

Annexure

Tax Reforms to be introduced in the immediate and near term

Immediate Measures

1. To be implemented with immediate effect

	Proposal	Method of implementation	Estimated Additional Revenue for 2022 (Rs. Bn)	Estimated Additional Revenue for a year (Rs. Bn)
VAT Rate				
1.	Increase VAT rate from 8 percent to 12 percent	Issue of Gazette Notification subject to the approval of the Parliament	91	156
Telecommunication Levy				
2.	Increase Telecommunication Levy from 11.25 percent to 15 percent	Issue of a letter by the Telecommunications Regulatory Commission subject to Act Amendment	3	5
Additional Tax Revenue from Immediate measures (I)			94	161

2. To be implemented effective from October 1, 2022

	Proposal	Method of Implementation	Estimated Additional Revenue for 2022 (Rs. Bn)	Estimated Additional Revenue a year (Rs. Bn)
Income Tax				
Personal Income Tax (PIT)				
3.	Reduction of personal income tax relief from Rs. 3 million to Rs. 1.8 million	Amendment to the Inland Revenue Act, No. 24 of 2017	5	20
4.	Reduction of tax slabs on taxable income from Rs. 3 million to Rs. 1.2 million and impose tax rates of 4-32 percent for each slab			
5.	Make Withholding Tax on Employment Income Tax mandatory			
6.	Make Withholding Tax (WHT) mandatory, consider WHT on interest and dividends as final payments and reintroduce a			
			5	20

	Proposal	Method of Implementation	Estimated Additional Revenue for 2022 (Rs. Bn)	Estimated Additional Revenue a year (Rs. Bn)
	relief on interest income of Rs. 1.5 million for senior citizens			
7.	Impose WHT on service payments exceeding Rs. 100,000 per month made to individuals such as professionals			
Corporate Income Tax (CIT)				
8.	Increase corporate income tax rate from 24 percent to 30 percent and increase concessionary tax rate from 14 percent to 15 percent		18	70
VAT				
9.	Decrease the VAT Registration threshold from Rs. 300 million per annum to Rs. 120 million per annum	Amendment to Value Added Tax Act, No. 14 of 2002	3	15
10.	Remove the VAT exemption granted for sale of Condominium Housing Units			
Betting and Gaming Levy				
11.	Increase Annual Levy for carrying on the business of gaming from Rs. 200 Mn to Rs. 500 Mn.	Amendments to the Betting and Gaming Levy Act, No. 40 of 1988	-	6
12.	Increase Annual Levy for betting <ul style="list-style-type: none"> - From Rs. 4 Mn to Rs. 5 Mn when it is carried on through agents - From Rs. 0.6 Mn to Rs. 1 Mn when it is carried on using live telecast facilities - From Rs. 50,000 to Rs. 75,000 when it is carried on without the use of live telecast facilities 			
13.	Increase the rate of the levy on Gross Collection from 10 percent to 15 percent			
Additional Revenue with Amendments to respective Acts (ii)			31	131
Total Additional Revenue (i+ii)			125	292

Near term Measures

To be implemented effective from April 1, 2023

	Proposal	Method of Implementation
	Income Tax	
14.	Making dividends paid by a resident company to non-resident person liable to income tax	Amendment to the Inland Revenue Act, No. 24 of 2017
15.	Remove the following tax holidays <ul style="list-style-type: none"> • Recycling of construction materials – 10 years • Businesses commenced after TVET training – 5 years • Manufacturing of boats and ships – 7 years • Installation of communication Towers – Five Years • Letting bonded warehouses or warehouses related to the offshore business 	
16.	Remove of additional deduction granted for expenses related to Marketing and Communication	
	VAT	
17.	Reviewing VAT exemption schedule and removal of unproductive exemptions based on the economic benefit	Amendment to Value Added Tax Act, No. 14 of 2002