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NEWSLINE
Daily by Faraz
"Questioning The Answers"

PAYING IN CASH OVER RS. 500,000? YOUR NEXT DEAL A COSTLY MISTAKE?



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If you still like keeping bundles of Rs. 5,000 notes in a safe to settle big bills, buy a used car, or close a land deal, the Inland Revenue Department has a blunt warning that could hit your wallet hard. Under existing tax regulations highlighted by a senior IRD official, settling transactions above Rs. 500,000 in cash outside permitted banking channels can strip away your tax deductions and leave you paying tax on money you never actually earned as profit.

These rules sit inside the Inland Revenue Act No. 24 of 2017, specifically under Section 10(1)(b)(v) for business deductions and Section 37(3) for capital gains, designed to push large payments through traceable banking instruments like cheques, bank transfers, and electronic payments. In short, if you bypass the bank on a big payment, the taxman pretends you never spent that money in the first place.

Take a simple business example. Suppose your company pays Rs. 1,000,000 in cash to a supplier or service provider for a legitimate business expense.

Because that payment exceeds the Rs. 500,000 threshold and was settled in cash, the IRD will refuse to recognize it as a deductible expense. Your taxable profit instantly jumps by Rs. 1,000,000. At the standard 30% corporate income tax rate, that single cash payment costs you an extra Rs. 300,000 in tax, all for an expense you already paid out of pocket.

The sting is even sharper if you are buying and selling land, property, or vehicles. Imagine you buy a plot of land for Rs. 9,000,000 and sell it later for Rs. 10,000,000. Normally, your capital gain is Rs. 1,000,000, and you pay tax only on that profit.

Yet if you handed over that initial Rs. 9,000,000 in cash outside the permitted payment system, the IRD can refuse to recognize the Rs. 9,000,000 purchase cost altogether. Suddenly, your taxable gain is calculated on the entire Rs. 10,000,000 selling price instead of your Rs. 1,000,000 gain.

Under Sri Lanka's 10% capital gains tax rate for individuals, your tax bill shoots up from Rs. 100,000 to Rs. 1,000,000, wiping out your entire profit on the sale.

Why does the IRD enforce such a punitive rule? Cash leaves no paper trail, making it easy to under-declare property values, inflate expenses, or hide untaxed wealth outside the formal banking grid. By disqualifying cash payments over Rs. 500,000, tax collectors force buyers and sellers to create a verifiable bank record that cross-checks both sides of every transaction.

Before you sign your next deed, vehicle transfer, or supplier invoice, check how the money is moving. Keep every payment above Rs. 500,000 inside traceable banking channels, save your transfer slips and bank statements, and make sure both parties record the true transaction value.

When the IRD comes calling years later, a bank receipt could be the only thing standing between a normal tax bill and a financial nightmare.

SUNDAY ALONG THE COAST: THREE FATALITIES, ONE RESCUE, AND A REMINDER ABOUT EVERYDAY RISKS

If you spend any time around Sri Lanka's beaches or coastal towns, it is easy to get comfortable with the ocean and the railway tracks that run right beside it. On Sunday, November 22, 3 separate incidents along the coast showed just how quickly routine moments near the water or the rails can turn serious, leaving 3 people dead, 1 hospitalized, and another pulled to safety.

The deadliest incident happened on Sunday night near the Cod Bay Fisheries Harbour in Trincomalee. Three men were standing on the railway track when a train travelling from Trincomalee to Colombo Fort struck them. One man died at the scene, and the other 2 were rushed to Trincomalee Hospital with serious injuries, where a second man later died during treatment.

Police identified the 2 deceased victims as fishermen aged 48 and 58 from Matara and Dondra. China Bay Police are looking into how the men ended up on the track as the train approached.

Earlier that evening in Mount Lavinia, rough sea conditions caught out a 43-year-old Indian national while he was bathing off the beach. Officers from the Mount Lavinia Police Lifesaving Unit reached him in the water, brought him ashore, and gave him first aid before sending him to Kalubowila Hospital. Despite medical treatment, he passed away at the hospital, and Mount Lavinia Police have started an inquiry.

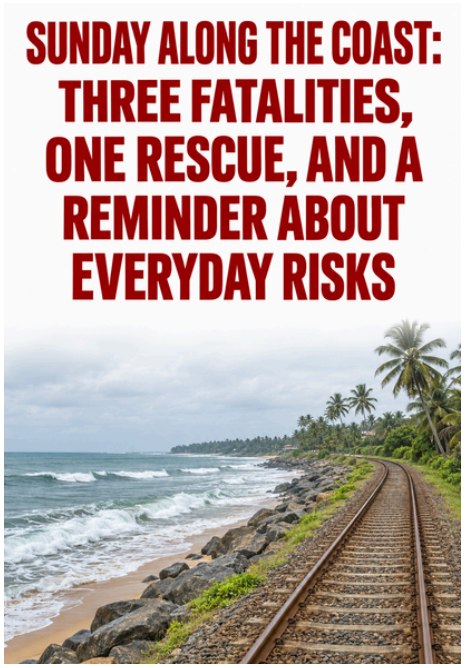
Down in Hikkaduwa that same evening, a similar situation at Thiranagama Beach had a far better outcome thanks to quick action on the sand. A 64-year-old German tourist was caught in a strong current while swimming and swept away from the shore.

On-duty officers from the Police Lifesaving Unit, Police Sergeant Dissanayake (38508), Police Constable Mihindu(83255), and Police Constable Nipun (98864), swam out, brought her back safely, gave her first aid, and handed her over to her relatives.

When you look at these 3 cases together, two familiar safety lessons stand out. First, late-afternoon and evening sea currents along the western and southern coasts can change fast, even on beaches that look calm from the shore.

Lifesaving units regularly pull swimmers out of trouble at spots like Hikkaduwa, Mount Lavinia, and Unawatuna, which is why swimming near guarded zones and paying attention to red flags or lifeguard warnings makes such a difference.

Second, coastal railway lines leave almost zero room for distraction, especially after dark. Whether people are walking home, chatting near harbour tracks, or taking shortcuts, an approaching train moves faster and quieter than many expect until it is too late to step clear.



None of Sunday's incidents needed to happen, and that is really the takeaway for anyone heading to the beach or walking near a rail line this week. Check the sea conditions before you swim, stay within sight of lifeguards, and treat every railway track as active at any hour of the day or night.

FROM SUGAR HOARDING TO CHILI SHORTAGES: WHY SRI LANKA PAYS MORE FOR STAPLES THAN ITS NEIGHBOURS

No one needs a Central Bank bulletin to know that kitchen essentials are getting pricier again. Yesterday, Trade Minister Wasantha Samarasinghe issued a pointed warning to dried chili importers over both sub-standard stock and attempts to engineer artificial shortages for quick profit. The issue surfaced after quality concerns flagged 14 containers imported in October and another 52 containers in November, out of the 250 to 350 containers Sri Lanka normally brings in. Samarasinghe suggested some importers may have shipped freezer-stored chili in ordinary unrefrigerated containers, spoiling the cargo before

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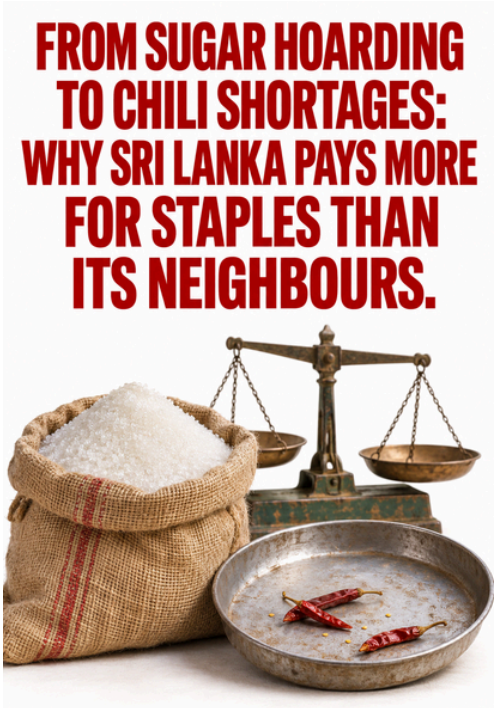
FROM SUGAR HOARDING...

warning traders not to squeeze consumers through contrived scarcity.

That warning lands right as everyday grocery bills are climbing across Sri Lanka. Central Bank of Sri Lanka weekly price trackers and Department of Census and Statistics market surveys in November 2026 show clear upward pressure across core kitchen staples. Dried chili has hovered between Rs. 850 and Rs. 1,100 per kilogram in retail markets depending on grade and supply bottlenecks. Big onions have climbed past Rs. 220 to Rs. 280 per kilogram, red onions have pushed toward Rs. 450 to Rs. 550 per kilogram, and potatoes sit around Rs. 320 to Rs. 380 per kilogram. Even rice, the non-negotiable anchor of every Sri Lankan plate, has tested household budgets, with Nadu and Samba varieties repeatedly testing maximum retail price ceilings between Rs. 220 and Rs. 260 per kilogram whenever millers tighten releases.



Look across South Asia, and the contrast makes Sri Lankan shoppers wince even harder. In India, the world's largest producer and exporter of dried red chilies, wholesale prices in major hubs like Guntur in Andhra Pradesh have traded around INR 130 to INR 180 per kilogram, roughly Rs. 460 to Rs. 640 in Sri Lankan terms, while Indian retail onion prices generally sit near INR 35 to INR 55 per kilogram (around Rs. 125 to Rs. 195). Across the broader South Asian neighborhood, FAO Food Price Monitoring data and World Bank regional food inflation updates show that while India, Pakistan, and Bangladesh all battle weather-driven vegetable spikes, Sri Lanka's heavy reliance on import licensing, customs clearances, and concentrated wholesale networks makes local retail prices far slower to fall when global wholesale costs ease.

If the chili episode feels familiar, that is because Sri Lanka has watched this exact playbook unfold across multiple commodities during every cost-of-living crunch. Back in 2020 and 2021, sugar importers pocketed massive windfalls after import taxes were slashed from Rs. 50 per kilogram to 25 cents, yet retail sugar prices stayed stubbornly high while stocks sat locked in private warehouses until Consumer Affairs Authority raids exposed widespread hoarding. Eggs became another textbook case between 2022 and 2024, when dominant producer groups repeatedly resisted gazetted price controls, choked supply to supermarkets, and pushed retail prices past Rs. 55 to Rs. 65 per egg before state-backed imports finally broke the squeeze.

The same structural grip appears in Sri Lanka's rice and poultry sectors. In rice milling, a small circle of large-scale millers in Polonnaruwa and surrounding districts controls massive paddy storage capacity, giving them enough market weight to dictate wholesale flows and force repeated government negotiations over controlled prices. In poultry and animal feed, a handful of vertically integrated conglomerates control breeding stock, day-old chicks, feed mills, and retail distribution, leaving smaller farmers and consumers with little bargaining power when input costs shift.

When 66 containers of questionable chili collide with already nervous grocery budgets, the problem goes far deeper than one batch of spoiled spice. Warnings from a podium only go so far when importers and wholesalers know enforcement moves slower than price tags. Unless the Consumer Affairs Authority, Sri Lanka Customs, and the Trade Ministry pair tough talk with transparent import data, swift blacklisting of errant traders, and real competition in wholesale distribution, Sri Lankan households will keep paying an invisible monopoly tax every time they buy ingredients for a basic meal.

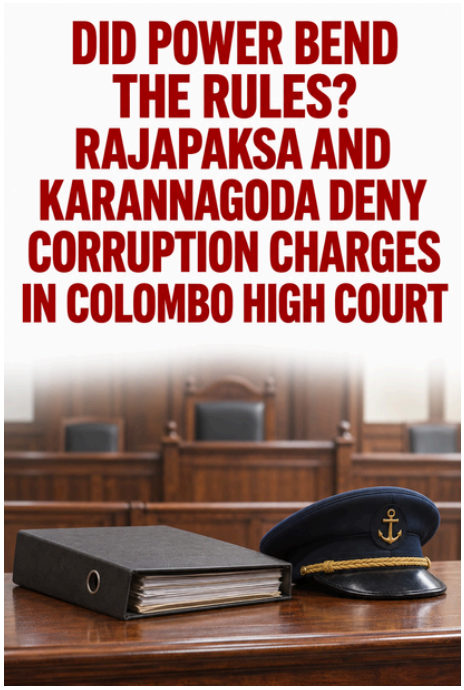
DID POWER BEND THE RULES? RAJAPAKSA AND KARANNAGODA DENY CORRUPTION CHARGES IN COLOMBO HIGH COURT

Twenty years after a naval training placement in Britain raised questions inside Sri Lanka's defence establishment, the case has finally reached the trial stage. Yesterday, November 23, Yoshitha Rajapaksa and former Navy Commander Wasantha Karannagoda stood before Colombo High Court Judge Ravindra Premaratne and pleaded not guilty to corruption charges filed by the Commission to Investigate Allegations of Bribery or Corruption.

The charges were read out in open court, and both men formally rejected them. Judge Premaratne immediately commenced the examination of evidence before fixing the next hearing for December 10.

The prosecution centers on a straightforward question of rules and public money. In 2006, during former President Mahinda Rajapaksa's first term, his second son Yoshitha Rajapaksa was sent to train at the Britannia Royal Naval College in Dartmouth, Britain. CIABOC maintains that he was nominated and dispatched at state expense while still a civilian, without meeting the required entry qualifications or completing the formal process expected of naval officer cadets.

Under the indictment served in August 2026, Karannagoda is charged with corruption for allegedly facilitating an improper benefit as head of the Navy. Rajapaksa faces charges of aiding and abetting that offence and obtaining a wrongful gain. For years, critics inside and outside the military argued that a prestigious overseas training slot meant for qualified career officers was handed out through family proximity rather than merit.



What stands out just as sharply is the timeline. It took 2 decades for a 2006 deployment to move from public controversy to indictments in August, a pre-trial conference in September, and the opening of evidence today. In Sri Lanka, political accountability often stalls for years between investigative agencies and court dockets.

Now the slogans and political defences no longer apply. Starting December 10, CIABOC must prove on paper and through witness testimony that entry standards were bypassed to favour a president's son, while the defence must explain how an unqualified candidate ended up at Dartmouth on the taxpayer's bill.



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NO PENSIONS, NO PERMITS, AND A RS. 54,285 BASIC PAY: CAN STRIPPED-DOWN PARLIAMENTARY PERKS ATTRACT SRI LANKA'S BEST MINDS?

Lankan voters have watched politicians treat Parliament less like a legislature and more like a luxury members-only club. Duty-free luxury SUVs, lifetime pensions after a single 5-year term, subsidized gourmet meals, and bloated state perks turned public service into one of the most lucrative careers in the country. Over the past 2 years, that era has been dismantled piece by piece, cheered on by an angry, austerity-weary public. Yet now that the dust is settling on these reforms, a quieter, far more uncomfortable question is beginning to surface: when you strip away almost every financial cushion from public office, who actually ends up sitting in those 225 seats?

Look first at what an ordinary Member of Parliament actually earns on paper today. As disclosed in Parliament earlier this year by Prime Minister Dr. Harini Amarasuriya, an MP's basic monthly allowance sits at just Rs. 54,285, a figure that has barely moved in years. Around that modest base sit operational allowances: Rs. 100,000 a month for maintaining an office, Rs. 50,000 for telephone expenses, Rs. 15,000 for transport alongside a district-based fuel quota, Rs. 1,000 for entertainment, Rs. 3,500 if no state driver is assigned, and Rs. 2,500 per day for attending sittings or committee meetings.

Meanwhile, the big-ticket privileges that once sweetened the deal are gone. In February 2026, Parliament passed the Parliamentary Pensions (Repeal) Act No. 5 of 2026, abolishing the 1977 pension law and ending retirement payouts not only for future MPs, but even for former legislators already collecting them. Duty-free luxury vehicle permits have been scrapped in favour of state-owned vehicles that must be returned when an MP's term ends. Group medical insurance coverage was slashed by 75%, dropping from Rs. 1,000,000 to Rs. 250,000 a year. Even heavily subsidized canteen meals were replaced with a Rs. 2,000 daily charge for breakfast, lunch, and tea.

Nobody can fault the intention behind these cuts. In a country climbing out of economic collapse, trimming political excess was both a moral necessity and a powerful signal against decades of entitlement. Still, good intentions do not automatically produce good governance, and the numbers invite some probing questions.

Consider a 40-year-old surgeon, a senior software architect, a respected economist, or a sharp corporate lawyer earning Rs. 800,000 to Rs. 1.5 million a month in Colombo or abroad. Entering Parliament means walking away from a career, stepping into a 5-year political gamble with zero job security, no pension safety net, and a basic take-home pay barely matching an entry-level bank clerk. How many genuinely talented, independent professionals can afford to put their families' financial stability on hold for Rs. 54,285 a month?

And if qualified professionals stay out because the math simply does not work, who steps in to fill the vacuum? Does a stripped-down pay structure leave Parliament dominated by 3 very specific types of people: independently wealthy business figures who do not need a salary, full-time party cadres backed by political machinery, or opportunists who never intended to live off their official payslip in the first place?

There is also the quiet dilemma of daily constituency pressure. In Sri Lanka, voters still expect their MP to show up at funerals, donate to school events, help struggling families, and travel constantly across an entire district. When official pay is minimal and legal perks are tight, where does an honest legislator find the money to survive, and how thin does the line between public service and quiet compromise become?

Cutting political waste has cured a visible symptom of Sri Lanka's political rot. Whether it can actually attract the competence, intellect, and integrity needed to run a modern state is a question every voter may soon have to confront.

ABER KAWAS ENTERS THE NEW YORK STATE SENATE AS PRO-PALESTINIAN POLITICS GAINS GROUND IN US

In a city where politicians usually spend election night trying to offend nobody, Aber Kawas picked up a microphone in Astoria, Queens, and went straight for the headline. "You have all elected the first Palestinian in New York Senate history!" she told cheering supporters at Bohemia Beer Garden after winning the November 3 general election in District 12 with roughly 74.5% of the vote, collecting 47,294 ballots against Republican Han-Khon To's25.4%.

At 34, Kawas becomes both the first Palestinian American and the first Muslim woman elected to the New York State Senate and the wider state legislature, succeeding longtime outgoing Senator Michael Gianaris when she takes office on January 1, 2027. Born in Brooklyn to Palestinian parents displaced in 1948 and 1967 who met in Jordan before moving to the United States in the 1990s, Kawas cut her teeth in immigrant rights and civil liberties organizing long before running on a Democratic Socialists of America-backed platform.

Her victory lands right in the middle of one of the sharpest fault lines in American politics. For decades, unconditional US military, diplomatic, and financial backing for Israel was treated as untouchable orthodoxy inside New York politics, a state home to the largest Jewish population outside Israel and a powerhouse of pro-Israel political fundraising. Yet over the past 3 years, devastating war in Gaza, rising civilian casualties, and campus and street protests across New York City have reshaped how younger and progressive voters view the US-Israel relationship.

Kawas ran openly on that shift, pairing local bread-and-butter demands like fare-free buses, universal healthcare, and affordable housing with an explicit call to end American financial support for Israel. One of her top legislative priorities in Albany is reviving the "Not On Our Dime!" bill, legislation aimed at stopping New York-registered nonprofits from funneling tax-deductible donations to organizations supporting Israeli settlement expansion.

ABER KAWAS ENTERS THE NEW YORK STATE SENATE AS PRO-PALESTINIAN POLITICS GAINS GROUND IN US



Winning District 12 by nearly 50 percentage points does not mean Kawas can rewrite US foreign policy from Albany overnight, and she openly admits democratic socialists remain a minority in the state legislature. Still, in a political arena where vocal criticism of Israel once spelled instant electoral suicide, her landslide shows that the old rules in New York politics are no longer guaranteed to hold.

ZELENSKYY CLAIMS UKRAINIAN SEA DRONE STRIKES ON RUSSIAN SHIPS OFF LIBYA

If Moscow thought the Black Sea was the outer boundary of Ukraine's naval drone war, President Volodymyr Zelenskyy just tore up that assumption in the southern Mediterranean. Today, Monday, November 23, Zelenskyy formally confirmed that Ukrainian forces carried out the dramatic sea drone strikes that hit 2 Russian vessels near the eastern Libyan port of Benghazi over the weekend, sinking one of the Russian Navy's newest warships.

Writing on X alongside footage showing a surface drone slamming into a warship, Zelenskyy called the strike an "exemplary Ukrainian operation in response to Russia's war".

According to Zelenskyy and the Security Service of Ukraine, or SBU, operatives deployed 7 Ukrainian-made naval drones from a mothership positioned off the coast.

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ZELENSKYY CLAIMS...

Despite Russian air, sea, and land defensive fire, the drones struck and sank the multipurpose corvette Merkury, commissioned only in 2023, along with a Ka-27 combat helicopter parked on its deck. A second vessel, the sanctioned dry cargo ship MV Angara, which Kyiv says was hauling Russian military equipment, was also hit and sunk during the raid.

Residents in Benghazi woke up early Sunday, November 22, to loud explosions and flames rising from the Benghazi Naval Base, an area controlled by eastern Libyan military commander Khalifa Haftar, who maintains close ties with Russia. Eastern Libyan authorities reported that at least 10 Russian and Libyan crew members were injured, while local naval and air units scrambled to intercept more than 20 additional drone boats off the coast.



To understand how a war in Eastern Europe reached North Africa, you have to trace how Ukraine's maritime campaign has evolved. Over the past 3 years, Kyiv's unmanned surface vessels crippled Russia's Black Sea Fleet, forcing Moscow to pull warships away from Crimea.

By late 2025 and throughout 2026, Ukraine widened that hunting ground to Russia's global logistics and shadow fleet. In March 2026, a Russian LNG tanker, the Arctic Metagaz, was struck off Libya, and just this past Saturday, November 21, another sanctioned Russian cargo ship, Sparta II, caught fire after a suspected drone strike in the Baltic Sea off Finland.

The fallout has rattled an already fragile Libya. Today, the United Nations Support Mission in Libya demanded an immediate, independent investigation, warning that Libya must not become a battleground for foreign wars, while rival governments in Tripoli and Benghazi traded sharp statements over foreign military access to Libyan ports.

IF YOU EARN 40% GROWING TREES, WHY CAN'T YOU PAY YOUR STAFF? CENTRAL BANK CALLS BLUFF ON PLANTATION SCHEMES

Anyone who has scrolled through Sri Lankan social media over the past year has seen the glossy pitch: hand over your savings to a booming plantation or agro-forestry company and watch your money grow by 30% or 40% a year. Now that regulators have started clamping down, several of those same outfits are telling panicked investors and employees that they cannot pay salaries or monthly returns because the Central Bank of Sri Lanka froze their bank accounts. Today, Governor Dr. Nandalal Weerasinghe called that excuse flatly false.

Speaking to reporters in Colombo, the CBLS Governor pointed out an obvious math problem that every depositor should pause and examine. First, the Central Bank froze only a very small fraction of the funds collected through illegal deposit-taking, while the vast bulk of the money had already been collected and moved by those companies. Second, not a single plantation, agricultural project, or legitimate commercial operation belonging to these firms has been banned.

If these businesses genuinely generate 40% returns from farming and timber cultivation as advertised, freezing a small slice of cash in a bank account would never prevent them from paying estate workers or honouring payouts to customers. "Saying that they cannot pay clearly demonstrates that these institutions can only be maintained if they collect money from the public again," Weerasinghe said, describing the classic anatomy of a Ponzi-style operation where old investors are paid strictly with fresh cash from new recruits.

For Sri Lankan households watching interest rates on fixed deposits sit around single digits, a promised 40% return sounds tempting. Yet under the Banking Act and the Finance Business Act No. 42 of 2011, no company in Sri Lanka can legally accept public deposits or promise fixed financial returns unless it is licensed by the Central Bank. Earlier this year, the Central Bank launched probes into 18 institutions and individuals running suspected plantation investment schemes and secured High Court-backed freezing orders against 6 firms and their directors.

If you have already put money into one of these schemes, waiting around for reassuring social media videos from company promoters is the worst move you can make. Weerasinghe urged affected depositors to review their written agreements immediately and take swift legal action on their own behalf to recover their funds, even as existing court cases move forward and the Central Bank pursues parallel legal steps to halt public deception.

The Governor also drew a sharp line against paid smear campaigns online. He condemned one or two social media operators who allegedly accept money to publish false and vulgar personal attacks against senior Central Bank officials, particularly women carrying out regulatory enforcement.

While policy criticism is fair game in any democracy, Weerasinghe warned that the Central Bank will initiate specific legal action to protect honest public officers from targeted defamation.

Before you sign over retirement savings or severance pay to any high-yield agriculture scheme, check the Central Bank's official list of licensed banks and finance companies first. When a company claims it needs fresh deposits just to keep paying yesterday's promises, the harvest was never in the soil.

THE TIDE IS TURNING – TOO LATE THE HERO?

UNSPENT BUDGETS AND SHARED HISTORY: NAMAL RAJAPAKSA'S SUDDEN PASSION FOR FISCAL DISCIPLINE AND DIPLOMATIC MERIT

In Parliament yesterday, November 23, Sri Lanka Podujana Peramuna (SLPP) MP Namal Rajapaksa stepped up to the microphone with a set of questions designed to put the front bench on the back foot. Speaking during the debate on the Ministries of Foreign Affairs, Tourism and Foreign Employment, he went straight for the US$4 billion Chinese investment package announced after President Anura Kumara Dissanayake's visit to Beijing. "Where is that investment now?" he asked, charging the government with staging press conferences without delivering capital and pointing to stalled projects involving India's Adani Group and China's China Merchants.

Stripped of party politics, several of those questions deserve straight answers from the Treasury and the Foreign Ministry. Just days ago, state negotiators confirmed that Sri Lanka walked away from Sinopec's proposed US$3.7 billion Hambantota refinery deal after rejecting demands for a 40% share of the domestic fuel market. When a flagship agreement unravels, Parliament is right to ask what went wrong and what replaces it.

Rajapaksa's critique of diplomatic vacancies and tourism execution lands on similarly solid ground. Ambassadorial posts in Washington, Beijing, Berlin, and Ottawa have remained empty for months during a period when trade, debt restructuring, and investment promotion require senior representation on the ground. In tourism, he pointed to Budget figures showing that out of Rs. 2,119 million allocated for capital projects, only Rs. 420 million, or roughly 20%, was actually spent, questioning whether unspent funds were being presented as savings.

He also queried revisions to Sri Lanka Tourism Development Authority revenue calculations and challenged enforcement actions against small operators along the southern coast in Mirissa, Unawatuna, and Weligama.

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THE TIDE IS TURNING...

Yet the moment the debate widens beyond today's order paper, the speaker runs straight into his own party's history.

For 2 decades, SLPP and Rajapaksa-led administrations treated billion-dollar Memoranda of Understanding as political theatre, leaving behind debt-heavy projects in Hambantota whose commercial returns never matched the launch speeches. More fundamentally, it was the 2022 sovereign default and abrupt policy reversals under the previous SLPP administration that dismantled Sri Lanka's credibility with international capital long before the current Cabinet took office.

The same tension shadows his remarks on foreign postings and tourism numbers. When an SLPP legislator faults the government over empty embassies, voters naturally recall how earlier administrations staffed overseas missions with relatives, political loyalists, and defeated candidates at public expense. Between prolonged vacancies today and political patronage yesterday, Sri Lanka's foreign service is still waiting for merit to become the norm.

Even the tourism figures carry an inconvenient twist. Far from inflating earnings, the SLTDA's 2026 methodology revision actually lowered estimated daily tourist spending from US171 to US148 to reflect reality on the ground. Meanwhile, small hoteliers in Mirissa and Weligama still remember how fuel queues and power blackouts under SLPP rule wiped out peak seasons, just as reckless 2019 tax cuts hollowed out state revenue long before today's union deadline of November 30.

Opposition scrutiny keeps a government honest, and ministers owe Parliament clear explanations on unspent capital funds and vacant diplomatic posts. All the same, when the SLPP speaks on fiscal discipline and investor trust, its sharpest cross-examiner remains its own record.

WHY THE HOUTHI STRIKE CLAIM ON SAUDI ARABIA'S RABIGH REFINERY MATTERS FOR GLOBAL ENERGY

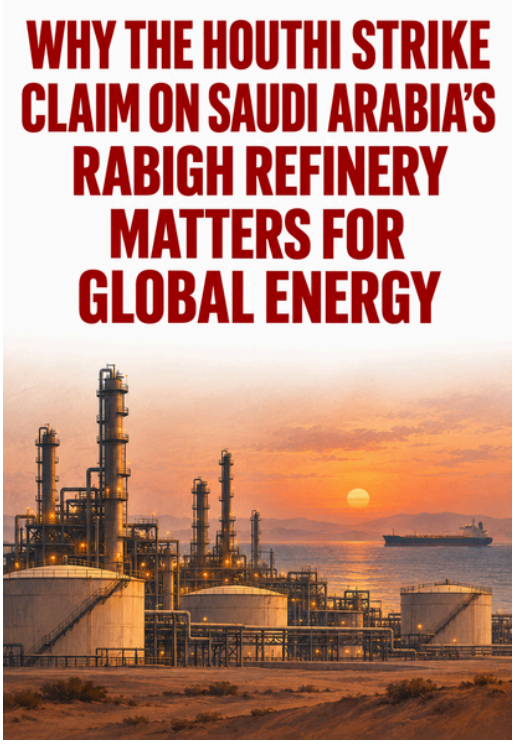
On Sunday, November 22, Yemen's Houthi movement announced that its forces had scored a direct hit on Saudi Arabia's Rabigh oil refinery. In separate statements across the November 21 to 22 weekend, Houthi military spokesmen also claimed a strike on a Saudi radar site and launched a drone attack that killed 3 people in the southern Yemeni port city of Aden.

As of yesterday, Riyadh has not confirmed any damage at Rabigh. The Saudi-led coalition reported intercepting a Houthi drone headed toward the kingdom's western region on Sunday, following the interception of 3 ballistic missiles aimed at Riyadh a day earlier.

Neither Saudi Aramco nor the Interior Ministry has reported an outage at the facility.

Even so, the geography around Rabigh explains why every claim aimed at that coastline draws immediate scrutiny. Sitting roughly 165 kilometres north of Jeddah on the Red Sea, Rabigh hosts Petro Rabigh, a 400,000-barrel-per-day refining and petrochemical complex jointly developed by Saudi Aramco and Japan's Sumitomo Chemical. More importantly, it sits at the western end of Saudi Arabia's East-West pipeline. Since Iran closed the Strait of Hormuz in February 2026 during its wider war with the United States and Israel, Riyadh has relied heavily on that pipeline to move crude to Red Sea export terminals at Rabigh and Yanbu.

Over recent months, the Houthis have repeatedly claimed strikes on that same pipeline as well as refineries in Jazan and Ras Tanura. While Saudi officials have left most of those claims unconfirmed, confirmed incidents earlier in 2026, including a fire at Jazan and a precautionary shutdown at Ras Tanura after drone activity, showed how exposed the kingdom's western export route has become. Oil markets took Sunday's news in stride for now, with Brent crude edging down 0.22% to US$92.35 a barrel in early Monday trading, though shipping insurers continue to watch the Red Sea corridor closely.



Inside Yemen, the exchange of fire has grown steadier since fighting flared back up in July 2026 alongside the broader US-Israeli conflict with Iran. Over the past 4 months, Houthi fighters have seized territory from Yemen's internationally recognised government, while Saudi warplanes have stepped up air raids on Houthi strongholds.

On Sunday alone, Houthi-run media reported coalition airstrikes hitting an oil facility in Sanaa and residential areas in Taiz, leaving at least 2 dead and 11 injured.

Between unverified refinery claims in Saudi Arabia and deadly strikes across Sanaa, Taiz, and Aden, the pattern is clear enough. As long as the wider regional war keeps Yemen's frontlines active, Riyadh's Red Sea export lifeline sits squarely within range.

What makes this confrontation acutely dangerous for Riyadh is simple arithmetic. In the second quarter of 2026 alone, Petro Rabigh and Yansab generated US$779 million in combined profit precisely because their Red Sea location shielded them from the Strait of Hormuz blockade, where freight rates surged fivefold and Gulf-facing plants lost money.

Yet September's drone strikes on the East-West pipeline, which forced a precautionary shutdown and required 6 to 8 weeks to restore capacity, proved that bypassing Hormuz only trades one vulnerability for another. Riyadh cannot insulate its oil revenues behind air defences forever while fighting a multifront proxy war on its southern border; without a political settlement in Yemen, every functioning export terminal along the Red Sea remains a permanent hostage to low-cost drones.



