



Performance Report

2015

Department of Trade and Investment Policy
General Treasury
Ministry of Finance
Colombo -01

Table of Contents

1. INTRODUCTION	1
1.1 Organizational Frame Work	1
1.2 Vision	1
1.3 Mission	1
1.4 Goal	1
1.5 Objectives	2
1.6 Organizational Structure	3
1.7 Functions.....	4
1.7.1 Trade Policy Division	4
1.7.1.1 Trade Policy	4
1.7.1.2 Free Trade Agreements	4
1.7.1.3 Tariff Policy	5
1.7.1.4 General (Cross Cutting theme between Trade and Investment Policy Domains)	6
1.7.2 Investment Policy Division.....	6
1.7.3 Administration and Finance Division.....	7
1.7.3.1 Human Resource Profile	7
2. FORMULATION AND IMPLEMENTATION OF POLICIES	7
2.1 Trade Agreements.....	7
2.1.1 Progress under Trade Agreements.....	8
2.1.1.1 India - Sri Lanka Free Trade Agreement (ISFTA).....	9
2.1.1.2 Pakistan - Sri Lanka Free Trade Agreement (PSFTA)	9
2.1.1.3 South Asia Free Trade Agreement (SAFTA).....	10
2.1.1.4 Asia Pacific Trade Agreement (APTA).....	11
2.1.1.5 Bay of Bengal Initiatives on Multi- Sectoral Technical and Economic Co- operation (BIMSTEC) Free Trade Agreement	12
2.1.1.6 Proposed China - Sri Lanka Free Trade Agreement	14
2.1.1.7 Foreign Trade under FTAs.....	15
2.2 Joint Economic Agreements	16
2.3 Import Tariff Structure	17
2.3.1 Newly Added National Sub Divisions to the Harmonized System in 2015 .	18
2.3.2 SAFTA Duty Structure - RPO 2015	18

2.3.3 Revisions made under Revenue Protection Act No. 19 of 1962.....	18
2.4 Special Commodity Levy (SCL) Act No. 48 of 2007	18
2.5 Duty Waivers	19
2.6 Investments	20
2.6.1 Foreign Direct Investment (FDI)	20
2.6.2 Foreign Outward Investment	21
2.7 International Co-operation.....	22
2.7.1 SAARC Development Fund (SDF)	22
2.8 Bonded Cargo	23
3. PERFORMANCE ON ADMINISTRATION AND FINANCE.....	24
3.1 Administration	24
3.2 The Special Scheme Projects.....	28
3.2.1 Scheme for the Public Officers to Import Vehicles under Concessionary Terms	28
3.2.2 Issuing Concessionary Motor Vehicle Import Permits for Senior Public Sector Officers who retired from the Government Service.	28
3.3 Finance Division.....	28
3.4 Audit Queries.....	29
4. ANNEXES	30

List of Tables

Table 2.1	Total Imports and Exports value under ISFTA for Sri Lanka - 2014 / 2015	09
Table 2.2	Total Imports and Exports value under PSFTA for Sri Lanka - 2014 / 2015	10
Table 2.3	SAFTA Tariff Liberalization Programme	11
Table 2.4	Total Imports and Exports value under SAFTA for Sri Lanka - 2014 / 2015	11
Table 2.5	Total Imports and Exports value under APTA for Sri Lanka - 2014 / 2015	12
Table 2.6	Tariff Liberalization Schedule to the BIMSTEC FTA	13
Table 2.7	Fast Track Tariff Liberalization	14
Table 2.8	Normal Track Tariff Liberalization	14
Table 2.9	Imports under Trade Agreements in 2015	15
Table 2.10	The Summary Status of Joint Economic Trade Committees	16
Table 2.11	Tariff Structure as at December 31 st , 2015	17
Table 2.12	The Changes made in Tariff Structure from 2008 to 2015	18
Table 2.13	Duty Waivers granted under the Section 19(A) of the Customs Ordinance in 2015	19
Table 2.14	General Duty Waivers granted under Section 19(A) of the Customs Ordinance	20
Table 2.15	BOI Requests under BOI Negative List	20
Table 2.16	Outward Investments approved in 2015	21
Table 2.17	SAARC Development Fund Meetings in 2015	22
Table 3.1	Cadre Position as at December 31 st 2015	24
Table 3.2	Training Courses, Study Tours, Seminars, Workshops, Meetings Abroad in 2015	26
Table 3.3	Local Training Courses, Study Tours, Seminars in 2015	27
Table 3.4	Utilization of Budget Estimates in 2015	29
Table 3.5	Public Officers' Advance 'B' Account in 2015	29
Table 4.1	NSD's to the Harmonize System in 2015	30
Table 4.2	SAFTA Tariff Liberalization in 2015	32
Table 4.3	Revenue Protection Act No. 19 of 1962 (Customs Import Duty)	33
Table 4.4	Duty Revisions under Special Commodity Levy Act No. 48 of 2007	34
Table 4.5	Audit Queries – Government Audit in 2015	35
Table 4.6	Audit Queries – Department of Management Audit in 2015	36

1. INTRODUCTION

1.1 Organizational Frame Work

With the broad objective of promotion and facilitation of country's international economic integration, in June of 2006, this Department was established and named as "Department of Trade, Tariff and Investment Policy" under the General Treasury, Ministry of Finance.

The Department focuses mainly on the formulation and implementation of sustainable policies on external trade, tariff and investment for the benefit of Sri Lankan economy and the people. To broaden the functions of the Department, it was renamed again in 2012 as "Department of Trade and Investment Policy".

In 2015, the strategic direction of the Department was restructured and reformulated its Vision, Mission, Goals and Objectives and Organizational Structure in order to provide a better service.

The Department constitutes of three Divisions to implement its core business as follows;

- i. Trade Policy Division
- ii. Investment Policy Division
- iii. Administration and Special Schemes Division

1.2 Vision

Ensuring to establish proactive policies in trade and investment for inclusive development of the country.

1.3 Mission

Fostering a trade and investment policy environment to facilitate international economic integration for inclusive development.

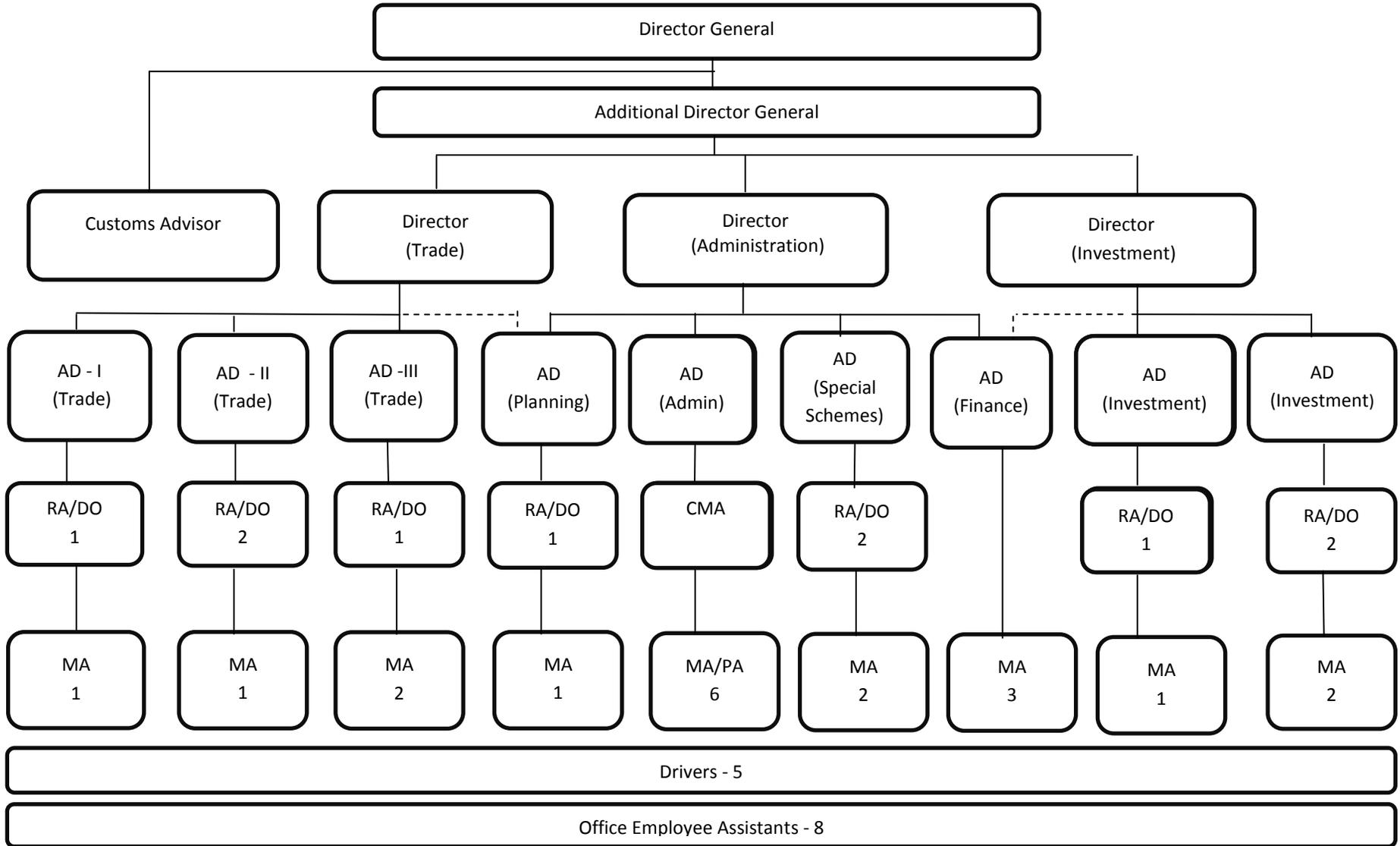
1.4 Goal

- To promote Sri Lanka as preferred FDI destination in the region
- To improve the position of Ease of Doing Business Index to below 50
- To gain industrial friendly tariff regime
- To promote US\$ 25 billion trading economy by 2020
- To issue concessionary vehicle permits for public sector officers
- To implement competitive advantage trade agreements for trade

1.5 Objectives

- To simplify the existing investment authorization policies in next two years
- To eliminate the restrictions which discourage the investment in next two years
- To strengthen the Temporary Importation for Export Processing (TIEP) Scheme and Bonded Warehouse Policy in next three years
- To organize the dialogue with relevant stakeholders for preparing a policy for SME sector within the period of one year
- To introduce mechanism to improve Small Entrepreneurs to Medium Entrepreneurs and Medium Entrepreneurs to large scale within two years
- To enter into FTAs with China, USA and European Union by 2018
- To assist the entrepreneurs providing necessary information through customer friendly database within next two years
- Preparation of legal guidance for outward investors
- To streamline the issuing of public officers' concessionary vehicle permits within the year
- To promote US\$ 15 billion trade in goods by 2017
- To minimize tariff related issues below 10% within next two years
- To promote free trade agreements based on reciprocal benefits within the asymmetrical nature of island trading economy
- To promote free trade agreements which provide access to the global value chain trading / industries

1.6 Organizational Structure



1.7 Functions

1.7.1 Trade Policy Division

Trade Policy Division is responsible for policy formulation, implementation and reviewing the matters related to Trade, Tariff and Free Trade Agreements. The key functions of the Division can be spelt out as follows;

1.7.1.1 Trade Policy

- i. Development of Comprehensive Trade Policy Framework
- ii. Compilation of Trade Policy related Legislations of Sri Lanka
- iii. Compilation of Trade Policy related Regulations of Sri Lanka
- iv. Analysis of Trade Policy related Issues and Alternatives
- v. Enforcement of Special Commodity Levy Act
- vi. Trade Policy review and update
- vii. Development of Automobile Import Policy
- viii. Organization of Trade/Business Forums
- ix. To conduct Trade Policy Stakeholders' Dialogue
- x. Publication of Trade Policy
- xi. Coordination with Trade related National and International Organizations
- xii. Resolving Trade Policy related issues represented by the stakeholders
- xiii. Development of Trade Policy Papers
- xiv. Coordination with Department of Commerce
- xv. Parliamentary Affairs on Trade Policy
- xvi. Compilation of responses to Trade Policy related Court Cases
- xvii. Preparation of Cabinet Memoranda / Observations / Comments

1.7.1.2 Free Trade Agreements

- i. Development of Integrated Negative/Sensitive List of Sri Lanka (Across FTAs)
- ii. Development of Guidance on Commitments and Obligations of Sri Lanka under FTAs
- iii. Preparation of Integrated Tariff Liberalization Plan of Sri Lanka under FTAs
- iv. Coordination of Standing Committee on Free Trade Agreements (SCFTA)
- v. Coordination FTA related matters with the Coordinating Committee on Economic Management

- vi. Trade Policy review and update in line with the FTAs of Sri Lanka
- vii. Policy Implementation of:
 - India - Sri Lanka Free Trade Agreement (ISFTA)
 - Pakistan - Sri Lanka Free Trade Agreement (PSFTA)
 - South Asian Free Trade Agreement (SAFTA)
 - The SAARC Agreement on Trade in Services (SATIS)
 - The Asia Pacific Trade Agreement (APTA)
 - Bay of Bengal Initiative for Multi-Sector Technical & Economic Co-operation (BIMSTEC FTA)
 - The Policy Coordination of FTA Negotiations (CSFTA and US-SL FTA, ETCA)
 - Coordination of Joint Trade Committees (Kenya, Vietnam, Japan, Russia, etc.)

1.7.1.3 Tariff Policy

- i. Revision and update of Tariff Guide (Chapter by Chapter)
- ii. Industry Mapping and Compilation of Market Scenario for Tariff Review (Clusters)
- iii. Industry (Value Addition) and market analysis for removal of Tariff Anomalies
- iv. Coordination of 19(A) Duty Waivers
 - v. Development of Information System for 19(A) Duty Waivers
- vi. Facilitation of Promulgation of Regulations under the Customs Ordinance
- vii. Publication of Revenue Protection Order (RPO)
- viii. Resolving grievances related to Tariff Anomalies
- ix. Management of HS Code National Sub Divisions
 - x. Review of appeals on Customs cases including valuation
 - xi. Review of Audit reports on Customs Administration
 - xii. HS Code compliance and transposition
- xiii. Implementation of Special Commodity Levy Act
- xiv. Policy Coordination of TIEP scheme
- xv. Policy Coordination of Bonded Warehouse Facilities
- xvi. Preparation of Budget Proposals
- xvii. Implementation of Budget Proposals

1.7.1.4 General (Cross Cutting theme between Trade and Investment Policy Domains)

- i. Formulation of Policy on Automobile Assembling Industry
- ii. Review of Negative List of Imports under the BOI approved Projects
- iii. Trade Policy related Budget Proposals

1.7.2 Investment Policy Division

The Investment Policy Division is responsible for policy matters related to investment in collaboration with relevant State Institutions. Key functions of the Division are as follows;

- i. Maintain a database on outward and domestic investment
- ii. To develop an outward investment policy framework with relevant stakeholders
- iii. Attend legislative matters in respect of outward investments
- iv. To consider appeals under Exchange Control Act on behalf of the Ministry of Finance
- v. To give approvals on establishment, relocation and termination of bank branches and ATMs
- vi. Approval on entering with MOUs by Financial Intelligence Unit (FIU) of Sri Lanka
- vii. All approvals in respect of Exchange Control Act, Banking Act and Monetary Law Act
- viii. All approvals in respect of Financial Transactions Reporting Act, Prevention of Money Laundering Act and Convention on the Suppression of Terrorist Financing Act
- ix. Approval on Bonded Warehouses
- x. To maintain a database on Bonded Warehouses
- xi. To develop a Bonded Warehouse policy framework with relevant stakeholders
- xii. To develop domestic and investment policy framework with relevant stakeholders
- xiii. To attend matters related to Board of Investment Act
- xiv. To attend matters related to Strategic Development Projects Act
- xv. Grant concurrence on items in the BOI Negative List
- xvi. Review and gap analysis of present BOI Negative List
- xvii. To attend matters related to TIEP Scheme

- xxviii. Review and assist to develop new policy framework on TIEP Scheme
- xix. To attend matters related to Private Public Partnership (PPP)
- xx. To attend matters related to Finance Act (Hub Regulations)
- xxi. To assist policy matters related to SMEs development
- xxii. Compile investment potentials for domestic investment
- xxiii. Develop geo-based investment mapping
- xxiv. To attend all activities related to SAARC and SDF
- xxv. To attend all activities related to IMF and Commonwealth Secretariat
- xxvi. To monitor the implementation of relevant Budget Proposals
- xxvii. To prepare Budget Proposals relevant to investment
- xxviii. Preparation of Cabinet Memoranda / Observations / Comments

1.7.3 Administration and Finance Division

Administration and Finance Division is responsible for management of Human Resources, Finance and Assets as follows;

- i. Human resource management including capacity building, financial management including compilation of final accounts and staff advance accounts
- ii. Acquisition and maintenance of assets register (physical resources management)
- iii. Compliance to the audit observations and Public Finance Guidelines including Board of Survey, Document Management etc.

1.7.3.1 Human Resource Profile

By the end of 2015, the Department has a total of 11 Executive Grade Officers and 42 Subordinating Officers. While the Department is headed by a Director General and each Division of the Department headed by a Director and supported by Assistant Directors. The approved cadre strength of the Department was 57, consisting of 14 Executive Grade Officers and 43 Subordinating Officers in 2015 (Details are in the Table 3.1).

2. FORMULATION AND IMPLEMENTATION OF POLICIES

2.1 Trade Agreements

During the year 2015, the International Trade Policy of Sri Lanka was focused on further integration into the global economy through Multilateral and Bilateral Agreements covering

trade in goods, trade in services, investments and economic cooperation in order to create a friendly environment for the growth of potential domestic industries to integrate with the global economy targeting Sri Lanka as a trading and knowledge hub in the region.

Sri Lanka represented regularly in committee meetings with respect to the Technical Barriers to Trade measures (TBT), Sanitary and Phytosanitary Measures (SPS) and customs co - operation. The WTO development agenda on trade negotiations included key areas of agriculture, market access for non-agricultural goods, preferences erosion, services, trade facilitation, rules, rules of origin based on the modalities proposed in the draft texts on the agenda issued in December 2008. Notably, Sri Lanka was successful in without being involved in any dispute under WTO rules.

The Department has continued to be involved in the process of improving the foreign trade through effective negotiations and implementation of Regional, Bilateral and Multilateral Trade Agreements. Following are the Regional, Bilateral and Multilateral Trade Agreements being implemented;

- India - Sri Lanka Free Trade Agreement (ISFTA)
- Pakistan - Sri Lanka Free Trade Agreement (PSFTA)
- South Asian Free Trade Agreement (SAFTA)
- Asia Pacific Trade Agreement (APTA)
- Bay of Bengal Initiatives on Multi - Sectoral Technical and Economic Cooperation Agreement (BIMSTEC) – Free Trade Agreement

In achieving high per capita income, paradise for tourism and promote as a trading and knowledge hub while protecting and developing the potential industries in a competitive trading environment are the main objectives of International Trade Agreements. Trade in Services is a very sensitive area which needs to be addressed early in the context of anticipated labour scarcity in the agriculture and industry sectors. Accordingly, a high priority was given to attract appropriate investments and to create a favourable environment for trade in services through formulating frameworks for comprehensive economic cooperation.

2.1.1 Progress under Trade Agreements

Necessary actions were taken by the Department in consultation with the Department of Commerce to implement tariff revisions under the trade agreements. Accordingly, the status of implementation of the trade agreements is indicated below.

2.1.1.1 India - Sri Lanka Free Trade Agreement (ISFTA)

After the removal of 10 items from the negative list of Sri Lanka in 2013, no further revisions of negative list has been discussed and implemented in year 2015.

Table 2.1 Total Imports and Exports value under ISFTA for Sri Lanka - 2014 / 2015

2014		2015	
Imports	Exports	Imports	Exports
Value (Rs.Mn)	Value (Rs.Mn)	Value (Rs.Mn)	Value (Rs.Mn)
68,856	49,126	32,676	60,539

Source: Department of Sri Lanka Customs, 2014/2015

The total trade between Sri Lanka and India has been increased from Rs. 606.8 Billion to Rs. 674.3 Billion in 2015 in comparison to 2014. The total imports from India was recorded as Rs. 566.5 Billion and total export to India was recorded as Rs.107.8 Billion in 2015

The trade under ISFTA in 2015 has been dropped from Rs. 25 Billion compared to the previous year as a result of decreasing the imports from India from Rs. 68,856 Million to Rs. 32,676 Million in 2014 and 2015 respectively. However, Sri Lanka export to India has increased significantly amounting Rs. 60,539 Million in 2015 in comparison to the Rs.49,126 Million in 2014. This situation is illustrated in Table 2.1.

2.1.1.2 Pakistan - Sri Lanka Free Trade Agreement (PSFTA)

Pakistan Sri Lanka bilateral discussions were held on 11th November 2015 in parallel to the visit of Hon. Minister of Commerce of Pakistan. At this meeting, both sides raised the current issues related to the bilateral trade.

Sri Lanka mentioned that inclusion of some items back to the negative list unilaterally by Pakistan is created imbalance of the FTA. Pakistan mentioned that this matter will be addressed with exchange of new list of items under positive list at the second phase of the FTA. Sri Lanka raised on issues of discriminatory application of Import Trade Price (ITP) for Sri Lankan originated products, 5% of duty imposed on broom corn, quality of the basmati rice import under quota system.

The Pakistan was proposed to expand the FTA by including Investment, Services and Customs matters and to sign a MOU between Trade Development Authority of Pakistan and Sri Lanka Export Development Board for trade promotional activities. To develop a mechanism to resolve trade disputes among the two countries was proposed by Pakistan. The Pakistan also mentioned that imposition of CESS on steel pipes could be considered as a para tariff since steel pipe treated as duty free item under PSFTA.

Finally, both countries agreed to consider all these issues prior to Prime Ministerial level meeting. The table 2.2 shows the Imports and Exports between two countries under PSFTA.

Table 2.2 Total Imports and Exports value under PSFTA for Sri Lanka - 2014 / 2015

2014		2015	
Imports	Exports	Imports	Exports
Value (Rs.Mn)	Value (Rs.Mn)	Value (Rs.Mn)	Value (Rs.Mn)
9,577	6,761	4,026	9,147

Source: Department of Sri Lanka Customs, 2014/2015

2.1.1.3 South Asia Free Trade Agreement (SAFTA)

South Asian Free Trade Agreement (SAFTA) was signed in January 2004, during the 12th SAARC summit held in Islamabad, Pakistan and entered into force on the 1st of January 2006. The SAFTA members include Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.

Under the Trade Liberalization Programme of the SAFTA, member countries have agreed to reduce their Customs tariffs progressively and bring them down to level between 0 - 5% on all products other than those listed in their sensitive lists.

Sri Lanka has liberalized all the items under Phase I and II in 2015 as agreed under the Trade Liberalization Programme. The sensitive list of Sri Lanka for Least Developed Countries (LDC's) and Non-Least Developed Countries (NLDC's) are as follows;

For NLDC's – 1,058 Items

For LDC's – 925 Items

Member states need to reduce their tariff to 0-5% on products to take out of the sensitive lists with effect from 1st January 2012 as per the following schedule;

Table 2.3 SAFTA Tariff Liberalization Programme

No	Countries	Years	To be completed by	Tariff to be brought down to
1	India, Pakistan	03	31 st December 2015	0 - 5%
2	Sri Lanka	06	31 st December 2018	0 - 5%
3	LDC's (except Nepal)	08	31 st December 2020	0 - 5%
4	Nepal	08 +	01 st August 2021	0 - 5%

Source: Department of Trade and Investment Policy, 2015

Sri Lanka has submitted its offer list for Tariff Liberalization Programme Phase III in year 2015 under the SAFTA. The table 2.4 shows the trade data under SAFTA.

**Table 2.4 Total Imports and Exports value under SAFTA for Sri Lanka -
2014 / 2015**

2014		2015	
Imports	Exports	Imports	Exports
Value (Rs.Mn)	Value (Rs.Mn)	Value (Rs.Mn)	Value (Rs.Mn)
237	1,975	696	3,270

Source: Department of Sri Lanka Customs, 2014/2015

2.1.1.4 Asia Pacific Trade Agreement (APTA)

In 2015, the 47th and 48th Standing Committee Sessions of the APTA were held. The 47th Session of the APTA Standing Committee was held in Bangkok from 27-28 July 2015 and the 48th Session was held in Bangkok from 22-23 December 2015. The following decisions were taken in the 48th Session;

1. Trade in Goods

- I. All the Committee members mentioned and agreed to implement the tariff concessions of the 4th round without further delay.
- II. A proposal on Box 8 of the Certificate of Origin was submitted by the Republic of Korea to include in the 2nd amendment to the APTA protocol.

2. Agreement on Services

Agreed to recommend the establishment of a working group on services to the Ministerial Council and to discuss about modalities, action plan, time frame for service liberalization and sectoral areas of cooperation at the first working group committee meeting.

3. Agreement on Investment

Agreed to recommend the establishment of a working group on investment to the Council and to discuss about on modalities, action plan, time frame for negotiation of investment agreement.

4. Agreement on Trade Facilitation

Agreed to recommend the establishment of a working group on trade facilitation to the Council and to discuss about modalities, action plan, time frame carrying out it's working programme.

Apart from the above, the APTA Secretariat has announced that they are going to expand the membership of APTA especially by covering the Pacific Island countries and the committee agreed for this expansion by considering the positive impact on trade patterns. The Table 2.5 shows the trade activities for Sri Lanka under APTA.

**Table 2.5 Total Imports and Exports value under APTA for Sri Lanka
2014 / 2015**

2014		2015	
Imports	Exports	Imports	Exports
Value (Rs.Mn)	Value (Rs.Mn)	Value (Rs.Mn)	Value (Rs.Mn)
1,673	15,666	2,103	17,522

Source : Department of Sri Lanka Customs, 2014/2015

2.1.1.5 Bay of Bengal Initiatives on Multi - Sectoral Technical and Economic Co - operation (BIMSTEC) Free Trade Agreement

Globalization and regional cooperation continue to generate increased linkages and inter-dependence within the economies. The Bay of Bengal Initiative for Multi - Sectoral Technical and Economic Co-operation (BIMSTEC) was initiated in 1997

having objective of interconnected trading economies of which member states of the Governments of the People’s Republic of Bangladesh, the Kingdom of Bhutan, the Republic of India, the Union of Myanmar, the Democratic Socialist Republic of Sri Lanka, the Kingdom of Thailand and Nepal providing greater opportunity to further leverage regional co-operation and respond to new and emerging challenges are the scope of this FTA.

Table 2.6 and Table 2.7 show BIMSTEC tariff liberalization modalities.

Table 2.6 Tariff Liberalization Schedule to the BIMSTEC FTA

No	Modality / Track	Percentage of Tariff Lines(6Digits HS 2007)
1	Fast Track Elimination	10%
2	Normal Track Elimination	48%
3	Normal Track Reduction	19%
4	Exclusion (Negative List)	23%

Source: Department of Trade and Investment Policy, 2015

The 20th meeting of the BIMSTEC Trade Negotiation Committee (BIMSTEC TNC) was held in Thailand from 7th to 9th of September 2015. Accordingly, the member countries have focused on the following key areas.

1. Finalization of remaining draft text of Agreement on Trade in Goods and revision of the Protocol Free Trade Agreement on BIMSTEC Free Trade Area.
2. The date of entry into force of the Agreement on Trade in Goods.
3. Discussion on modalities pertaining to review of goods listed in Normal Track Reduction and Negative List.

The decisions taken by the 20th BIMSTEC TNC are as follows;

1. Allocate one month period to review the offer list from the last day of the TNC meeting.
2. Nepal has been given a period of additional one year from both the date of commencement and the completion of the time frame indicated in the table mentioned below and Nepal could be requested for the concession from 2016 and onwards.
3. India wanted to review the Product Specific Rule (Increase the value rate) and agreed to prepare the draft and send it to the BIMSTEC Secretariat.

4. Bangladesh agreed to arrange the Senior Officers' Meeting in December 2015 and thereafter the Ministers' Meeting to be conducted to sign the final agreement.

Table 2.7 Fast Track Tariff Liberalization

No	Countries	For India, Sri Lanka and Thailand	For Bangladesh, Bhutan, Myanmar and Nepal
1	India, Sri Lanka and Thailand	1 July, 2016 to 30 June, 2019	1 July, 2016 to 30 June, 2017
2	Bangladesh, Bhutan, Myanmar and Nepal	1 July, 2012 to 30 June, 2021	1 July, 2012 to 30 June, 2019

Source: Department of Trade and Investment Policy, 2015

Table 2.8 Normal Track Tariff Liberalization

No	Countries	For India, Sri Lanka and Thailand	For Bangladesh, Bhutan, Myanmar and Nepal
1	India, Sri Lanka and Thailand	1 July, 2017 to 30 June, 2022	1 July, 2017 to 30 June, 2020
2	Bangladesh, Bhutan, Myanmar and Nepal	1 July, 2017 to 30 June, 2022	1 July, 2017 to 30 June, 2025

Source: Department of Trade and Investment Policy, 2015

2.1.1.6 Proposed China - Sri Lanka Free Trade Agreement

China has been the second largest import source of Sri Lanka since 2012 and the third largest source of tourists' arrival to Sri Lanka in 2014, but China is still an insignificant export destination for Sri Lanka's exports. China has also been the largest bilateral development partner of Sri Lanka during the decade of 2005 to 2014. In the context of the longstanding bilateral relationship and expanding trade flows between the two countries, Sri Lanka and China had entered in to a MOU during the state visit of the former President of Sri Lanka to China in May 2013, for the establishment of the joint working group on trade to study the feasibility of a Free Trade Agreement between Sri Lanka and China with a view to expand Sri Lanka's exports to China, targeting an improved trade balance which is continuously in favor of China. Accordingly, the joint feasibility study concluded in 2014 and recommended negotiating a Free Trade Agreement between Sri Lanka and China. By the end of 2014, two rounds of bilateral negotiations on the proposed free trade agreement between Sri Lanka and China were also concluded. During the state visit to China by H.E. the President in March 2015 on the invitation of the President of the

People’s Republic of China, H.E. the President indicated Sri Lanka’s interest to see genuine progress on the FTA, while recognizing the asymmetries between the two economies.

As per the decision of the Cabinet of the Ministers in 2015, arrangements have been taken for re-negotiation of 3rd round discussions on the proposed FTA between Sri Lanka and China soon as possible.

2.1.1.7 Foreign Trade under FTAs

The Table 2.9 shows the trade details under the Trade Agreement with Sri Lanka.

Table 2.9 Imports and Exports under Trade Agreements by Sri Lanka in 2015

No	Trade Agreement	CIF Value of Imports (Rs. Mn)	FOB Value of Exports (Rs. Mn)
1	India Sri Lanka Free Trade Agreement (ISFTA)	32,676	60,539
2	Pakistan Sri Lanka Free Trade Agreement (PSFTA)	4,026	9,147
3	South Asia Free Trade Agreement (SAFTA)	696	3,270
4	SAARC Preferential Trading Arrangement Agreement (SAPTA)	95	703
5	Asia Pacific Trade Agreement (APTA)	2,103	17,522
Total		39,596	91,181

Source: Department of Sri Lanka Customs, 2015

2.2 Joint Economic Agreements

Table 2.10 The Summary Status of Joint Economic Trade Committees

No	Joint Trade Committees	Instruments	Instrument Date	Scope	Frequency	Current Series
1.	Sri Lanka - Iran Joint Commission for Economic Co-operation	Preferential Trade Agreement with 22 Articles	25.11.2004	Trade in Goods	Annual Basis Alternatively	24.02.2016 (Colombo)
2.	Joint Commission on Economic, Scientific and Technical Cooperation between Sri Lanka and Malaysia	Agreed Minutes	23.06.2006	Trade and Investment, Tourism, Air Services, Defense , etc	–	21-22 .10. 2013 (Malaysia)
3.	Sri Lanka - Vietnam Cooperation Programme on Technical Assistance and Agriculture Development.	Agreement with 05 Articles	2013	Technical/ Aquaculture Development	–	–
4.	Sri Lanka - Vietnam Cooperation Programme	MOU with 06 Articles	14.10.2011	Technical	Annual Basis Alternatively	–
5.	Sub Committee on Trade between Vietnam and Sri Lanka	Agreed Minutes	26.03.2015	Bilateral Trade and Investment	–	26.03.2015 (Colombo)
6.	Joint Trade Committee between Sri Lanka and Kenya	MOU with 22 Articles	2013	Technical/ Trade in goods	At the request of either party, Alternatively in Sri Lanka	11.11.2014 (Sri Lanka)
7.	Joint Committee for Economic and Technical Cooperation between Sri Lanka and Iraq	Agreed Minutes	–	–	–	20-23.10.2010 (Colombo)
8.	Sri Lanka- South Africa Bilateral Partnership Forum	–	–	–	–	24-25.02.2015 (Colombo)
9.	Bangladesh - Sri Lanka Joint Economic Commission (JEC)	Agreed minutes of the Second Sri Lanka - Bangladesh Foreign Office Consultations (FOC)	22.04.2013	–	–	17-18.11.2014 (Colombo)
10.	Joint Commission for Bilateral Cooperation between Indonesia and Sri Lanka	Agreed Minutes (It has mentioned that a MoU has signed on 01.10.2007)	13.10.2014	all areas of mutual benefit by facilitating more intensified interaction	Biennially	13.10.2014 (Jakarta)
11.	Trade and Economic Cooperation between Belarus and Sri Lanka	Agreement with 22 Articles	26.08.2013	Legal Matters	At the request of either party, alternatively in Minsk and Colombo	09-10.07.2014 (Colombo)
12.	Joint Working Group between Sri Lanka and Korea	–	–	–	–	–

Source: Department of Trade and Investment Policy, 2015

2.3 Import Tariff Structure

“Harmonized Commodity Description and Coding System” commonly known as Harmonized System (HS) is the Customs Tariff Nomenclature and Classification used for the purpose of identifying goods and levying Customs Duties and other taxes on imported and exported goods. It is also useful for the collection of import and export trade statistics. Sri Lanka has allocated 08 digits HS codes accordingly, where the last two digits of the HS codes correspond to the National Sub Divisions created for specific requirements of Sri Lanka.

Trade and Tariff Policies are implemented on the basis of legislative provisions contained in the Revenue Protection Act No. 19 of 1962 and the Customs Ordinance (Chapter 235) amended.

Considering the impact on the various stakeholder groups, different duty rates are imposed on different items. Except for few items, in general, raw materials, intermediate goods for local industries are kept at zero or lower duty and higher duty rate for finished products. The tariff structure showing the numbers of HS Codes under each tariff rates at the end of the year 2015 are given in the Table 2.11.

Table 2.11 Tariff Structure as at December 31st, 2015

No	Tariff Rate	No. of Tariff Lines (HS 2012 : 8 Digits)	Percentage
1	Free	3,922	56.31
2	15%	1,324	19.01
3	30%	1,457	20.92
4	75%	03	0.04
5	85%	01	0.01
6	125%	05	0.07
7	Specific	67	0.96
8	Specific & Ad-valorem	186	2.67
Total		6,965	100.00

Source: Department of Trade and Investment Policy, 2015

In November 2015, the 7.5% of tariff band had been removed and 25% of tariff band had been changed on 30%.

Table 2.12 Changes Made in Tariff Structure from 2008 to 2015

No	Tariff Bands	No. of Tariff Lines (8 digits)							
		2015	2014	2013	2012	2011	2010	2009	2008
1	Free	3,922	3,410	3,379	3,024	3,024	2,967	764	759
2	2.5%							2,087	2,084
3	5%				410	412	415		1,563
4	6%							475	466
5	7.5%		188	184					
6	15%	1,324	1,601	1,590	1,587	1,508	1,516	1,541	
7	25%		1,450	1,415					
8	28%							1,382	1,366
9	30%	1,457			1,504	1,323	1,327		
10	Luxury Rates	9	9	9	9	9	9	9	9
11	Specific/ Unit Rates	67	84	84	84	77	60	52	51
12	Specific or Ad-valorem	186	184	183	200	162	193	210	168
Total		6,965	6,926	6,844	6,818	6,515	6,487	6,520	6,466

Source: Department of Trade and Investment Policy, 2015

2.3.1 Newly Added National Sub Division's to the Harmonized System in 2015

The National Sub Divisions created under Harmonized System in 2015 are annexed to the Table 4.1 for reference (Annex - I).

2.3.2 SAFTA Duty Structure - RPO 2015

The duty structure of SAFTA published on RPO 2015 is annexed to the Table 4.2 for reference. The separate duty structures are shown for all SAFTA countries and least development SAFTA countries in to separate columns. (Annex - II).

2.3.3 Revisions made under Revenue Protection Act No. 19 of 1962

The details of Revenue Protection Order published under Act No. 19 of 1962 (Customs Import Duty) are annexed to the Table 4.3 for reference (Annex - III).

2.4 Special Commodity Levy (SCL) Act No. 48 of 2007

A single composite levy on imports of selected special commodities are implemented and revised from time to time by publishing Gazette Notifications on the basis of legislative provisions under Special Commodity Levy Act No. 48 of 2007. Regular revisions are made in order to maintain affordable prices for consumers while protecting the local producers during the harvesting season (e.g. Potatoes, Red Onions and B-Onions) Duty

Revisions under Special Commodity Levy Act No. 48 of 2007 details annexed to the Table 4.4 for reference (Annex - IV).

2.5 Duty Waivers

Customs Import Duty (CID) could be waived off for the items which are imported for the Special Projects as approved by Cabinet of Ministers under the Section 19(A) of the Customs Ordinance (Chapter 235). Accordingly, in the year 2015, duty waivers were granted to the projects covering the areas of Road and Highways, Airport and Aviation, Ports and Fisheries Harbors, Water Supply and Irrigation, Electricity, Housing Schemes, Construction of Hospitals and Universities etc. The waivers granted during the year 2015 are tabulated in Table 2.13.

Table 2.13 Duty Waivers granted under the 19(A) of the Customs Ordinance in 2015

No	Sector	No. of Permit issued for Duty Waivers
1	Defense	150
2	Education	106
3	Health	101
4	Infrastructure	427
5	Water Supply	570
6	Welfare	94
7	Other	120
Total		1,568

Source: Department of Trade & Investment Policy, 2015

In terms of Section 19(A) of the Customs Ordinance ‘the Minister may, if he deems it expedient in the public interest so to do, by order, exempt any goods imported by, or consigned to any person specified in the order from the whole or any part of the duties of customs liable thereon, subject to such conditions as may be specified in the Order’. Accordingly, this Department has been assigned to implement the granting of duty waivers in accordance with the powers vested with the Hon. Minister of Finance. The waivers granted during 2015 are tabulated in table 2.14.

Table 2.14 General Duty Waivers granted under Section 19(A) of the Customs Ordinance

No	Item	Current CID Rate	Duty Waiver	Recoverable CID	Period
1	Diesel	Rs. 15/= per Liter	Rs.06/= per Liter	Rs. 09/= per Liter	05.12.2014 to date
2	Milk Powder	25% or Rs. 225/= per Kg	Rs.90/= per Kg	Rs. 135/= per Kg	08.11.2014 - 22.07.2015
			Rs.45/= per Kg	Rs. 180/= per Kg	23.07.2015 - 05.08.2015
		20% or Rs. 225/= per Kg	No	20% or Rs. 225/= per Kg	06.08.2015 to date
3	Wheat Grain	15% or Rs. 10/= per Kg	Fully Waived	No	30.01.2015 - 09.02.2016

Source: Department of Trade & Investment Policy, 2015

2.6 Investments

2.6.1 Foreign Direct Investment (FDI)

With the introduction of BOI negative list in 2014, the Department has the authority to grant concurrence for items in the negative list in the event such items are not available locally in terms of quantity, quality and in lead time. In 2015, the Department has granted concurrence to import some negative listed items on duty free basis in 16 occasions and details of such requests are as follows (Table 2.15).

Table 2.15 BOI Requests under BOI Negative List

No	Item	Total No. of Requests	Granted	Not Granted
1	Steel reinforcement	01	-	01
2	Ceramic/Porcelain wall tiles, floor tiles, marble floor tiles, granite & quartz tiles	02	02	-
3	WC's wash basin, bidets, vicinity basins, bath tubs, urinals and other sanitary fittings and fixtures	08	08	-
4	Lubricant	01	01	-
5	Furniture	04	03	01
Total		16	14	02

Source: Department of Trade & Investment Policy, 2015

2.6.2 Foreign Outward Investment

Despite the relaxation of foreign exchange control over the outward investment activities, prior approval needs to be obtained from the Hon. Minister in charge of the subject of Finance in terms of Section 17(2) of the Exchange Control Act for any outward investment. The Central Bank of Sri Lanka submits such proposals with their recommendations to the Department of Trade and Investment Policy in order to obtain the approval from the Hon. Minister in charge of the subject of Finance. Accordingly, during the year 2015, approvals have been granted for the investors mentioned in the Table 2.16 for their outward investments.

Table 2.16 Outward Investments approved in 2015

No	Name of the Investor	Investment	Value US\$ Mn.
1	Star Pack Investments (Pvt) Ltd, Akbar Brothers (Pvt) Ltd, VR Investments (Pvt) Ltd	To acquire 100% of Stella Plastic India (Pvt) Ltd of India	4.50
2	Lhaviyani Holdings (Pvt) Ltd	To acquire 55% of Cocoon Investment (Pvt) Ltd of Maldives	10.00
3	Guardian Fund Management Ltd	To invest in a JOHCM Asia Ex Japan Fund	0.75
4	Star Packaging (Pvt) Ltd	To invest in a Regal Pack Boxes in India.	1.00
5	Sironko Small Hydro Power Project	To invest in a Eco Clean Power Ltd in Uganda	7.85
6	Ceylon Hotels Maldives (Pvt) Ltd	To acquire 100% of Handhuvaru Ocean Holidays (Pvt) Ltd in Maldives	11.00
7	Empire Teas (Pvt) Ltd	To acquire 75% of Empire Kenya EPZ Ltd in Kenya	0.30
8	Laughs Gas PLC	To acquire 69% of PetredecElpigi Ltd in Bangladesh	18.70
9	Windforce (Pvt) Ltd	To acquire 10% of Harappa Solar (Pvt) Ltd in Pakistan	0.70
10	Aitken Spence PLC	To acquire 20% of Fiji Ports Corporation Ltd, Fiji	17.00
Total			71.80

Source: Department of Trade & Investment Policy, 2015

2.7 International Co-operation

2.7.1 SAARC Development Fund (SDF)

The need to create a single umbrella financing mechanism for South Asia Association for Regional Cooperation (SAARC) related programs and projects were recognized by all the SAARC member countries to minimize operational issues related to the proliferation of multitudes of funds within the SAARC region. In the context of this broad consensus, the SAARC Development Fund (SDF) was established by the member countries.

This Department is functioning as the Sri Lanka Counterpart Agency of the SDF to perform the activities including the overall coordination, recommendation of project proposals, review of project progress, making annual contributions, facilitating for the visiting of SDF officials to Sri Lanka etc. With the view of performing these tasks, the Deputy Secretary to the Treasury and the Director General of Department of Trade and Investment Policy were nominated as the Director and Alternative Director respectively to represent Sri Lanka. Accordingly, during the year, they have attended for the meetings mentioned in the Table 2.17.

Table 2.17 SAARC Development Fund Meetings in 2015

No	Name of the Meeting	Date
1	4 th Governing Council Meetings	20 th August
2	31 st SAARC Finance Group Meetings	08 th October
3	22 nd SAARC Finance Coordinators Meetings	17 th August
4	30 th SAARC Finance Governors Meeting	12 th June
5	7 th SAARC Finance Ministers Meeting	19 th - 20 th August
6	7 th SAARC Finance Secretaries	19 th - 20 th August
7	9 th Informal Meeting of SAARC Finance Ministers	30 th May
8	21 st SDF Board Meeting	24 th - 26 th April
9	22 nd SDF Board Meeting	18 th August
10	23 st SDF Board Meeting	29 th - 30 th December
11	Combined Meeting of CSABAHS, SDF, Counterpart Agencies and LIAs	28 th October

Source: Department of Trade & Investment Policy, 2015

In addition to that with a view to expediting the implementation of projects funded by SDF, the Department of Trade and Investment Policy decided to closely monitor the progress of those projects.

The following projects were implemented with the financial assistance of SDF;

1. Strengthening the livelihood Initiatives for home based workers in SAARC Region (Phase I and II)
2. Strengthening Maternal & Child Health including Immunization
3. South Asia Initiative of End Violence Against Children (SAIEVAC)
4. Post-harvest management and value addition of fruits in production catchment in SAARC Countries
5. Strengthening of Water, Sanitation and Hygiene (WASH) Services in Sri Lanka
6. Toll Free Help lines for Women and Children in Sri Lanka

2.8 Bonded Cargo

In terms of the provisions in Section 69 of the Customs Ordinance, the Director General of Customs may appoint warehouse or place, after obtaining the approval of Minister of Finance, for imported goods to be warehoused or kept as bonded cargo, having secured the duty and other levies for specific purposes under specific conditions.

Under the provisions of Section 84 of the Customs Ordinance, it shall be lawful for the Director General of Customs, in the interest of economic development of the country to permit the processing, manufacture or assembly of any goods in any warehouse appointed under Section 69 of the Customs Ordinance. Presently, the following categories of bonds exist.

- Bonds for supply of goods including sugar and rice for home use and re-export
- Bonds for supply of goods to Export Oriented Enterprises
- Service Bonds, Feeder Bonds and Duty Free Shops at Seaport or Airport
- Bonds for supply of goods to Ships/Air Crafts
- Bonds under Customs Manufacture- in- Bond Scheme
- Bonds for Multi Country Consolidation
- Bonds for clearance of Unaccompanied Passenger Baggage (UPB)
- Bonds for clearance of express cargo (Courier)

The main responsibility of this Department is to study the recommendations of the Director General of Customs in relation to bond operations and to obtain the approval of the Hon. Minister of Finance. During the year 2015, 12 applications were forwarded to

the Hon. Minister of Finance and approval was granted for 06 Bonded Warehouses and 01 was rejected balance 05 are still pending.

Further, considering the current requirements and Government's priority of facilitating international trade and to meet the current needs created in the area of industrial development, we prepared a new Policy Framework for appointing of Public Customs Bonded Warehouses under Section 69 of the Customs Ordinance.

3. PERFORMANCE ON ADMINISTRATION AND FINANCE

3.1 Administration

The Department headed by the Director General, is comprised of a total of 53 staff members. The approved cadre of the Department is 57 and there were 4 posts which were vacant at the end of 2015. Matters related with internal administration and human resources development of the Department are handled by the Administration and Finance Division. Statistics relating to this Division are tabulated in the Table 3.1.

Table 3.1 Cadre Position as at December 31st, 2015

No	Designation	Approved Cadre	Present Cadre	Vacancies
1	Director General (SLAS Special Grade)	01	01	-
2	Additional Director General (SLAS Special Grade)	01	01	-
3	Director (SLAS I)	03	03	-
4	Deputy Director /Asst. Director (SLAS II, III)	07	05	02
5	Deputy Director /Asst. Director (SLPS II,	01	-	01
6	Accountant (SLAcS III)	01	01	-
7	Research Assistant	10	09	01
8	Public Management Assistant	20	20	-
9	Driver	05	05	-
10	Office Employee Service	07	07	-
11	Bicycle Messenger	01	01	-
Total		57	53	04

Source: Department of Trade and Investment Policy, 2015

Officers who joined the Department in Year 2015

1. Mr. K.D.N. Ranjith Asoka Director General
2. Mr. B.P.C. Kularatne Director
3. Mrs. S.W.C. Jayamini Director
4. Mr. R.L. Weersekara Assistant Director

5.	Mrs. H.G.T. Prasangika	Assistant Director
6.	Mrs. D.K. Oshani	Assistant Director
7.	Mr. G.D.S.P. Kumara	Assistant Director
8.	Mrs. J.A.D.U. Ranasingha	Development Officer
9.	Ms. K.M.G.A. Kasthuri	Development Officer
10.	Mrs. D.I. De S. Wijayasingha	Development Officer
11.	Ms. M. Nandani	Development Officer
12.	Mr. S.W.G. Karunaratne	Development Officer
13.	Mr. B.L.D. Sudarshana	Development Officer
14.	Ms. W.R.R. Wickramasinghe	Management Assistant
15.	Mrs. J.D.S.D.J. Fernando	Management Assistant
16.	Mrs. L.A.S.P. Wijebandara	Management Assistant
17.	Mrs. Sarojani Pushpalatha	Management Assistant
18.	Ms. G.D. Pitiduwege	Office Employee Service
19.	Mr. M.M.M. Rimshan	Office Employee Service
20.	Mr. R.A.D.C. Priyadarshana	Driver
21.	Mr. R.K.K. Kumarasiri	Driver
22.	Mr. K. Jayasiri	Driver
23.	Mr. L.A.V.C. Jinendra	Driver

Officers who Left the Department in Year 2015

1.	Mr. R. Semasingha	Director General
2.	Mrs. D.C. Jayadeva	Director
3.	Ms. M. K. A. A. Amali	Assistant Director
4.	Mr. K. Meegahage	Assistant Director
5.	Mrs. M. A. C. Padmini	Research Assistant
6.	Mrs. I. D. Shriyani	Management Assistant
7.	Mr. S. L. Widanapathirana	Management Assistant
8.	Mrs. K. Sundaralingam	Management Assistant
9.	Mr. L. A. Sunil Santha	Office Employee Service
10.	Mr. A. G. Ranjith Kumara	Driver
11.	Mr. K. M. Karunasena	Driver

During the year 2015, special attention was given to human resources development. Training programmes, seminars, workshops and meetings attended by the officers of the Department are given in Table 3.2 and Table 3.3

Table 3.2 Training Courses, Study Tours, Seminars, Workshops, Meetings Abroad in 2015

Designation	Name	Country	Period	
Director General	Mr. K.D.N. Ranjith Asoka	Pakistan	17.08.2015 19.08.2015	–
		Bhutan	29.12.2015 30.12.2015	–
	Mr. R. Semasinghe	Nepal	23.04.2015 28.04.2015	–
Additional Director General	Mr. K.A.S.S.K. Perera	Japan	17.02.2015 19.02.2015	–
		Japan	25.11.2015 26.11.2015	–
Director	Mr. B.P.C. Kularatne	Thailand	07.09.2015 09.09.2015	–
	Mr. K.A. Vimalenthirarajah	Bangladesh	17.05.2015 18.05.2015	–
		Philippines	27.10.2015 28.10.2015	–
		Thailand	05.11.2015 06.11.2015	–
		India	21.12.2015	
	Mrs. D.C. Jayadewa	Korea	16.03.2015 20.03.2015	–
Assistant Director	Mr. K. Meegahage	India	02.02.2015 06.02.2015	–
	Mr. M.D.J.C. Murage	Sweden	12.04.2015 08.05.2015	–
		Korea	19.10.2015 24.10.2015	–
		Thailand	22.12.2015 23.12.2015	–
	Mrs. L.A.G.N.Liyanarachchi	Singapore	24.02.2015 27.02.2015	–
		China	01.07.2015 21.07.2015	–
		Thailand	27.07.2015 28.07.2015	–
	Ms. R.S. Doranegoda	Japan	18.01.2015 05.02.2015	–
	Mr. Ruchra L. Weerasekara	Pakistan	06.02.2015 07.02.2015	–
		Malaysia	29.11.2015 13.12.2015	–
Research Assistant	Mr. K.D.J. Wasantha	China	16.06.2015 06.07.2015	–
	Mr. D.M.A. Dasanayake	China	20.05.2015 02.06.2015	–
	Mr. S.P.M.D. Wijewardhana	China	04.06.2015 24.06.2015	–
Development Officer	Mrs. D.I.De S. Wijayasinghe	China	15.10.2015 04.11.2015	–

Source: Department of Trade and Investment Policy, 2015

Table 3.3 Local Training Courses/Study Tours/Seminars in 2015

Designation	Name	Course	Period
Assistant Director	Ms. R.S. Doranegoda	Sri Lanka Public Sector Accounting Standards	12.06.2015
	Mr. K. Meegahage	Managing Employee Performance Setting Key Result Areas and Formulating Key Performance Indicators for Organizational Growth	16.06.2015 – 17.06.2015
	Mr. M.D.J.C. Murage	Anticorruption Seminar	09.09.2015 – 10.09.2015
Public Management Assistant	Mrs. W.S.P. Perera	Office Management and Office Procedure	30.03.2015 – 31.03.2015
	Mrs. M. Kirubha	Office Management and Office Procedure	30.03.2015 – 31.03.2015
	Mrs. S.G. Nilanthi	Basic Procurement System	31.03.2015
		Maintenance of Office Equipments	14.09.2015 – 15.09.2015
	Mr. C.P.K. Wijesooriya	Basic Procurement System	31.03.2015
	Ms. M.G.M.D. Wimalarathne	Maintaining Accounting Books	06.04.2015 – 07.04.2015
	Ms. K.K. Athukorala	Maintaining Accounting Books	06.04.2015 – 07.04.2015
	Mrs. M.A.D.S. Mallawarachchi	Responsibility of a leave Clark	29.06.2015 – 30.06.2015
		Maintenance of Office Equipments	14.09.2015 – 15.09.2015
Mrs. M.N. Dilrukshi	Advance account of Government Officers	02.11.2015 – 03.11.2015	
Driver	Mr. K.D.Thusitha	Developing Attitudes and professional skills of drivers	26.06.2015 – 27.06.2015
	Mr. R.A.D.C. Priyadarshana	Developing Attitudes and professional skills of drivers	26.06.2015 – 27.06.2015

Source: Department of Trade and Investment Policy, 2015

3.2 The Special Scheme Projects

3.2.1 Scheme for the Public Officers to Import Vehicles under Concessionary Terms

Issuing permits in the Concessionary Motor Vehicle Imports Scheme on Circular No.01/2013(i) and 01/2013(iii) have been withhold on publishing the Circular No 01/2013(iv) by this Department due to the suggestion of the Budget Proposal 2016 which was presented to the Parliament by Hon. Minister of Finance on 20th November, 2015.

3.2.2 Issuing Concessionary Motor Vehicle Import Permits for Senior Public Sector Officers who retired from the Government Service.

As a result of the Budget Speech of 2016, all Concessionary Motor Vehicle Import Permit Schemes were cancelled, due to that, issuing permits in the Public Administration Circular No.22/99 and relevant amendments for senior officers who are retired from the Government Service and the officers who were appointed as a Secretary and Head of the Department from the outside the public sector under the Public Administration Circular No. 03/2012 has been stopped with effect from 21.11.2015 by Hon. Minister of Finance proposing to the Parliament on 20.11.2015. There were 167 permits have been issued for retired senior public officers under the Public Administration Circular No.22/99 and 13 permits issued to the Secretary to the Ministries and Head of the Departments appointed from the outside the Government service in special occasion under the Public Administration Circular No.03/2012 until 20.11.2015.

Furthermore, there were 57 permits have been issued to the officers who have been completed their duties in foreign services and returned to the Sri Lanka under the Foreign Ministry Circular No. 210 and 210(i) in 2015.

3.3 Finance Division

With the view to achieving the objectives of the Department, a sum of Rs.1,161,765,000 from which Rs.1,157,091,500 for recurrent expenditure and Rs.4,673,500 for capital expenditure were provided in the estimates for the year 2015 under Head 244, Programme 1 and Project 1. The actual expenditure incurred during the year under review against this provision was Rs.1,161,004,836 consisting of Rs.1,156,558,922 and Rs.4,445,914 as recurrent and capital expenditure respectively. The appropriation of the budgeted provisions and the Public Officers Advance 'B' Account are shown in the Table No.3.4 and 3.5 respectively.

Table 3.4 Utilization of Budget Estimate in 2015

No	Description on Expenditure	Budget 2015 (Rs.)	Actual Expenditure 2015 (Rs.)	Percentage
1	Recurrent Expenditure			
	Personal Emoluments	25,270,000	25,002,338	98.9
	Traveling Expenses	4,607,000	4,605,848	99.9
	Supplies	1,900,000	1,876,129	98.7
	Maintenance Expenditure	1,458,500	1,450,117	99.4
	Services	2,906,000	2,903,209	99.9
	Transfers	1,120,950,000	1,120,721,281	99.9
	Sub Total	1,157,091,500	1,156,558,922	99.9
2	Capital Expenditure			
	Rehabilitation and Improvement of Capital Assets	1,000,000	929,279	92.9
	Acquisition of Capital Assets	3,100,000	2,943,316	94.9
	Capacity Building	573,500	573,319	99.9
	Sub Total	4,673,500	4,445,914	95.1
Grand Total		1,161,765,000	1,161,004,836	99.9

Source: Department of Trade and Investment Policy, 2015

The Department was able to operate the public officer's advance 'B' account during the year within the limits approved by the Parliament as shown in the Table 3.5.

Table 3.5 Public Officers' Advance 'B' Account in 2015

No	Description	Approved Limit (Rs.)	Actual Amount (Rs.)
1	Maximum Limit of Expenditure	2,500,000	1,612,183
2	Minimum Limit of Receipts	1,200,000	1,859,599
3	Maximum Limit of Debit Balance	12,000,000	8,322,997

Source: Department of Trade and Investment Policy, 2015

3.4 Audit Queries

Audit queries raised by the Auditor General's Department and the Department of Management Audit during the year under review were responded and remedial measures were taken to rectify the weaknesses where necessary. Details of Audit Queries are annexed Table No.4.5 and 4.6 (Annex - V and Annex - VI).

4. ANNEXES

Annex - I

Table 4.1 NSD's to the Harmonize System in 2015

No	HS Code	Description in 2015	Duty Rate
1	33030021	Baby Cologne conforming to SLS 589 and containing alcohol not less than 55% and not more than 65% by v/v	Free
2	33030022	Other Colognes conforming to SLS 534 and containing alcohol not less than 50% and not more than 90% by v/v	Free
3	33030029	Other	30%
4	39239010	Collapsible tubes with pre-formed shoulder and ready for filling with tooth-pastes, as identifiable from printing ,with or without cap/ closure	15%
5	39269091	Paddy Planting Trays	15% or Rs. 20/= per kg
6	39269099	Other	15% or Rs. 20/= per kg
7	65061010	Basic safety helmets for worksites, mines and similar locations	15%
8	65061020	Safety helmets of the kind worn by motor – cycle riders and covering the back of the head down to the base of the wearer's skull.(excluding those of the four National Sub divisions below), neither having a chin – guard protruding from the head cover, nor having provision for attaching such a chin guard, with or without a visor but not having a coated or tinted visor that obstructs identification of the wearer, imported subject to SLS – 517 standard.	
9	65061030	Special safety helmets of the kind worn during motor vehicle/motor cycle racing or sporting events, or for special purposes such as security activities, imported subject to SLS-517(Category –A)standard and prior import Control approval.	
10	65061040	Sporting safety helmets (elongated helmets) of the kind worn in push-bicycle racing events, imported subject to prior Import Control approval	15%
11	65061050	Half helmets (not covering the back of the skull) of the kind worn by motorcyclists, imported subject to prior Import Control approval	15%
12	65061090	Other	15%
13	84182190	Other	15%
14	87032163	Other, of cylinder capacity not exceeding 300 cc including Quadricycle	30%
15	87032172	Other, of cylinder capacity not exceeding 300 cc including Quadricycle	30%
16	87039011	Electric auto-trishaws not more than two years old	Free
17	87039012	Electric auto-trishaws more than two years old	15%

18	87039021	Driven by electric motors powered by on board accumulators/batteries charged solely by electricity generated by on board solar electric panels - Not more than three years old	15%
19	87039022	Driven by electric motors powered by on board accumulators /batteries charged by external electric source (e.g. National grid) - Not more than three years old	15%
20	87039023	Driven by electric motors powered by on board accumulators/batteries charged by external electric source (e.g. National grid) and also supported by on board electric generator (through internal combustion engine) - Not more than three years old	15%
21	87039029	Other	15%
22	87039031	Driven by electric motors powered by on board accumulators/batteries charged solely by electricity generated by on board solar electric panels -more than three years old	30%
23	87039032	Driven by electric motors powered by on board accumulators/batteries charged by external electric source (e.g. National grid) - more than three years old	30%
24	87039033	Driven by electric motors powered by on board accumulators/batteries charged by external electric source (e.g. National grid) and also supported by on board electric generator (through internal combustion engine)- more than three years old	30%
25	87039039	Other	30%
26	87039091	Other, not more than three years old	15%
27	87039092	Other, more than three years old	30%
28	87051010	Crane lorries - not more than ten years	Free
29	87051020	Crane lorries - more than ten years	Free
30	87054010	Concrete-mixer lorries - not more than ten years	Free
31	87054020	Concrete-mixer lorries - more than ten years	Free
32	87059091	Other, g.v.w. not Exceeding 4 tonnes not more than seven years old	Free
33	87059092	Other, g.v.w. not Exceeding 4 tonnes more than seven years old	Free
34	87059093	Other, g.v.w. Exceeding 4 tonnes not more than seven years old	Free
35	87059094	Other, g.v.w. Exceeding 4 tonnes more than seven years old	Free
36	87042220	Other	Free
37	87042230	Other	Free
38	87043220	Other	Free
39	87043230	Other	Free

In 2015, general duty of 0% and 25% has been changed as 0% and 30% respectively

Source: Department of Trade and Investment Policy, 2015

Table 4.2 SAFTA Tariff Liberalization in 2015

No	SD		SF	
	Tariff Bands	No.of tariff lines	Tariff Bands	No.of tariff lines
1	Free	3,253	Free	2,590
2	4%	131	1.5%	142
3	4.5%	1	2.5%	6
4	5%	1,544	4.5%	1,258
5	6.75%	2	5%	455
6	8.5%	20	7.5%	1
7	9%	2	22.4%	1
8	12.5%	32	23.8%	11
9	13.5%	19	25%	1
10	25.2% or Rs. 100,000/= per cut	1	25.2%	2
11	5% or Rs. 20,000/= per cut	1	27%	3
12	5% or Rs. 118/= per liter	1	4.5% or Rs. 4.50 per kg	5
13	5% or Rs. 12/= per kg	1	4.8% or Rs. 6/= per kg	1
14	5% or Rs. 13/= per kg	1	5% or Rs. 20,000/= per cut portion	1
15	5% or Rs. 23/= per kg	1	5% or Rs. 5/= per kg	6
16	5% or Rs. 26/= per kg	1	5% or Rs. 7/= per kg	1
17	5% or Rs. 54/= per unit	1	5% or Rs. 118/= per liter	1
18	5% or Rs. 6/= per kg	2	5% or Rs. 12/= per kg	1
19	5% or Rs. 9/= per kg	5	5% or Rs. 13/= per kg	1
20	5% or Rs. 10/= per kg	1	5% or Rs. 23/= per kg	1
21	5% or Rs. 10/= per pair	2	5% or Rs. 26/= per kg	1
22	5% or Rs. 17/= per kg	1	5% or Rs. 54/= per unit	1
23	5% or Rs. 19/= per kg	1	5% or Rs. 6/= per kg	2
24	5% or Rs. 20/= per kg	1	5% or Rs. 9/= per kg	5
25	5% or Rs. 3617/= per unit	4	5% or Rs. 10/= per kg	1
26	5% or Rs. 5/= per kg	5	5% or Rs. 10/= per pair	2
27	5% or Rs. 56/= per unit	1	5% or Rs. 17/= per kg	1
28	5% or Rs. 7/= per kg	2	5% or Rs. 19/= per kg	1
29	5% or Rs. 40/= per kg	2	5% or Rs. 20/= per kg	1
30	Non liberalize	1,926	5% or Rs. 3617/= per unit	4
31			5% or Rs. 40/= per kg	2
32			5% or Rs. 56/= per unit	1
34			Non liberalize	2,455
35	Total	6,965	Total	6,965

Source: Department of Trade and Investment Policy, 2015

Under SAFTA, duty of both 14.6% and 10.83% has been reduced to 5%. And also, for some selected items, duty of 14.6% and 10.83% has been deducted to 12.5% and 8.5%.

Table 4.3 Revenue Protection Act No. 19 of 1962 (Customs Import Duty)

No	RPO/NO Description	Gazette No. & Date	Effective Date	Description
1	RPO/01/2015	Gazette No. 1899/33 dated 29. 01.2015	30.01.2015	Customs Import Duty changes under interim Budget Proposals (Duty Free on Cement and Steel imports)
2	RPO/02/2015	Gazette No. 1903/40 dated 26.02.2015	27.02.2015	Increased age limit (without import licences) of Motor Vehicles to import (Motor Cars 2 to 3 years, Buses 5 to 10 years)
3	RPO/03/2015	Gazette No. 1913/3 dated 05.05.2015	06.05.2015	Re introduce Customs Import Duty for rice (Rs. 35 per Kg)
4	RPO/04/2015	Gazette No. 1941/42 dated 20.11.2015	21.11.2015	Customs Import Duty changes under Budget Proposals 2016 1. Introduced 3 band tariff structure (0, 15%, 30%) 2. Reduced 7.5% to zero 3. Increased 25% to 30% 4. Preferential duty change under SAFTA Agreement 5. Customs Import Duty increased - alcoholic beverages, Tyres rim size above 20 inches, Chocolate Blocks 6. Customs Import Duty Reduced - Garments, Footwear, Tiles, Steel, Musical Instruments, Maze Corn 7. New HS Code Creations (For Perfumes, Collapsible tubs, Paddy planting trays, Safety helmets, Quadricycle, Electric cars, Special purpose vehicles)
Other Changes				
1	Order under article 10 of schedule 'E' of the Customs (Amendment) Act, No.2 of 2003	1. Gazette No. 1899/35 dated 29.01.2015 2. Gazette No. 1901/3 dated 10.02.2015	30.01.2015 10.02.2015	Revised the method of Customs Valuation of Motor Vehicles
2		3. Gazette No. 1933/18 dated 22.09.2015	17.09.2015	

Source: Department of Trade and Investment Policy, 2015

Table 4.4 Duty Revisions under Special Commodity Levy Act No. 48 of 2007

No	Gazette No	Date	Items	Duty Revisions
1	1898/43	22.1.2015	Rice	Increased duty from Rs. 1/= to Rs. 20/- per Kg
2	1899/32	29.01.2015	Sprats, Green Gram, Canned fish, Maldives Fish, Coriander, Black Gram, Sugar, Chillies, Turmeric	Reduced duty rates on 10 items (interim Budget Proposals)
3	1901/28	14.02.2015	Mackerel Fish, Potatoes	Increased duty rate on potatoes Rs. 10/= to Rs. 40/= and extend the validity period for Mackerel fish
4	1903/4	24.02.2015	Peas, Chickpeas, Cowpea, Lentils, Kurakkan, Margarine	Extended the validity period for 6 months
5	1906/7	17.03.2015	Mackerel Fish	Reduced duty rate from Rs. 10/= to Rs.6/=
6	1907/19	25.03.2015	Rice	Increased duty rate from Rs. 20/= to Rs. 40/- per Kg
7	1908/29	01.04.2015	17 items	Extended the validity period for 6 months
8	1911/9	23.04.2015	Potatoes, B Onions	Increased the duty on potatoes Rs. 40/= to Rs. 55/= and B Onions Rs. 10/= to Rs. 30/= per kg
9	1913/2	05.05.2015	Rice	Removed SCL on Rice
10	1917/48	05.06.2015	Potatoes, B Onions	Reduced the duty on potatoes Rs. 55/= to Rs. 30/= and B Onions Rs. 30/= to Rs. 10/= per kg
11	1919/33	16.06.2015	Split Lentils and Vegetable oil	Reduce duty rate on Split Lentils Rs. 5/= to .25 cents and increased duty on palm oil Rs. 90/= to Rs. 105/= per Kg
12	1921/7	29.06.2015	Maize	Introduce 10% SCL again
13	1924/9	20.07.2015	Sprats, Green Gram, Canned fish, Maldives Fish, Coriander, Black Gram, Sugar, Chillies, Turmeric and Vegetable oil	Extended validity period for 10 items and reduce duty rate on vegetable oil Rs. 105/= to Rs. 90/= per Kg
14	1931/7	07.09.2015	Potatoes, B Onions, Peas, Chickpeas, Cowpea, Lentils, Kurakkan, Margarine, Sugar	Increased duty rate on potatoes Rs. 30/= to Rs. 40/=, Sugar Rs. 18/= to Rs. 30/= and extended the validity period (6 months) for other items
15	1932/54	17.09.2015	Mackerel Fish	extended the validity period for 6 months(Duty Rate Rs. 6/=)
16	1933/15	22.09.2015	B Onions	Introduce Surcharge - Rs. 20/= per Kg to protect local farmers
17	1933/18	22.09.2015	Vegetable oils	Increase duty rate on crude palm oil Rs. 90/= to Rs. 110/= and refine oil Rs. 110/= to Rs. 130/=.
18	1934/32	01.10.1015	17 items	Extend the validity period for 6 months

19	1935/45	09.10.2015	B Onions	Amalgamated SCL Rs. 10/= and Surcharge 20 (Rs. 30/= per Kg)
20	1938/4	28.10.2015	Maize, Vegetable oil	Introduce SCL on Vegetable Fat (Rs. 175/= per Kg) and extended the validity period for Maize
21	1941/43	20.11.2015	Fish, Potato, B Onions, Lentils, Dates	Implemented Budget Proposal 2016

Source: Department of Trade & Investment Policy, 2015

Annex - V

Table 4.5 Audit Queries – Government Audit in 2015

No	Date Received	Subject	Date of the reply sent
1	2015.05.12	Govt. Officers Advance Account 'B' – 2014 - Subject No. 24401	2015.05.19
2	2015.05.15	Appropriation Account 2014 – Head 244	2015.05.27
3	2015.05.20	Annual Board of the Survey – 2013	2015.09.03
4	2015.05.27	Obtaining information for auditing - 2014	2015.06.16
5	2015.06.08	Obtaining information for auditing - 2014	2015.07.20
6	2015.07.07	Obtaining information for auditing	2015.07.21
7	2015.07.21	Preparation of financial Statements on accumulated basis	2015.08.10
8	2015.07.08	Supervision on staff - 2014	2015.08.04
9	2015.07.27	Annual Board of Survey - 2014	2015.08.10
10	2015.07.27	Performance 2014	2015.08.21
11	2015.07.28	Granting duty waivers and duty exemptions under the Government policies and rules in 19(A) of Customs Ordinance.	2015.08.31
12	2015.08.25	Head 244 – Audit and Management Report - 2014	2015.10.05
13	2015.08.25	Head 244 - Audit General's Report of year 2014 of the Dept. of Trade & Investment Policy - Section 154(6) of the Constitution of Democratic Socialist Republic of Sri Lanka	2015.09.16
14	2015.09.16	Obtaining documents for auditing	2015.09.21
15	2015.10.21	Obtaining information for auditing	2015.10.30
16	2015.11.11	Obtaining information for auditing	2015.11.20
17	2015.12.08	Examine of expenditure of foreign travels	2016.01.26
18	2015.12.11	Obtaining information for auditing	2015.12.18
19	2015.12.29	Obtaining information for auditing	2016.01.11

Source: Department of Trade and Investment Policy, 2015

Table 4.6 Audit Queries – Department of Management Audit in 2015

No	Date Received	Subject	Date of the Reply
1	2015.04.08	Action Plan -Progress of the First Quarter	2015.05.08
2	2015.05.12	Report of the management audit - First Quarter – 2015 (Dept. of Trade & Investment Policy)	2015.06.22
3	2015.06.22	Action Plan - Progress of the Second Quarter	2015.09.04
4	2015.08.03	Report of the Management audit relevant to the Second Quarter - (Dept. of Trade and Investment Policy)	2015.09.25
5	2015.09.16	Progress of the Third Quarter according to the Action Plan	2016.02.19
6	2015.10.01	Obtain information relevant to audit management of the 3 rd Quarter - 2015	2015.10.28
7	2015.10.20	Report of the 3 rd Quarter of the Management audit – 2015 (Dept. of Trade and Investment Policy)	2016.02.23
8	2016.02.09	Progress of the 4 th Quarter according to the Action Plan	2016.03.19
9	2016.02.16	Obtain information relevant to the audit activities of the Fourth Quarter 2015	2016.02.17
10	2016.02.17	Obtain information relevant to the audit activities of the 3 rd Quarter - 2015	2016.02.17

Source: Department of Trade and Investment Policy, 2015
