

# THE GOVERNMENT BUDGET 2024

## Tax Proposals



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# THE GOVERNMENT BUDGET ESTIMATE SUMMARY – 2024

Item	2022 (Rs. Bn)	% GDP	2023 Revised Estimate (Rs. Bn)	% GDP	2024 Budget (Rs. Bn)	% GDP
Tax Revenue	1,751		2,596		3,820	
Non-Tax Revenue	228		243		287	
Grants	33		12		20	
<b>Total Revenue &amp; Grants</b>	<b>2,013</b>	<b>8.3%</b>	<b>2,851</b>	<b>10.1%</b>	<b>4,127</b>	<b>13.1%</b>
Recurrent	3,520		4,471		5,277	
Capital Ex. And Net Lending	953		782		1,701	
<b>Total Expenditure</b>	<b>4,473</b>	<b>18.5%</b>	<b>5,253</b>	<b>18.7%</b>	<b>6,978</b>	<b>22.2%</b>
<b>Revenue Surplus/ Deficit</b>	<b>(1,540)</b>	<b>(6.4%)</b>	<b>(1,632)</b>	<b>(5.8%)</b>	<b>(1,170)</b>	<b>(3.7%)</b>
<b>Budget Surplus/ Deficit</b>	<b>(2,460)</b>		<b>(2,402)</b>		<b>(2,851)</b>	
Total Foreign Financing	425		340		726	
Total Domestic Financing	2,035		2,062		2,125	
<b>Total Financing</b>	<b>2,460</b>		<b>2,402</b>		<b>2,851</b>	

## COVERAGE

**Income Tax Proposals**

**Value Added Tax Proposals**

**Proposals for the Excise Department**

**Proposals for the Department of Sri Lanka Customs**

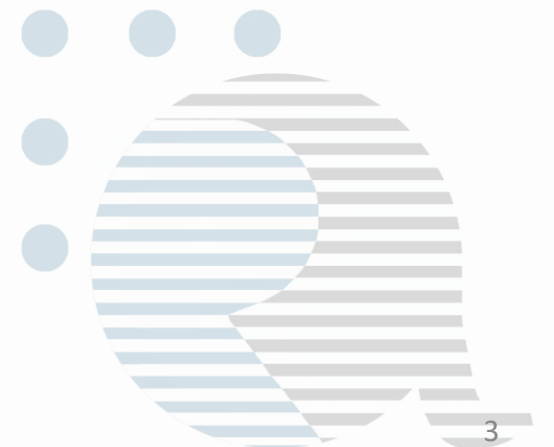
**Government Employees Remunerations**

**Government Pensioners Remuneration**

**SME Development Plans**

**Educational Sector**

**Sectorial Development Plans**





# THE GOVERNMENT BUDGET – 2024

## Income Tax Proposals

### 1. Withholding Tax (WHT)

- **A special tax return** on 2.5% WHT on gem sales (Sec. 84) at National Gems and Jewellery Authority auctions. *(At present no such a special WHT return)*
- **Submission of this return made mandatory** to enjoy IT exemption on gem sales under 3<sup>rd</sup> Schedule to the IR Act. *(At present the NG&JA receipt use as the proof of income)*
- **No fee shall be charged for issuing any WHT certificate** by the agents. *(Even at present no such a fee is applicable)*

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

*(Due to mis-understanding of the interpretation of the word “payment” given in sec. 195, some tax officials are in the view that current tax rates needs to be applied on settlement of such arrears remunerations and hence, this is a needy clarification)*

## Income Tax Proposals (Contd.)



### 3. Income tax on Unit Trusts and Unit Holders

- **Mandatory requirement of providing information** specified by the CG (including income, exempt amounts and withholding tax details) to every unit holder before 30th August following the year of assessment (Y/A).
- The Unit Trust that not complying with the above requirement, will be considered as an entity that does not conduct an eligible business *(Whether it conducts an eligible business or not, the current tax rate is 30% & hence, can't see any purpose of this proposal).*

### 4. Legal actions against failures to file tax returns

- **A special penal provision to prosecute persons who have not submitted tax returns** and information required by the tax officials. *(Even at present such penal provisions are there in the IR Act. i.e. Sec. 178 - penalty of Rs.400,000 max., Sec. 189 – 192 fines & imprisonment)*

# THE GOVERNMENT BUDGET – 2024

## Income Tax Proposals (Contd.)



### 5. Amendments to following sections to improve the clarity of the application

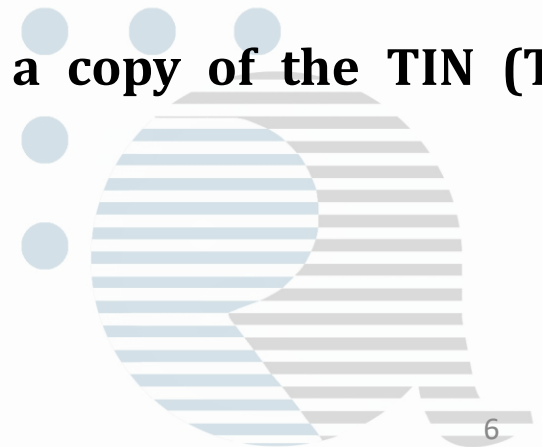
- **Sec. 18** : Deductible amount of financial cost
- **Sec. 67** : Insurance business (Computation of gains & profits of life & other insurance)
- **Sec. 163** : Court proceedings to recover the debts

### 6. Submission of Documentary Evidence

The requested documentary evidences by tax officials during tax audits or administrative reviews but not submitted within 6 months from the original date of call for evidence available in Sri Lanka and 9 months for others, will not be allowed to submit during the hearing at Tax Appeals Commission. *(Already such restriction is there under Sec. 123 for judicial proceedings challenging an assessment)*

### 7. On issuance of the guideline by the CG, it is mandatory to provide a copy of the TIN (Tax Identification Number) for followings;

- Opening a bank current account at any bank,
- Obtaining an approval for a building plan,
- Registering a motor vehicle or renew license,
- Registering a land or title to a land,





# THE GOVERNMENT BUDGET – 2024

## Value Added Tax Proposals

1. **Amend the Act** requiring the CG to specify the **format of the tax invoice**.
2. **Same “Taxable Period”** for all taxpayers. *(Say 3 months)*
3. **VAT rate increase** to be gazette with effect from 01.01.2024. *(15% to 18%)*
4. **To encourage the use of Point of Sale (POS) machines.** (To automate invoicing).
5. **To remove most of the VAT exemptions.** *(Removal of the exemptions along with rate increase will give a material impact to the buying power of the domestic market)*



## Proposals for the Excise Department of Sri Lanka

1. **Tax administration measures for the Excise Department of Sri Lanka**
  - (i) **Implement an efficient online license issuance system** for a customer-friendly regulatory environment.
  - (ii) **Establish a committee to assess security features and the management system**, specifically addressing issues such as counterfeit or fake stickers.
  - (iii) **Revise the toddy tender system** with the aim of increasing government revenue and deterring the illicit toddy industry.

# THE GOVERNMENT BUDGET – 2024

## Proposals for the Excise Department of Sri Lanka (Contd.)

### 1. Tax administration measures for the Excise Department of Sri Lanka (Contd.)

(iv) **An administrative fees** for services offered by the Excise Department.

(v) **Collaborative networking and information sharing** with stakeholder institutions.



(vi) **A new excise licensing system** to:-

- **Simplify the guidelines/rules** for different types of licenses.
- **Review and adjust the maximum limit for specific licenses** to address the uneven distribution of liquor outlets and mitigate the creation of 'Dry Areas'.
- **Implement flexible opening hours** to deter the illicit liquor & uphold discipline.
- **Update regulations** associated with tourism promotional activities.
- Implement a **suitable policy for soft liquor licenses**.
- Uphold the highest level of **discipline within the industry**.
- **Set up a Design & Monitoring Unit** and a **Risk Management Unit** at Excise Dept.
- **Implement Key Performance Indicators (KPIs)** for core administrative functions.





## Proposals for the Excise Department of Sri Lanka (Contd.)

### 2. Policy Proposals of the Excise Department

- (i) **Implementing Sri Lanka Standards (SLS) for toddy and all locally manufactured liquors** to ensure product quality, catering to both local and foreign markets.
- (ii) **Raise the Excise License fees** in alignment with the current demand for those licenses.
- (iii) **Promote investments in new liquor products** to target foreign markets.
- (iv) **Enable certain locally produced liquors to be accessible in duty-free shops.**
- (v) **Launch the Revenue Administration System for the Excise Department (RASED)** by October 2024 to boost the efficiency and productivity of excise revenue management, while reducing the risks associated with wastages and corruption.
- (vi) **Promote research and development**, foster product innovation, diversify products, enhance quality, and encourage export-oriented and import-substitution strategies within the liquor industry.
- (vii) **Enhance tax collection** and enforcement measures within the **Beedi industry.**

## Proposals for the Department of Sri Lanka Customs

1. **Development of sophisticated software solution** to enhancing risk assessment for revenue risks, improving operational efficiency in customs clearance, ensuring compliance with regulations, and creating a sustainable, adaptable software system for future needs.
2. **Create a mechanism to prevent mis-invoicing** and upgrade the ASYCUDA system.
3. **Implement Key Performance Indicators (KPIs)** for core administrative functions within Customs.

## Acts to be amended for Technical Rectifications and Clarification of Administrative Provisions

1. Inland Revenue Act No. 24 of 2017
2. Value Added Tax Act No.14 of 2002
3. Finance Acts and Finance (Amendment) Acts
4. Social Security Contribution Levy Act No. 25 of 2022
5. Telecommunication Levy Act No. 21 of 2011
6. Tax Appeals Commission Act No. 23 of 2011



# THE GOVERNMENT BUDGET – 2024

## Increase of Public Sector Remuneration, Pensions , Cost of Living Allowance

- Government Employees cost of living allowance be increased by Rs. 10,000p.m. w.e.f. 01.01.2024, but payment to be commence from April 2024.
- Public Pensioners cost of living allowance be increased by Rs. 2,500p.m.from April 2024.
- Employee contribution to W & OP be increased from 6% or 7% to 8% from April 2024.
- Police officers' food & lodging allowance be restructured.
- Distress loan facility to all public employees from January 2024.



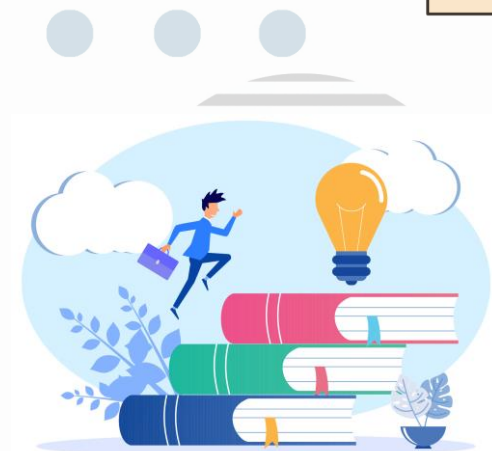
## SME Development Plans

- Concessionary loan scheme to SMEs. (Allocate around Rs. 30 billion through ADB)
- Capacity development programs for SMEs.
- Connecting of SMEs with large companies as value chains.



## Educational Sector

- Subsidized loan schemes to enter foreign universities.
- Upgrading IT graduates' skills with the support of private institutions.
- New state universities.
- Accommodate foreign educational institutes in SL.



# THE GOVERNMENT BUDGET – 2024

## Sectorial Development Plans.....

Development plans for;

- Education
- Construction,
- Financial sector
- IT & Digital Economy
- Agriculture
- Fisheries
- Trade (local & international)
- Tourism,
- Health,
- Investment,
- Logistic,
- Transport.



# FOR FURTHER CLARIFICATIONS PLEASE COMMUNICATE WITH US .....

Thank  
you



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