

NATIONAL BUDGET HIGHLIGHTS 2022



We take pleasure in forwarding you the highlights of the Budget Proposals – 2022, presented in the Parliament on November 12, 2021 by Hon. Minister of Finance.

Should there be any clarification required in relation to this publication, our tax professionals would be pleased to assist you. Please refer the contact details at the end of this publication.

1. SOCIAL SECURITY CONTRIBUTION (SSC)

A tax called “Social Security Contribution” will be imposed at **2.5%** on the annual **liable turnover** exceeding **Rs.120 million**.

(with effect from April 1, 2022)

Expected revenue through this contribution is Rs.140 billion.

2. SURCHARGE TAX LEVIED ON INCOME ON ONE-OFF BASIS

A one-off **surcharge tax of 25%** to be imposed on individuals or companies with taxable **income over Rs. 2,000 million** for the year of **assessment 2020/2021**.

Expected revenue through this surcharge is Rs.100 billion.

3. CHANGES TO VALUE ADDED TAX

FINANCE VAT

The VAT charged on supply of Financial Services will be increased to **18%** from **15%** **with effect from January 1, 2022.**

The tax should be paid monthly from January 2022.

The tax burden to be born by the Banks and Financial Institutions.

VAT EXEMPTIONS

VAT will be exempted on importation or supply of medical equipment, machinery, apparatus, accessories and parts thereof and Hospital furniture, drugs and chemicals donated to a government hospital or Ministry of Health for the provision of health services to address any pandemic or public health emergency, approved by the Minister of Finance on the recommendation of the Secretary to the ministry of the health minister **with effect from January 1,2022.**

4. EXCISE DUTY (SPECIAL PROVISIONS) ON CIGARETTE

Tax on Cigarettes is proposed to be increased **with immediate effect**. As a result, the **price of a cigarette** will **increase** by **Rs.5**.

Government expects a revenue of Rs. 8 billion through this initiative.

5. EXCISE TAX

It is proposed to increase Excise tax **with immediate effect**.

An additional revenue of Rs. 25 billion is expected through this tax increase.

6. SPECIAL GOODS AND SERVICE TAX

Implement the Special Goods and Services Tax proposed in the budget 2021 with effect from January 2022 on following goods and services,

- a) Vehicle
- b) Cigarettes
- c) Liquor
- d) Betting and Gaming
- e) Telecommunication

7. PROPOSAL IN RELATION TO NON-TAX INCOME

- ❖ Levying a fee in respect of vehicles meeting with accidents with the opportunity of reimbursing this fee from the insurance.
- ❖ Levying a fee on vehicle modification, alteration, and refurbishment
- ❖ Legalizing all unauthorized roadworthy motor vehicles and motor cycles by paying a penalty during an amnesty period.

7. PROPOSAL IN RELATION TO NON-TAX INCOME (Contin.....)

- ❖ Release all vehicles seized at the Sri Lanka Customs owing to non-payment of applicable taxes and other reasons after charging the applicable taxes and fines.
- ❖ Issuing a license for conducting leisure related activities for special premises which are developed as special zones.

7. PROPOSAL IN RELATION TO NON-TAX INCOME (Contin.....)

- ❖ The Telecommunications Regulatory Commission of Sri Lanka issues licenses for telecommunication services, including, fixed phone operations, mobile phone operations, internet service providers, and satellite broadcasting operations. As those obtaining these licenses make a substantial investment on telecommunication services, it is proposed to issue these licenses through an auction. Furthermore, it is proposed to sell by auction the 5G frequencies to be included the information technology field.

8. TAX ADMINISTRATION

- ❖ Further strengthening the Large Taxpayer Unit (LTU) and Upper Corporate Unit (UCU) established at the Inland Revenue Department to further increase the revenue generated from large taxpayers.
- ❖ Addressing the deficiencies within the digitized platforms of the revenue agencies: RAMIS at the Inland Revenue Department and Single Window at Sri Lanka Customs.
- ❖ Introduce an online payment platform Integrating of all banks and financial institutions with Lanka Clear.

8. TAX ADMINISTRATION (Contin.....)

- ❖ Expediting the implementation of digital revenue platform of Excise Department.
- ❖ Simplifying the process of obtaining of liquor license.
- ❖ Allowing the submission of digital invoice and documents as valid documents in tax filling wherever possible through the above digital platforms with the proper verification system in place.

9. OTHER PROPOSALS

New Business Registration

- No registration fee for startup companies registering in 2022.
- Necessary amendment to be brought into the Finance Act to simplify the complex processes currently in place for new business registration process adopted by the BOI, Department of Foreign Exchange and Export Development Board and to consolidate fees levied by various institutions.
- Carry out an in-depth analysis and review on the procedures followed by the Board of Investment in attracting Foreign Direct Investments (FDIs) to Sri Lanka.

10. PUBLIC SERVICES SECTOR

- Introduce an appraisal system for the public service based on the satisfaction of clients and Key Performing Indicators (KPI) and thereby motivate them and enhance the efficiency and productivity of the public service to an optimal level.
- Extend the retirement age of public service to 65 years in order to strengthen the labour force.
- A new salary structure for the public service by removing the anomalies in public service salaries with effect from the next financial year.

11. AMALGAMATE LIFE AND PROPERTY INSURANCE OF SRI LANKA INSURANCE CORPORATION

It has been proposed to expand the business focus of the Sri Lanka Insurance Corporation to move into sectors that has previously not been looked at ensuring a competitive market in which everyone could to get an insurance policy, within a new insurance system.

To amend relevant laws in order to amalgamate life and property insurances of Sri Lanka Insurance Corporation.

12. RESTRICTION ON RUBBER RELATED PRODUCTS

It has been proposed to restrict the importation of rubber related products and to promote investments in the production of rubber-related finished products instead of exporting rubber as a raw material.

13. AGRO PARKS

It was proposed to establish hi-tec agro parks in order to produce new agro entrepreneurs by providing uncultivated lands to women and youth under a special basis and thereby expand the extent of cultivated lands in agriculture and plantation sectors.

KEY CONTACT

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