The Ceylon Chamber of Commerce

National Budget 2027

HIGHLIGHTS

EIU
Economic Intelligence Unit
of The Ceylon Chamber
of Commerce

01 The Budget at a glance

Aim to confidently steer the economy toward strong, sustainable, and inclusive growth.

B-
Fitch rating upgrade

~16%
revenue target of GDP reached in 2026, with the 2026 borrowing limit reduced

7
Budget objectives

Objectives

01 Macroeconomic stability and improved resilience

02 Accelerating Economic Growth Driven by Investment, Production and Exports

03 Enhancing Productivity through Technology, Innovation and Human Capital

04 Empowering the Rural Economy and Ensuring Inclusive Growth

05 Stability and Continuity of the Energy Markets

06 Strengthening Resilience to Climate Disasters

07 Modernizing the Government Machinery

Strengths for the 2027 Budget

Resilience. Evident economic resilience achieved in 2026, leading to a transformative outlook.

Market access. Increased efforts from local agencies and foreign parties to reach external markets and attract investment.

Fiscal performance. Improved fiscal performance and a positive outlook, including the Fitch upgrade to B-.

Areas of Concern

International engagements. 2027 is the juncture of multiple engagements, including the IMF programme and GSP+.

Untapped potential. Limited emphasis on readily achievable growth opportunities.

02 Fiscal highlights

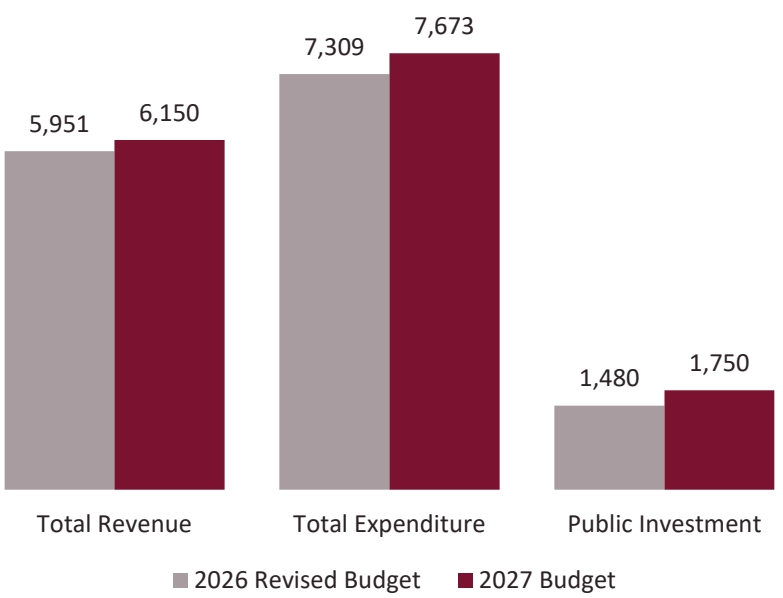
Revenue up 3.3%, expenditure up 5%, and public investment up 18.2%.

Rs. 6,150 Bn
Total Revenue in 2027 (+3.3%)

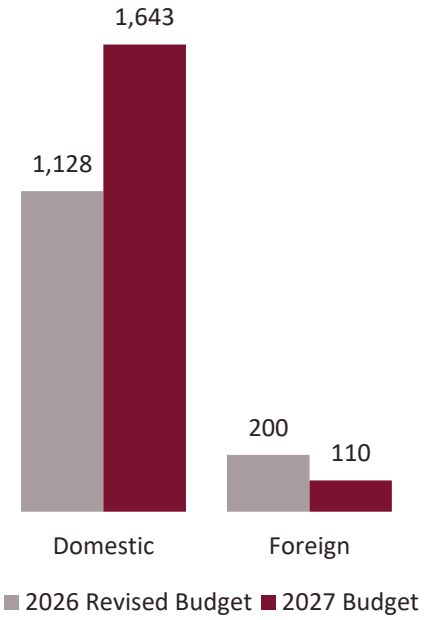
Rs. 7,673 Bn
Total Expenditure in 2027 (+5%)

Rs. 1,753 Bn
Budget Deficit, 4.5% of GDP (incl. supplementary estimates)

2026 Revised Budget vs 2027 Budget



Deficit financing



Rs. Bn

Key points

Additional tax revenue Rs. 209 Bn. Income Tax 30, Tax on G&S 138, Tax on External Trade 41.

Non Tax Revenue down 2.1% to Rs. 463 Bn.

Public investment up 18.2% to Rs. 1,750 Bn; recurrent expenditure up 1.5%.

Primary expenditure rises temporarily to 13.6% of GDP in 2027, back to 13% from 2028.

Financing. Domestic up 45.6%, foreign down 45%.

Tax relief. Income tax relief rises from Rs. 1.80 Mn to Rs. 1.95 Mn.

Levies. Tourism Development Levy abolished; VAT exempt on books and printed material.

Tariffs. Phased reduction of para-tariffs; capital allowance enhanced for BOI enterprises.

3.1 Investment and legal

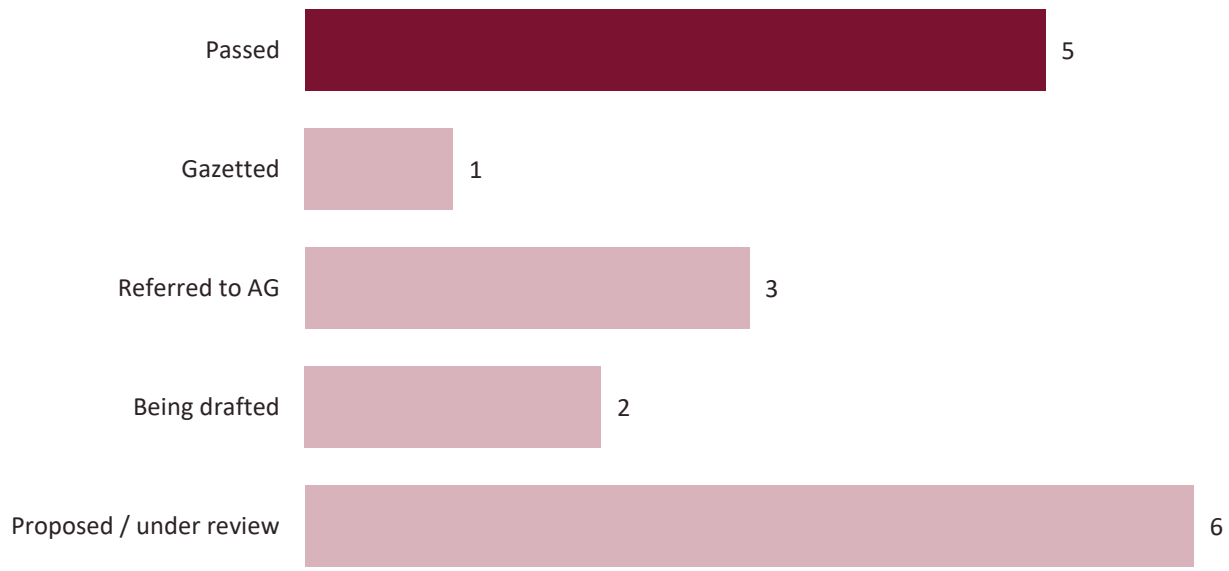
A 17-item legislative pipeline and a Treasury-owned investment promotion company.

Rs. 0.1 bn
National Single Window for Investment

17
pieces of legislation, passed or in the pipeline

29
Trincomalee oil tanks to be offered under a PPP

Legislation by status (17 items)



Key points

Investment promotion company. 100% Treasury-owned, on market-competitive pay.

Investment Protection Bill and the Port City Commission (Amendment) Bill are with the AG.

Investor permanent residency. Legislative work has begun.

Government land. Committee reviewing delays and concessions for investors.

Data centres. Electricity tariff concessions and incentives.

PPP Act. Gazetted; to Parliament in early 2027.

SOE holding company. 34 SOEs identified; Bill with the AG.

Digital Economy Bill. Expected to pass in Q1 2027.

Labour law. Expert committee appointed to review reforms.

3.2 Trade

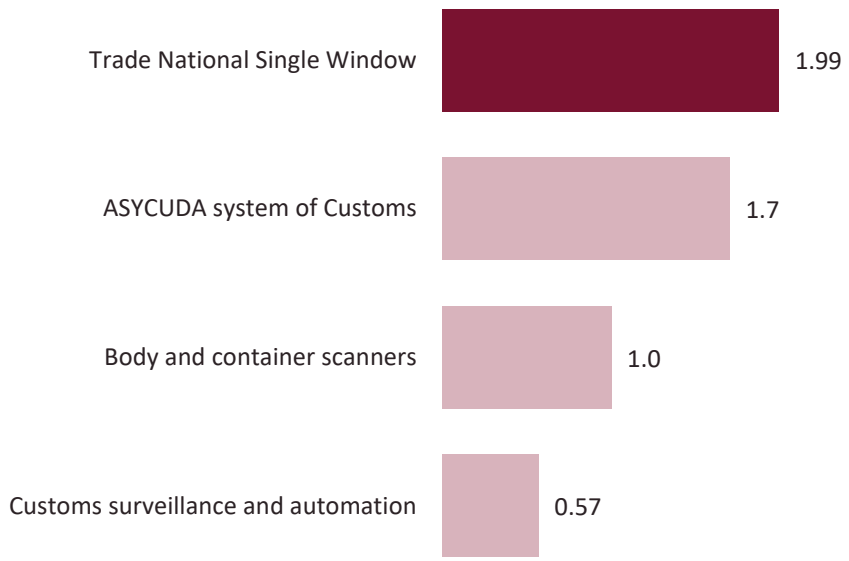
Customs and single-window investment to speed up trade, backed by new trade agreements.

Rs. 1.99 bn
Trade National Single Window

Rs. 1.7 bn
ASYCUDA rehabilitation and maintenance

Rs. 1.0 bn
body and container scanners for Customs

Trade facilitation allocations (Rs. Bn)



Export development

Rs. 0.5 bn
concessional loans at 5% for fisheries exporters

30 mn TEUs
Colombo Port capacity target by 2040

200%
capital allowance for BOI projects of USD 3 mn or more

Key points

Single Window pilot launched on 5 November for selected exports; exporters join in 1H 2027, importers and re-exports in 2H 2027.

TIEP. Modernized, with 'inter-port trading' to steer SMEs towards exports.

Trade agreements. India, a new FTA with China, RCEP, UAE and Oman.

EU. Sri Lanka–EU Sustainable Trade and Economic Integration Project.

Customs Ordinance. Amendment expected in the first half of 2027.

Trade hubs. Feasibility of a Gem and Jewellery Trade Hub and a poultry export zone.

Exporter tax. Bunker fuel supplied to ships exempt from SSCL.

04 Digital transformation

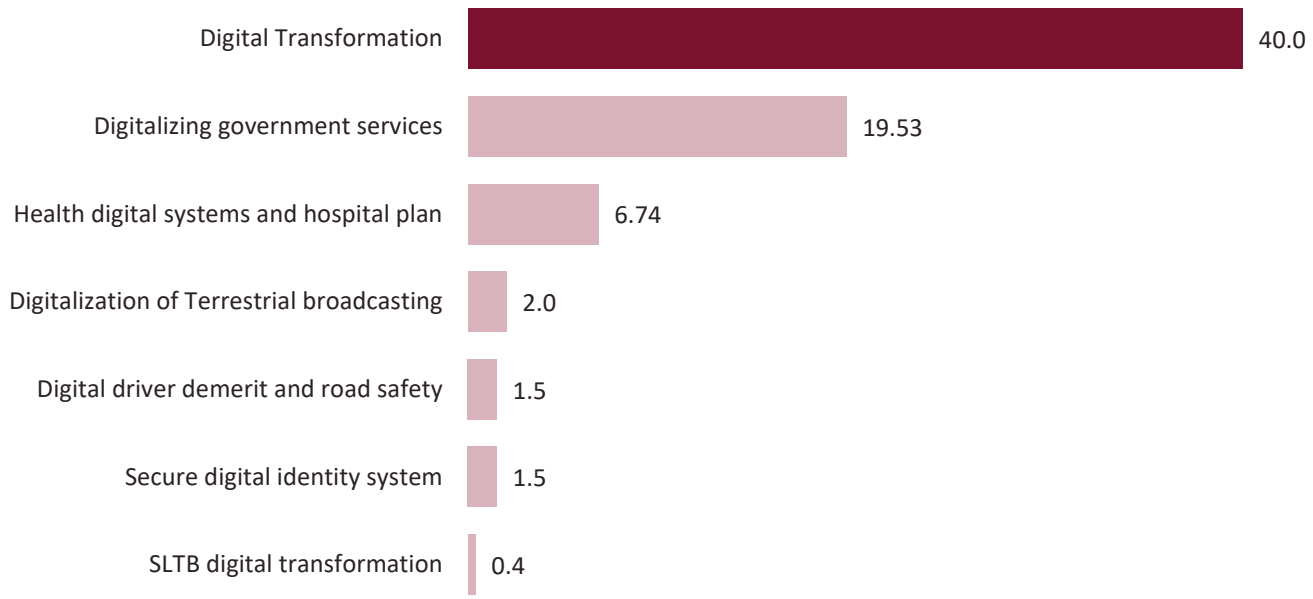
Digital is framed as a fundamental requirement for public sector efficiency, governance and access to services.

Rs. 10 bn
new digital economy initiatives proposed

Rs. 28.5 bn
Ministry of Digital Economy, up from Rs. 18.5 bn

Rs. 9 bn
Gamata Sannivedanaya telecom towers

Digital allocations (Rs. Bn)



Key points

Broadband vouchers for 750,000 selected school students.

Lanka Government Cloud expands from 2.0 to 3.0, with sovereign AI infrastructure.

National AI Centre of Excellence at Wijerama Mawatha.

Cashless payments. GovPay and QR adoption.

Towers. 573 by 2028 of 700–800 needed by 2030; 75% grant up to Rs. 35 million.

Schools. Five-year Rs. 96.5 bn digitalization programme.

Laws. Digital Economy Bill in Q1 2027; Cyber Security Bill with the AG.

Potential. Digital economy could grow to USD 15 billion.

05 Productive sectors

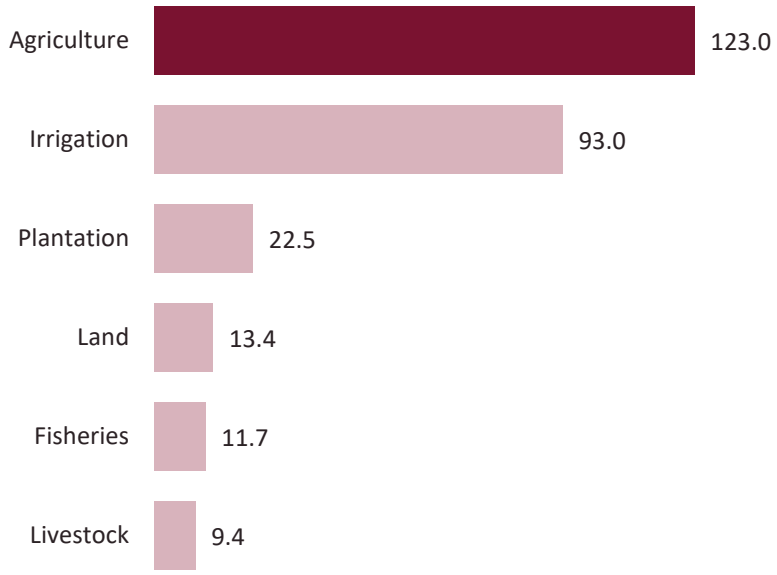
Logistics, agriculture, SMEs, tourism and energy.

Rs. 294.8 bn
Roads, the largest logistics allocation

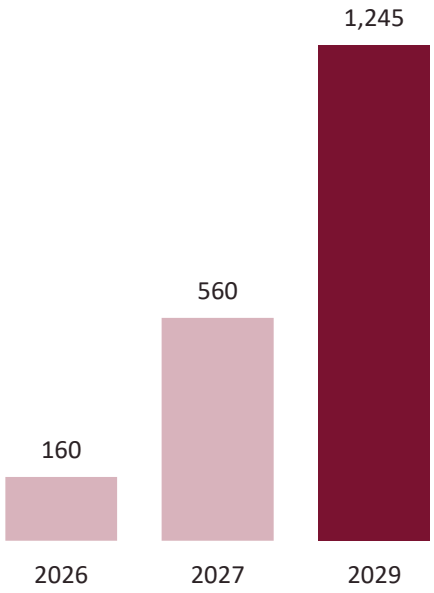
62% → 69%
renewable share of installed capacity, today to 2029

+ Rs. 20 bn
added to Re-MSME Plus (existing Rs. 30 bn) at 5% interest

Agriculture allocations (Rs. Bn)



BESS capacity (MW)



Key points

Roads and rail. Expressways Rs. 100.3 bn; Rs. 1,200 bn railway modernization.

Public transport. 600 SLTB buses and the Kandy multimodal centre.

Agriculture. 'Yaya' collective farming; paddy land for high-value crops.

Tourism. Levy abolished; Colombo Fort tourism zone; cruise terminals.

Fuel. Sapugaskanda refinery to 100,000 barrels per day under a PPP.

Wind. 370 MW to be added by 2029.

Floating solar. About 500 MW across ten reservoirs.

Grid. Rs. 26.5 bn to strengthen the grid.

5.1 Logistics and transport

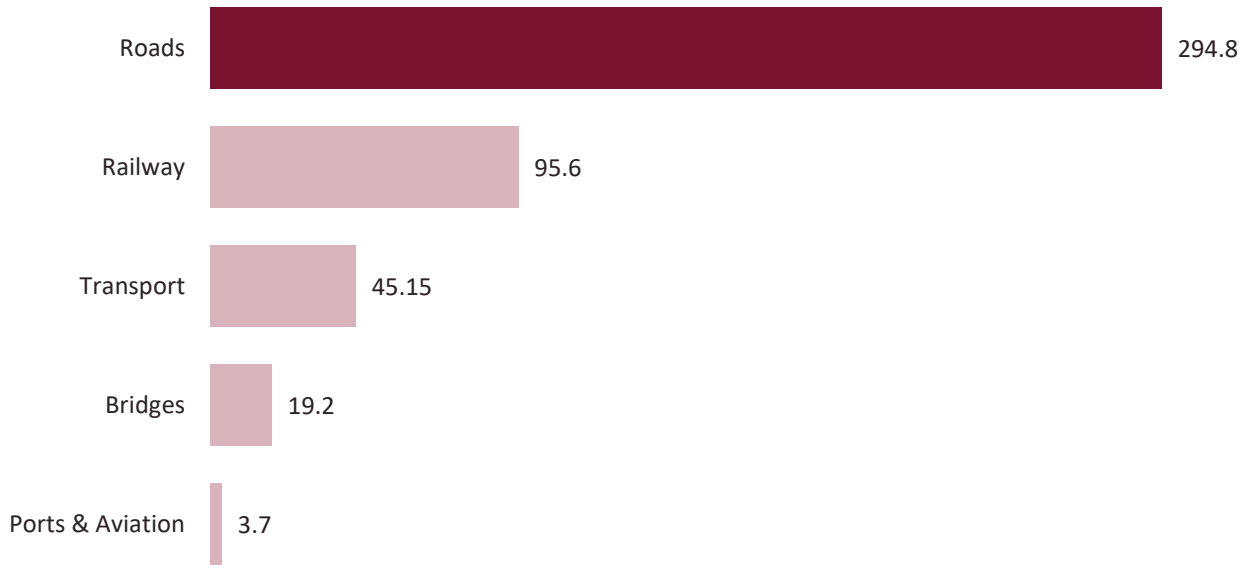
Roads, rail and ports: Rs. 294.8 bn for roads, the largest allocation.

Rs. 100.3 bn
expressway network

Rs. 80.5 bn
rural connectivity

Rs. 1,200 bn
railway modernization programme

Total allocation (Rs. Bn)



Key points

Expressways. Central Expressway and Port Access Elevated Highway continue; Kurunegala–Dambulla and Kahatuduwa–Ingiriya in preparation.

National roads. Rs. 89.0 bn for development and rehabilitation.

Transport safety. Rs. 4.4 bn; Rs. 1.5 bn for a digital Driver Demerit Points system.

Public transport. Rs. 45.15 bn: Kandy multimodal centre, 600 SLTB buses, night buses, electric bus preparation.

Railway. Electrification of the Kelani Valley, Main and Coastal lines.

Colombo Port. Capacity above 30 mn TEUs by 2040.

BIA. Stalled expansion project to resume in the first quarter of next year.

Digital. Rs. 0.7 bn for digital vehicle registration and transfer.

5.2 Agriculture and livestock

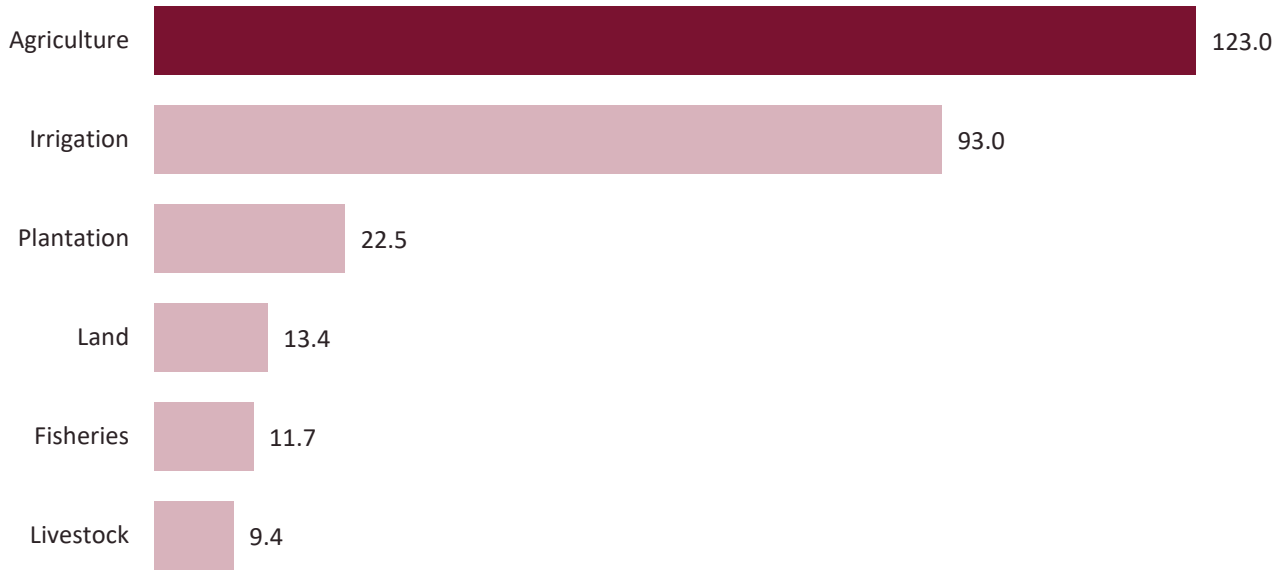
Rs. 123.0 bn for agriculture and Rs. 93.0 bn for irrigation.

Rs. 123.0 bn
agriculture

Rs. 93.0 bn
irrigation

Rs. 9.4 bn
livestock

Total allocation (Rs. Bn)



Key points

Land. Alternative use of underutilized paddy lands for high-value crops.

'Yaya' model. Collective farming to improve input purchasing and productivity.

Digital. Agrarian Service Centres become digital One-Stop Shops.

Inputs. Integrated Plant Nutrient Management; fertilizer subsidies continue.

Value chains. Cooperatives to buy, store, process and market paddy and rice; cinnamon value chain.

Livestock. NLB farms become breeding centres; Milco plant at Badalgama to be completed.

Goats and poultry. Goat farming incentives; feasibility study for a poultry export zone.

Fisheries. Concessional loans up to Rs. 0.5 bn at 5%.

5.3 SME development

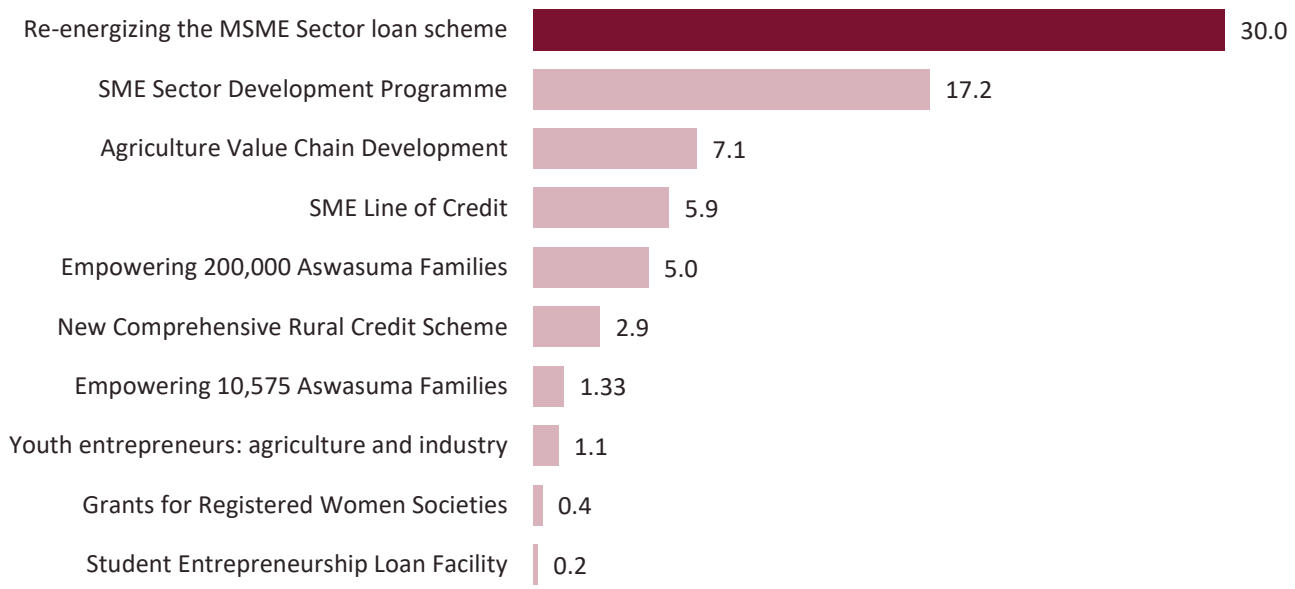
Rs. 20 bn added to the Re-MSME Plus concessionary loan scheme.

+ Rs. 20 bn
added to the existing Rs. 30 bn Re-MSME Plus

5%
interest rate on concessionary MSME loans

Rs. 17.2 bn
SME Sector Development Programme

Allocation (Rs. Bn)



Key points

Listing. A mechanism to encourage stock market listing of small and medium-scale enterprises.

Women-headed families. Group loans up to Rs. 1 million at 3% through Samurdhi Bank.

Rural enterprises. Loans up to Rs. 5 million at 4%; at least five Aswesuma beneficiaries to be employed.

Regulation. Microfinance and Credit Regulatory Authority expected in 2027.

Exports. TIEP modernized to steer small and medium industrialists towards exports.

Startups. Digital Startup Fund of Funds strengthened.

Chamber. SME financing mechanism carried forward from the 2026 Budget.

5.4 Tourism

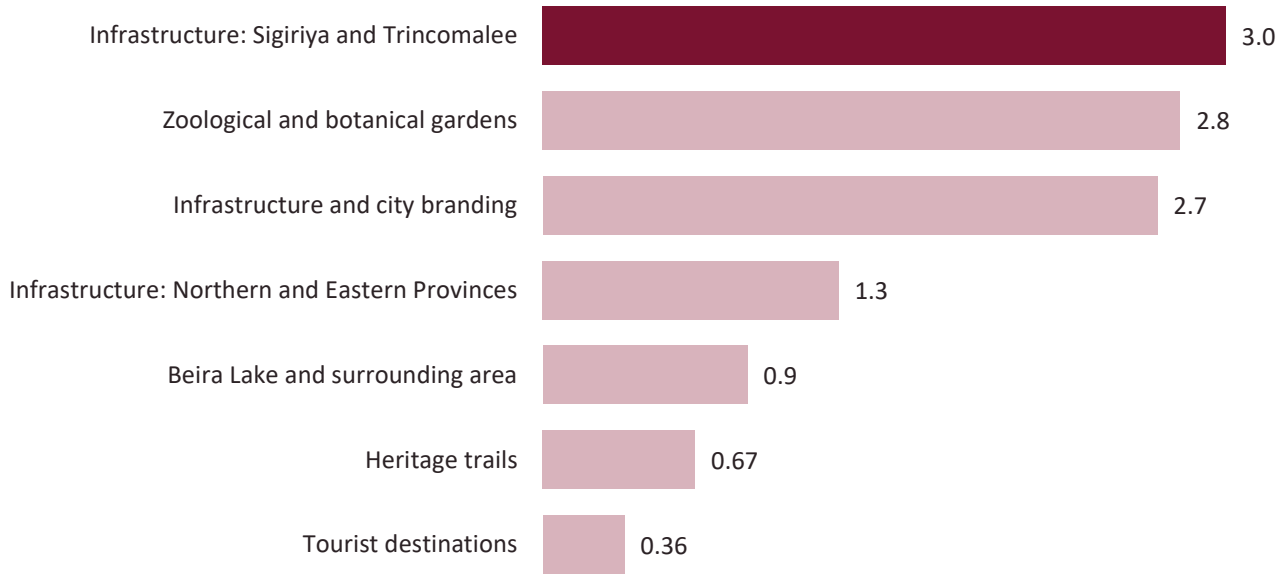
The Tourism Development Levy is abolished; the Chamber sees room for more.

Abolished
Tourism Development Levy

Rs. 3.0 bn
infrastructure in Sigiriya and Trincomalee, the largest line

200%
capital allowance for BOI projects of USD 3 mn or more

Allocation (Rs. Bn)



Key points

Ecotourism. Southern Mist Triangle around Sinharaja Forest.

E-ticketing. Centralized system for major tourist attractions.

Colombo Fort. Historic buildings restored as a tourism zone with World Bank support.

Dutch forts. Developed as tourism hubs through PPPs.

Cruise. Colombo cruise terminal; upgrades in Galle, Tangalle and Trincomalee.

Skills. Hotel and tourism training schools in Polonnaruwa and Pinnawala upgraded.

Safety. Tourist Police, multilingual support and 24/7 emergency assistance.

Concern. Immediate needs of the sector are not addressed.

5.5 Energy

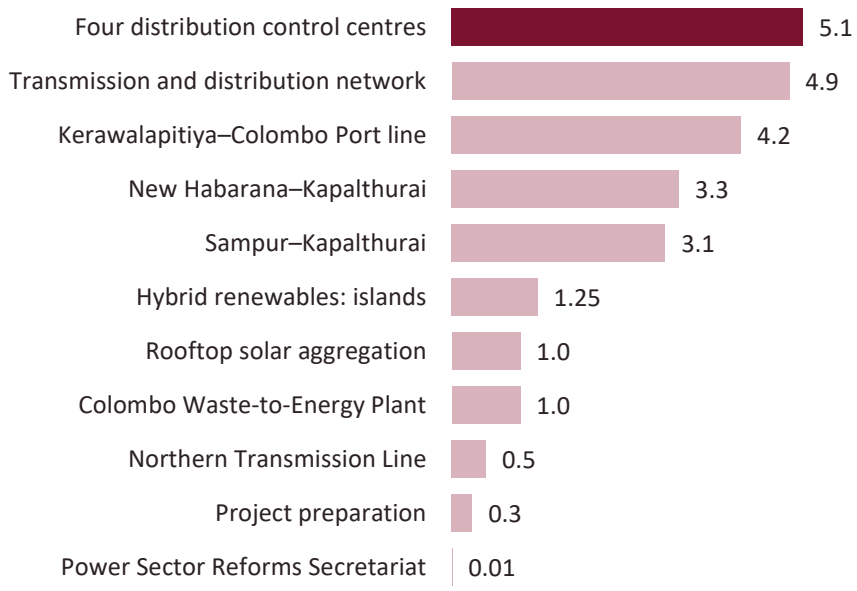
A transformative change in energy for economic transformation, national security and living standards.

62% → 69%
renewable share of installed capacity, today to 2029

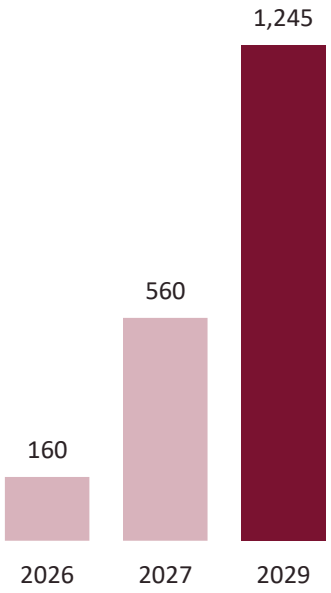
Rs. 26.5 bn
to strengthen the grid after the 2025 and 2026 power failures

1,245 MW
battery storage planned by 2029

Allocation (Rs. Bn)



BESS capacity (MW)



Key points

Rooftop solar. Rs. 25,000 per kW battery subsidy up to 10 kW; PAL removed on imported solar storage batteries from 1 January 2027.

Wind. 370 MW added by 2029, taking capacity to 674 MW.

Floating solar. About 500 MW across ten reservoirs; proposals in January 2027.

Smart meters. Free for 300,000 consumers using more than 180 units in 2027.

Fuel storage. New tanks add 126,000 m³, enough for 45 days' requirement.

Pipeline and jet fuel. Kolonnawa–Port pipeline Rs. 16.3 bn; Jet A1 complex Rs. 22.3 bn.

Refinery. Sapugaskanda to be upgraded from 50,000 to 100,000 barrels per day via PPP.

Exploration. Mannar Basin bids open on 2 February 2027.

06 People and resilience

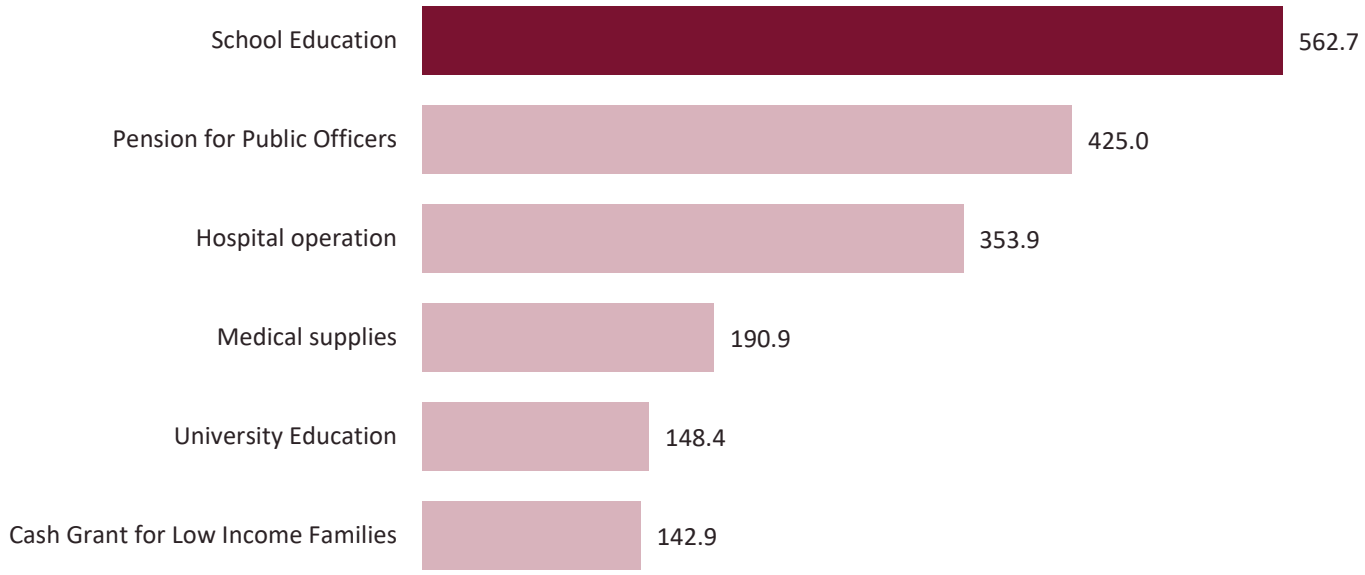
Health, education, social protection and climate sustainability.

Rs. 562.7 bn
School education, the largest single allocation shown

Rs. 230 bn
Aswesuma and social protection allowances in 2027

1,000
Arogya Wellness Centres over 2027–2029

Largest allocation lines (Rs. Bn)



Key points

Allowances. Kidney patients and persons with disabilities up from Rs. 10,000 to Rs. 12,500.

Praja Shakthi. Rs. 25 bn for rural development.

Housing. 70,000 houses planned, 10,000 in 2027.

Migrant workers. Housing loan up to Rs. 5 million.

Education. 25 Technical Colleges modernized; study loan allowance up to Rs. 10,000.

Health. Free spectacles for schoolchildren; Rabies-Free Sri Lanka.

Climate. Rs. 5 bn for El Niño risk mitigation; Doppler radar.

Safety. Dam Safety Act and coastal early warning towers.

7.1 Continuity and the test ahead

Budget 2027 signals economic transformation; implementation will be key.

Key continuations from the National Budget 2026

01 Strengthening the Trade National Single Window

02 Introduction of the digital ID

03 Negotiation of new FTAs

04 Strengthening the one stop shop for businesses and investments

05 Customs Act

06 Expansion of the BIA

07 SME financing mechanism

08 Introducing an SOE holding company

Why it matters

Reforms from last year's Budget have been carried forward and strengthened, giving businesses and investors greater certainty and predictability as Sri Lanka moves from stabilisation to an investment-led growth trajectory.

The test now

Timely, effective implementation: translating policy intent into measurable outcomes, with reform momentum, policy predictability and strong public-private collaboration.

7.2 Chamber proposals in the Budget

Proposals the Chamber has consistently advocated are reflected across investment, digital, energy, agriculture and tax.

Stability and investment

Follow-on IMF programme. A committee has been appointed to assess the options.

Investor facilitation. A Treasury-owned investment promotion company on market-competitive pay.

Export investment incentives. 'Inter-port trading'; SMEs directed towards exports.

Digital government and payments

E-procurement. Digital procurement guidelines prepared (1H 2027).

Regulatory automation. Land records digitalization continues.

Digital payments. GovPay and QR; no service fees for online payments to government.

Digital literacy. Broadband vouchers for 750,000 school students.

Fragmented platforms. Services without visiting in person, from village to central level.

Trade National Single Window. Exporters connect in 1H 2027; importers and re-exports in 2H 2027.

Tax

Bunker fuel. Supply to international ships exempt from SSCL.

Skilled employees. Income tax relief up from Rs. 1.80 Mn to Rs. 1.95 Mn.

Exporters. Newly VAT-registered exporters accepted as eligible exporters.

Digital social protection

Universal digital connectivity. Island-wide under the Gamata Sannivedanaya programme.

Digital infrastructure and resilience. Automated telecom network monitoring for rural broadband quality.

Legislative bottlenecks

SOE Act, Investor Protection Act, Customs Ordinance, Labour Act. Action to accelerate the legislation.

IT/BPO legal framework. Digital Economy Bill in Q1 2027; Cyber Security Bill.

Energy security

Oil storage. New tanks at Kolonnawa and Muthurajawela: +126,000 m^3, 45 days of demand.

Battery storage. 560 MW in 2027 and 1,245 MW by 2029.

Fiscal support. Rs. 25,000 per kW battery subsidy; PAL removed.

BIA expansion. Stalled project to resume in the first quarter of next year.

Agriculture and logistics

Land use. Freedom to use uncultivated or low-productivity paddy land.

Cold storage. Equity capital for Peliyagoda Fish Market.

Private sector in rail. Electrification of three railway lines.