

# BUDGET PROPOSALS FOR 2018

By

National Chamber of Exporters

Of Sri Lanka

	<b>Issue/s</b>	<b>Proposal/s</b>	<b>Area Covered</b>	<b>Rationale for the proposal</b>	<b>Impact/possible implications of the proposal</b>
<b>No. 1</b>	The importance of Branding Sri Lanka in the International Market Place	Countries such as Taiwan and Japan have succeeded in Branding their countries in respect of Information Technology, Hi-Tech Products etc. In this respect Sri Lanka should also follow suit to highlight the strengths of the country in specific sectors.	Garments, Tea, Spices such as Cinnamon, Blue Sapphires and Tourism etc.	Sri Lanka has inherent strengths in respect of specific products such as ethical Garments, Ceylon Tea, Ceylon Cinnamon, Blue Sapphires among precious stones, Tourism Products etc. which are unique to the country and could therefore we used to Brand the country in the International market place with Financial Assistance and support provided by the state.	Will enable to make a name for the country in world markets and thereby expand exports to earn substantial Foreign Exchange.
<b>No. 2</b>	Activities under Export Enterprises which come under the purview of several Ministries.	Mechanism to ensure hindrance free export operations to ensure efficiency, improvements in productivity and reduce costs.	Agriculture sector particularly the Floriculture and Horticulture sub sectors.	Exporters are required to obtain clearances from organizations such as the Plant Quarantine and Animal Health, Forest Department and the Department of Wildlife Conservation etc.  Since certain activities which come under the purview of different Ministries cannot be avoided it is proposed that a 'Coordinating Unit or One Stop Shop' is setup where the exporter could obtain clearances and approvals in one place.	Will enable achieve reduction in cost of operations and less time consumed to be more competitive in the International Market Place thereby enabling expansion of exports.
<b>No. 3</b>	Support for improvement of Technologies	Many enterprises across various sectors, especially in the Agriculture sector, and SMEs operate on concepts and Production Technologies developed by their Founders, which are outdated.	Machinery & Equipment and Production Processors and mechanization of many Sectors.	Failure to invest in Modern Technologies and Production Processes leads to low quality products and relatively high cost of production.	Technical Advice & Financial Assistance to improve Technology and Processes results in reducing costs of production enabling competitiveness.
<b>No. 4</b>	Deficiencies in Services provided by support Institutions.	Provision should be made for the Plant Quarantine office to import Planting material to	Agriculture sectors especially the Floriculture	Will enable exporters to offer a wider range of products to meet the requirements of importers.	Will enable increase export earnings through a wider range of products.

	Eg: Plant Quarantine Office.	enable supply of end products required by buyers.	and Horticulture sub sectors.		
<b>No. 5</b>	Land Ownership Policy	The present policy of restricting Foreign ownership in export related enterprises, hinders, business development.	All sectors involving Foreign Investments.	At present Enterprises with Foreign ownership exceeding 51% are imposed a high land transfer tax which discourages investment in productive enterprises which could be of benefit to the country. Implementation of investor friendly land purchase registration will enable foreign companies to purchase land to commence new enterprises as well as to expand existing ventures.	Enables increase of production capacities, expansion of Employment opportunities, and streamlining procedures to attract Foreign Direct Investments.
<b>No. 6</b>	Bilateral Trade Agreements	Request State Authorities to widely consult the private sector and specially the Trade Chambers on issues related to areas of their concern before finalizing such agreements.	Trade and Investment across all sectors	Existing Free Trade Agreement entered into by the Government have not produced the desired results due to the failure to address all issues that affect local business enterprises effectively. As a result local enterprises have been affected due to irregular business practices adopted by Foreigners including the deprivation of employment opportunities for local people. On the other hand local businesses have not been able to effectively access markets of the concerned Trading partner due to non-tariff barriers that have been imposed. Deficiencies in local Rules and Regulations. for Eg. Lack of Anti-dumping laws have compounded the problem.	Will enable building the business confidence of local Entrepreneurs which has been eroded at present since properly negotiated Bilateral Trade Agreement that are beneficial to both parties is a tool that is increasingly used by our trading partners to overcome the competition.
<b>No. 7</b>	Streamlining implementation of compliances and regulatory clauses by segregating	Remove the requirement for export Enterprises to carryout tests and compliances for their products which are not required by their importers.	Sea Food sector	At present Enterprises in the Sea Food Sector are required to carry out special tests related to Food Products including those carried out by the Atomic Energy Authority. Some of these tests which are required for imported products for safety	Will enable streamlining of export operations of the sector, and reduce costs to be more competitive.

	exports from imports			reasons are imposed on export products as well although they are not demanded by the buyers.	
<b>No. 8</b>	Regulations covering BOI companies which allow concessions only for export processing operations and which do not allow other related activities to enhance Foreign Exchange earnings.	Some BOI companies who are required to confine their operations to approved processes have opportunities to import and re-export related products and services with value addition as a package.	Export Process Enterprises including those in the Chemical and Chemical Products sector.	Will enable such Enterprises to make use of the opportunities to offer a package of Products and Services to buyers.	Will enable expansion of operations to earn additional Foreign Exchange including activities related to Entreport Trade.
<b>No. 9</b>	Increase of Royalty payments on exports of Mineral Products Ex: Processed High Value Quartz.	Request to reduce the increase in Royalty payment from 5 to 7% imposed in November 2013 based on the sales price and not on the cost of production .	Mineral sector specially Process Quartz.	The increase in Royalty payment which represents a 40% increase in the basic cost of exports had been imposed without prior consultation with the private sector.	The issue highlights the importance of implementing long term stable policies instead of adhoc policies which affects export growth.
<b>No. 10</b>	Export Financing	Financial support is requested for Export Oriental Enterprises in two areas. (a) For Capital investment specially in critical machinery and equipment to expand production capacities.  (b) Working capital funding to process export orders.	All Export sectors	Over 75% of Export Enterprises in Sri Lanka consists of SMEs. However, they contribute only 4% to total exports from Sri Lanka although they have greater potential. Financial support is not available for expansion of production capacities, for quality and productivity improvements and marketing of their products overseas.  In regard to working capital many SMEs are required to operate on open operate basis which is the modern trend demanded by	In order to make an impact on exports, it is proposed that in the short term (I) Revolving Working Capital Fund be established to assist export enterprises to process export orders.  (II) Financial support be provided for investment in critical machinery and equipment of a

				buyers as opposed to letters of credits and other Financial Instruments which are more secure but adds to the cost. Although some SMEs obtain a part payment to process export orders as an advance they are unable to find the resources to finance the balance. Also they are unable to access Bank financing due to lack of collateral and their standing as opposed to bigger companies.	balancing nature which will enhance production.  (III) Establish an Export Import Bank (EXIM Bank) as a specialized Financial Institution to provide innovative financial services to Export Enterprises since Sri Lanka does not have development banks to provide such services to exporters.  (IV) Value chain financing
<b>No. 11</b>	Export Credit Insurance	Provide Financial Assistance to Export Enterprises to use the services of SLECIC to obtain Export Insurance through an Export Development Fund.	All Export Sectors	Since many Export Enterprises (less than 4%) use the services of SLECIC to obtain Export Insurance, such enterprises should be assisted to make use of the services of SLECIC to enable them to obtain Financial Assistance from Banks to process Export orders as they do not have the collateral most often demanded by Banks.	Expansion of exports through the diversification and increase in the number of export enterprises.
<b>No. 12</b>	Skills Development	Request to establish a “Skills Development Fund” to support specific in house activities implemented by export enterprises based on suitable criteria to evaluate the cost and benefits of activities that need to be supported.	All Export Sectors	Leaders of many export sectors have continuously brought to the attention of the Chamber, the difficulties encountered in finding skilled personnel for specific export related production activities, as well as for certain management skills. The shortage of specific skills hinders productivity, and as well as expansion of production output related to exports which is a drag on the economy of Sri Lanka.	Will enable export enterprises to acquire the much needed technical and other skills to move into high end production activities and produce value added products for the International market and earn substantial foreign exchange.

				<p>Certain export enterprises have embarked on their own in house programmes to the best possible extent to meet their requirements of skills through training etc. Their efforts complement and contribute to the national programmes implemented by the government for the same purpose.</p>	
<b>No. 13</b>	Support for efforts at Innovation and for Angel Investments	Establishment of 'Venture Capital' type of financing for commercialization of Innovative ideas.	All sectors specially products and services involving technology and differentiation	<p>Sri Lanka lags far behind countries such as South Korea, Taiwan and the Philippines, and also behind neighboring countries such as India and Pakistan, in the export of Hi-tech products as a percentage of total exports. In the case of Sri Lanka it is less than 5% of total exports, while for some countries it is as high as 75%. The rapid growth of exports from Sri Lanka lies in the ability to differentiate and innovate exports of product and services to overcome the competition. In order to achieve this, R &amp; D efforts of the private sector (already incentivized to a certain extent by the government through tax benefits) needs to be materially supported through proper evaluation of project ideas and proposals, to provide speedy assistance for their implementation. For this purpose provision of "Venture Capital" type of financing is an urgent need through the implementation of innovative and forward looking schemes.</p> <p>It is observed that the current administrative and financial system has failed to provide the support that is required for efforts at innovation, and pioneering investments. In this regard it is noteworthy that the proposals made by SLASSCOM related to the IT / BPO industry (which has</p>	Will enable Sri Lanka to increase the percentage Hi-tech products which is less than 5% of total exports at present., and also differentiate the productions and services offered to the International market place to overcome the competition and increase Foreign Exchange earnings substantially.

				<p>the potential to be developed into a US\$ 5B export turnover sector) has requested state support for Angel Investments up to Rs. 25M, by matching investments from the state, in the form of private public partnerships. In this regard the expectation is that state funds will be made available through a Development Bank. However, it is the view of the Chamber, that contrary to the good intentions, past experience shows that funding for such projects through the banking system has not met expectations, and is not likely to do so in the future as well.</p>	
<b>No. 14</b>	<p>Serious lack of storage capacity for current paddy harvest and for the next harvest due in a few months.</p>	<p>Promote consumption of Rice and rice based products. For this purpose it is suggested</p> <ul style="list-style-type: none"> <li>(I) to provide a subsidy to private enterprises who manufacture price based products such as Noodles, Rice based bread etc. to make the end product cheaper.</li> <li>(II) Increase the Tax on Wheat Flower production to discourage consumption of Wheat based products.</li> <li>(III) Impose Rice consumption for Breakfast and dinner in Government funded Institutions such as Prisons Department, Arm ed Forces etc.</li> </ul>	<p>Paddy Production sector</p>	<p>Lack of Storage facilities for the current and future paddy harvest which severely affects the livelihood of farmers.</p>	<p>Benefits to local Paddy Produces and curtail expenditure on imported wheat and wheat based products.</p>

<p><b>No. 15</b></p>	<p>Constraints for the Development and expansion of the Sri Lankan Spice Industry specially Ceylon Cinnamon in which Sri Lanka has a Monopoly.</p>	<ol style="list-style-type: none"> <li>1. Have Geographical Indications (GI) legislation passed in Parliament. GI is the highest level of protection in the world. e.g. French wines, Scotch Whisky, Italian Feta cheese, Indian handicrafts, Tirupathi laddu. No product can register and obtain GI as the country does not have the required legislation to protect GI under National Intellectual Property Office (NIPO) law and there is no GI register.</li> <li>2. Accede to Madrid and Lisbon Agreements on Intellectual property. This will benefit all exporters to register their brands&amp; intellectual property in all the countries that have acceded to Madrid and Lisbon agreements in one application instead of the exporters registering their brands in countries individually.</li> <li>3. Increase the number trained Cinnamon harvesters (TEVC qualified) to increase exports by 50% within 3-5 years</li> <li>4. As most of the cinnamon producers are small holders</li> </ol>	<p>Spices sector specially Ceylon Cinnamon, Ceylon Tea, Ceylon Blue Sapphire, and other Sri Lankan Products.</p> <p>All Trade Marks Certification Marks and intellectual property</p>	<p>Exploit the potential of the Spices sector especially Cinnamon to expand exports in a substantial manner.</p>	<ol style="list-style-type: none"> <li>1. Amendments to the NIPO law is ready, we need to approve it by Parliament as an urgent bill and create the necessary register. Strengthen the NIPO office with adequate qualified staff and get assistance World Intellectual Property Organisation (WIPO) assistance.</li> <li>2. NIPO office, Finance, Commerce and Foreign Ministries will have to study this. Already WIPO officers have come and advise the NIPO office.</li> <li>3. Provide funding in the 2016 Budget for the second stage of the Cinnamon Training Academy. Detailed Budget proposal already submitted on the budget proposal submission format. First stage was funded by the GOSL through EDB.</li> <li>4. Encourage the Corporate sector and Plantations sector to set up Bought (green) tree factories that obtain international accepted food standards and provide funding and tax concession as it a pioneering venture.</li> </ol>
----------------------	--	--	---	--	---

Cinnamon production to meet stringent international standards cannot be obtained by them to access the sophisticated international value chains.

5. Cinnamon is the only monopoly Sri Lanka has that supplies more than 90% of the world market of True Cinnamon "Ceylon Cinnamon". Value chain of cinnamon is under many different ministries, department and boards. This stifles the growth of this industry.

6. Lack of GMP and ISO 22000 certified produce to meet stringent international standards. As most of the spice producers are small holders Cinnamon production to meet stringent international standards cannot be obtained by them to access the sophisticated international value chains.

7. Introduction of new crops. Difficulty to bring in seeds and planting materials. The need to develop commercial nurseries.

5. Set up a Cinnamon Development Authority or Board with private sector participation to bring all activities in the value chain under one authority. The need for GOSL invest in this sector to fully realise its potential.

6. Assist the obtaining of GMP and ISO 22000 standards. Assist industrialist to invest in group processing large scale factories buying green produce from smallholders and adding value to meet international standards and provide funding and tax concession as it a pioneering venture.

7. Introduce new crops that have very high demand mainly in the international medicinal (Drug) and Ayurvedic companies. An easier facilitation of bringing in seeds for new crop. Provide assistance to grow these high value crops.

8. The need for better extension services and research by department of export agriculture (DEA) and department of agriculture (DA) and Industrial Technology Institute (ITI).

		8. Lack of production and increase productivity.			Will enable Sri Lanka to make her mark in the International Market Place especially in regard to Ceylon Cinnamon, Ceylon Tea etc, which is a unique product, provide substantial employment opportunities to those who wish to engage in the sector and earns substantial Foreign Exchange earnings.
<b>NO 16</b>	Necessity to provide a package of assistance to develop and promote value added high-tech products.	The percentage of exports of high-tech value added products from Sri Lanka is extremely low. There is potential to export high tech electronic products and electrical machinery in the light engineering sector. This sector is also identified in the National Trade Policy that is being developed for Sri Lanka. For example, exports of low voltage (LV) and medium voltage (MV) engineering panels that are exported to some extent cannot be expanded without support to acquire new technology, machinery, R&D support, and assistance to obtain international patents and special test certifications that are required for each type of product since they are very costly. Nevertheless, the value of orders that could be obtained exceeds several million dollars.	High-tech engineering LV and MV panels and similar engineering products.	High Initial capital requirement to obtain technology, machinery, international standard certification from external organizations, patents, and also promotional expenses in international markets by participating in specialized trade exhibitions etc. It is therefore necessary to provide financial assistance on a cost sharing basis to develop such products and expand exports of value added high-tech products.	The assistance provided will enable Sri Lanka to be recognizing in the export of high-tech products which are in par with international standards and earn substantial foreign exchange to advice natural export targets.

<b>No 17</b>	Skills Development	Request to establish a “Skills Development Fund” to support specific in house activities implemented by export enterprises based on suitable criteria to evaluate the cost and benefits of activities that need to be supported.	All Export Sectors	<p>Leaders of many export sectors have continuously brought to the attention of the Chamber, the difficulties encountered in finding skilled personnel for specific export related production activities, as well as for certain management skills. The shortage of specific skills hinders productivity, and as well as expansion of production output related to exports production output related to exports which is a drag on the economy of Sri Lanka.</p> <p>Certain export enterprises have embarked on their own in house programmes to the best possible extent to meet their requirements of skills through training etc. Their efforts complement and contribute to the national programmes implemented by the government for the same purpose.</p>	Will enable export enterprises to acquire the much needed technical and other skills to move into high end production activities and produce value added products for the International market and earn substantial foreign exchange.
<b>NO 18</b>	In regard to local sales in addition to exports complications arise requiring custom clearance entries prior to each and every sale related to the Garment Sector and others.	Hence it is desirable that a company be allowed to pass one entry for the total amount of local sales performed during the given month to facilitate business operations.	All local market sales	Preparation of custom clearance entry prior to each and every local sale is time consuming and is an additional cost for the business.	Will enable allocation of separate clearance code to pass one entry for the total amount of local sales effected during a given month.
<b>No. 19</b>	Encourage and facilitate to set up solar power units wherever possible	Grant 50% rebate on the investment on solar panels and reduce the buying rate of solar power by 50% after 05 years.	The energy sector	Presently companies are reluctant to invest on solar projects, in view of the long period of return on investments (about 07 years). As initial capital required for investment is	Govt will be relieved of setting up costly thermal power plants, and power can be

	to support power generation, without depending on fossil fuels especially during drought periods			less it will be an encouragement and Govt will benefit in the long term as these projects will continue to support the grid at a lower unit cost. Most of the countries, especially Australia, has this rebate scheme. Unlike hydro power projects the SUN is always there to generate power, with no environmental issues at all. All roof tops of factories and warehouses can be converted to SOLAR power generating units.	purchased from the private sector at a lesser cost.
<b>No. 20</b>	Reduction of cost of working capital for the industrial sector by providing a suitable rebate to banks in respect of interest charged.	Presently there is no difference between the trading sector and the industrial sector the respect of interest rates from banks. Therefore proposed in to have a lower rate of interest rate for industries to enable to reduce the cost of production.	ALL INDUSTRIAL SECTORS	The cash cycle of industries extends beyond 04 months when imported raw materials are converted into finished products, and cash is realized from the market which normally operates on 60 days credit with the added risk of non-realizing the cheques received. In the case of the trading sector the cash cycle is less than 60 days, as certain goods can be sold even before landing at the port.	The production cost of local industries will reduced to eventually compete with imported products, thereby saving of foreign exchange, and also providing employment.
<b>No. 21</b>	Encourage more local industries to use local raw materials and especially local waste.	Restrict by way of CESS or DUTIES export of non-value added raw materials to encourage local industries to make use of them for local and export sales, and thereby earn more foreign exchange.	All sectors that use local raw materials and waste	Presently broken glass, coconut fiber, and base metal are being exported without any value addition. The importers of these basic raw materials make products out of them and export back to our country when such products can be made locally. For example, Waste paper exports were discouraged with the imposition of 'cess', and as a result many local entrepreneurs started making paper by recycling waste paper. Similarly, the PILIMATHALAWA brass industry is existing due to the prohibition of export of brass scrap. No country allows export of basic raw materials without value addition.	More industries will commenced and huge foreign exchange savings will be enabled, due to the same way value added tea is exported.

<p><b>No. 22</b></p>	<p>Restricting domestic market operations to SRILANKA CITIZENS, and BOI to approve projects for exports only. (except in instances high tech product are produced by transport of technology not available in Sri Lanka).</p>	<p>Presently any foreign company or an individual could register a company in SRILANKA and operate freely as a normal company without enjoying any additional benefits. 100% ownership is permitted. The proposal is to restrict the ownership to a maximum of 40% share ownership in the same way enforced for banks except perhaps in the case of transfer of technology not available in Sri Lanka to manufacture high tech products.</p>	<p>This will benefit all sectors, especially the SME sector which can be wiped out due to the financial and marketing strength foreign investors have.</p>	<p>Reduces the risk of a monopolistic market situation, and prevents drain of foreign exchange by way transfer pricing, and repatriation of profits. Most countries have restricted foreign ownership in respect of the domestic market to promote local industries, and also to minimize security threats.</p>	<p>Will encourage entrepreneurs and investors to expand existing ventures, and produce for a well-protected domestic market.</p>
<p><b>No. 23</b></p>	<p>Restrict foreigners arriving with tourist visa and to engage in employment and business.</p>	<p>Immigration law should be amended to prevent any foreigner arriving on a tourist visa team getting engaged in employment, by imposing penalties on those companies who employ them, and business partners who engage in business.</p>	<p>This is very common in the spice sector and now extended into the agricultural, and construction sectors as well.</p>	<p>There will be serious consequences, as they could get medical treatment from hospitals free of charge with tax payers money, and also settle down unofficially in the country, and engage in illegal activities.</p>	<p>This will adversely affect employment opportunities of SRILANKANS, and also drain foreign exchange from the country.</p>
<p><b>No. 24</b></p>	<p>Lack of technically qualified and nationally recognized cinnamon industry work force, and use of machinery to improve process technology for value addition</p>	<p>1. Implement competency based training programs to enable technically qualified and nationally recognized cinnamon industry work force to enhance the compliance and productive capacities of the Cinnamon Value chain in Sri Lanka</p>	<p>Ceylon Cinnamon Industry Value Chain in the Spices Sector</p>	<p>The Cinnamon industry provides revenue and employment to around 400000 people, who mainly comprise with the SMEs and Workers. The Cinnamon Industry requires to improve performance of the labor-intensive Ceylon Cinnamon Value Chain processes to cater to the Food Industry and Health Care Industry etc.</p>	<p>1. The proposed intervention is to support the Ceylon Cinnamon Industry to enhance competitiveness of the value chain and reinforce the industry to face stiff competition in global trade. Detailed proposals have been submitted in this regard.</p>

		<p>2. Improve competitiveness of the Sri Lankan Cinnamon Value Chain through technology transfer, dissemination of knowledge and introduction of machinery and equipment, with special focus to develop the export trade, by forming University, Government, and Industry partnership.</p>			<p>2. Develop the Value Chain of Cinnamon from cultivation, harvesting, and manufacture of Value Added products through processes to cater to the commercial food industry, and health care industry etc. by introducing machinery to the industry. Detailed proposals have been submitted in this regard.</p>
<p><b>No. 25</b></p>	<p>To make available a proper international cheap payment gateway system. Preferably with PayPal.</p>	<p>This would enable small time service providers to export their services and get paid. Further small time producers will be able to sell their products through E-Bay or similar online market places and will facilitate easy access to the markets by new entrants.</p>	<p>All smalltime exporters. Specially in the IT sector, small time service providers, Traditional hand craft manufacturers, small time Toy manufacturers etc.</p>	<p>Small industries and IT related service providers in other countries like India and Malaysia are thriving because they could export their services without any hindrance. Sri Lanka is decades away from this level of development. There are a large number of small time IT service providers and handcraft manufacturers, whose quality of work is very much better compared to the Indians, and they would be able to make their living independently and help the economy by providing additional revenue to the country, and also by generating some employment opportunities as well.</p>	<p>Sri Lanka is a small market for Paypal. However, they will be interested if the Government is willing to accept them, and provide the service through at least one bank. Paypal is one of the very cheap ways of transferring money. In Sri Lanka one can pay anyone through PayPal, but cannot get paid! Any other country would do this the other way. This facility will therefore definitely improve the IT sector as well as several dying traditional handcraft sub sectors. It will also help Sri</p>

					Lankans to explore the world, and find new market opportunities at present. The difficulty of “getting paid” for their work is blocking a lot of Sri Lanka’s talented youth to engage in export and earn valuable foreign exchange.
<b>NO 26</b>	Tax relief provided to companies to encourage listing the Colombo Stock Exchange (CSE).	To withdraw the annual fee of Rs. 500,000 payable by listed companies especially SMEs.	All listed companies in the CSE.	<p>The tax relief provided to companies which are listed in the CSE, is a good one. However, the annual fee of Rs. 500,000 is a disincentive to do so especially for SMEs since there are other expenses to be incurred in addition. These include the following.</p> <ul style="list-style-type: none"> <li>A) Cost of conducting the annual AGM.</li> <li>B) Cost of conducting quarterly audits.</li> <li>C) The cost of accommodating independent directors and requirement to have regular board meetings.</li> <li>D) Cost of circulation of quarterly accounts and audited accounts, annual accounts to shareholders.</li> <li>E) Additionally, since all major decisions need to be approved by the shareholder limits independency of operations.</li> </ul> <p>Considering all above factors, it is very unlikely that many companies especially SMEs will want to list in the CSE.</p>	Will positively encourage companies with potential to grow to move away from their present status to expand operations by obtaining financial inputs from other investors thereby helping the economy to grow

<p><b>NO 27</b></p>	<p>Triple tax deduction for expenses incurred in respect of Research and Development.</p>	<p>To do away with the requirement to prove technological advancement and yield of the research to obtain the benefit of the triple tax deduction.</p>	<p>All R&amp;D worked by enterprises</p>	<p>The qualifying requirement to prove the results of R&amp;D introduced in the last budget will discourage efforts at R&amp;D. Because it is not reasonable to expect the success of R&amp;D work in all cases as a rule thump. R&amp;D work is risky by nature and it must be borne in mind that the entrepreneur who undertakes the R&amp;D work undertakes that risks by investing own resources. Therefore there is no rationale to doubt expenditure incurred on R&amp;D work. Further, if the determination of the possible results of R&amp;D work is kept in the hands of the officials of the Tax Department they will not be capable of determining the results with a positive attitude.</p>	<p>The current proposal discourages investments in R&amp;D which is already very low in Sri Lanka and will negatively affect the development of high-tech products</p>