



NEW LAWS AND EXECUTIVE DECISIONS UPDATE - MAY 2026 -

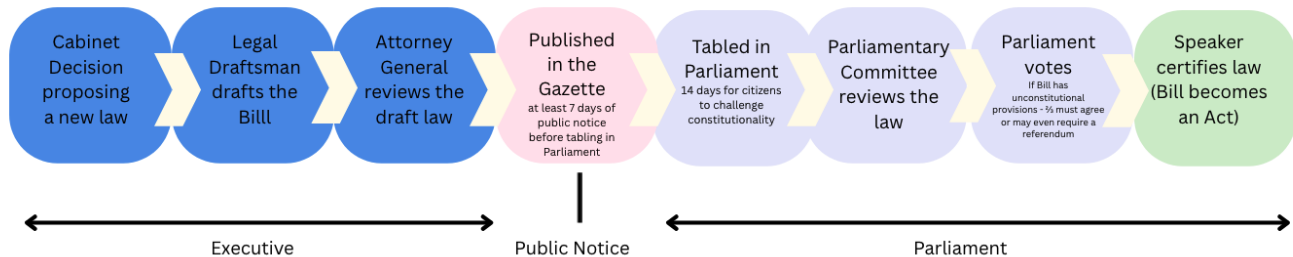
10th May 2026



NEW LAWS AND EXECUTIVE DECISIONS – MAY 2026

Summary | 10th May 2026

SRI LANKA'S LAW-MAKING PROCESS



UPDATES IN MAY 2026

I. BILLS GAZETTED

- **Chief of Defence Staff (Repeal) Bill, No. 36 of 2026** (gazetted 15 May 2026) — Repeals the Chief of Defence Staff Act, No. 35 of 2009 in its entirety, abolishing the office of Chief of Defence Staff and the related Committee. Provides for transitional arrangements: reassignment of personnel to their respective services, transfer of assets and liabilities to the Ministry of Defence, continuation of pending legal proceedings, and rescission of all regulations made under the repealed Act.

II. BILLS TABLED IN PARLIAMENT

- **Value Added Tax (Amendment) Bill, No. 38 of 2026** — Brings digital services supplied by non-resident persons through electronic platforms into the VAT framework from 1 July 2026, lowers the VAT registration threshold, raises the VAT rate on financial services from 18% to 20.5%, and mandates secured point-of-sale machines for all registered persons. Increases penalties for tax evasion and fraudulent refund claims, extends criminal proceedings provisions, empowers the Commissioner-General to publicly disclose registered taxpayer information, and clarifies rules on input tax credits, record-keeping, and refunds.
- **Telecommunication Levy (Amendment) Bill, No. 35 of 2026** — Extends the levy to all telecommunication service providers, not only licensed operators. Repeals and replaces the charging provision to redefine the levy as based on the value of supply of telecommunication services, with a diplomatic exemption, and introduces a rate schedule by period and service type settling at 15% from 4 June 2022. Permits deduction of bad debts from levy payments, with recovered amounts included in the levy for the period of collection, and introduces a new definition of 'provider'.
- **Finance (Amendment) Bill, No. 34 of 2026** — Exempts newly constructed cellular towers commencing commercial operations on or after 1 January 2026 from the cellular tower levy for five years from the date of commencement, implementing a 2026 Budget proposal to incentivise network expansion.
- **National Environmental (Amendment) Bill, No. 32 of 2026** — Expands the Central Environmental Authority's powers to cover Strategic Environmental Assessments, solid waste management, Extended Producer Responsibility, hazardous waste licensing, chemical management, and wastewater discharge fees based on pollutant load. Strengthens site clearance and licensing requirements, with revocation of approvals for violations. Substantially increases penalties (fines of Rs. 250,000 to 15 million and up to three years' imprisonment), makes offences under Part IVB cognizable, empowers courts to order environmental restoration, and introduces personal liability for directors and officers for offences by their organisations.
- **Prevention of Money Laundering (Amendment) Bill, No. 33 of 2026** — Broadens the money laundering offence to cover acts committed wholly or partly outside Sri Lanka, acquisition of beneficial ownership of criminal property, and

conversion of such property; removes the requirement for a prior conviction of the predicate offence; and expands 'unlawful activity' to 28 categories including virtual assets, cybercrime, environmental offences, and corruption. Strengthens freezing and forfeiture powers, integrates asset management with the Proceeds of Crime Management Authority, introduces special investigation techniques subject to Magistrate's Court authorisation, increases penalties to fines up to Rs. 5 million and imprisonment up to three years, and applies the Mutual Assistance in Criminal Matters Act to international cooperation.

III. SELECTED CABINET DECISIONS

AGRICULTURE, LIVESTOCK, LAND & IRRIGATION

- Joint project with Vietnam approved to exchange rice germplasm and develop high-yielding, salinity-resilient rice varieties through hybridisation, including field trials and training of research officers, under a 2025 MOU with the Vietnam Academy of Agricultural Sciences. (25 May 2026)
- Mandatory requirement introduced for fresh vegetables and fruits exported to the EU to be sourced from SLGAP-certified farms, registered exporters, and certified processing facilities, said to be in response to EU findings of excessive pesticide residue levels in Sri Lankan exports. (25 May 2026)
- Sale of approximately 115,000 metric tonnes of paddy stocks held by the Paddy Marketing Board approved through a tender procedure, said to be for retaining a buffer stock, to free up storage space and fund paddy purchases for the upcoming Yala season. (25 May 2026)
- Amendment to the Promotion of Export Agriculture Act No. 46 of 1992 approved for gazette publication and Parliamentary submission, updating official designations and clarifying the definition of 'export agricultural crop'. (25 May 2026)
- Procurement of an additional 15,000 metric tons of urea fertiliser approved through Agrarian Service Committees for the 2026 Yala season, at the fixed farm-gate price of Rs. 10,200 per 50kg bag (total requirement approximately 75,000 metric tons, of which 48,297.87 already procured). (18 May 2026)
- Compensation of Rs. 1,200 million approved for paddy farmers in Matara District affected by flooding from the Nilwala River salinity barrier construction, covering seven cultivation seasons (2019 Yala to 2022 Yala) at rates ranging from Rs. 40,000 to Rs. 64,102 per acre. (18 May 2026)
- National programme 'Wari Mahima – Ape Urumaya' approved, with Rs. 1,000 million allocated from the 2026 Budget, to rehabilitate small-scale irrigation and cascade (Ellanga) systems affected by silt accumulation, structural weaknesses, and climate change. (11 May 2026)
- Additional compensation of Rs. 1,800,000 per family approved for 245 families who lost paddy land due to the Yan Oya Reservoir project and for whom alternative paddy lands cannot be provided, following an earlier round covering 540 families. (11 May 2026)
- Amendment to the Animals Act No. 29 of 1958 approved for gazette publication and submission to Parliament, extending the definition of 'animal' to include pigs, goats, and sheep in addition to cattle and buffaloes. (11 May 2026)

FINANCE, PLANNING & ECONOMIC DEVELOPMENT

- Money or Value Transfer Service Providers Regulations No. 1 of 2025 approved for submission to Parliament for concurrence, extending registration eligibility with the Central Bank to foreign money or value transfer service providers operating through local agents, closing a gap in the 2024 regulations. (25 May 2026)
- Insurance Regulatory Commission of Sri Lanka approved to enter into a coordination agreement with the Hong Kong Insurance Authority to obtain membership of the AIA Group Supervisory Board, enabling exchange of supervisory information with insurance regulators across Asia as part of Sri Lanka's AML/CFT action plan. (18 May 2026)
- Officials' Committee recommendations approved for the issuance of a single common circular providing relief to newly identified categories of Sri Lanka Police, Special Task Force, and Tri-Forces personnel killed or disabled due to terrorist activities during the armed conflict period, without affecting existing allowances. (18 May 2026)
- Orders imposing a 50% surcharge on the 30% Customs Import Duty on motor vehicle imports, effective 16 May 2026 for three months, approved for submission to Parliament, applicable to Letters of Credit opened after 16 May 2026 (and to earlier Letters of Credit subsequently amended in respect of vehicle numbers, identification, description, or specifications). (18 May 2026)
- Legal Draftsman instructed to prepare a Bill to amend the State Mortgage and Investment Bank Law No. 13 of 1975, to align the Bank's governing framework with the current business environment and improve profitability. (11 May 2026)
- University of Kelaniya Digital Transformation Project approved, at an estimated cost of Rs. 476 million over two years (2026–2027), to digitalise learning and management systems serving over 74,000 students and approximately 1,700 staff. (4 May 2026)
- Legal Draftsman instructed to prepare a Bill amending the Finance Business Act No. 42 of 2011, addressing licensing, supervision, resolution, corporate governance, depositor protection, and enforcement against unauthorised deposit-taking by finance companies. (4 May 2026)

- Prime Melwa Port City (Pvt) Ltd (USD 127.6 million) and Home Lands Port City (Pvt) Ltd (USD 150.0 million) designated as primary businesses of strategic importance under the Colombo Port City Economic Commission Act for ultra-luxury residential tower projects, expected to create approximately 1,170 jobs. (4 May 2026)
- Six companies in information technology, logistics, consultancy, public utilities and infrastructure, and maritime technology designated as secondary businesses of strategic importance under the Colombo Port City Economic Commission Act, with projected foreign investment of approximately USD 14.6 million and 650 new jobs over five years. (4 May 2026)

INDUSTRIES & ENTREPRENEURSHIP DEVELOPMENT

- Collaboration agreement approved between Sri Lanka and Brazil to implement the 'Sugarcane Project in Sri Lanka' over 36 months, involving the Sugarcane Research Institute, the National Science Foundation, the Brazilian Cooperation Agency, and the Federal University of São Carlos, to increase sugarcane yield and reduce reliance on sugar imports. (25 May 2026)
- National Regulatory Reform Council established, chaired by the President, as the central mechanism to implement the National Regulatory Reform Action Plan developed with Asian Development Bank assistance to reduce the disproportionate regulatory burden on small and medium-sized enterprises. (18 May 2026)
- 'Sri Lanka National Export Development Plan – 2026–2030' recognised as the official strategic framework for export development, targeting USD 36 billion in foreign exchange earnings from goods and services exports by 2030. (4 May 2026)
- Land plots from nine regional industrial estates allocated to investors on 35-year leases, following evaluation of 16 project proposals by the Regional Industrial Services Committee and the Ministry Project Evaluation Committee. (4 May 2026)

LABOUR

- Committee to be appointed to recommend measures regulating the engagement of manpower agency employees in core operations of state-owned enterprises and to propose legislative reforms to safeguard their labour rights, consistent with the ILO principle of equal pay for equal work. (25 May 2026)
- Steering Committee, chaired by the Secretary to the Ministry of Labour, approved to prepare a draft Inbound Labour Migration Policy establishing a centralised, transparent framework for the admission and regulation of foreign workers while protecting employment opportunities for Sri Lankan workers. (18 May 2026)
- Amendment Bill approved for gazette publication and Parliamentary submission to increase monetary penalties under Sections 7(3), 13(2), and 20(a)(3) of the Employment of Women, Young Persons and Children Act No. 47 of 1956 tenfold, from Rs. 10,000 to Rs. 100,000. (11 May 2026)

ENERGY

- 'Surakimu Lanka' National Energy Security Mission approved to shift electricity consumption toward periods of higher renewable generation and improve energy efficiency through behavioural change, to be implemented across government institutions, statutory bodies, and with private sector and public participation. (25 May 2026)

EDUCATION, HIGHER EDUCATION & VOCATIONAL EDUCATION

- Collaboration Agreement approved for the University of Jaffna to join a four-year Global Health Research Group project on violence against women and children, funded with Rs. 173.92 million by the UK's National Institute for Health and Care Research, involving the University of Birmingham and 11 other foreign institutions. (18 May 2026)

TRADE, COMMERCE, FOOD SECURITY & COOPERATIVE DEVELOPMENT

- Comprehensive National Intellectual Property Policy to be formulated to provide strategic direction and improve coordination among the National Intellectual Property Office and other relevant institutions under the existing Intellectual Property Act No. 36 of 2003. (18 May 2026)
- Co-operative Wholesale Establishment approved to purchase potatoes directly from local farmers in the Nuwara Eliya and Badulla Districts (up to 1,000 kg per farmer) for sale through Lanka Sathosa Limited outlets, to stabilise farm-gate prices alongside the existing Rs. 80/kg Special Commodity Levy on imported potatoes. (18 May 2026)
- Legal Draftsman instructed to expedite preparation of a Bill amending the Consumer Affairs Authority Act No. 9 of 2003, addressing the restructuring of the Authority. (4 May 2026)

SCIENCE & TECHNOLOGY

- Expert committee to be appointed to formulate a National Space Policy for Sri Lanka, aimed at formalising international cooperation, strengthening Sri Lanka's role in global space governance, and ensuring compliance with international space obligations. (18 May 2026)

HOUSING, CONSTRUCTION & WATER SUPPLY

- Prevailing water tariffs to be maintained without revision for the first six months of 2026, based on the National Water Supply and Drainage Board's 2025 financial statements confirming that existing tariffs are sufficient to cover operating costs. (18 May 2026)
- Climate-Resilient Sustainable Water Supply and Sanitation Project approved under Asian Development Bank funding (total cost USD 250 million, of which USD 200 million is ADB financing), covering five sub-projects across the Western Province and Jaffna including water treatment, supply, non-revenue water management, and wastewater. (4 May 2026)

HEALTH & MASS MEDIA

- 'Take Care – Surakemu Magathota' road safety project approved for continuation during 2026–2028, expanding from 60 to 100 schools per year, implemented by the Independent Television Network with Rs. 833 million from the 'Clean Sri Lanka' Programme, in coordination with the Sri Lanka Police and the Ministry of Education. (18 May 2026)
- 'Healthy Food – Happy Life' national media project on nutrition and food safety approved for continuation during 2026–2028, implemented by the Sri Lanka Rupavahini Corporation with Rs. 600 million from the 'Clean Sri Lanka' Programme. (18 May 2026)

FOREIGN AFFAIRS, FOREIGN EMPLOYMENT & TOURISM

- Air Services Agreement and Memoranda of Understanding on higher education and health services cooperation approved for signing with the Republic of Belarus during an official visit by the Minister of Foreign Affairs, Foreign Employment and Tourism (12–15 May 2026). (11 May 2026)
- Five Memoranda of Understanding approved for signing during the State Visit of the President of Vietnam (7–8 May 2026), covering information and communication, cultural cooperation, religious sector development, science and technology, and police training and research. (4 May 2026)

BUDDHASASANA, RELIGIOUS & CULTURAL AFFAIRS

- Establishment of a Trust approved to manage the Jaffna Thiruvalluvar Cultural Centre, an 11-floor facility built with Indian Government assistance, following its transfer to the Jaffna Municipal Council; the draft trust deed has received Attorney General clearance. (11 May 2026)

TRANSPORT, HIGHWAYS & URBAN DEVELOPMENT

- Acquisition of lands required for development of the Kelani Valley railway line from Maradana to Avissawella approved, to be carried out by Divisional Secretaries across seven Divisional Secretariat Divisions. (4 May 2026)
- Memorandum of Understanding approved for signing with the Russian Federation on railway transport infrastructure cooperation, covering construction, modification, electrification, digitalisation, consultancy services, and supply of train equipment and spare parts. (4 May 2026)

WOMEN & CHILD AFFAIRS

- 'Global Charter for Children's Care Reform' accepted for Sri Lanka, committing the country to support families, prioritise family-based alternative care, and progressively reduce institutional care for children, in line with the UN Convention on the Rights of the Child. (4 May 2026)

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