

## National Industrial Policy Vital to Help Industrialists

According to President Rajapakse's policy statement the government will take immediate steps to accelerate industrial progress. It is expected to set up twelve investment promotion zones covering the entire island. Three hundred new factories will also be built in each Secretarial Division in the island.

Though the globalization trend for the free flow of items all over the world cannot be ignored Sri Lanka should also move into the manufacturing era where her requirements should be met in the country itself. Countries such as Malaysia, Korea, Thailand, India and China reached self-sufficiency in the manufacturing and industrial fields due to the wise and far-sighted policies implemented by their governments during the last decade.

A national industrial policy should be implemented to encourage and promote industrialists. Due to the policies implemented after 1977, Sri Lanka became a dumping ground for used machinery and vehicles. To overcome the present situation the government under the leadership of President Mahinda Rajapakse has decided to implement a series of programs to assist and encourage local industrialists and entrepreneurs.

Leading industrialists and the Chamber of Commerce and Industries have expressed their cooperation for the rapid implementation of the economic and industrial development initiatives introduced in the Mahinda Chintana Manifesto.

The mentality of some bureaucrats in regard to the local manufacturing sector should be changed and all steps should be taken to encourage local industrialists to improve the production of local items.

Foreign investments and technology should be used wisely for the vibrant improvement of local industries and the manufacturing sector. Mere

assembling will not help to improve local industries. Locally made accessories or spares should be used in the manufacturing process.

Some local companies were able to establish themselves in the local market competing with foreign brands due to their high quality and productivity.

At present the decisive point of trade is the high quality of a product. The government should assist manufacturing ventures to obtain advanced technology in the relevant fields to help them to improve quality and productivity.

*(Excerpts from a writeup appearing in Sunday Observer of 04th Dec. 2005)*

### Highlights of Budget 2006

#### SME Development

- Reduction of investment limit from Rs. 5 million to Rs. 2 million to encourage more SMEs to be eligible for advanced technology incentives
- Machinery imported for milk processing, rice milling, packaging, printing, gem cutting & polishing are exempted from duty and VAT
- VAT exemption on unprocessed timber to support furniture industry and housing
- Exemption of VAT and duty for import of handloom machinery and technology and VAT exemption on yarn and dyes
- Tax on co-operative societies is reduced from 20 percent to 5 percent
- Tax on SMEs is reduced from 20 percent to 15 percent
- VAT free import of timber for wood and furniture industry
- Raw material/inputs supplied by local industries for foreign currency payments is eligible for VAT deferment