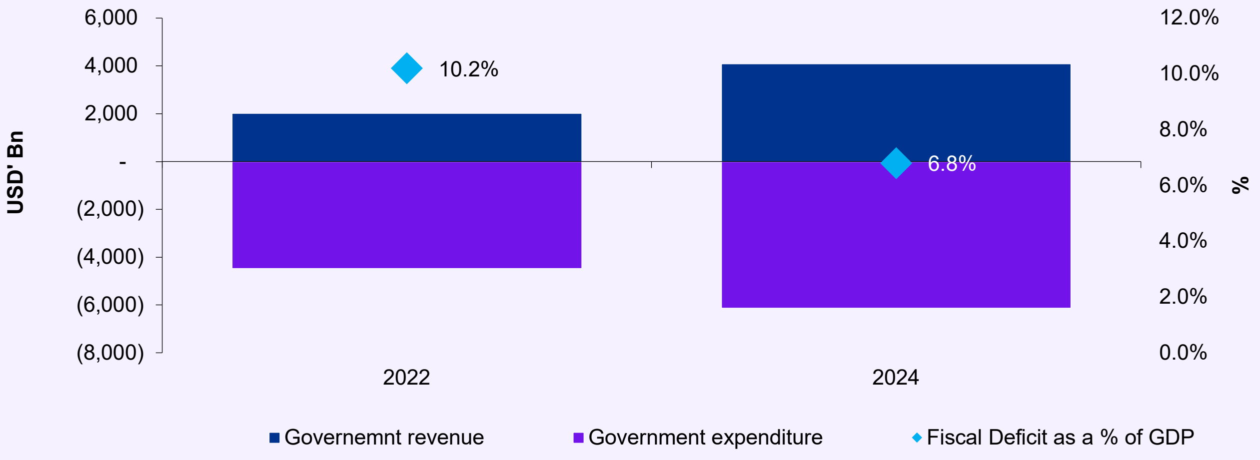
Government tax revenue, which accounts for nearly 92.0% of total fiscal receipts, as a share of GDP has improved significantly as a share of GDP, reaching 12.4% in FY2024, up from 7.3% in FY2022 driven by IMF-led fiscal consolidation measures. These include mandatory TIN registration for citizens aged 18 and above, linking TINs to major asset purchases, digitalizing the Inland Revenue Department (IRD), streamlining tax administration, and curbing corruption and revenue leakages within collection agencies.

On the expenditure side, performance has been relatively muted, with total expenditure still hovering around 20.0% of GDP. Recurrent expenditure continues to rise, largely due to interest payments on public debt, while capital expenditure, critical for long-term growth, remains constrained, with only Rs. 790 Bn expensed in FY2024. Despite this, the Government achieved a consecutive primary surplus (revenue minus expenditure, excluding interest and principal payments) for FY2024, reflecting improved fiscal management. The overall fiscal deficit also narrowed to 6.8% of GDP, compared to 10.2% in 2022.

In the first half of FY2025, fiscal performance has maintained its positive momentum. Government revenue rose to Rs. 2.3 trillion, marking an impressive 25% YoY growth. This was largely driven by excise duty collections, which surged 40% YoY to Rs. 400 Bn, boosted by the resumption of vehicle imports in February 2025, which alone contributed Rs. 335 Bn, compared to just Rs. 30 Bn in the same period last year.

On the expenditure front, government spending grew at a slower pace of 11.8% YoY, with recurrent expenditure up by 12.9%, while capital expenditure declined 20.0% YoY to Rs. 228 Bn. The Government of Sri Lanka (GoSL) remains on track to achieve a primary surplus for the third consecutive year, underscoring its commitment to fiscal consolidation. Consequently, the overall fiscal deficit is expected to be contained below 6.0% of GDP for FY2025.

Gov Revenue & Gov Expenditures vs Fiscal Deficit as a % of GDP (FY2022 vs FY2024)



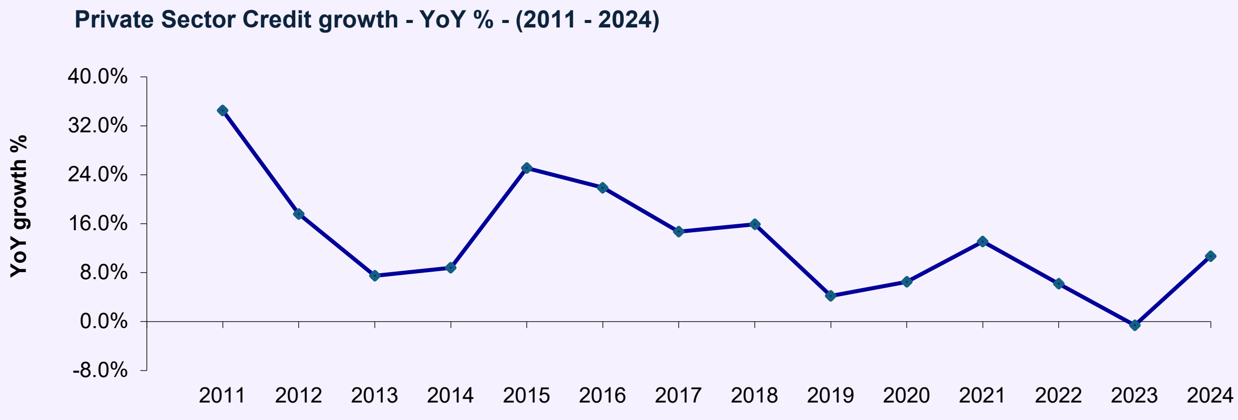
Deficit financing requirements decline, creating space for Private-Sector borrowing

Monetary financing of the budget deficit has declined sharply, supported by stronger revenue performance, the IMF-led fiscal discipline framework, and the introduction of statutory borrowing ceilings. The enactment of the Central Bank of Sri Lanka Act No. 16 of 2023 has further strengthened this framework by legally prohibiting direct monetary financing of the fiscal deficit.

During the crisis years, domestic financing requirements ranged between 10.0%–12.0% of GDP, reflecting the Government's limited access to foreign borrowing. However, with improvements in fiscal management and deficit reduction, this requirement has fallen to 5.7% of GDP in FY2024. Combined with ample liquidity and declining interest rates, this has created a more conducive environment for private-sector borrowing, which had been crowded out during the crisis period. As credit conditions ease, private-sector lending has recovered steadily, supporting investment and consumption growth across the economy.

Looking ahead, deficit-financing pressures are expected to remain contained, allowing fiscal policy to stay aligned with macro stability objectives. Indirect taxes are likely to play a greater role in fiscal revenue, in line with projected 5.0% GDP growth, as stronger economic activity typically boosts collections through higher consumption, production, and trade volumes.

Nonetheless, temporary factors such as the normalization of pent-up vehicle-import demand and the lingering effects of high inflation and currency depreciation on household purchasing power could temper consumption growth in FY2026. Hence, maintaining expenditure discipline remains essential for sustaining fiscal stability in the medium term.



Strengthening External sector supports Sovereign Rating upgrade

Sri Lanka’s external position has strengthened considerably, reflecting greater macroeconomic stability and improved policy credibility. In recognition of this progress, S&P Global Ratings upgraded Sri Lanka’s foreign-currency sovereign rating to CCC+ from “Selective Default” in September 2025, following notable advances in debt-restructuring negotiations and fiscal consolidation efforts.

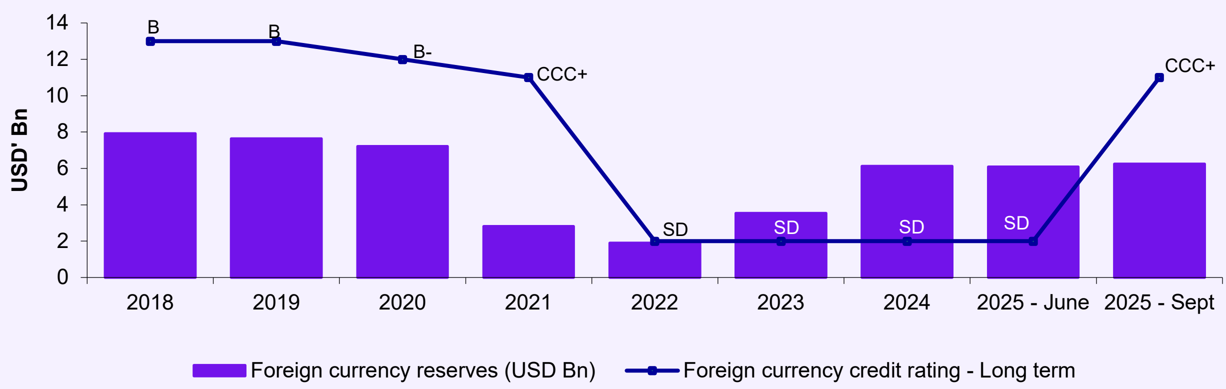
This upgrade marks a key milestone in Sri Lanka’s path toward regaining international market access and restoring investor confidence in both foreign direct investment (FDI) and portfolio flows. Sustained reform momentum and a credible debt-sustainability framework could support further rating improvements toward the B+ category over the next few years. Historically, Sri Lanka has reached the B+ category on multiple occasions, with the most recent peak recorded in 2017.

Economic Analysis

The external sector remains resilient, supported by robust workers' remittances and a strong tourism recovery. CBSL has managed foreign-exchange operations prudently, accumulating reserves of around USD 6.2 Bn, equivalent to 3.7 months of imports, with a target of USD 7 Bn by end-2025. This steady reserve build-up underscores macroeconomic stability and renewed confidence in the exchange-rate regime.

As a result of strong foreign-exchange inflows and methodical FX purchases by CBSL, Sri Lankan rupee (LKR) has remained broadly stable against major currencies. In FY2024, the LKR appreciated by 9.3% against the USD, supported by robust inflows and a steady accumulation of reserves. However, during FY2025 YTD, the currency has shifted into a mild depreciation trend, recording a 3.5% depreciation as external balances normalized. Looking ahead, as reserves continue to strengthen and credit ratings improve, the LKR is expected to revert toward its long-run average depreciation rate of 3.5–5.0% per annum, broadly consistent with purchasing-power-parity inflation differentials between Sri Lanka and the United States.

S&P Global Credit rating and Forex Reserves - (2018 - Sep 2025)



Staying the course: Reforms, Revenue, and Discipline shall define Sri Lanka's next growth phase

The IMF-led EFF, which concludes by mid-FY2027, has been a turning point in Sri Lanka's economic reform journey achieved amid one of the most challenging periods in its post-independence history following the sovereign default. Looking forward, maintaining policy continuity, investment-led growth, and fiscal discipline will be vital to preserve the stability gained and attract sustained foreign capital. With stronger governance, structural reforms in SOEs, and efficient capital deployment, Sri Lanka has the opportunity to convert its hard-won recovery into sustainable, long-term prosperity.

A government with both executive and parliamentary authority held by a single party, backed by a strong legislative majority, provides the ideal foundation to accelerate economic reforms and place the country on a durable growth trajectory. However, FY2028 will be a critical juncture, as the Government begins repaying its restructured external debt. This provides a two-year window to consolidate recent gains, and among the key priorities will be to strengthen foreign reserves, targeting USD 12.9 Bn by end-FY2027, and to reduce the Central Government debt-to-GDP ratio to 95%. Equally important will be the continued advancement of poverty-alleviation initiatives to ensure that the benefits of reform are broadly shared.

As Sri Lanka moves into this next phase, the challenge will be to balance fiscal prudence with growth ambitions; navigating slower population growth, an ageing demographic, and limited fiscal space. Success will depend on staying the reform course and mobilizing private and foreign investment to sustain the momentum. If executed with discipline, Sri Lanka can transform its recovery into a resilient and enduring growth phase.

Strategic Policy Measures

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Strategic Policy Measures

Fostering Investments

Fostering Investments

1. New legislative reforms to attract and safeguard investments

- Amendments to Investment Laws
  - Proposed changes to the Strategic Development Projects Act and Colombo Port City Economic Commission Act to create a consistent, transparent, and rule-based incentive regime for foreign and domestic investors.
  - Streamlines FDI approval procedures and clarifies incentives, aligning with IMF Governance Diagnostic Assessment recommendations.

- Public-Private Partnership Framework - Draft Public-Private Partnership Act published for public consultation; expected approval in early 2026 to enable private sector participation in national infrastructure projects.

- Transparency in Tax Exemptions - Government to publish a tax expenditure statement on the Ministry of Finance website bi-annually.

- Investor Protection - New Investment Protection Act to be enacted in early 2026.

2. Digital Single Window for faster investment approvals

Digital Single Window System to be introduced to streamline and accelerate the approval process for projects under the Board of Investment (BOI). This centralized platform will improve efficiency, transparency, and convenience for investors.

3. Strengthening IT infrastructure to drive future investments

- Reviving previously abandoned technology parks in Kurunegala and Galle and opening them for private sector participation.

- Two new technology parks will be developed under the BOI in Digana and Nuwara Eliya.

Fostering Investments

4. Introduction of Residence Visa Scheme for foreign investors

A Residence Visa System will be introduced for foreign investors who meet the minimum investment threshold in priority sectors or eligible projects.

5. Creation of new opportunities for SMEs

Developing auxiliary zones as service zones thereby integrating SMEs into the value chain.

6. Efficient land release for investment

A land use policy plan to be prepared and a new legal framework for the provision for land to investors along with the establishment of a central digital information system in respect of land information.

7. Integrated Framework for Strengthening SMEs

Consolidate the functions of the Industrial Development Board (IDB), the National Enterprise Development Authority (NEDA) and the Small and Medium Development Division (SMED) under the IDB for more efficient development of SMEs.

8. Sustainable infrastructure development

- New economic opportunities to be explored:
    - Establishment of data centres.
    - Efficient public transport.
    - Green hydrogen and Green ammonia initiatives.

- Establish an integrated economic development framework for energy, digital and transport.

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Strategic Policy Measures

Strengthening Socio Economic Factors

Strengthening Socio Economic Factors

Concessionary loan schemes

- The Government has introduced a loan scheme through local banking institutions to support the SME sector by providing concessional interest rates. Under this initiative, loans of up to Rs. 25 Mn will be granted to successful businesses, while enterprises facing economic hardship will be eligible for loans of up to Rs. 15 Mn and others would be granted a loan facility up to Rs. 50 Mn.
- Concessionary loan schemes will be extended to support youth entrepreneurship, microfinance initiatives, and the empowerment of women entrepreneurs.

Agriculture

- To provide agricultural loans of up to Rs. 3 Mn under the New Comprehensive Rural Credit Scheme (NCRCS), with an interest subsidy of 5%.
- Establish a Sustainable Farmers' Loan Fund with the objective of enhancing access to agricultural projects.
- Under the pledged loan scheme, paddy mill owners will be granted loans of up to Rs. 50 Mn at concessional interest rates.
- Provision of paddy drying machines equipped with modern technology to relevant farming companies and cooperative societies.
- Implementation of National Dairy Production Programme aimed at achieving the target of fulfilling 75% of the domestic milk requirement by 2030.
- Implementation of a structured programme to motivate coconut growers to expand cultivation in order to meet export targets.
- Support the development of the fishery industry by upgrading the infrastructure of existing fishery harbors.
- Increase agricultural production in Matale, Kandy and other potential areas in the dry zone with the use of new technologies and climate friendly irrigation technologies.

Strengthening Socio Economic Factors

Education and Training

- Provision of a monthly allowance of Rs. 5,000 per disabled child from low-income families to support education at both school and higher educational institutions.
- Allocation of funds for the enhancement of medical faculties at selected universities and common facilities across all universities.
- Enhance research facilities at universities and higher educational institutions.
- Increase the monthly Mahapola allowance to Rs. 10,000, the bursary allowance to Rs. 9,000, the National College of Education scholarship by Rs. 2,500 and the "Nipunatha Sisu Diriya Allowance" will be increased by Rs. 2,500.
- Provide higher education scholarships and support the skill development of journalists, in line with the advancement of journalism and modern technology.

Strengthening Socio Economic Factors

Social Protection and accessibility initiatives

- Provision of a subsidy of Rs. 10,000 per person with disabilities through "Aswesuma programme".
- The existing Regulations pertaining to persons with disabilities will be revised to align with international standards and specifications.
- Providing accessibility and sanitation facilities at public places such as Divisional Secretariats, Railway Stations, Bus Stands, Courts, Police Stations for the benefit of the disabled community.
- Provide a wage subsidy equivalent to 50% of the employee's salary, subject to a maximum of Rs. 15,000 per month, for a period of up to 24 months, with the objective of encouraging private sector employers and promoting employment opportunities for the disabled community.

Healthcare

- There are multiple initiatives proposed by the Government in respect of improving and developing healthcare services and significant funds have been allocated in respect of the same.

Strengthening Socio Economic Factors

Others

- Increase the current minimum daily wage of estate workers from Rs. 1,350 to Rs. 1,550, effective from January 2026. In addition, the government will provide a daily attendance incentive of Rs. 200.
- Implementing a housing loan scheme at concessional interest rates and contributory pension scheme for migrant workers.
- Implementing comprehensive plans to mitigate urban flooding and coastal erosion.
- Initiate new drinking water projects and expedite the existing ongoing projects to improve access to clean drinking water.
- Strengthening the public transportation by expanding the long-distance bus fleet, replacing and procuring transport related equipment and machinery, enhancing railway services, and formulating systematic route programs.
- Resume construction activities on selected roads, bridges and irrigation projects that were previously suspended.
- Measures will be initiated to mitigate the human-elephant conflict.
- Implementation of comprehensive drug control programs across all relevant sectors along with the establishment of 10 voluntary rehabilitation centers.

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Strategic Policy Measures

Digitalization

Digitalization

- Enhance facilitation of digital payments including QR codes, consequent to which, service fees for payments to Government institutions will be waived as an initial incentive.
- Introduction of a new Digital Economy Act and a Digital Economy Authority to promote digital infrastructure in Sri Lanka. Allocation for investment in respect of digital infrastructure improvements, such as, Artificial Intelligence, Cloud Computing and Data centers.
- Proposal for a digital identity card, known as the Sri Lanka Unique Digital Identity (SLUDI), and creation of a single window digital interface to deliver Government services.
- The Government proposes to provide concessionary measures for setting up data centers and Virtual Special Economic Zones. Further, the Government proposes to facilitate other strategic digital infrastructure projects (scholarships, education-related programs and acceleration of the start-up ecosystem).
- The Government intends to strengthen the Integrated Treasury Management Information System (ITMIS), to facilitate effective revenue administration.
- Introduction of an e-procurement system to mitigate corruption risks in line with IMF recommendations.
- The Board of Investment's project approval process will be based on a 'Single Window Mechanism', in-line with digitalization initiatives.
- The Government proposes to establish a Central Digital Information system, in respect of land information under the Land Use Policy Plan.

Strategic Policy Measures

Enhancing Inflow of Foreign Exchange

Enhancing Inflow of Foreign Exchange

1. Tourism

- Earnings from tourism has increased from USD 2.3 Bn in 2024 to USD 2.5 Bn in 2025.
- The Government targets to
    - Increase earnings from tourism - USD 8 Bn and
    - Enhance tourist arrivals - 4 Mn by 2030
- To establish Sri Lanka as a leading International transit hub to meet the growing demand for air transport.
- Allocation of Rs. 3,500 Mn - tourism destination development project centered on nature and the preservation of historical heritage.
- Government-owned tourist bungalows and resorts located in prime tourist areas have been identified for development into income-generating ventures with private sector collaboration.
- Allocation of Rs. 500 Mn - short-term vocational training programs launched by the Sri Lanka Institute of Tourism and Hotel Management.
- Allocation of Rs. 2,500 Mn for the transformation of Beira Lake into an attractive destination in the heart of Colombo.
- The development of Hingurakgoda Airport is scheduled for completion in 2026 to boost domestic air travel.
- Allocation of Rs. 1,000 Mn for upgrading the Sigiriya and Trincomalee domestic airports and enhancing operations of Jaffna International Airport.
- Resume expansion of Bandaranaike International Airport in the first quarter of 2026.
- Haputale identified as a key tourist destination.

2. Boosting External Trade

- National Export Development Plan (2025–2029)
  - Focus on export diversification, competitiveness, global value chain integration, and market expansion.
  - Allocation of Rs. 250 Mn under the National Export Brand Promotion Plan by the Export Development Board (EDB) to promote Sri Lankan products and services internationally, with emphasis on SMEs and emerging service sectors.

- Free Trade Agreements (FTAs) Committee appointed to review existing FTAs and negotiate new agreements.

- Allocation of Rs. 2,500 Mn for improvement of Trade National Single Window (NSW), which is the Government-driven platform for single-point submission of trade documentation and data required for importation, exportation, or transit of goods through a single-entry point.

- To position as a Regional Hub for Blue Economy Investments with the objective of harnessing marine and coastal resources for economic growth.

- Development of Port Operations:
  - Enhance Colombo Port's efficiency through major development initiatives.
  - Feasibility studies to be carried out for proposed Ports Logistics Centers.
  - Establish Kerawalapitiya Customs Verification Center and Trade Facilitation Centres.
  - Digitization and automation of port operations such as integrated data management system, Port Community System etc.

- Development of Airport Operations:
  - Expand cargo terminals and handling facilities at BIA.
  - Provide advanced facilities to improve operational efficiency.

About KPMG Sri Lanka

KPMG Sri Lanka at a Glance

Professionals In KPMG Sri Lanka

1,200+
People Locally

19
Partners

- Tax - 55
- Audit - 843
- Advisory - 339

Part of

142
Countries in the Global Network

Celebrating Excellence Spanning

125
Years & Beyond

Combined Global Revenues

$38.4
USD in Billions - FY 2024

Established in

1897
The Oldest Chartered Accountancy Firm in the Country

Awards & Recognitions

2023
One of **LMD's most Respected Entities** in Sri Lanka for **2023**

2022
Sector winner in **Financial Services** by **LMD's most Respected Entity** in Sri Lanka for **2022**

2022
KPMG firms named a **"Strong Performer"** by **Forrester - The Forrester Wave™**: Oracle Cloud Apps Implementation Services Partners, Q2 2022

2021
KPMG Sri Lanka **ACCA Platinum Employer Status for Training and Professional Development**

2021
Sector winner in **Financial Services** by **LMD's most respected entity** in Sri Lanka for **2021**

2021
Best Corporate Advisory Firm - Sri Lanka **2021 Global Economics Awards**

2019
First in **Financial Services** Category **LMD Most Respected 2019**

2019
Forrester Wave Leader – 2019 – Global Cyber Security Consulting Services

2018
Sri Lanka **Tax Firm of the Year Asia Tax Awards 2018**

2018
Oracle SaaS Partner of the Year 2018
Oracle ERP Partner of the Year 2018
Oracle SCM Partner of the Year 2018

2017
First in the **Auditors League** in Sri Lanka **LMD 100 - 2017**

2017
First in the **Auditors League** in Sri Lanka **LMD 100 - 2017**

2016
Best Advisory Firm in Sri Lanka **The International Finance Magazine 2016**

2016
Best Deal Advisory Firm in Sri Lanka **Global Banking and Finance Review 2015**

Leadership Team - KPMG in Sri Lanka

Audit

Suren Rajakarier
Partner - Chief Operating Officer
Head of Audit & Assurance

Ranjani Joseph
Partner - Head of Banking Services and Clients & Markets

Chamara Abeyrathne
Partner – Head of Audit & Assurance, Head of Delivery Centre

Upul Karunaratne
Partner – Audit,
Deputy Risk Management Partner

Thamali Rodrigo
Partner – Head of Restructuring, Enterprise Advisory and Corporate Governance.

Harsha Rajan
Partner – Audit,
Head of PPC

Shameel Nayeem
Partner – Audit,
Head of Maldives Office

Dhammika Rajapakse
Partner - Audit

Raditha Alahakoon
Partner - Department of Professional Practice (DPP)

Pyumi Sumanasekara
Partner - Sustainability, ESG, Family Business & Board Governance, Global Assurance

Priyanka Jayatilake
Managing Partner

Advisory

Shiluka Goonewardene
Principal - Deal Advisory,
Head of Advisory
Deputy Head of Clients & Markets

Jagath Perera
Partner - Governance Risk & Compliance Services, Forensic Services
Risk Management Partner

Kamaya Perera
Partner - Head of Management Consulting & Technology, Deputy Head of Advisory & PPC

Karthikeyan Somasundaram
Principal – Deal Advisory

Dushani Corea
Principal – Deal Advisory

Tax

Suresh R. I. Perera
Principal - Head of Tax & Regulatory

Rifka Ziyard
Principal - Tax & Regulatory

Hasitha Raddella
Partner - Tax & Regulatory

KPMG

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