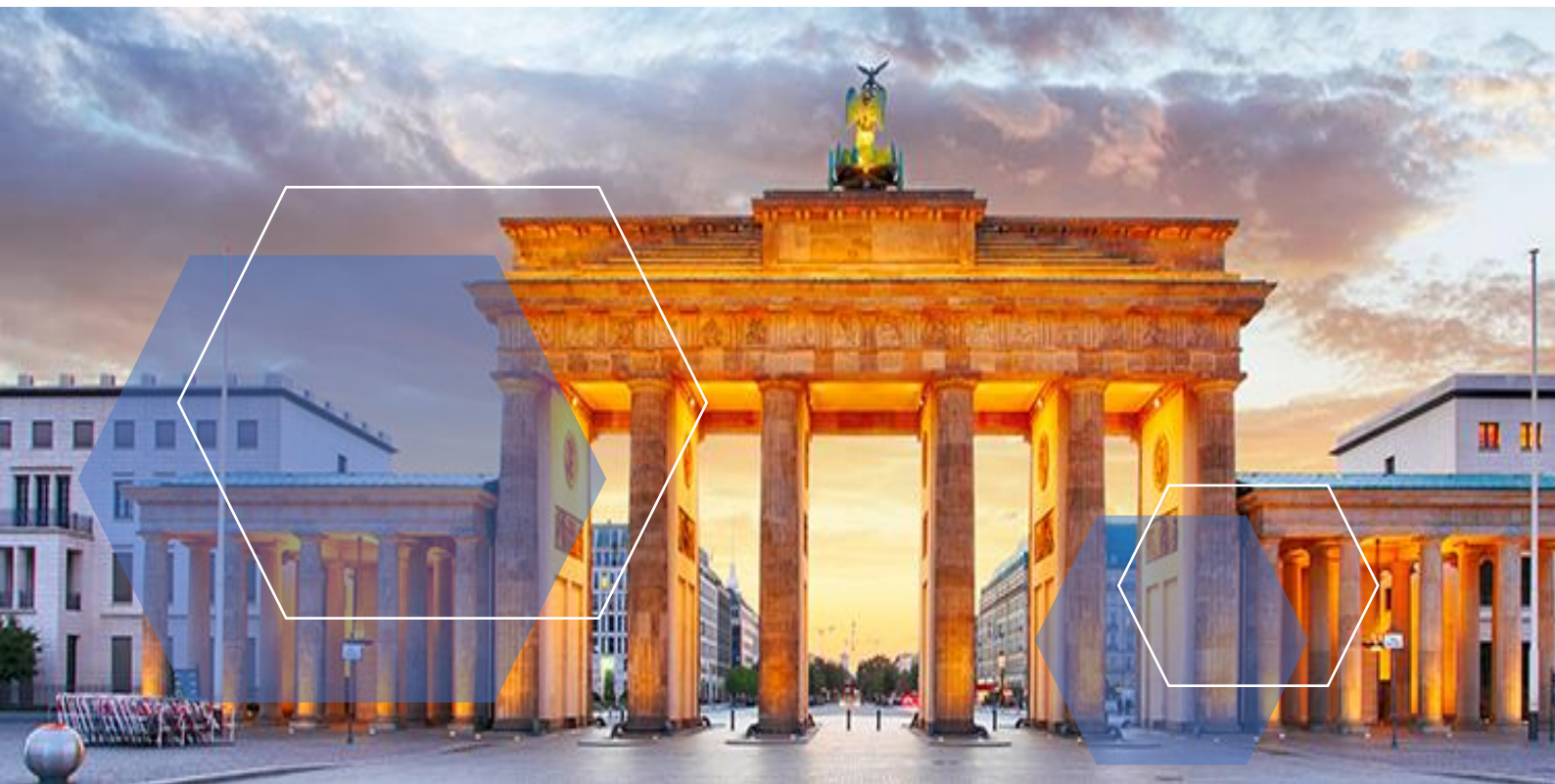


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March/April 2020

AHK Sri Lanka

NEWSLETTER



YOUR TRUSTED PARTNER FOR
GERMAN – SRI LANKAN
BUSINESS RELATIONS



Delegation der Deutschen
Wirtschaft in Sri Lanka
Delegation of German Industry
and Commerce in Sri Lanka

 Partner In Sri Lanka



Dear readers,

I hope that this newsletter finds you in good health. We are currently passing extremely difficult moments. I wish you a lot of physical and mental strength. Until now, it is uncertain how long the pandemic and related curfew regulations will last. These measures are essential from a public health safety perspective and will also have a deep impact on the Sri Lankan economy. According to the latest forecast of Deutsche Bank research a negative growth of 1,5% yoy is predicted for 2020. GDP growth is strongly dependent on the overall service sector incl. tourism, which contributes 63% to the GDP in Sri Lanka.

Furthermore, currently all production companies apart from those producing essential goods have stopped operations completely. The Sri Lankan government has already set up a series of relief measures for businesses mostly related to finance, banking and taxes. The final economic impact of Covid-19 will depend on many factors. Not only the question when companies will be able to restart business again will be essential, but also the development of key foreign markets.

As business representatives we should use this time to prepare ourselves for the aftermath of the current crisis. Therefore, we are planning a series of Covid-19 related webinars on legal, finance and training matters as well as virtual sector committee meetings. On 6th April, we have conducted a first webinar on the legal impact on COVID-19 with support of D.L. & F. De Saram law firm.

I would explicitly like to thank all German companies that continue to provide essential medical and logistic services under very challenging circumstances.

Please let us stay in close contact. My colleagues and myself are working in home-office and are reachable by email and phone.

Wishing you all the best for Sri Lankan New Year and Happy Easter!

Yours sincerely,

Andreas Hergenröther
Chief Delegate
Delegation of German Industry and Commerce in
Sri Lanka (AHK Sri Lanka)

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Our Premier Platinum Partners



The Impact of Covid-19 on Sri Lanka

With 238 infected people, 63 cured patients and 7 deaths across the country, Sri Lanka has even in the regional context a quite low Covid-19 infection rate

In view of the Covid-19 pandemic, the Sri Lankan government reacted immediately after the identification of Covid-19 infections. Initially a special public holiday from 15 - 19 March 2020 was mandatory for the public and private sector.

Since 20 March 2020 a work-from-home directive for the private and public sector has been issued island wide. On the same day, a strict continuous curfew has been in effect for the districts of Colombo, Gampaha, Puttalam and Kalutara, which in the meantime has been extended to Kandy and Jaffna. The curfew remains in effect until further notice. Additionally, curfew passes need to be obtained to move in now restricted areas. Curfew permits for company employees are only granted for essential services such as healthcare, banking, food supply etc.

Issuance of Curfew Passes – An Overview

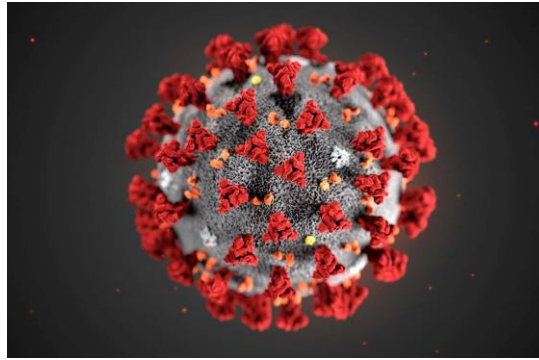
Curfew passes are issued through different levels of police administrations in Sri Lanka:

Companies with 50 or more employees in the district of Colombo: Police Headquarters

Companies with 50 or more employees in other districts: Senior Deputy Inspector General of the relevant province

Companies of 10 to 50 employees: Superintendent of police in the respective police division

Companies of less than 20 employees: Police station where the company is registered



The provision of numerous online services to supply food and drinks have been additionally reinforced to implement social distancing while supermarkets and private remain closed for public.

International Flight and Transport Restrictions

The international airport in Colombo has been closed for the operation of inward international commercial passenger flights since 19 March 2020. A particular entry ban for German and other European citizens has entered already into force on 15 March 2020, a general entry ban from 19 March 2020. The ban is to be continued until further notice. While cargo flights continue to operate, empty passenger planes are only allowed to land in Sri Lanka to fly passengers out of the country. In this regard, Qatar Airways is currently the only airline that is still operating.

With regards to Sri Lanka's railways and highways, train traffic has been suspended on 20 April 2020. Also, the country's highways were shut down on the same day and may only be used for transfer purposes to the airport. For that matter, airline tickets can be used as curfew passes.

German tour operators chartered two planes to fly out tourists on 27 and 28 March 2020. The German Federal Office organized two further evacuation flights on 31 March and 3 April 2020.

Currently, there are still about 500 German tourists in Sri Lanka. Further evacuation flights are currently not planned. The German Embassy in Colombo has installed a Covid-19 Emergency hotline, which can be reached under +94 11 2580431.

Visa Regulations

All types of visas issued to a person currently residing in Sri Lanka have been extended by directive until 12th of May 2020.

Restrictions for the Private Sector including Export-Oriented Manufacturing Companies

Most companies work entirely from home. Almost all German production companies in Sri Lanka completely stopped production and office operations. Since there are no short time working arrangements in Sri Lanka and the "Force Majeure" rules do not apply to employment contracts in Sri Lanka, many companies hope for a political decision that will relieve the private sector.

Restrictions for Service Providers in Sri Lanka

Bank and insurances continue to work with reduced staff providing essential services. The stock exchange has been closed since curfew implementation after trading has to be stopped several times due to falling prices. Logistic companies continue equally to provide solutions for essential goods and operations.

For further information related to Covid-19, please consult our website: <https://bit.ly/2wuobkz>



Covid-19 related Webinars organized by AHK Sri Lanka

AHK Sri Lanka has organized a series of Interactive Webinars to inform Representatives and Partners of German Companies on the Impact of the Covid-19 Pandemic in Sri Lanka

Webinar in cooperation with D. L. & F. De Saram on the legal impact of COVID-19 in Sri Lanka on 6 April 2020



The first webinar on the legal impact of Covid-19 in Sri Lanka has been organized in cooperation with D. L. & F. De Saram. Savantha De Saram and his law firm partner Mr. Jivan Goonetilleke informed about 30 CEOs of German companies in Sri Lanka about the legal impact of COVID-19 in Sri Lanka.

A major topic of discussion was the impact on labor regulation. The law firm underlined that COVID-19 -even considered as a case of Force Majeure- does not have an impact on labor contracts. In contrary to the German law, the Sri Lankan has no legal provisions for "short time work". Salary reductions due to COVID-19 related reduction of worktime are only permitted with consent of the employee. The same applies for the termination of labor contracts due to the crisis. In the latter case a consent of the commission of labor would eventually substitute the consent of the employee.

Webinar by the Association of German Chambers of Commerce and Industry (DIHK) - COVID-19: Impact on the German Economy 8 April 2020



Deutscher Industrie- und Handelskammertag

On 8 April 2020, more than 1.150 participants from 80 countries took part in a webinar that was organised by the Association of German Chambers of Commerce and Industry (DIHK).

The webinar itself was moderated by Dr. Robert Hermann, CEO of Germany Trade and Invest (GTAI) and focused on the question of how COVID-19 impacts the German economy.



Keynote speeches were given by Dr. Ilja Nothnagel und Dr. Volker Treier, two members of the DIHK Executive Board, who are constantly in consultations with the German government on measures which help German companies to stay strong throughout the crisis.

Presentation: <https://bit.ly/2Xpt2ym>
Recording: <https://bit.ly/2XkZge2>

Webinar on the revised Forecast of Deutsche Bank Research for the Sri Lankan economy as well as the impact of COVID-19 on Banking and Finance 9 April 2020

On 9 April 2020, Chief Country Officer of Deutsche Bank in Sri Lanka Vikas Arora pointed out the revised economic forecast for Sri Lanka.

Deutsche Bank

Deutsche Bank Research expects that economic growth will decrease by 1,5% yoy and will grow again by 3,5% yoy in 2021 under the condition that during second quarter of 2020 curfew regulation will be partially loosened and business activities restart gradually during the 3rd quarter 2021.

According to the report, the terrorist attack in April 2019 and the Covid-19 pandemic are likely to have pushed back the Sri Lankan economy by 4-5 years. Additionally, Mr. Vikas Arora explained recent Covid-19 related regulations of the Sri Lankan Central Bank.

For further information please contact Mr. Vikas Arora of Deutsche Bank Sri Lanka by email: vikas-nd.arora@db.com

Webinar in cooperation with Ernst & Young Sri Lanka on COVID-19 related tax regulations - 16 April 2020



Mr. Duminda Hulangamuwa, Partner of EY Sri Lanka Tax Services will introduce the recent tax regulations. CEOs and partners of German companies in Sri Lanka have been invited to participate in the interactive webinar/video conference.

In this regards, please contact our Manager for Public Projects, Mr. Marvin Woischnik-Lange by email: projects@srilanka.ahk.de

German Train the Trainer Qualification - 'Ada International'

While the situation of the Covid-19 pandemic leaves the industry worldwide in limbo, stronger economic activity and production will pick up again at some point and having the skilled workforce remains as important as ever. The best way to secure having the right talent for the job is industry-driven in-company training.

A crucial element for this kind of successful on-the-job training is the qualification and ability of the in-company trainer, as he or she is at the core of imparting relevant skills and knowledge to the trainees learning a new profession.

Trainers must be on solid footing professionally and pedagogically in order to inspire enthusiasm in young people and to ensure they learn the right skills for the job.

In Germany, the trainer qualification is regulated by the 'Ordinance on Trainer Aptitude (AEVO)', which is implemented through the so called 'AdA Training' (Ausbildung der Ausbilder – Train the Trainer). The assessment and issuing of the certificates to successful trainers is organized by the Chambers of Commerce and Industry (IHK).

From 24th to 29th February, 12 participants with backgrounds in HR and Training Management from different industries in Sri Lanka and the Maldives, participated in the course "AdA International Basic", organized by AHK Sri Lanka, in cooperation with the German Development Cooperation (GIZ Sri Lanka) and hosted at the Goethe-Institut Sri Lanka and conducted by German ISO-certified trainer Edwin Lemke.

In the 6 days of training, they learned about the core areas of German dual vocational training, as well as the skills to design, prepare and conduct effective training sessions for engaging learners, including methods such as 4FMAT, 4 Steps or the Sandwich feedback.



The course concluded with an examination, organized by AHK Sri Lanka. During the 90 minutes written examination, the examinee's answered questions regarding dual vocational training, training methods and other training-related topics.

In the practical (oral) examination they were presenting, within 10-15 minutes, a typical instructional topic, followed by a technical discussion with the AHK Sri Lanka examination committee

Based on this examination, the successful participants are awarded with a standardized international certificate issued by AHK Sri Lanka and the Association of German Chambers of Industry and Commerce.



Besides helping trainers and HR personnel to improve in-company training or on-boarding of new staff, having an AdA-certified in-company trainer is one of the requirements for companies to cooperate with AHK Sri Lanka in dual vocational training and for their trainees to receive a certification bas on German quality standards.

An AdA International Advance course is planned for later this year (dates will depend on the further development of the Covid19 situation). For more info, please contact Head of Vocational Training Josef Tschoep under training@srilanka.ahk.de



Needs Assessment for Industry-driven Training in the Sri Lankan Logistics Sector

Based on recent initial feedback during our Logistics Sector Committee meeting, we are currently, in cooperation with the GIZ Sri Lanka, assessing the wider and detailed needs for a more practical-oriented in-company training approach in the logistics sector in Sri Lanka. A pilot training could be started under the "develoPPP" initiative which is co-funded by the German Federal Ministry for Economic Cooperation and Development (BMZ). After identifying the specific needs and training profiles, an industry experts-driven adjustment of the training content and the competencies needed in the Sri Lankan logistics sector would take place. Based on this, the first training batches would start in chosen companies and in cooperation with vocational training institutes.

AHK Sri Lanka, in cooperation with GIZ, would offer support for the implementation of in-company logistics training, as well as organizing training of trainers, examination processes and certification according to German quality standards.

We are thereby drawing back on our extensive German chamber network and its experience in vocational training organization, as well as on established and proven industry-relevant training profiles from the logistics sector in Germany such as Specialist for Port Logistics, Warehouse Operator/Specialist for Warehouse Logistics and the Logistics Operations Manager.

Become a Dual Vocational Training Partner

Companies who are cooperating with AHK Sri Lanka on dual vocational training according to German quality standards will be our official training partner. As is common practice in Germany, these training companies will receive a sign (as below) that can be attached visibly e.g. to the entrance door or a wall in the lobby and which identifies them as a company that provides dual vocational training

The sign also bears the logo of AHK Sri Lanka and the Association of German Chambers of Commerce & Industry (DIHK).

Our Premium Partner DIMO recently received their sign, as they are active since 2018 as a provider for dual vocational training in Automobile Mechatronics. Get in touch with us to learn more on how to become a dual vocational training provider.



Dieser Betrieb bildet dual aus.

This company provides dual vocational training.



Relief Measures in response to the COVID-19 pandemic

The below-mentioned relief measures announced by the Sri Lankan government in response to the COVID-19 pandemic were compiled by D. L. & F. De Saram.

Banking and Finance:

The Monetary Board of the Central Bank of Sri Lanka by Circular No.4/2020 dated 24.03.2020 has directed Financial Institutions (i.e. Licensed Commercial Banks, Licensed Specialised Banks & Leasing companies) to:

- Implement a debt moratorium (Capital & Interest) on –
 - a. Lease rentals of specified vehicles operated by the self-employed for 6 months
 - b. Personal loans of private sector non-executive employees until 30.05.20
 - c. All personal loans lease rentals under the value of LKR 1 million for 3 months
 - d. Affected small/medium enterprises, tourism, apparel, plantation and IT, related logistic service providers for 6 months
- Provide working capital requirements at 4% interest (with interest waived for at least 6 months) for the sectors mentioned in (d) above. The interest subsidy will be included in re finance.
- Accommodate loan applications in respect of the above until 30.04.20 and finalize the same within 45 days.
- Fix a maximum interest rate of 15% for credit card transactions up to LKR 50,000/-, reduce minimum monthly payment on credit cards by 50%, extend repayment deadline for credit cards below limit of LKR 50,000 /- and extended validity of cheques under LKR. 500,000/- until 30.04.20.
- Specified opening times for licensed banks on non-curfew days and directions to corporate branches to be kept open during curfew to facilitate international transactions pertaining to several sectors including food and medicine.

The abovementioned circular was supplemented by Monetary Board Circular No.05/2020 dated 27.03.2020 which further elaborated in how the above concessions were to be implemented. The said circular specified inter alia that licensed commercial banks, licensed specialised banks, licensed finance companies and specialised leasing companies (hereinafter referred to as Financial Institutions) would be eligible to participate in this re-financing facility to support COVID-19 hit businesses including self-employment businesses and individuals commencing 25.03.2020.

Salient provisions of the said circular include:

- Setting up a six-month Re-Financing facility of LKR 50 Billion to implement to aforementioned concessions in support of COVID-19 hit businesses including self-employment businesses and individuals.
- The eligible sectors/ businesses have been specified as:
 - a. Tourism, direct and indirect export-related businesses including apparel, IT, tea, spices, plantation and related logistic suppliers that have been adversely affected by work disruption and overseas lockdowns resulting from COVID – 19.
 - b. Small and Medium Enterprises (SMEs) engaged in business sectors such as manufacturing, services, agriculture (including processing), construction, value addition and trading businesses including authorized domestic pharmaceutical suppliers with turnover below LKR 1 billion.
 - c. Self-employment businesses and individuals who have lost their jobs or income due to the outbreak of COVID-19.
 - d. Foreign currency earners (individuals and corporates) who have to repay loans in foreign currency and whose incomes/ businesses have been adversely affected due to the outbreak of COVID-19.
- Limiting import facilities under this scheme to pharmaceutical drugs, medical equipment, food, fertilizer and essential raw materials and machinery and equipment.
- Credit facilities supported under this Financing Scheme shall be term loans, leasing facilities, pawning, overdrafts and trade finance facilities denominated in Rupees and foreign currency subject to the requirements specified.

- Specifying that financial institutions are to suspend recoveries processes throughout the duration of processing applications of the parties who have applied for relief through this scheme.
- Concessions for Existing Performing Loans as at 25.03.2020 include extensions for permanent and temporary overdraft facilities (with a capped interest of 13% for the extension period), eligible trade facilities and pawning facilities.
- Concessions for Existing Non-Performing Loans (NPLs) as at 25.03.2020 include waivers of penal interest, rescheduling of loans/advances and suspension of recovery legal actions/ auctioning of assets of the borrowers in accordance with the process set out in the said Circular.
- Directing financial institutions to make provision to grant an additional loan or a new loan facility in LKR for working capital or investment purposes subject to conditions specified in the said circular, provided that the borrower submits a credible business plan.
- Defer capital repayments on refinance loans granted to licensed banks falling due from 01.01.2020 until 31.12.2020. However, banks are required to seek extension if required and enter into supplementary agreements with the relevant Government agency in this regard.
- Directing financial institutions not to decline an application under this scheme solely based on an adverse Credit Information Bureau (CRIB) record and develop a reporting modality in respect of the capital deferment granted under this scheme to performing borrowers, so that participation in the Scheme will not have an impact on the credit score of borrowers in the future, or be negatively reflected in future CRIB reports.
- Directing financial institutions to not charge for cheque returns, stop payments, late payment fee on all credit cards and other credit facilities during the period up to 30.09.2020.
- Imposing new reporting requirements on financial institutions to report the details of moratorium availed by their borrowers to the Bank Supervision Department and the Department of Supervision of Non-bank Financial Institutions, as relevant, as at 15th and 30th of each month, within 5 working days, commencing from 01.05.2020

In addition to the above it has also been announced that:

- Several State Banks (Bank of Ceylon, Peoples Bank, National Savings Bank) along with Sri Lanka Insurance Corporation, The Employees Provident Fund and the Employees Trust Fund will jointly invest in the treasury bonds and bills to stabilize the money market at a 7% interest rate.
 - The Central Bank, Commercial Banks, Insurance Services and the Treasury have been defined as Essential Services to ensure that they continue operations throughout curfew.
 - The Monetary board of the Central Bank of Sri Lanka (CBSL) has decided to reduce its Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) by -25bps each to 6.25% and 7.25% respectively whilst reducing the Statutory Reserve Ratio (SRR) by -100bps to 4% with effect from 17.03.20. [UPDATE: On 03.04.20, the Monetary Board of the Central Bank, decided to further reduce the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate of the Central Bank by 25 basis points to 6.00 per cent and 7.00 percent, respectively, effective from the close of business on 03 April 2020 in order to complement the measures taken thus far to ease market conditions, and enable the domestic financial market to provide further relief to businesses and individuals affected by the COVID-19 Pandemic
- a. Reduction of maintenance of liquid asset requirement for time deposits, savings deposits and borrowings to ease liquidity stress faced by LFCs/ SLCs due to sudden withdrawal of cash by depositors and non-repayment of loan rentals
 - b. An extension of one year to comply with minimum core capital requirements. Accordingly, a timeline of 01.01.2020 and 01.01.2021 already set for the enhancement of capital up to RS 2bn and Rs 2.5 bn will be extended until 31.12.2021, respectively.
 - c. Defer the enhancements of minimum capital adequacy requirements due by LFCs/SLCs on 01.07.2020 and 01.07.2021, for a further period of one year until 01.07.2021 and 01.07.2022 respectively.
 - d. Relax deadlines on submission of statutory returns by permitting all LFCs/SLCs to submit statutory returns to the Department of Supervision of Non-Bank Financial Institutions within two weeks of the commencement of normal business operations.

- The Central Bank has directed licensed commercial banks and the National Savings Bank to suspend the following for three months commencing from 19.03.20
 - I. Suspend facilitating importation of Motor Vehicles
 - II. Suspend facilitating importation of non-essential goods specified in Banking Act Directions No. 01 of 2020, under Letters of Credit, Documents Against Acceptance and Advance Payment
 - III. Suspend the purchase of Sri Lankan Sovereign Bonds by licensed Sri Lankan banks
- The Central Bank has also placed limitation in the issuance of foreign currency travel notes by Authorized Dealers
- The government has decided to suspend foreign exchange controls and taxes relating to inflows of foreign exchange for a period of 3 months commencing from 02.04.2020. The Central Bank has also announced that such forex remittances will be protected under banking secrecy provisions
- The government by Extraordinary Gazette No.2169/3 dated 02.04.20 [Order under Section 22 of the Foreign Exchange Act. No. 12] has placed certain restrictions (subject to the exceptions stated therein) on outward remittances / repatriation of funds for a period of 3 months commencing from 02.04.2020.

Labour and Employment:

The following measures have been announced by the Presidential Secretariat:

- Benefits of the “Agrahara Insurance Claim” at the National Insurance Trust Fund, for all state employees in the sectors of Health, Police and Civil Security Forces are to be doubled
- Suspend loan repayment deduction from salaries of 1,500,000 public sector employees
- Arrangements be made to pay the trainee allowance (for March 2020) of graduates recruited for employment under the graduate employment scheme
- Provide relief for private businesses that are not in a position

Tax:

- It has been announced that the payment deadline for Income Tax and VAT has been extended until 30.04.2020. Accordingly, the Department of Inland Revenue has extended the VAT payment deadline (for February and March 2020) up to 30.04.2020 with any system-imposed penalties being waived of accordingly.
- The state-owned retail network -Lanka Sathosa and Co-operative shops will be exempt from VAT, other local taxes and charges.
- The Department of Inland Revenue has extended the submission deadline of the Transfer Pricing Disclosure Form until 30.04.2020.
- The Department of Inland Revenue has extended the payment deadline of Compounded Stamp Duty for specified parties (for the quarter ending 31.03.20) up to 30.04.2020.
- The Department of Inland Revenue has extended the Withholding Tax payment deadline (for February and March 2020) up to 30.04.2020 with any system-imposed penalties being waived of accordingly.
- The Department of Inland Revenue has also made arrangements for applications for project extensions under Section 22(7) of the VAT Act and applications for permanent and temporary VAT Registration for importation to be made and processed electronically.

Miscellaneous:

- A special bank account (COVID – 19 Healthcare and Social Security Fund) has been opened by the Presidents Fund into which LKR 100 million has been deposited to be utilized for tasks related to preventing the spread of the Covid-19 including providing necessary healthcare and relief measures.
- The establishment of a Presidential Task Force to direct, coordinate and monitor the delivery of continuous services for the sustenance of overall community life. The main function of the task force is to ensure the continuous operation of the food supply chain by making arrangements and liaising with all relevant parties including farmers, agriculture officials as well as the banking, corporate and transport sectors.
- The president has also directed the Presidential Task Force established to administer essential services to make arrangements for the payment of an allowance of LKR5,000/- to specified low-income families/ disadvantaged persons.

COVID-19 related Legal Regulations

Temporary Import Stop of Vehicles and Non-Essential Goods



CENTRAL BANK OF SRI LANKA BANK SUPERVISION DEPARTMENT

19 March 2020

BANKING ACT DIRECTIONS

No. 01 of 2020

MEASURES TO CURTAIL IMPORTS AND FOREIGN CURRENCY INVESTMENTS

Issued in terms of the powers conferred by Sections 46(1) and 76(J)(1) of the Banking Act No. 30 of 1988, as amended.

In terms of Sections 46(1) and 76(J)(1) of the Banking Act No. 30 of 1988, in order to ensure the soundness of the banking system, the Monetary Board is empowered to issue Directions to all or any licensed commercial bank and licensed specialised bank, respectively, regarding the manner in which any aspect of the business of such bank or banks is to be conducted.

The Central Bank of Sri Lanka with a view to easing the pressure on the exchange rate and the stress on financial markets due to the impact of COVID-19 outbreak, requires licensed commercial banks and National Savings Bank, to adopt the following measures during the next three months.

1. Suspend facilitating importation of:
 - a. motor vehicles, other than items specified in Schedule A of Annex I, under Letters of Credit, and
 - b. non-essential goods specified in Schedule B of Annex I under Letters of Credit, Documents Against Acceptance and Advance Payment.
2. Suspend the purchase of Sri Lanka International Sovereign Bonds.

These Directions shall be implemented with immediate effect.

A handwritten signature in blue ink, reading 'W D Lakshman'.
Prof. W D Lakshman

*Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka*

Annex 1 can be found under the following link: <https://bit.ly/3a0B0R6>

COVID-19 related Legal Regulations

Temporary Restrictions on Investments in Foreign Currency outside Sri Lanka



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The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY

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No. 2169/3 - THURSDAY, APRIL 02, 2020

(Published by Authority)

PART I : SECTION (I) — GENERAL

Government Notifications

FOREIGN EXCHANGE ACT, No. 12 OF 2017

Order under Section 22

BY virtue of the powers vested in me under Section 22 of the Foreign Exchange Act, No. 12 of 2017, I, Mahinda Rajapaksa, Minister of Finance, Economic and Policy Development do by this Order,

i. suspend making payments through Outward Investment Accounts for the purpose of making investments in overseas by persons resident in Sri Lanka under general permission granted in the Schedule I of the Foreign Exchange (Capital Transactions in Foreign Exchange carried on by Authorized Dealers) Regulations No. 1 of 2017 published in the *Extraordinary Gazette* Notification No. 2045/56 dated November 17, 2017, excluding :

- a. investments to be financed out of a foreign currency loan obtained by the investor from a person resident outside Sri Lanka under the provisions of the Foreign Exchange Act, or
- b. investments to be made to fulfill the regulatory requirement in that country

provided that, the Head of Department of Foreign Exchange is satisfied with the fulfilment of such requirement;



- ii. suspend any outward remittances other than the remittances on current transactions through Business Foreign Currency Accounts or Personal Foreign Currency Accounts held by persons resident in Sri Lanka;
- iii. suspend the repatriation of funds under the migration allowance through Capital Transactions Rupee Accounts by the emigrants who have already claimed migration allowance under the general permission stated in the Schedule IV of the Foreign Exchange (Capital Transactions in Foreign Exchange carried on by Authorized Dealers) Regulations No. 1 of 2017 published in the *Extraordinary Gazette* Notification No. 2045/56 dated November 17, 2017;
- iv. limit the eligible migration allowance for the emigrants who are claiming the migration allowance for the first time up to a maximum of USD 30,000 ;
- v. the Monetary Board shall have the authority to grant permission in terms of the Section 7(10) of the Foreign Exchange Act for the investments on case by case basis which exceeds the limits specified in the general permission granted in the Schedule I of the Foreign Exchange (Capital Transactions in Foreign Exchange carried on by Authorized Dealers) Regulations No. 1 of 2017 published in the *Extraordinary Gazette* Notification No. 2045/56 dated November 17, 2017 provided that,
 - a. the proposed investment is to be financed out of a foreign currency loan obtained by the investor from a person resident outside Sri Lanka under the provisions of the Foreign Exchange Act, or
 - b. the proposed investment is to be made to fulfill the regulatory requirement in that country

This order valid for a period of three months from April 2, 2020.

MAHINDA RAJAPAKSA,
Minister of Finance, Economic and Policy Development.

Colombo,
02nd April, 2020.

Temporary Restrictions on Investments in Foreign Currency outside Sri Lanka explained by Ernst & Young Sri Lanka

| No. | Type of Outward Remittance | Previous Position | Current Position |
|-----|--|---|--|
| 01. | Overseas investments by resident persons | Resident persons were granted general permission to invest in shares of foreign companies and debt securities of foreign companies, up to permitted limits. | <p>This order suspends the general permission given to resident persons to undertake capital transactions outside Sri Lanka.</p> <p>The following being the only exceptions;</p> <p>a. Investments to be financed out of a foreign currency loan obtained by the investor from a person resident outside Sri Lanka under the provisions of the Foreign Exchange Act, or</p> <p>b. Investments to be made to fulfill the regulatory requirement in that country</p> <p>Provided that, the Head of Department of Foreign Exchange is satisfied with the fulfillment of such requirement.</p> |
| 02. | Capital transactions by Business Foreign Currency Account (BFCA) holders or Personal Foreign Currency Account (PFCA) holders | BFCA and PFCA account holders were permitted to engage in both current and capital transactions. | <p>This order suspends capital transactions by BFCA and PFCA holders.</p> <p>Current transactions by BFCA and PFCA holders can continue without restriction.</p> |
| 03. | Annual migration allowance | Migrants were allowed an annual migration allowance of USD 30,000/-. | This order suspends the remittance of the annual allowance. |
| 04. | Initial migration allowance | Migrants were allowed an initial allowance of a maximum of USD 200,000/-. | This order reduces the initial allowance to USD 30,000/-. |

EY Tax Update

- This order is valid for a period of 3 months from 02 April 2020
- It is our understanding that this order only suspends capital transactions by resident persons falling into the above four specified categories. It is also our understanding that all our capital and current transactions not specified in this Gazette would continue without a change a per the prevailing regulations
- Accordingly, foreign remittances for other transactions such as those listed below can continue to be made through the normal banking channels and under the existing regulations in force
 - Repatriation of capital amounts through the Inward Investment Account (IIA) including proceeds for the sale of shares, repayment of debt, sale of property
 - Dividend
 - Interest payment
 - Consultancy fees and technical fees
 - Royalty
 - Insurance premiums
 - Rental payments
 - Salaries and remuneration

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COVID-19 related Tax Regulations

EY-Tax Updates

Income Tax

| Overview | Policy Change | Reference |
|---|--|--|
| Transfer Pricing Disclosure Form (TPDF) for 2018/19 had to be filed by 31 March 2020. | The due date to submit the Transfer Pricing Disclosure Form (TPDF) has been extended to 30 April 2020. | Attached the notice issued by the Department of Inland Revenue. Date: 20.03.2020 Notice #: PN/IT/2020-04 |

Value Added Tax

| Overview | Policy Change | Reference |
|--|---|---|
| Payment of VAT and VAT on financial services for the month of February and March 2020 are due by 20 March and 20 April 2020. | VAT and VAT on Financial Services payments for the months of February and March can be deferred until 30 April 2020. The automatic penalty imposed on same will be waived. | Attached the notice issued by the Department of Inland Revenue. Date: 26.03.2020 Notice #: PN/VAT/2020-03 |
| VAT Return for the month of February had to be filed by 31 March 2020. | VAT Returns (electronically or manually) for the Month of February 2020 can be deferred until 30 April 2020. | |
| Credit Vouchers for VAT Deferment. | The validity of extension letters issued with regard to Credit Vouchers (for deferment facilities at the point of Customs/ BOI) expiring before 30 April 2020 has been extended by one month from the respective expiry date. | |
| Temporary VAT registration validity periods extended. | The validity of any Temporary VAT registration expiring prior to 30 April 2020 has been extended till 30 April 2020. | |

Stamp Duty

| Overview | Policy Change | Reference |
|--|--|--|
| The payment and Return for Compounded Stamp Duty for the quarter ending 31 March 2020 had to be paid/filed by 15 April 2020. | The payment and Return for Compounded Stamp Duty for the quarter ending 31 March 2020 can be deferred until 30 April 2020. | Attached the notice issued by the Department of Inland Revenue. Date: 28.03.2020 Notice #: PN/SD/2020-01 |

Tax Clearance Certificate issued for Liquor Licenses

| Overview | Policy Change | Reference |
|--|---|--|
| Tax Clearance Certificate validity period is generally for one year. | The validity period of any Tax Clearance Certificates expiring prior to 30 June 2020 has been extended till 30 June 2020. | Attached the notice issued by the Department of Inland Revenue. Date: 29.03.2020 Notice #: PN/TC/2020-01 |

Withholding Tax

| Overview | Policy Change | Reference |
|---|---|---|
| Monthly WHT payment for the month of February and March 2020 are due by 15 March and 15 April 2020. | Withholding Tax payment for the month of February and March can be deferred until 30 April 2020. The automatic penalty imposed on same will be waived. | Attached the notice issued by the Department of Inland Revenue. Date: 31.03.2020 Notice #: PN/WHT/2020-04 |

Value Added Tax

| Overview | Policy Change | Reference |
|--|--|---|
| Persons registered under Section 22(7) of the VAT Act are required to extend the Project implementation period before the expiry of the validity period. | Those who are required to obtain extension of Sec 22(7) VAT registration are now allowed to apply and obtain electronically. The processing procedures are now published. | Attached the notice issued by the Department of Inland Revenue. Date: 02.04.2020 Notice #: PN/VAT/2020-04 |
| VAT Registration (Permanent or Temporary) is required to clear goods from the Customs. | Permanent VAT Registrations for the purpose of importation can now be processed electronically via e-Services (IRD Web portal) for those who have already obtained TIN registration. Temporary VAT Registration for the purpose of importation can now be processed electronically (via emails) with the TIN registration details. For this purpose TIN registration can also be made electronically via e-Services. The processing procedures are now published. | |

Corporate News related to COVID-19

Allianz recognizes the need of the hour

25 March 2020, Colombo: After a continuous and ongoing assessment of the situation in the country with relation to the current COVID-19 (new Coronavirus) outbreak, Allianz Life Insurance Lanka Limited has enhanced their care during this time of need. In an unprecedented effort to protect their life policyholders from the effects of COVID-19, the insurer is offering a series of complimentary covers.

All existing and new policyholders will be granted a complimentary life cover of 500,000 LKR for COVID-19 and an additional funeral expense cover of 50,000 LKR in case of an unfortunate death due to COVID-19. To better protect their policyholders from COVID-19, Allianz has also extended numerous benefits which include hospitalization cost reimbursement; critical illness and disability cover including hospital cash benefit coverage.



All benefits mentioned will be valid until 30th June 2020. Customers of Allianz should take note that in order to support the Sri Lankan Government's efforts to control the spread of the virus, the head office and all branches of Allianz have been closed until further notice. However, customers who seek more information on the above may contact +94 11 2317988 / +94 11 2317989 between 8.30AM to 5.00PM. They may also email Allianz at customerservicelife@allianz.lk



Allianz to support combat COVID-19

The management and employees of Allianz provided a High-Performance Real Time Quantitative PCR (RT-qPCR) machine to test for COVID 19 at the Sir John Kotelawala Defence University (KDU).

During challenging times like this, it is pivotal for the private sector to collaborate and extend its fullest support to the authorities to help combat the coronavirus pandemic.

We applaud the relentless efforts of the armed forces and health professionals in ensuring the impact on public health is minimized. In order to support their efforts further we strongly believe it is essential to have state of the art equipment and

solutions that would detect accurately and help flatten the curve.

As a global insurance provider committed to the safety and well-being of our communities, the management and employees of Allianz are honored to assist in providing a High-Performance Real Time Quantitative PCR (RT-qPCR) machine to test for COVID 19 at the Sir John Kotelawala Defence University (KDU).

Bayer supporting hospitals in Lombardy, Italy

Bayer is supporting hospitals in Lombardy, Italy, with a donation of one million euros. The money is being added to an aid fund that the regional authorities in Lombardy have set up to help procure urgently needed equipment for intensive care units in hospitals with the greatest needs.

Hospitals in Lombardy, such as in Brescia, have reached the limit of their capacity. "Our colleagues in Italy are working with unbelievable commitment to maintain the supply of our medicines. On top of that, our emergency aid is designed to help support hospitals and hospital staff during the crisis," says Werner Baumann, Chairman of the Board of Management of Bayer AG.

Besides Italy, Bayer has already sent considerable financial and material support to China to help contain the pandemic. Bayer will continue to provide affected regions and countries with rapid and unbureaucratic assistance as part of its corporate social responsibility.



Corporate News related to COVID-19

Fresenius Medical Care

Fresenius Medical Care is the world's leading provider of products and services for people with chronic kidney failure. Around 3.5 million patients worldwide with this disease regularly undergo dialysis treatment. Dialysis is a life-saving blood cleansing procedure that substitutes the function of the kidney in case of kidney failure.

"We understand that the COVID-19 (novel coronavirus) infection is affecting everyone's lives and the way we do business – and that the situation is changing quickly. As the world's leading provider of dialysis products and services, we are committed to protecting the health and safety of our patients, customers, employees and the wider community".



In full commitment to patients, customers, doctors and healthcare stakeholders in Sri Lanka, we continue doing everything possible to maintain the distribution of our products so that patients have access to life-sustaining dialysis.

Achieving a further milestone in dialysis care in Sri Lanka, Fresenius Medical Care Lanka (Pvt) Ltd "FMC Lanka" on the 26th of March a water treatment installation was completed at the dialysis unit of Colombo North Teaching Hospital in preparation for the deployment of 6 state of the art hemodialysis machines.

Followingly, on the 28th of March a successful installation of 1 CRRT machine and user-training of medical staff was conducted at Polonnaruwa General Hospital.

Ensuring continuous supply and operations to our partners across Sri Lanka, Logistics and Delivery of medical supplies were facilitated island-wide in these challenging times with zero operational interruptions.

Linde

The Linde Group is a world leading supplier of industrial, process and speciality gases and is one of the most profitable engineering companies.

Linde products and services can be found in nearly every industry, in more than 100 countries. A success story that began with the separation of air.

Our response to the coronavirus pandemic

Linde is firmly committed to supporting its customers through the unprecedented COVID-19 pandemic.

Our global, regional and local response teams are ensuring we continue to safely and efficiently deliver industrial gases to our customers.



In addition, Linde is prioritizing the supply of oxygen and essential medical gases in order to support hospitals, doctors, nurses and medical professionals as they care for patients with COVID-19. We are increasing the amount of oxygen production at air separation units, where needed, and are working very closely with local healthcare providers to anticipate demand and increase deliveries.



Making our world more productive

Linde has a strong track record of successfully navigating challenging times and we are working closely with all our stakeholders.

We are proud of the work our employees are doing around the world and we continue to put the safety, health and wellbeing of our employees, customers and our communities at the forefront of all we do.



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| <p>IFAT - MESSE MUNICH</p> <p>4-8 May 2020</p> <p>NEW DATE - 7-11 SEPT 2020</p> <p>https://www.ifat.de/en/</p> | <p>The world's leading trade fair for environmental technologies provides the answers. Being the largest platform for water, sewage, waste and raw materials management, IFAT gathers the industry from all over the world—its innovative offers set benchmarks for the future. 3305 exhibitors from 58 countries & 142,472 visitors from 162 countries have participated at IFAT 2018</p> |  |
| <p>INTERPACK - Messe Duesseldorf</p> <p>7-13 May 2020</p> <p>NEW DATE - 25 FEB - 3 MARCH 2021</p> <p>https://www.interpack.com/</p> | <p>Interpack is one of the world's most important fairs of the packaging industry and represents with it offers the entire value chain. The range is from the production and refinement of packaging products and packaging materials of all classes on the packaging and distribution to quality assurance and consumer protection.</p> |  |
| <p>PHOTOKINA - Koelnmesse</p> <p>27-30 May 2020</p> <p>NEW DATE - 18 - 21 MAY 2022</p> <p>https://www.photokina.com/</p> | <p>Photokina is the leading international trade fair for the entire photo, video and imaging sector. It is the only event in the world that offers a comprehensive presentation of all the imaging media, imaging technologies and imaging markets - for consumers and professionals alike. 812 exhibitors, 180.000 visitors from 127 countries visit Photokina annually.</p> |  |
| <p>THE TIRE - Koelnmesse</p> <p>09-12 June 2020</p> <p>NEW DATE - 18 - 20 MAY 2021</p> <p>https://www.thetire-cologne.com/</p> | <p>THE TIRE COLOGNE 2020 is a global event that brings the leading players and innovators in the tire-manufacturing world together in one place at one time with one common goal to further expand and improve the incredible science of tire design and manufacturing in all its aspects. It brings together professionals, industry leaders and experts to share valuable experienced knowledge and innovative ideas to make advanced this sector in the global market.</p> |  |
| <p>DRUPA - MESSE DUESSELDORF</p> <p>16-26 June 2020</p> <p>NEW DATE - 20 - 30 APRIL 2021</p> <p>https://www.drupa.com/</p> | <p>Drupa is the world's largest trade fair for the printing and media industry in Dusseldorf. This is where the global suppliers of print and media industry. Here present a large number of international exhibitors, products and services in the areas of print and media pre-press, printing machines, bookbinding, paper processing and Druckaterial. The visitors can inform themselves in depth and comprehensive information on the latest developments, trends, services and products from the different areas.</p> |  |
| <p>TRANSPORT LOGISTIC CHINA, SHANGHAI</p> <p>2022 in Shanghai</p> <p>http://www.transportlogistic-china.com/</p> <p>NEW DATE - TBC</p> | <p>Transport logistic China, the international trade fair for logistics, telematics and transport, takes place in Shanghai. With nearly 500 exhibitors from 45 countries and an audience coming from nearly all industrial countries worldwide, it has become the most important fair of its kind in Asia over the last years. This is an event organized by Messe München GmbH in the Asian region.</p> |  |
| <p>SPOGA+GAFA 2020</p> <p>06. - 08. September 2020 in Cologne</p> | <p>Spoga+gafa takes place every year in Cologne and is the leading international trade fair for the garden and leisure industry and open to trade visitors only. The fair is characterized by the high internationality of exhibitors and visitors, making it the most important platform in the industry to conquer new markets, to find new contacts and to learn about the latest trends and innovations.</p> |  |
| <p>ASIA FRUIT LOGISTICA</p> <p>16-18 September 2020 in Singapore</p> <p>https://www.asiafruitlogistica.com/</p> | <p>ASIA FRUIT LOGISTICA, Asia's leading fresh fruit and vegetable trade show, where every link of the international fresh fruit and vegetable supply chain meets face to face each year to make contacts and do business.</p> |  |

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| BAZAAR 2020 4-8 November 2020 in Berlin https://www.bazaar-berlin.com/ | Bazaar Berlin is the successful realization of the concept of global market - local goods. The manufacturers and distributors of craft and handicrafts from all over the world to present the buyer ethno-quality natural products. The exhibition offers visitors the subdividing Natural Living, Art + Style at Home and winter a good overview. |  |
| MEDICA 2020 16-19 November 2020 in Düsseldorf https://www.medica-tradefair.com/ | MEDICA is the world's largest event for the medical sector. For more than 40 years it has been firmly established on every expert's calendar. There are many reasons why MEDICA is so unique. Firstly, the event is the largest medical trade fair in the world - it attracted more than 5,500 exhibitors from 71 countries in 17 halls. |  |
| ELECTRONICA 2020 10-13 November 2020 in Munich https://electronica.de/ | Electronica is the international trade show for electronic components, systems and applications and shows as the world's leading trade fair the full range in all its diversity in width and depth. It reflects the high degree of innovation throughout the industry. Exhibitors and users in the areas of systems, applications and technologies of electronics can receive the information of the latest innovations and developments in the fields of system peripherals, power engineering to printed circuit boards or EMS. |  |
| BAU 2021 11- 16 January 2021 in Munich https://bau-muenchen.com/en/ | BAU is a trade fair for architecture and building materials in Munich. This presents a number of international exhibitors, materials and systems to the industry and established American, housing and interior. Here are all leaders in the industry represented, so that the trade fair is the most important event in the European construction industry is. |  |
| GREEN WEEK 2021 15-24 January 2021 in Berlin https://www.gruenewoche.com/ | This event showcases products like The IGW features a comprehensive range of international foods and luxury items. Also, fresh products of all types product markets, beer, wine and champagne, meats and sausages, seafood, teas, herbs and spices agricultural and horticultural machinery and equipment, seeds, greenhouses and gardening supplies, breeding stock, pets, hunting and fishing supplies etc. |  |
| IMM COLOGNE 2021 "The international interiors show" 18-24 January 2021 in Cologne https://www.imm-cologne.com/ | imm cologne is an international furniture fair, which takes place once a year in Cologne and has firmly established itself as the leading trade fair for the furniture industry. It presents the latest global furniture and interior design trends for the coming season and inspires every year with many marketable innovations. Exhibitors will be offered the opportunity for product and market tests on the final consumer. |  |
| FRUIT LOGISTICA 3-5 February 2021 in Berlin https://www.fruitlogistica.com/ logo attached | FRUIT LOGISTICA covers every single sector of the fresh produce business and provides a complete picture of the latest innovations, products and services at every link in the international supply chain. It thus offers superb networking and contact opportunities to the key decision-makers in every sector of the industry. |  |

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