



**MOORE** Aiyar

# **BUDGET HIGHLIGHTS - 2024**

**A prelude to the stable future**

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**BUDGET PROPOSALS 2024**

## **Conceptual Framework for the Budget 2024**



**CONCEPTUAL FRAMEWORK FOR THE BUDGET 2024**

**Conceptual Framework within which the year 2024 Budget formulated**

- **New social contracts since the social contract formed between the state and the people for last 75 years had failed**
- **This is based on the economic order of Digital Social Market Economy**
- **Budget Proposals are aligned with the above conceptual framework**

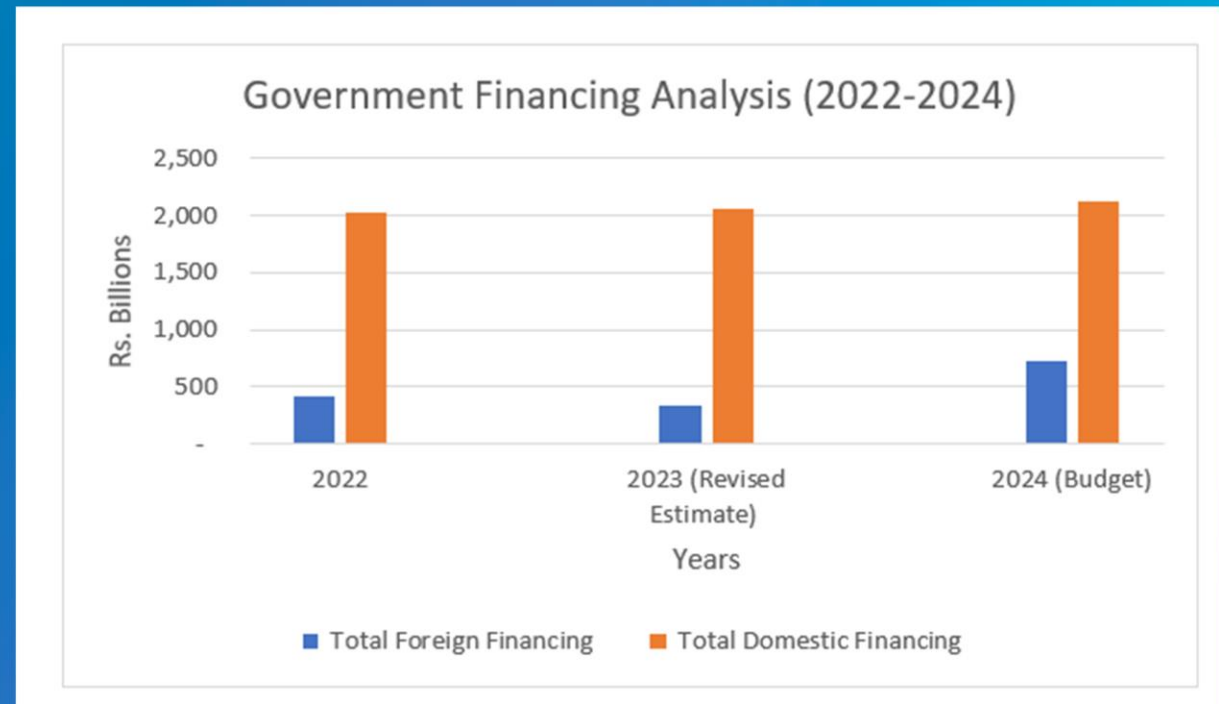


### SYNOPSIS OF THE BUDGET - 2024

#### BUDGET DEFICIT ANALYSIS

	Rs. Billions		
	2022	2023 (Revised Estimate)	2024 (Budget)
Total Revenue and Grants	2,013	2,851	4,127
Total Expenditure	(4,473)	(5,253)	(6,978)
Budget Deficit	(2,460)	(2,402)	(2,851)

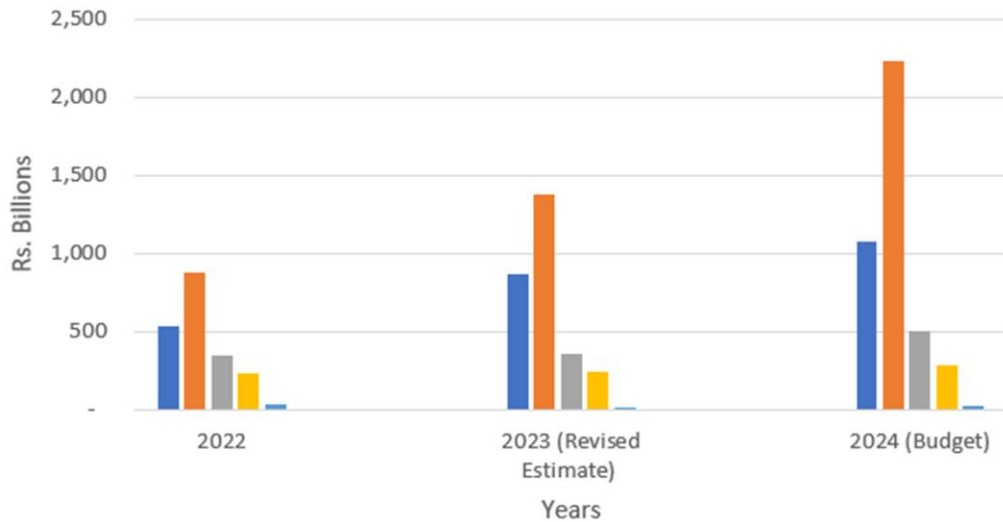
#### HOW TO FINANCE THE BUDGET DEFICIT ?





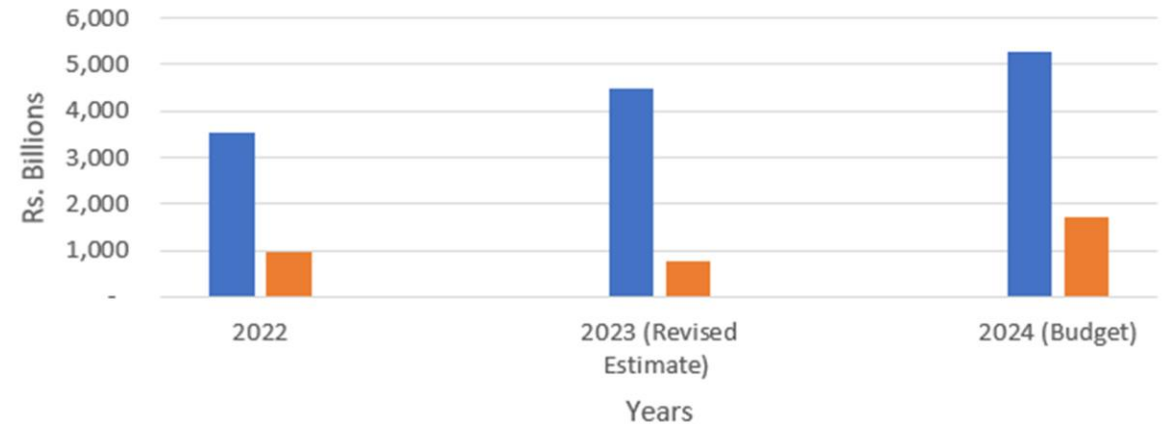
### SYNOPSIS OF THE BUDGET 2024

#### Total Government Revenue Analysis (2022-2024)



■ Income Tax      ■ Taxes on Good and Services      ■ Taxes on External Trades  
■ Non Tax Revenue      ■ Grants

#### Total Government Expenditure Analysis (2022-2024)



■ Recurrent      ■ Capital Expenditure and Net Lending



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## **Tax Compliance and Tax Administration**



**SRI LANKA REVENUE AUTHORITY**

- It is proposed to establish a new Revenue Authority to increase the effectiveness of revenue administration, expedite reforms, provide solutions to human resources-related issues by avoiding obstacles such as outdated government regulations, and prepare a modern, efficient, and uninterrupted revenue administration system.
- Further, it is proposed to establish a special project team under the Ministry of Finance to coordinate the establishment of this Revenue Authority.







## **TAXPAYER IDENTIFICATION NUMBER (TIN)**

Submission of a copy of the Certificate of the Taxpayer Identification Number (TIN) will be made a mandatory requirement to:-

- (a) Open bank current account at any bank;
- (b) Obtain approval for a building plan, by the applicant;
- (c) Register a motor vehicle or renew license, by the owner;
- (d) Register a land or title to a land, by the buyer.

The required guidelines will be issued by the Commissioner General.





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## **TAX COMPLIANCE AND ADMINISTRATION**

Integration of RAMIS between the Inland Revenue Department and key government authorities such as the Land Registry, Department of Motor Traffic, Financial Institutions and CRIB is now been fast tracked to improve compliance.



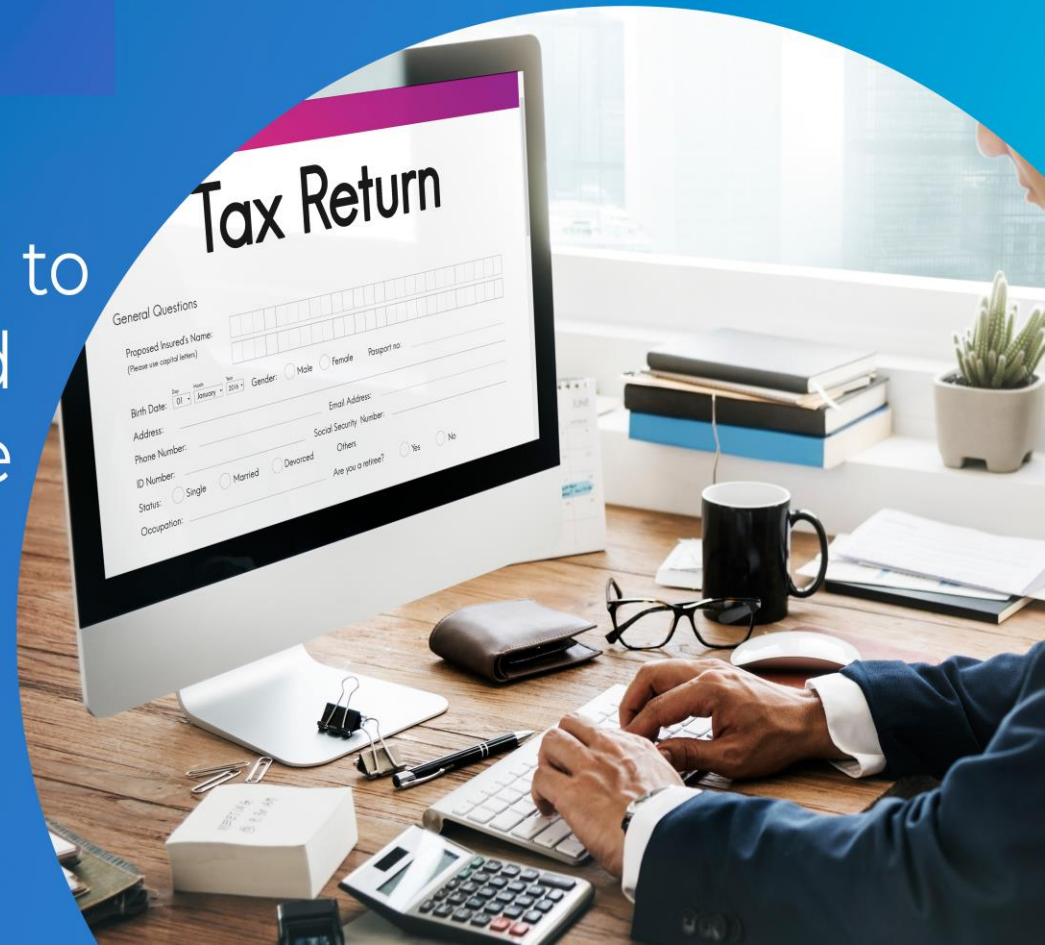


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## **PROSECUTION ACTIONS AGAINST FAILURES TO FILE TAX RETURNS**

A special penal provision will be introduced to prosecute persons who have not submitted tax returns and information required by the tax officials.





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**Amendments to the Inland Revenue Act No. 24 of 2017.**



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## **NEW RETURN SUBMISSION REQUIREMENT FOR WHT**

A special tax return requirement will be introduced for the deduction of 2.5% withholding tax levied on the sale price of any gem sold at an auction conducted by the National Gems and Jewellery Authority. Exemption under Inland Revenue Act will be allowed subject to such return information.





**INCOME TAX TREATMENT ON SALARY ARREARS**

Present tax treatment on salary arrears will be changed to remove the excessive tax liabilities of the employees, with effect from January 1, 2024.





## **INCOME TAX ON UNIT TRUSTS AND UNIT HOLDERS**

It is proposed that the current tax treatment of Unit Trusts shall continue to apply subject to the mandatory requirements of furnishing information specified by the Commissioner General such as details of income, exempt amounts and withholding tax details to every unit holder before 30th August of the following year of assessment.

However, if any Unit Trust who has not complied prior to that date will be deemed as a Unit Trust that does not conduct an eligible business.

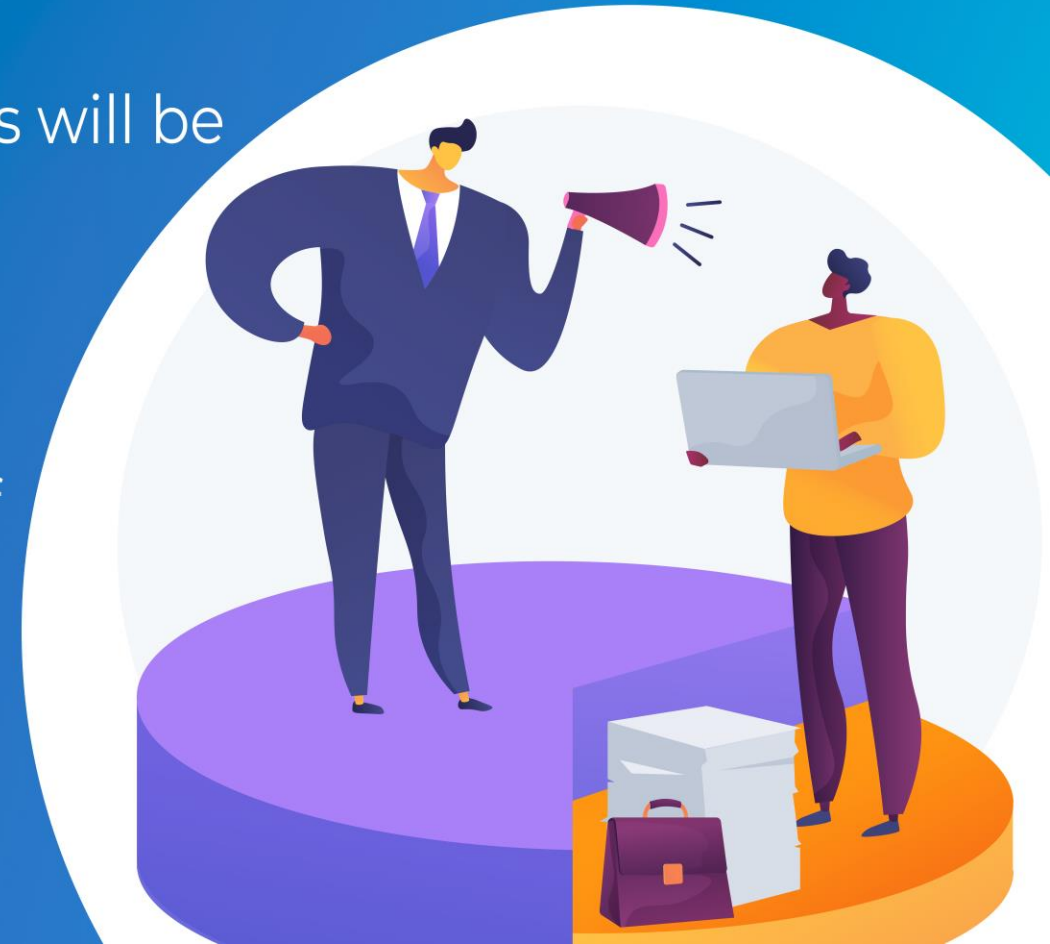




**AMENDMENT TO IMPROVE THE CLARITY OF CERTAIN PROVISIONS**

Provisions relating to following income tax sections will be further clarified with amendment to the Law.

- Thin capitalization under section 18,
- Insurance business under section 67,
- Court proceedings in relation to the recovery of taxes under section 163.







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## **Changes in Value Added Tax**



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## **VALUE ADDED TAX (VAT)**

VAT rate will be increased from 15% to 18% with effect from 1st January 2024.

A Gazette notification will be issued by the Commissioner General in this regard.





**VALUE ADDED TAX (VAT)**

- Amendment will be introduced enabling the Commissioner General to specify the format of the tax invoice.
- VAT exemptions which are currently applicable have been removed effective from the last day of the month on which the Value Added Tax (Amendment) Bill 2023 – Issued on 31 August 2023 is enacted.





**VALUE ADDED TAX (VAT)**

- The expression “taxable Period” in the interpretation section of the VAT Act, will be defined to have same return filing frequency for all taxpayers.
- The registered persons will be encouraged to use Point of Sale (POS) machines which automates invoicing and sales recording, to support VAT collection in supplying goods or services.





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# **Tax Administration Measures for the Excise Department**



**TAX ADMINISTRATION MEASURES FOR THE EXCISE DEPARTMENT OF SRI LANKA**

- Introduction of an online license-issuing system.
- Appoint a committee to evaluate the security features and security features management system to address the issues including fake or counterfeit stickers.
- The toddy tender system will be revised to gain more revenue to the government while discouraging illicit toddy industry.
- Increase the Excise License fees.





**TAX ADMINISTRATION MEASURES FOR THE EXCISE DEPARTMENT OF SRI LANKA**

- Introduce 'Revenue Administration System for Excise Department. (RASED) by end October, 2024 to increase the efficiency and productivity of excise revenue management and minimize the risk for wastages and corruption.
- Strengthen the tax collection and enforcement in Beedi Industry.





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## **Other Budget Proposals**





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## **SMALL AND MEDIUM BUSINESS ENTERPRISES (SMES)**

Concessionary loan scheme of around Rs. 30 billion with the support of the Asian Development Bank will be introduced to support SMEs.

Further capacity development programmes and value chain linkage of large companies with the SMEs will be implemented.



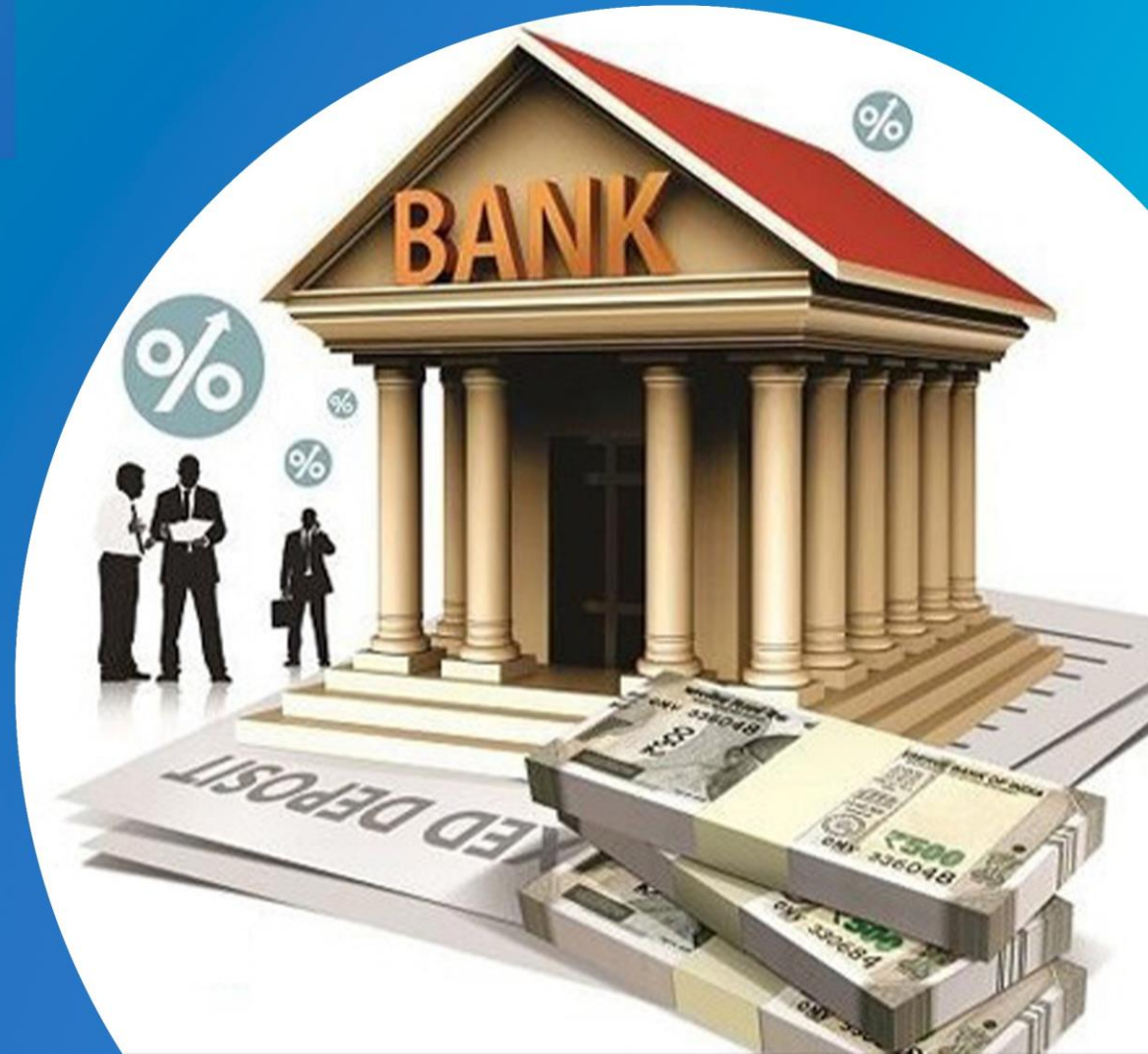


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## **IMPROVE THE CAPITAL OF THE BANKING SECTOR**

20% of the shares of the two large state owned banks will be given to strategic investors or the public to improve capital and support the future growth.





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## **COST OF LIVING ALLOWANCE FOR GOVERNMENT EMPLOYEES**

Government employees' cost of Living allowance will be raised to **Rs 17,800** from Rs. 7,800 with effect from January 2024.





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## **COST OF LIVING ALLOWANCE FOR GOVERNMENT PENSIONERS**

Government pensioners' cost of Living allowance will be raised to Rs 6,025 from Rs. 3,525 with effect from April 2024.





## **TECHNICAL RECTIFICATIONS AND CLARIFICATION OF ADMINISTRATIVE PROVISIONS**

Necessary amendments will be made to the respective provisions of the, Inland Revenue Act, No.24 of 2017, Value Added Tax Act No.14 of 2002, Finance Acts and Finance (Amendment) Acts, Social Security Contribution Levy Act, No.25 of 2022, Telecommunication Levy Act No 21 of 2011, Tax Appeals Commission Act No 23 of 2011, in order to streamline the revenue administration and to rectify certain ambiguities and unintended effects (including differences in translations) and for the avoidance of doubts.



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