

Voluntary Report – Voluntary - Public Distribution

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Report Name: Sri Lanka Introduces Special Commodity Levy on Imported Eggs

Country: Sri Lanka

Post: Colombo

Report Category: Poultry and Products, Agriculture in the News, Livestock and Products

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Report Highlights:

On February 20, 2023, Sri Lanka's Minister of Finance, Economic Stabilization and National Policies issued an Extraordinary Gazette Notification, introducing a Special Commodity Levy on imported fresh eggs of fowls of the species *Gallus domesticus*, harmonized tariff system (HS) code 0407.21, for three months effective from February 21, 2023. This new regulation has now been extended for an additional three months, effective May 21, 2023. As per the new regulation, an imported egg is subjected to LKR 50.00 (~\$0.16) levy. However, this levy is reduced to LKR 1.00 (~\$0.003) for the eggs imported by the Sri Lanka State Trading (General) Corporation on the recommendation of the Secretary, Ministry of Trade, Commerce and Food Security. The new regulation discourages egg imports by other parties.

DISCLAIMER: The information contained in this report was retrieved from the Sri Lanka Standards Institution (SLSI) website <http://www.slsi.lk/index.php?lang=en>. The U.S. Embassy in Colombo – Foreign Agricultural Service (FAS) Office of Agricultural Affairs (OAA), USDA and/or the U.S. government make no claim of accuracy or authenticity. The Government of the Democratic Socialist Republic of Sri Lanka India has not officially endorsed this report. Import approval for any product is subject to local rules and regulations as interpreted by Sri Lankan officials at the time of product entry. [Note: Use Google Chrome to access the links that do not open in Microsoft Edge].

GENERAL INFORMATION

Sri Lanka's poultry industry until recently was one of the country's fastest growing sectors. In the scope of just a few short years, the Sri Lankan poultry sector achieved near self-sufficiency in poultry meat and egg production. At the national level, however, these years witnessed the combination of economic mismanagement, weak governance, and poor policy choices. The overall situation was further aggravated by the COVID-19 pandemic outbreak, which played havoc on and hamstrung the island nation's tourist trade (a major source of foreign exchange).

During this period, Sri Lanka saw its foreign debt balloon, going from \$11.3 billion in 2005 to \$56.3 billion by 2020. Sri Lanka's foreign debt had already ascended to 42 percent of the gross domestic product (GDP) by 2019, the year when the government of the then newly elected President Gotabaya Rajapaksa approved the mandate to abolish taxes.¹ Subsequently, by 2021 the country's foreign debt rose to 119 percent of GDP. By this juncture, the Sri Lankan economy was showing signs of weakness, further undermined by the COVID-19 outbreak.²

The widely reported economic turmoil that kicked off in 2019, with the abolishment of taxes led to the country's worst economic crisis since gaining independence in 1948. The economic crisis by 2021, led to political instability which eventually forced the resignations of Prime Minister Mahinda Rajapaksa (May 9, 2022) and his brother President Gotabaya Rajapaksa (July 14, 2022). At the same time poor agricultural production policy decisions led to agricultural production tumbling (hardest hit were the strategic commodities of rice and corn).

¹ Taxes abolished included the pay-as-you-earn (PAYE) tax, the nation-building tax (NBT), the withholding tax, capital gain tax, bank debit tax, and reduced the value-added-tax (VAT) from 15 percent down to 8 percent. The PAYE is a type of income tax that gets charged based on an employee's employment income. Most Sri Lankans pay income taxes through the PAYE tax system. The PAYE system is the means that an employer or a pension provider uses to take income tax and national insurance contributions prior to disbursement of wages or pension funds. While the NBT is an indirect tax that is payable by every person (individual, company, body of persons) or partnership who: 1) imports any article (other than any excepted article and any article in the personal baggage) into Sri Lanka; 2) or carries on the business of manufacturing of any article other than any excepted article; 3) or carries on the business of wholesale or retail sales of any article (other than such sale by the manufacturer of that article to whom the NBT provisions are applicable as the manufacturer and liable under item (2) above, 4) or carries on the business of providing a service of any description, including the business of banking or finance, other than any excepted service (see, [http://www.ird.gov.lk/en/Type%20of%20Taxes/SitePages/Nation%20Building%20Tax\(NBT\).aspx?menuid=1210#:~:text=NBT%20is%20payable%20by%20every,any%20excepted%20article%3B%20or%E2%80%8B](http://www.ird.gov.lk/en/Type%20of%20Taxes/SitePages/Nation%20Building%20Tax(NBT).aspx?menuid=1210#:~:text=NBT%20is%20payable%20by%20every,any%20excepted%20article%3B%20or%E2%80%8B)).

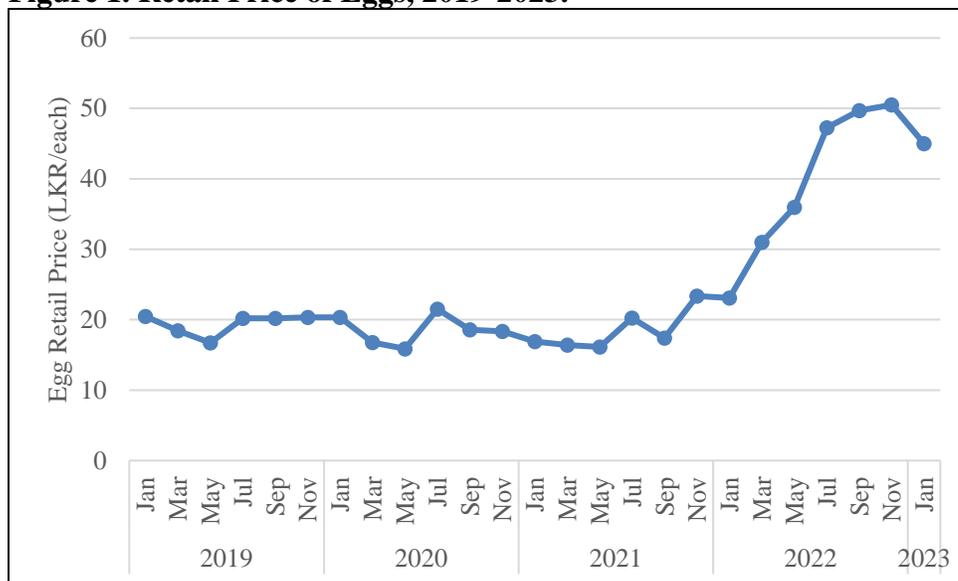
² Growth and poverty reduction had by this point slowed. The country at the same time had imposed a restrictive trade regime, fomented a weak investment climate, promoted loose monetary policy, and the administered exchange rate had led to external imbalances. Sustained fiscal disparities, driven by low revenue collections, combined with the politically motivated 2019 tax cuts, contributed to high fiscal deficits, large gross financing needs, and a rapid growth in unsustainable debt.

No Feed Corn, No Chicken Eggs: The Sri Lankan poultry industry took a lashing with 2022 national corn (maize) production dropped precariously. With feed corn production dropping from 500,000 metric tons (MT) in market year (MY) 2020/2021 (May-April) to about 100,000 MT in MY 2021/2022, poultry farmers became unable to maintain flock numbers. For Sri Lanka, corn is a critical animal feed component. FAS Colombo (Post) attributes the collapse in corn production to the reduced application of chemical fertilizers and agrochemicals during the *Maha* 2021-2022 (September-March) crop season (see, [GAIN-SRI LANKA | CE2022-0004 | Sri Lanka Grain and Feed Annual – 2022](#) and [GAIN-SRI LANKA | CE2021-0007 | Sri Lanka Restricts and Bans the Import of Fertilizers and Agrochemicals](#)).

With Sri Lanka’s economic turmoil becoming a full-blown political crisis and a humanitarian emergency, the government defaulted on its debt in May 2022, for the first time in its history. With the drying up of foreign remittances, absence of taxation, and the curtailment of tourist travel due to the COVID-19 pandemic, the country’s foreign exchange reserves plummet to precarious lows.

The lack of foreign exchange reserves, needed for financing imports, along with import restrictions on animal feed raw materials further exacerbated the country’s poultry feed availability. This led to shortages and poultry product price spikes.

Figure 1. Retail Price of Eggs, 2019-2023.



Source: Retail Price Data, Sri Lanka [Department of Census and Statistics](#).

With egg layer flock numbers dropping, egg prices increased from Sri Lankan rupees (LKR) 23.11 (\$0.12) in January 2022 to LKR 61.64 (\$0.17) by January 2023.³ The Sri Lankan sought to control increasing egg prices through the introduction of a maximum retail price (MRP) in August 2021 and again in January and April 2023. The current MRP for a white egg is going for LKR 44 (~\$0.12), roughly LKR 880 (~\$2.75 per kilogram). The MRP for a brown egg is LKR 46 (~\$0.13), or roughly

³ Foreign exchange rates LKR 201.88 = USD \$1.00 (January 07, 2022) compared to LKR 362.14 = USD \$1.00 (February 28, 2023).

~\$2.84) per kilogram.⁴ The introduction of MRPs, along with limited poultry feed, has created egg shortages.

For months on end, egg shortages are being reported countrywide. Irrespective of the objections raised by local egg producers, as well as concerns raised by Sri Lankan health officials about avian influenza (bird flu), the government has now authorized the import eggs from neighboring countries on a short-term basis. Post observes that by May 2023, nearly 11 million poultry eggs being imported from India this year. These eggs have been procured through the Sri Lanka State Trading Corporation; and these eggs will be distributed only to the bakery industry at the preferential rate of LKR 30.00 (~\$0.08).

New Regulation Rolled Out

On February 20, 2023, Sri Lanka's Minister of Finance, Economic Stabilization and National Policies issued an Extraordinary Gazette Notification, introducing a Special Commodity Levy (SCL) on imported fresh eggs of fowls of the species *Gallus domesticus*, harmonized tariff system (HS) code 0407.21, for three months effective from February 21, 2023 (see, Appendix I). This new regulation has now been extended for an additional three months, effective May 21, 2023 (see, Appendix II). As per the new regulation, an imported egg is subjected to LKR 50.00 (~\$0.14) levy.⁵ However, this levy is reduced to LKR 1.00 (~\$0.003) for the eggs imported by the Sri Lanka State Trading (General) Corporation on the recommendation of the Secretary, Ministry of Trade, Commerce and Food Security.

Table 1. Sri Lanka, Applicable Special Commodity Levy on Imported Eggs.

HS Heading	HS Code	Description	Special Commodity Levy
04.07	0407.21	Other fresh eggs: Of fowls of the species <i>Gallus domesticus</i>	LKR 50.00 per Egg

Source: [Extraordinary Gazette Notification, February 20, 2023](#). [Government Notification, May 20, 2023](#).

Prior to introducing the new regulation, imported fresh eggs of fowls of the species *Gallus domesticus* (HS code 0407.21) were subject to the general duty of LKR 110 (\$0.30) per kilogram, a 15 percent Value Added Tax (VAT), a 10 percent of Port and Airport Development Levy (PAL), and a 2.5 percent Social Security Contribution Levy (SSCL).⁶

Special Commodity Levy Impact

Soaring prices for poultry products, especially for eggs, disproportionately affect lower-income households food security. Apart from the Sri Lanka State Trading Corporation, this new regulation discourages egg imports by other parties; it has not helped to fully address the country's current egg shortage.

⁴ Foreign exchange rate LKR 322.85 = USD \$1.00 (April 21, 2023).

⁵ Foreign exchange rate LKR 362.14 = USD \$1.00 (February 28, 2023).

⁶ Applicable [import tariff](#) on eggs and computation formulae for import duties are available in [Preamble](#) of Import Tariff on [Sri Lanka Customs](#) Website.



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The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY

අංක 2320/04 - 2023 පෙබරවාරි මස 20 වැනි සඳුදා - 2023.02.20
No. 2320/04 - MONDAY, FEBRUARY 20, 2023

(Published by Authority)

PART I : SECTION (I) — GENERAL

Government Notifications

SPECIAL COMMODITY LEVY ACT, No. 48 of 2007

Order under Section 2 and Section 5

BY virtue of the powers vested in me under Section 2 of the Special Commodity Levy Act, No. 48 of 2007, I, Ranil Wickremesinghe, Minister of Finance, Economic Stabilization and National Policies of the Democratic Socialist Republic of Sri Lanka, do by this Order impose in respect of the commodity specified in Column I of the Schedule hereto a Special Commodity Levy at the rate specified in the corresponding entry in Column II of that Schedule.

SCHEDULE

Column I				Column II
Commodity Details				Special Commodity Levy
H.S. Heading	H.S. Code	Description		
1	04.07	0407.21 Other fresh eggs: Of fowls of the species <i>Gallus domesticus</i>	Rs. 50.00 per Egg	



2A I කොටස : (I) ඡේදය - ශ්‍රී ලංකා ප්‍රජාතාන්ත්‍රික සමාජවාදී ජනරජයේ අති විශේෂ ගැසට් පත්‍රය - 2023.02.20
PART I : SEC. (I) - GAZETTE EXTRAORDINARY OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA - 20.02.2023

2. By virtue of the powers vested in me by Section 5 of the Special Commodity Levy Act, No.48 of 2007, do hereby make an order to waive-off balance amount after collecting Rs.1 per Egg from the applicable Special Commodity Levy of Rs. 50 per Egg on importation of Eggs classified under the HS Code of 0407.21 listed out in the Schedule of the above by the Sri Lanka State Trading (General) Corporation on the recommendation of the Secretary, Ministry of Trade, Commerce and Food Security.
3. This Order shall be valid for a period of three (03) months commencing from February 21, 2023 subject to provision of Sub Section (3) of Section 2 of the Special Commodity Levy Act, No. 48 of 2007.

RANIL WICKREMESINGHE,
Minister of Finance, Economic Stabilization and
National Policies.

Ministry of Finance, Economic Stabilization and National Policies,
Colombo 01,
February 20, 2023.

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APPENDIX II. Extension: Sri Lanka, Government Notification, May 19, 2023.

GOVERNMENT NOTIFICATION

Special Commodity Levy Act, No. 48 of 2007

Order under Section 2 and Section 5

1. By virtue of the powers vested in me under Section 2 of the Special Commodity Levy Act No. 48 of 2007, I, Ranil Wickremesinghe, Minister of Finance, Economic Stabilization and National Policies of the Democratic Socialist Republic of Sri Lanka, do by this Order impose in respect of the commodity specified in Column I of the Schedule hereto a Special Commodity Levy at the rate specified in the corresponding entry in Column II of that Schedule.

SCHEDULE

Column I				Column II
Commodity Details				Special Commodity Levy
H. S. Heading	H.S. Code	Description		
1	04.07	0407.21	Other fresh eggs: Of fowls of the species <i>Gallus domesticus</i>	Rs.50.00 per Egg

2. By virtue of the powers vested in me by Section 5 of the Special Commodity Levy Act, No. 48 of 2007, do hereby make an Order to waive-off balance amount after collecting Rs. 1 per Egg from the applicable Special Commodity Levy of Rs. 50 per Egg on importation of Eggs, classified under the HS Code of 0407.21 listed out in the Schedule of the above by the Sri Lanka State Trading (General) Corporation on the recommendation of the Secretary, Ministry of Trade, Commerce and Food Security.
3. This Order shall be valid for a period of three (03) months commencing from May 21, 2023 subject to provision of Sub Section (3) of Section 2 of the Special Commodity Levy Act, No. 48 of 2007.


Ranil Wickremesinghe
Minister of Finance, Economic
Stabilization and National Policies

May 19, 2023
Ministry of Finance, Economic Stabilization
and National Policies
Colombo 01.

Attachments:

No Attachments.