Reconsideration of Colombo Port City Economic Commission Act, No. 11 of 2021 for the 3rd Consecutive Time Sparks Strong Displeasure: CoPF Raises Concerns Over Major Blunder and Lack of Accountability

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The Committee on Public Finance reconsidered the Regulations under Section 71 read with Section 52(5) of the Colombo Port City Economic Commissions Act, No. 11 of 2021. This was reconsidered at the Committee on Public Finance held recently (Jan. 09) under the Chairmanship of Hon. (Dr.) Harsha de Silva.

In the course of examining the legality of Duty-Free Rules issued by the Port City Commission for Duty-Free Malls during a prior Committee meeting, the Committee sought the opinion of the Attorney General. As a result, it was revealed that the Commission lacks the authority to establish such rules, highlighting a policy inconsistency that could lead to market distortion and potential cannibalization.

The officials from the Port City Commission, who were present, acknowledged the error and assured that the rules would be revoked by the end of this week. However, when the Committee sought clarification on the individual responsible for these erroneous decisions, considering that the Port City Commission had entered agreements with four investors based on these rules, there was a noticeable absence of accountability. The Committee expressed strong dissatisfaction during the inquiry, as no official stepped forward to take responsibility.

In light of the evident lack of clarity and accountability and the issues brought to the forefront, the Committee was of the opinion that a thorough reconsideration of the mentioned Regulation was warranted. Consequently, the Committee directed the Ministry of Investment Promotion to identify the responsible party and outline measures to prevent similar errors in the future. This action was deemed essential to safeguard against potential discouragement of future investments.

Furthermore, the Committee on Public Finance considered Gazette Extraordinary No. 2334/39, as per Section 24 of the Board of Investment (BOI) of Sri Lanka Law, No. 4 of 1978. This gazette outlines a proposal by the BOI to amend regulations, permitting non-BOI or Section 16 BOI companies to attain Section 17 approval with exemptions for specific sectors and criteria. Such amendments would expedite Foreign Direct Investments and facilitate collaborations between foreign companies and existing BOI entities, enabling them to benefit from customs duty exemptions.

After meticulous examination, the Committee approved the aforementioned Regulation to be presented to Parliament. This decision was made with confidence, as the proposed amendments maintained consistent thresholds for companies registering for Section 17, ensuring there were no discrepancies introduced.

Furthermore, a discussion ensued regarding the proposed strategy for ensuring equitable VAT treatment for both foreign and domestic providers of software and digital services. It was revealed that, as previously deliberated in the Committee meeting, the Inland Revenue Department (IRD) concurs with the idea of applying VAT to domestic and foreign software and digital service providers

based on the jurisdiction of the consumer rather than the jurisdiction in which a particular business operates. However, officials from the IRD highlighted administrative challenges associated with implementing this VAT on foreign providers. Despite these challenges, the Committee on Public Finance directed the IRD to present a comprehensive plan addressing these administrative issues and ensuring the appropriate implementation of the law within one week.

State Minister Hon. (Dr.) Suren Raghavan and Members of Parliament Hon. Patali Champika Ranawaka, Hon. Chandima Weerakkody, Hon. (Dr.) Nalaka Godahewa, Hon. Nimal Lanza, Hon. Premnath C. Dolawatte, Hon. Madhura Withanage, Hon. Mayantha Dissanayake, Hon. Rauff Hakeem, Hon. M. W. D. Sahan Pradeep, Hon. (Dr.) Major Pradeep Undugoda, Hon. Isuru Dodangoda were present at the Committee meeting held.