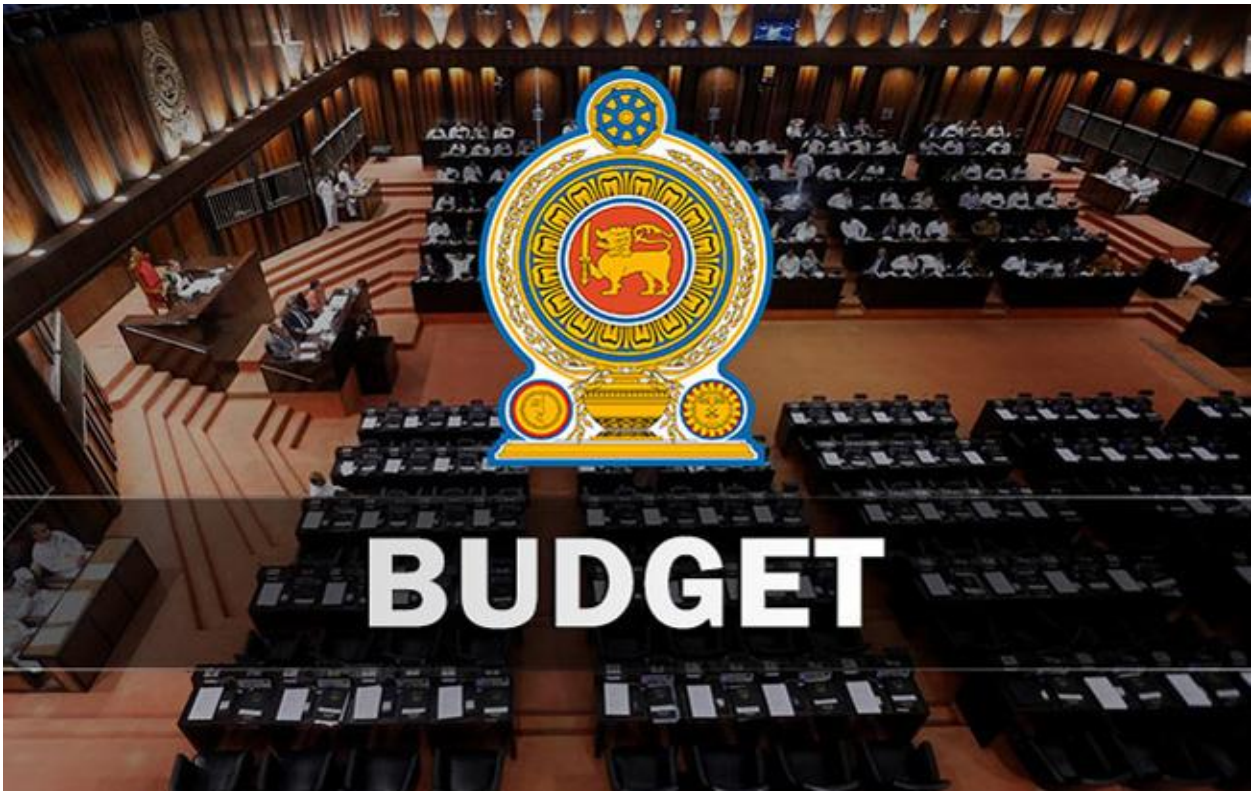
BUDGET PROPOSAL 2022



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Budget Proposals 2022 – Taxation

I. **Tax revenue proposals**

1. **Surcharge Tax levied on income on one-off basis**

   Imposition of a Surcharge Tax at the rate of 25 percent on individuals or companies who have earned a taxable income over Rs. 2,000 million for the year of assessment 2020/2021.

2. **Social Security Contribution**

   Charging "Social Security Contribution" on the liable turnover over Rs. 120 million per annum at the rate of 3 percent. This contribution is charged with effect from April 1, 2022.

3. **Amendments to the Value Added Tax Act, No. 14 of 2002**

   3.1 Increase of Value Added Tax charged on supply of financial services by financial institutions from 15 percent to 18 percent. The levy is to be paid every month from January 1, 2022 to December 31, 2022.

   3.2 Amending the item (xxxi) in paragraph (a) of Part (II) of the First Schedule of the Value Added Tax Act No. 14 of 2002 to allow Value Added Tax exemptions 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 the 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 Minister assigned with the subject of Health with effect from January 1, 2022.

4. **Excise Duty (Special Provisions) of Cigarettes**
   Revision of Excise Duty on Cigarettes

5. **Excise Duty on Liquor under Excise Ordinance**
   Revision of Excise Duty on Liquor

II. Proposals in relation to non-tax income

1. Levying a fee in respect of vehicles which undergo motor traffic accidents and allowing theinsurer to reimburse the fee from the insurance.

2. Levying a fee for modernization, modification or upgrading of vehicles.

3. Legalizing all unauthorized roadworthy motor vehicles and motor cycles by paying a penaltyduring a period of amnesty.

4. Release all vehicles stationed at Sri Lanka Customs because of non-payment of tax or otherreasons for release after charging relevant taxes and a fine.

5. Issuing a licence for conducting leisure related activities for special premises which are developed as special zones.

6. Issue licences issued by Telecommunication Regulatory Commission of Sri Lanka through anauction. These licences are issued in relation to telecommunication including for fixed telephone operators, mobile operators, internet service providers and satellite broadcasting operators.

Ill. Tax Administration

1. Further strengthening the Large Taxpayers' Unit (LTU) and Upper Corporate Unit (UCU) established at the Inland Revenue Department to further increase the revenue generated from large taxpayers.

2. Addressing deficiencies within the digitized platforms of revenue agencies: RAMIS at Inland Revenue Department and Single Window at Sri Lanka Customs.

3. Expediting the implementation of the digital revenue platform of Excise Department

4. Simplifying the obtaining of liquor license.

5. Allowing the submission of digital invoices and documents as valid documents in tax filing wherever possible through the above digital platforms with the proper verification system in place.

IV. Other proposals

1. **Monetary Gains made by Perpetual Treasuries Ltd.**

   Transferring to the Treasury monetary gains made by Perpetual Treasuries Ltd. by violating the Code of Conduct of the Central Bank of Sri Lanka, in a way that would not hinder the legal action taken by the Honourable Attorney General.

2. **Technical Rectifications**

   Relevant Amendments will be made to Value Added Tax Act, No. 14 of 2002 and other relevant acts to rectify certain ambiguities (including differences in translations)