PERFORMANCE REPORT – 2012
DEPARTMENT OF FISCAL POLICY
THE GENERAL TREASURY

Contents

Vision

To Ensure the Establishment of a

Sustainable Fiscal Policy

Framework

Mission

Formulation and Implementation of

Fiscal Policies

Within the Broad Developmental

Framework of the Government

Functions

- Formulation and Implementation of fiscal policy and medium term fiscal strategy by co-ordinating with public, private and international agencies,

- Formulation of tax policy and related statutes other than the Customs Duty and the Special Commodity Levy,

- Management and review of fiscal out-turn and fiscal performance, including government revenue and receipts,

- Implementation of requirements under Fiscal Management (Responsibility) Act No.03 of 2003 including all reporting.

1. Fiscal Policy in 2012 – Overview

The commitment to contain budget deficit in 2012 within the medium term fiscal management framework was further consolidated with budget deficit keeping at 6.4 percent of Gross Domestic Product (GDP) in comparison to 6.9 percent in 2011. However, it marginally exceeded the budget deficit target of 6.2 percent announced in Budget 2012. As a percentage of GDP, budget deficit was reduced to 8.0 percent in 2010 from 9.9 percent in 2009. This continuous downward direction was established for the third consecutive year in 2012 through the rationalization of government expenditure in line with government revenue which has lagged behind the growth in GDP as a result of the slowdown in both domestic economic activities and significant reduction in dutiable imports reflecting the contractionary impact of high duties, credit restriction and greater flexibility in exchange rate introduced in the early part of 2012 to deal with the widened trade deficit in 2010 and 2011.

Although the government was able to contain the budget deficit almost within the targeted level, the overall fiscal operations in 2012 confronted with several challenges. Sharp decline in the import of motor vehicles from 533,056 in 2011 to 374,175 in volume terms and from US$ 881 million to US$ 495 million in value terms in 2012 in comparison to 2011 and contraction in associated domestic trade and services, particularly in financial leasing, had an adverse impact on import revenue growth in 2012. Tight monetary policy reflected in the reduction in the private credit compressed domestic economic activities affecting revenue growth from domestic transactions based taxes. Total revenue collection accordingly declined to 13.9 percent of GDP in comparison to 14.8 percent in 2011.

The relatively high market interest rates, high domestic borrowings particularly in the second half of 2012 and the exchange rate depreciation, increased the interest cost of the government from Rs. 357 billion in 2011 to Rs. 408 billion. However, the non interest current expenditure as a percent of GDP contained at 9.5 percent in 2012 compared to 10.2 percent recorded in 2011 reflecting a further moderation of national security expenditure from 3.9 percent of GDP in 2009 to 2.7 percent in 2012 and the decline in the expenditure on other goods and services as a percent of GDP to 1.8 percent from 2.0 percent in the previous year thus helping to maintain current expenditure at 14.9 percent of GDP in comparison to 15.7 percent in the previous year. With a shortfall of revenue which resulted in a revenue deficit of 1.0 percent of GDP in 2012 as against 0.9 percent in 2011, the public investment had to be managed at 5.9 percent of GDP compared to the target of 6.6 percent in Budget 2012, to manage budget deficit within targeted level.

As the year progressed, several tax policy changes were introduced. The full customs duty waiver that had been granted on the importation of petroleum products was reduced in early 2012 in line with the decline in petroleum prices in the international market. Similarly duty waiver on milk powder was reduced to encourage the local production. Customs duty on motor vehicle spare parts was revised upwards. The Special Commodity Levy (SCL) on some commodities was revised from time to time, based on the international price movements and domestic supply conditions while several commodities such as fish and vegetable oil were brought into the SCL system. Meanwhile, the Cess on several imported commodities was increased to improve the domestic value added production and enhance government revenue. These measures had a positive impact on domestic value addition. During the year, the excise duties on hard liquor and malt liquor increased in two instances and the excise duty on cigarettes was also increased. However, increase in excise duty applicable on the importation of motor vehicles to address the widening trade deficit had a negative impact on revenue growth. Equally high taxes on excise duties on liquor and cigarettes discouraged domestic demand and contributed to weaken the growth in revenue.

The current expenditure in 2012 increased by 10.4 percent to Rs. 1,131 billion compared to 2011. Interest expenditure amounted to Rs. 408 billion accounting for 36.1 percent of total current expenditure in comparison to Rs. 357 billion in 2011. However, it marginally declined to 5.4 percent from 5.5 percent as a percentage of GDP. It was driven highly by the depreciation of the exchange rate and high domestic interest rates which were necessitated by the emerging Balance of Payment (BOP) imbalances, inflexibility in exchange rates and decline in the share of concessional loans in the total foreign debt stock as well as the sluggish growth in government revenue that required borrowings. Despite wage increases and further filling of vacancies in the public service, non interest current expenditure totaled to Rs. 723 billion in comparison to Rs. 668 billon in 2011 which is an 8.1 percent increase. The decline in defence related expenditure on other goods and services, which amounted to Rs. 32.6 billion in 2012 compared to Rs. 43.4 billion in 2011, helped to contain current expenditure. Consequently, as a percentage of GDP, current expenditure declined to 14.9 percent in 2012 in comparison to 15.7 percent in 2011 as its growth was lower than the growth in nominal GDP, which is a reflection of the government’s efforts in rationalization of spending towards strengthening fiscal consolidation process.

Non-interest current expenditure of the government, although increased by 8.1 percent over the previous year, declined as a percentage of GDP to 9.5 percent from 10.2 percent in 2011. The salary bill increased by 8.8 percent to Rs. 348 billion from Rs.320 billion due to the increase in the special allowance given to all public sector employees from 5 percent to 15 percent of their basic salary subject to a minimum salary increase of Rs 1,200 per month coupled with an upward revision of various allowances paid to Grama Niladaries, members of the judiciary, doctors, engineers and the university staff. The increase in allowances paid to retired pensioners by Rs. 1,000 per month together with the full impact of around 23,447 new retirees in 2011 and the partial impact of 17,375 new retirees in 2012 resulted in an increase in the pension bill by 11.7 percent to Rs. 112 billion from Rs. 100 billion in 2011. Accordingly, the salary and pension bill totaled to Rs.460 billion in 2012 in comparison to Rs. 420 billion in 2011.

The expenditure on continued government social welfare programs amounted to Rs. 39.7 billion in 2012, of which Rs. 14.8 billion for payments to disabled soldiers, Rs. 10.6 billion for Samurdhi cash grants, Rs. 7.0 billion for providing free school uniforms, text books and nutrition programs and Rs. 7.3 billion for assistance to needy people and other welfare programmes. Meanwhile, the transfers to public institutions amounted to Rs. 34.9 billion mainly to cover the payments due to increase in personal emoluments while transfers to Sri Lanka Railways, Department of Posts and Sri Lanka Transport Board amounted to Rs. 11.1 billion to cover their operational losses.

The government spent Rs. 444 billion accounting for 5.9 percent of GDP as public investment in 2012 in comparison to Rs. 422 billion in 2011 amidst difficult financial conditions including the shortfall in the revenue, in keeping with the commitment of maintaining annual public investment at 6 percent of GDP. The government has been able to maintain public investment at an average of 6.2 percent of GDP during the period from 2005 to 2012 in comparison to 4.7 percent during 2002-2004 period. Consequent to the sustained expenditure in public investments, the country continued to witness a steady progress in expansion in the capacity of power generation, seaports & airports, expressways, highways, national irrigation system, water supply and sanitation, schools, vocational training institutions, universities, hospitals and service delivery facilities. Accordingly, country's power generation capacity improved from 2,231MW in 2002 to 3,312 MW in 2012, number of seaports increased from 3 in 2002 to 5 in 2012, number of international airports increased from 1 in 2002 to 2 in 2012 along with the expansion of domestic airports, road density increased from 1.68 km per km^2 in 2002 to 1.76 km per km^2 in 2012 and water distribution capacity increased from 253 m^3 million in 2005 to 368 m^3 million in 2012. This investment drive enable the increased access of the people to electricity to 93 percent, safe drinking water to 84 percent and greater access to transport, education and health facilities.

The deficit in the revenue account, the gap between the total current expenditure and total revenue, amounted to Rs. 79.6 billion in 2012 in comparison to Rs. 57.0 billion in 2011. As a percentage of GDP, the revenue deficit increased to 1.0 percent from 0.9 percent in 2011. This is largely a reflection of revenue shortfall associated with compressed imports and domestic revenue base. This together with the public investment of Rs. 444 billion or 5.9 percent of GDP resulted in an overall budget deficit of Rs. 489 in 2012 as against Rs. 450 billion in 2011. However, in relation to GDP, it was 6.4 percent as against 6.9 percent in 2011, 8.0 percent in 2010 and 9.9 percent recorded in 2009. Hence, for the fourth consecutive year, deficit was on a declining trend underscoring a clear direction in government fiscal management. In financing the budget deficit, Rs. 308 billion (63 percent of the total financing or 4.1 percent of GDP) was obtained as net borrowings from domestic sources. Net domestic financing included investments by non-residents in government securities of Rs. 106 billion in 2012 compared to Rs. 25 billion in 2011. The balance Rs. 181 billion (37 percent of the total financing or 2.4 percent of GDP) of net deficit financing was from foreign sources.

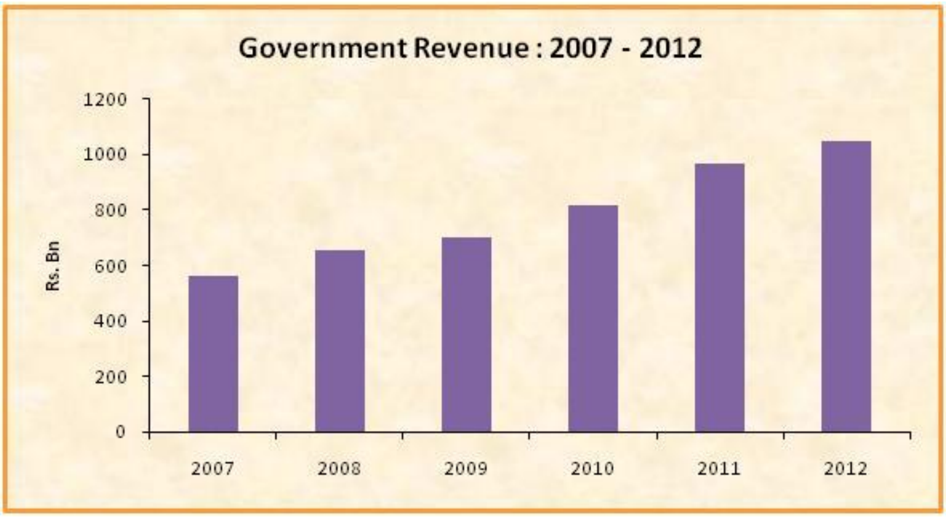
The government debt at the end of 2012 totaled to Rs. 6,000.1 billion. This consisted of Rs. 3,232.8 billion of domestic debt and Rs. 2,767.2 billion of foreign debt. Total debt accounted for 79.1 percent of GDP in 2012 in comparison to 78.5 percent recorded in 2011 and the highest ratio of 105.6 percent recorded in 2002. This was a combined outcome of the containment of the budget deficit at 6.4 percent of GDP in 2012 in comparison to 6.9 percent in the previous year, relatively lower growth rate of 6.4 percent of GDP in 2012 than the 8.2 percent growth rate in 2011, and the depreciation of the Sri Lankan rupee against major foreign currencies that had a local currency valuation impact of Rs. 207.4 billion and external debt in foreign currency stood at US$ 18.6 billion in 2012 in comparison to US$.17.3 billion in 2011.

Total domestic debt in 2012 amounted to 53.9 percent of the total debt, with an increase of Rs. 428.8 billion in 2012. However, as a percentage of GDP, domestic debt declined to 42.6 percent of GDP from 42.8 percent in the previous year. The domestic debt with the maturity periods in excess of two years amounted to Rs. 2,419.6 billion accounting for 74.8 percent of total domestic debt. The balance 25.2 percent or Rs. 813.3 billion was with short term Treasury bills with maturity period of less than one year. Total foreign debt accounted for 46.1 percent of the total debt by end 2012. Reflecting an increased utilization of foreign funds in government capital expenditure and the impact of the depreciation of the rupee viz. a viz. major foreign currencies, foreign debt increased by Rs. 438 billion in 2012. As a percentage of GDP also, it increased to 36.5 percent from 35.6 percent in 2011. The exchange rate variation alone accounted for Rs. 207.4 billion and demanded rupee resources from the budget, though there were no extra borrowings in foreign currency involved in such variation impact.

1.1 Government Revenue

Total revenue of the government increased by 8.6 percent to Rs. 1,051.5 billion in 2012 compared to Rs. 967.9 billion in 2011. This was supported by Rs. 908.9 billion tax revenue (7.5 percent increase) and Rs. 142.5 billion of non-tax revenue (16.7 percent increase), even though fell short of the revenue target envisaged in the Budget 2012.

The revenue performance in 2012 should be viewed in the backdrop of the strong policy package adopted by the government in early part of the year to ensure the macroeconomic stability, by increasing taxes to curtail import of selected items, increase in interest rates and imposition of a ceiling on private sector credit to limit the expansion on access to credit coupled with the greater flexibility in exchange rate in order to contain the increased domestic demand thus managing the widening trade deficit arising from a relatively higher imports. Benefiting from these policy measures, import of motor vehicles declined by 43.8 percent to US$ 495 million and consumer goods declined by 18.0 percent to US$ 2,995 million which includes decline in food and beverages by 16.9 percent to US$ 1,304 million, in 2012. Hence, total imports declined to US $ 19.2 billion in 2012 from US $ 20.3 billion in 2011, even though import of investment goods increased by 7.0 percent to US$ 4,590 million in line with the recent trends in investments and construction activities while intermediate goods declined marginally by 5.7 percent to US$ 11,570 million despite the increase in import of fuel by 5.0 percent to US$ 5,037 million. Further, affecting from the above measures as well as from the decline in exports to US $ 9.8 billion in 2012 from US $ 10.5 billion in 2011 amidst the weakened global economic conditions, manufacturing sector recorded a moderate growth of 5.2 percent in 2012 in comparison to 7.9 percent in 2011. In this background, domestic trading services also recorded a moderate growth of 6.8 percent in 2012 in comparison to 7.5 percent in 2011. The slowdown in GDP growth to 6.4 percent in 2012 from 8.2 percent in 2011 and shrinking of dutiable imports coupled with the decline in domestic demand, manufacturing and trading activities and goods transportation had an adverse impact on revenue generation. The total revenue as a percent of GDP was 13.9 percent in 2012 in comparison to 14.8 percent in 2011. In particular, the tax revenue was 12.0 percent of GDP in comparison to 12.9 percent in 2011.



1.2 Variance Analysis of Government Revenue – 2012 (Rs. Mn)

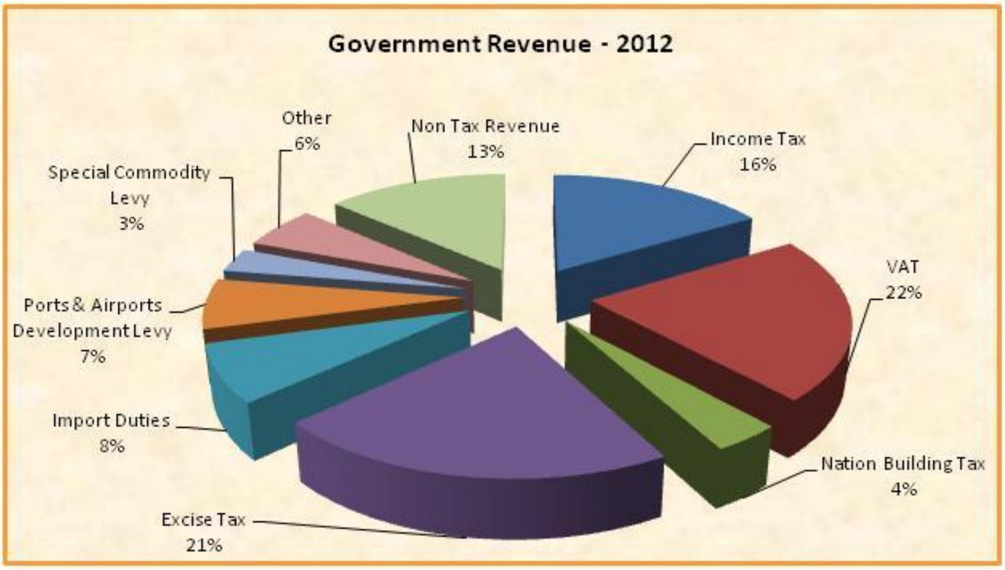
Item	2011 Actual	2012 Prov.	Reason
Income Tax	157,310	172,593	The measures taken to counter the widening trade deficit through, high policy interest rates, credit ceilings and greater flexibility in exchange rate compressed economic activities in major income tax generating sectors such as manufacturing, communication, insurance and leasing sectors resulting a deviation from the estimates. Introduction of PAYE tax to government employees, increase in withholding interest income due to the high interest rates regime and higher investment in Treasury Bills and Treasury Bonds helped to raise income tax revenue over 2011.
Value Added Tax (VAT)	225,858	229,604	The decline in imports stemming from the policy measures taken to address the Balance of Payments issues affected negatively on the VAT liable imports resulting in a deviation in import VAT revenue estimates from actual while with the slowdown in domestic economic activities adversely affected the domestic VAT revenue estimates. However, better performance in certain sectors such as hotels, restaurants and catering services coupled with the decline in VAT cash refunds with the introduction of SVAT system helped to increase the VAT revenue in 2012 over 2011.
Excise Tax	204,821	223,960	Despite the volume drops in cigarettes sales, liquor production, motor vehicle imports, revisions of tax rates on these products carried out within the year coupled with reducing duty waivers granted on import of petrol and diesel helped to generate the estimated revenue from these sources.
Import Duty	79,811	80,155	The decline in taxable imports coupled with maintaining a certain part of duty waivers on petrol and diesel in the back drop of high international oil prices, bringing certain items such as vegetable oil and fish under Special Commodity Levy during the year resulted a deviation in import duty estimates verse actual. Despite these factors, duty revisions

			carried out with respect to tryes, milk powder and revising a part of the duty waivers on petrol and diesel compared to full duty waiver during 2011 helped to maintain higher revenue than 2011 from these sources.
Ports and Airports Development Levy (PAL)	66,028	70,111	Decline in overall imports caused a variation in actual revenue from estimates. Despite these trends in imports a moderate growth over 2011 was evident due to fewer exemptions and well defined base applicable in charging PAL.
Nation Building Tax (NBT)	35,667	38,736	Sluggish growth in domestic factory industries coupled with contraction in imports resulted a shortfall of NBT revenue from the estimates. However, relative expansion in services sector such as hotels, restaurants, catering etc., in line with the tourism sector boom coupled with better performance in insurance and banking activities resulted revenue growth over 2011.
Other Taxes	76,202	93,754	Despite the negative factors that were encountered by the economy, rate revisions carried out during the year on SCL and Cess and adding up of new commodities under the SCL helped to maintain the revenue at estimated levels. The rate revisions on SCL and Cess during the year coupled with increase in revenue from Telecommunication Levy with the expansion in that sector helped to maintain higher revenue than in 2011 from these sources.
Non Tax Revenue	122,165	142,547	The increase in Central Bank profit transfers stemming from higher revenue generated from foreign reserves management and increased income from Treasury Bill holdings in a back drop of high interest rates were the main reasons of over performing of the non tax revenue over the estimates. Increase in profits and transfers from state banks and institutions such as Lanka Mineral Sands Limited, Sri Lanka Insurance Corporation Limited (SLIC) and National Insurance Trust Fund (NITF) also helped to boost non tax revenue over 2011.

2. Performance of Year 2012

2.1 Review of the progress of Government revenue while maintaining a proper co-ordination with all departments engaged in revenue collection

The government revenue in 2012 was Rs.1,051.5 billion which was an increase of 8.6 percent compared to Rs.967.9 billion in 2011. Out of the total government revenue, Rs.908.9 billion was tax revenue while the non-tax revenue amounted to Rs.142.5 billion.



2.2 Summary of Government Revenue

Rs. Mn

Item	2011	2012
Tax Revenue	**845,697**	**908,913**
Income Tax	157,310	172,593
Value Added Tax	225,858	229,604
Nation Building Tax	35,667	38,736
Excise Tax	204,821	223,960
Import Duties	79,811	80,155
Ports & Airports Development Levy	66,028	70,111
Special Commodity Levy	15,622	33,666
Other	60,580	60,088
Non Tax Revenue	**122,165**	**142,547**
Interest / Rent	13,426	11,686
Profit and Dividends	34,351	46,761
Sales and Charges	37,292	26,019
Social Security Contributions	12,628	11,738*
Central Bank Profit Transfers	22,000	43,000
Other	2,468	3,343
Total Revenue	**967,861**	**1,051,460**

** This does not include the Social Security Contributions amounting to Rs. 1,955 million receivable from the Provincial Councils in 2012.*

2.3 Amendments to the legislations as per the policy decisions taken by the government from time to time

2.3.1 Gazette Notifications published during the year 2012, by this department are as follows;

(i) Excise (Special Provisions) Act

- Excise (Special Provisions) Act, No. 13 of 1989 (Gazette Notification No. 1747/01 of 2012.02.27) - To exempt from the payment of Excise (Special Provisions) Duty on selected excisable motor vehicles /articles and to grant specific concessions from the payment of Excise (Special Provisions) Duty on the specified excisable articles.

- Excise (Special Provisions) Act, No. 13 of 1989 (Gazette Notification No. 1751/28 of 2012.03.30) - To increase the Excise (Special Provision) Duties on motor vehicles for transport of persons and certain motor vehicles for transport of goods.

- Excise (Special Provisions) Act, No. 13 of 1989 (Gazette Notification No. 1778/40 of 2012.10.05) - To increase the Excise (Special Provisions) Duty on Cigarettes and other tobacco products.

- Excise (Special Provisions) Act, No. 13 of 1989 (Gazette Notification No. 1783/19 of 2012.11.08) - To increase the Excise (Special Provisions) Duty on Cigarettes and other tobacco products, motor vehicles and other goods.

(ii) Cess

- Export Development Act, No. 40 of 1989 (Gazette Notification No. 1762/29 of 2012.06.13) - To replace the Cess rates and units of export of granite mentioned in the Extraordinary Gazette No. 1733/5 dated 21.11.2011 to minimize market difficulties faced by the exporters of granite blocks.

- Export Development Act, No. 40 of 1989 (Gazette Notification No. 1764/5 of 2012.06.27) - To amend the Cess rates payable on import of frozen vegetables, dried vegetables, fresh mandarins, wheat or mesline flour, malt extracts, ferrous waste and scrap and impose Cess on bars and rods of iron or non-alloy steel, tubes, wire of iron or non – alloy steel and pipes and hollow profile of iron or non alloy steel to support the domestic manufacturers as well as to contain the arrival of substandard products to the local market.

- Export Development Act, No. 40 of 1989 (Gazette Notification No. 1774/3 of 2012.09.03) - To increase the Cess rates to safeguard the local high quality production of ceramic articles including tiles, sanitaryware (sinks, cisterns, squatting pans etc.) tableware and kitchenware by avoiding the dumping of cheap and low quality imported products.

- Export Development Act, No. 40 of 1989 (Gazette Notification No. 1783/20 of 2012.11.08) - To exempt Cess on the export of scrap/waste generated by enterprisers registered under the BOI or Customs Manufacture-in-Bond, or a scheme under Temporary Importation for Export Processing (TIEP), to increase/impose Cess on export of raw, rubber and low value added mineral exports to encourage local value addition.

- Export Development Act, No. 40 of 1989 (Gazette Notification No. 1783/21 of 2012.11.08) - To exempt Cess on the importation of goods for specified projects of national interest to facilitate the implementation of development projects, to reduce the upfront cost of local manufacturers by way of reduction/removal of Cess on a variety of raw material, to reduce Cess on such imports to enhance the availability of branded products for personal use at affordable prices and to increase the Cess on importation of certain items that could be locally manufactured.

(iii) Excise Ordinance

- Excise Notification No. 947, 948, 949 and 950 (Gazette Notification No. 1751/29 of 2012.03.30) - To amend the Excise duty on liquor, molasses, palmyrah, coconut and processed arrack, country made foreign spirits and malt liquor.

- Excise Notification No. 951 (Gazette Notification No. 1751/30 of 2012.03.30) - To amend the Excise duty on spirit (Ethyl Alcohol) to be used in the manufacture of medicinal preparations and for approved industrial and other use.

- Excise Notification No. 952, 953, 954 and 955 (Gazette Notification No. 1778/41 of 2012.10.05) - To amend the Excise duty on liquor, molasses, palmyrah, coconut and processed arrack, country made foreign spirits and malt liquor.

- Excise Notification No. 956 (Gazette Notification No. 1778/42 of 2012.10.05) - To amend the Excise duty on spirit (Ethyl Alcohol) to be used in the manufacturing of medicinal preparations, industrial purposes and manufacturing of finished products to be exported, by approved Institutions and Impure Ethyl Alcohol spirits (Technical spirits/weak spirits).

(iv) Ports and Airports Development Levy

- Ports and Airports Development Levy Act. No. 18 of 2011 (Gazette Notification No. 1757/3 of 2012.05.09) - To exempt plant, machinery or equipment imported by selected enterprises and goods imported for international transportation and to amend the order for importation of raw materials used for manufacturing of pharmaceuticals.

- Ports and Airports Developments Act, No. 18 of 2011 (Gazette Notification No. 1783/34 of 2012.11.09) - To impose concessionary rate of 2.5% on importation of goods under the specified HS Codes, to exempt the payment of Ports and Airports Development Levy on importation of goods under the specified HS Codes and to exempt the payment of Ports and Airports Development Levy on importation of medical equipment to be donated to a health institution which provides health care services free of charge.

(v) Notifications under the Finance Act

- Order under Section 58(4) (g), Finance Act, No. 11 of 1963 (Gazette Notification No. 1790/15 of 28.12.2012) - To declare that the provisions of Sub-sections (1), (2) and (3) of Section 58(4)(g) of the Finance Act, No. 11 of 1963 shall not apply to the transfer of the land and premises located at No. 112, Horton Place, Colombo 07, in extent of 0.30926 Hectares according to Preliminary Plan to the Embassy of the People’s Republic of China.

- Order under Section 2(1), Finance Act, No. 25 of 2003 (Gazette Notification No. 1791/08 of 31.12.2012) – As per the budget proposals 2013, to amend the amount of Embarkation Levy from persons leaving Sri Lanka by aircraft or ship.

(vi) Stamp Duty

- Order under Section 5, Stamp Duty (Special Provisions) Act, No. 12 of 2006 (Gazette Notification No. 1752/17 of 04.04.2012) - To exempt share certificate on the issue of any share to the Government of Sri Lanka from Stamp Duty.

- Order under Section 5, Stamp Duty (Special Provisions) Act, No. 12 of 2006 (Gazette Notification No. 1757/4 of 09.05.2012) - To exempt share certificate on the transfer or assignment of any share belongs to the Government of Sri Lanka from Stamp Duty.

- Order under Section 5, Stamp Duty (Special Provisions) Act, No. 12 of 2006 (Gazette Notification No. 1778/32 of 04.10.2012) - To exempt Share Certificates on the initial issue of any share by a company to another company where both companies are owned or controlled by the Government of Sri Lanka or a company which has entered into an agreement with the Board of Investment of Sri Lanka under the Strategic Development Project Act, No. 14 of 2008 to a company owned or controlled by the Government of Sri Lanka from Stamp Duty.

- Order under Section 5 of the Stamp Duty (Special Provisions) Act, No. 12 of 2006 (Gazette Notification No. 1789/9 of 17.12.2012) - To amend the Stamp Duty rates relating to affidavits, insurance policies, notary warrants, periodic license to carry on trade businesses, license for sale of liquor and demand for payment of usage of credit cards as proposed in Budget 2013.

- Order under Section 5 of the Stamp Duty (Special Provisions) Act, No. 12 of 2006 (Gazette Notification No. 1789/15 of 18.12.2012) - As per the budget proposals 2013, exemption was granted on Stamp Duty on any instrument of transfer of stocks, by any person to a margin trading account (slash account) or vice versa.

(vii) Gazette Notifications under Fiscal Management (Responsibility) Act No. 03 of 2003.

- Fiscal Management (Responsibility) Act, No. 3 of 2003 (Gazette Notification No. 1760/11 of 30.05.2012) - To publish the Annual Report of Ministry of Finance and Planning - 2011.

- Fiscal Management (Responsibility) Act, No. 3 of 2003 (Gazette Notification No. 1764/20 of 29.06.2012) - To publish the Mid Year Fiscal Position Report - 2012.

- Fiscal Management (Responsibility) Act, No. 3 of 2003 (Gazette Notification No. 1783/22 of 08.11.2012) - To publish the Fiscal Management Report – 2013.

2.3.2. Act amendments published in the year 2012 by this department are as follows;

- Value Added Tax (Amendment) Act, No. 7 of 2012
- Inland Revenue (Amendment) Act, No 8 of 2012
- Finance (Amendment) Act, No. 12 of 2012
- Nation Building Tax (Amendment) Act, No. 9 of 2012
- Economic Service Charge (Amendment) Act, No. 11 of 2012
- Ports and Airports Development Levy (Amendment) Act, No. 10 of 2012

2.4 In year 2012, Several Cabinet memorandums were submitted by the Hon. Minister of Finance and Planning in respect of fiscal policy matters. Further, observations were prepared by this Department with regard to the Cabinet Memorandums submitted by members of the Cabinet of Ministers in relation to the Fiscal Policy matters in which Hon. Minister of Finance and Planning has to submit observations.

2.5 Submission of draft bills related to different taxes and gazette notifications to the Parliament and their follow up actions.

- Co-ordination with the Department of Legal Affairs – Ministry of Finance & Planning, Legal Draftsman's Department, Hon. Attorney-General, Commissioner General of Inland Revenue, Government Printer and the Parliament in respect of amendments made to the tax legislations.

- Relevant gazette notifications related to the revision of different tax/charges were published in the year 2012.

2.6 Review of all revenue sources, collection and preparation of revenue data, supervision of revenue estimates and cash flow position.

- The revenue estimates for the year 2013 were prepared in consultation with the Revenue Departments.

- Four Fiscal Policy Committee meetings were held (on quarterly basis) with the participation of the Secretary to the Treasury, Deputy Secretaries to the Treasury, Department Heads of the Treasury / Heads of the Revenue Collecting Departments and other relevant institutions.

- The progress of the revenue collection was supervised through monthly revenue reports and collection of special information while analyses on the revenue performance required for various policy decisions were also conducted.

2.7 Publication of relevant reports in terms of Fiscal Management (Responsibility) Act, No 03 of 2003.

- **Annual Report - 2011**

  The Final Budget Position Report is required to submit to the Parliament and issue for the general public before the expiry of five months from the end of the financial year. Accordingly, the Annual Report 2011 was published in May 2012.

- **Mid Year Fiscal Position Report – 2012**

  The report is required to be issued annually on the last day of June of the relevant year or before the expiry of 6 months of passing the Appropriations Bill whichever comes later. Accordingly, the Mid Year Fiscal Position Report for the year 2012 was published in June, 2012.

- **Fiscal Management Report – 2013**

  Fiscal Management Report 2013 consisted with Fiscal Strategy Statement under the Section 4,5 and 6; and Budget, Economic and Fiscal Position Report 2013 under the Section 7,8 and 9; of Fiscal Management (Responsibility) Act, No. 03 of 2003 was published in November, 2012.

2.8 The Department has established an online approval system which is known as "Regulatory Approval Uploading System" with the Department of Customs where this Department can upload the information on tax exemptions, deferments etc. granted to third parties to ease the procedures.

3. Administration and Accounts

3.1 Organizational Structure

The Department of Fiscal Policy consists of an approved cadre of 65. Accordingly, the following staff serves in the Department.

Details of the Staff – 2012 (as at 31.12.2012)

Designation	Approved Cadre	Present Cadre	Vacant
Director General – SLAS	01	01*	-
Additional Director General - SLAS	01	-	01
Director SLAS	02	02	-
SLPS	01	-	01
Senior Economist	01	-	01
Deputy Dir. / Assistant Dir. - SLAS	09	06**	03
Deputy Director - SLPS	02	01***	01
Deputy Dir. / Assistant Dir. - SLAcS	01	01	-
Assistant Director - SLPS	02	-	02
Economist	01	-	01
Statistician	01	-	01
Administrative Officer	01	01	-
Translator	02	01	01
Research Assistant	06	04	02
Development Assistant	06	02	04
Public Management Assistant	13	10	03
Driver	06	03	03
OES	09	07	02
Total	**65**	**39**	**26**

* Within the approved cadre, an officer from the Central Bank of Sri Lanka is working in this Department as the Director General.

** Further, this department receives the service of a Senior Assessor as a Deputy Director from the department of Inland Revenue.

*** Presently on overseas leave.

This Department also receives the service of a Tax Advisor who is from the Department of Inland Revenue.

3.2 Human Resource Development

The department staff has provided with the opportunity to improve their skills and abilities through the participation in both local and foreign training which will be useful in improving the efficiency and the productivity of the department. The local and overseas training provided to the staff in 2012 is as follows;

3.2.1 Local Training

a). Local Training/Conferences

Name	Designation	Programme & the Institute	Duration
Miss. D.G.P.W. Gunathilaka	Tax Advisor	PRAG Institute - Introduction to International Financial Reporting Standards	26th of June 2012
Miss. K.A.A.H.C. Pubudusiri	Assistant Director	Academy of Financial Studies - Public Utility Pricing Policies, Issues, Options and Best Practices	26th of April 2012
		Central Bank of Sri Lanka - International Research Conference	30th of November 2012
Mrs. W.L.P. Fernando	Assistant Director	Academy of Financial Studies - Economic & Financial Appraisal of Projects	03rd , 10th, 17th, 24th of February and 02nd, 09th, 16th, 23rd of March 2012
		Academy of Financial Studies - Deficit Financing Mechanisms, Debt and Debt Management Strategies	From 26th to 27th June 2012
Mrs. W.H.A. Wimalajeewa	Assistant Director	Institute of Chartered Accountants of Sri Lanka - 33rd National Conference of Institute of Chartered Accountants of Sri Lanka	From 18th to 22nd October 2012
Mr. A.W.M.A. Anuradha Thilakarathna	Assistant Director	Central Bank of Sri Lanka - Advance Course on MS Excel	From 02nd February to 29th March 2012
		Department of National Archives – One day workshop on Archives	08th June 2012

		Administration and Archival Law	
		PRAG Institute - Introduction of International Financial Reporting Standards	26th June 2012
		Information and Communication Technology Agency of Sri Lanka - Future Gov SAARC Summit 2012	From 18th to 19th July 2012
Mrs. M.A.N.C. Perera	Assistant Director	Central Bank of Sri Lanka - Applied Econometrics – A Practical Approach Using Econometric (E – Views) Software	From 18th January to 13th June 2012
		Department of National Planning - Residential Training Programme on Main Streaming (DDR) in Sri Lanka	From 11th to 12th May 2012
		Academy of Financial Studies - Deficit Financing Mechanisms, Debt and Debt Management Strategies	26th & 27th June 2012
		Central Bank of Sri Lanka - International Research Conference	30th November 2012
Mr. S.A.P.K. Dissanayake	Research Assistant	University of Kelaniya – Master of Arts Degree Programme - 2011	From 2012 to date
Mrs. B.S. Jayasundara	Development Assistant	Academy of Financial Studies - Effective Documentation Using MS Word	From 20th to 22nd November 2012
Mrs. W.M.M.P. Perera	Public Management Assistant	Academy of Financial Studies - Government Payroll Management System	From 06th to 11th August 2012
Mrs. T.P. Ariyathilaka	Public Management Assistant	Skills Development Fund Ltd - Public Procurement Procedures	29th & 30th November 2012

Mrs. S.W.S.N. Dilanthika	Public Management Assistant	Skills Development Fund Ltd - Public Procurement Procedures	29th & 30th November 2012
Mr. M.M. Gunawardena	Public Management Assistant	Institute for Construction Training and Development - Transport Management	30th November 2012
Mrs. C.Y. Ranasinghe	Public Management Assistant	Academy of Financial Studies - Effective Documentation Using MS Word	From 20th to 22nd November 2012
Mr. T.D.A. Siriwardena	KKS	National Institute of Labour Studies - Higher Labour Productivity	11th & 12th October 2012

3.2.2 Foreign Training/Conferences

Name	Designation	Programme & the Country	Duration
Mr. K.M. Mahinda Siriwardena	Director General	7th Policy Consultation Forum of the Seoul Initiative Network on Green Growth: The Double Dividend of "Green" and "Economy" held in Jeju Special Self – Governing Province – Republic of Korea	30th May to 01st June 2012
		Commonwealth Finance Ministers Meeting and IMF/ World Bank Annual Meetings - Japan	From 08th to 15th October 2012
Miss. K.A. Ramya Kanthi	Director	Seminar on Macroeconomic Development for Developing Countries – China	From 06th to 26th September 2012
		Official Delegation - India	From 12th to 15th December 2012

Mrs. M.A.N.C. Perera	Assistant Director	Course on Macroeconomic Management and Fiscal Policy (MFP) – India	From 09th to 22nd September 2012
Miss. K.A.H.C. Pubudusiri	Assistant Director	IMF – Singapore Training Institute Macroeconomic Forecasting	From 18th to 31st March 2012
		Design Sequencing and Implementation of Public Financial Management Reforms	From 09th to 13th July 2012
Mr. A.W.M.A.A. Thilakarathna	Assistant Director	Seminar on Macro Fiscal Forecasting and Analysis - Singapore	From 23rd to 27th July 2012
Mr. M.K.C. Senanayake	Assistant Director	Ph.D. Programme in Economics at the University of New South Wales - Australia	From 11th January 2011 to 04th December 2014

3.3 Financial Administration

Provisions for 2012 have been made to this department under budget estimates Head 238 and the utilization of such provisions is as fallows.

(i) Utilization of Budgetary Provisions 2012

Description of Expenditure	2012 Estimate Rs.	2012 Net Provisions Rs.	2012 Actual Expenditure Rs.
Recurrent expenditure	**637,700,000**	**636,800,000**	**127,561,376**
Personal Emoluments	24,500,000	25,500,000	22,086,172
Traveling Expenses	650,000	2,000,000	1,691,125
Supplies	2,250,000	2,265,000	2,072,889
Maintenance Expenses	2,750,000	2,890,000	1,236,129
Contract Services	607,350,000	603,795,000	100,160,272
Transfers and Others	200,000	350,000	314,789
Capital Expenditure	**700,000**	**1,600,000**	**1,142,706**
Reconstruction and Improvements	100,000	100,000	68,622
Acquisitions	400,000	800,000	717,834
Capital Transfers	-	-	-
Skill Development	200,000	700,000	356,250
Total	**638,400,000**	**638,400,000**	**128,704,082**

(ii) Advance Account of Public Servants

The details of the advance account of the Public Servants of this department for the year 2012 are given below.

Description	Approved Limit (Rs.)	Actual Limit (Rs.)
Maximum Expenditure Limit	2,600,000.00	2,069,915.63
Minimum Receipt Limit	1,000,000.00	1,653,258.58
Maximum Debt Balance Limit	10,000,000.00	7,151,435.89

(iii) Audit Queries

05 audit queries from the Department of Management Audit of the Ministry of Finance & Planning and 05 audit queries from the Auditor Generals Department, received in 2012, were answered.