

Summary of the Budget (2021- 2022)

Rs. Billion

Item	2021 Revised Estimate	2022 Budget
Total Revenue and Grants	1,561	2,284
Total Revenue	1,556	2,274
Tax Revenue	1,325	1,987
Income Tax	295	496
Taxes on Goods and Services	650	1,031
Taxes on External Trade	380	460
Non Tax Revenue	170	226
Provincial Council Tax Sharing and Devolved	61	61
Grants	5	10
Total Expenditure	3,387	3,912
Recurrent	2,817	2,996
Salaries and Wages including Provincial Councils	887	1,015
Other Goods and Services including Provincial Councils	198	203
Interest	1,055	1,115
Subsidies and Transfers	677	663
Public Investment	582	931
Other	(12)	(15)
Revenue Surplus (+)/Deficit(-)	(1,261)	(722)
Primary Surplus (+)/Deficit(-)	(771)	(513)
Budget Surplus (+)/Deficit(-)	(1,826)	(1,628)
Total Financing	1,826	1,628
Total Foreign Financing	(48)	(179)
Foreign Borrowings-Gross	489	508
Project and Programme Loans	332	358
Foreign Commercial	157	150
Debt Repayment	(536)	(687)
Total Domestic Financing	1,874	1,807
Non - Bank Borrowings	1,569	1,397
Sri Lanka Development Bond	(64)	(91)
Bank Borrowings and Other	368	501
Revenue and Grants/GDP (%)	9.5	12.3
Total Revenue/GDP (%)	9.4	12.3
Tax Revenue/GDP	8.0	10.7
Non Tax Revenue/GDP (%)	1.0	1.2
PC Tax Sharing and Devolved Revenue/GDP (%)	0.4	0.3
Grants/GDP (%)	0.03	0.05
Total Expenditure/GDP (%)	20.6	21.1
Recurrent Expenditure/GDP (%)	17.1	16.2
Non Interest including Provincial Council/ GDP (%)	10.7	10.2
Interest/ GDP (%)	6.4	6.0
Public Investment/ GDP (%)	3.5	5.0
Revenue Surplus (+)/Deficit (-) GDP (%)	(7.7)	(3.9)
Primary Surplus (+)/Deficit (-) GDP (%)	(4.7)	(2.8)
Budget Surplus (+)/Deficit (-) GDP (%)	(11.1)	(8.8)

Compiled by Department of Fiscal Policy

Annexure II

Gross Borrowings Requirement – 2022
(Provisioning for Accounting Transactions)

Item	Rs. Billion
Total Receipts other than Government Borrowings	2,261
Total Payments Including Debt Repayments	5,245
Provision for Advanced Accounts	6
Adjustments for book/cash Value of Government Securities	150
Risk Provision	60
Total Gross Borrowing Requirement to be recorded in Government Accounts	3,200
O/W Total Debt Repayments	1,531

Compiled by the Department of Fiscal Policy, Department of National Budget and Department of Treasury Operations

Revenue Proposals - 2022

No.	Proposal	Rs. Mn
1	Surcharge Tax	100,000
2	Social Security Contribution	140,000
3	Value Added Tax (VAT) and other charges	14,000
4	Special Goods and Services Tax	50,000
5	Proposals relating to Motor Vehicles	4,000
6	Licence fees, auctions and other non-tax revenue	25,000

Compiled by Department of Fiscal Policy

Expenditure Proposals

No.	Proposal	Allocation (Rs. million)
1.	Providing relief for using organic herbicides	4,000
2.	Modernization of Agriculture	5,000
3.	Modernization of plantation sector and providing relief	10,000
4.	Fisheries and aquaculture development	1,000
5.	Livestock development	1,000
6.	Development of traditional cottage industries	1,000
7.	Development of textile industries including Handloom and Batik	1,000
8.	Infrastructure facilities for new product investment zones	5,000
9.	Small and Medium Scale Industry Zones	5,000
10.	Water for All programme	15,000
11.	<i>Vari Saubhagya</i>	20,000
12.	100,000 km roads (including estate sector roads)	20,000
13.	Development of renewable energy	500
14.	Development of urban houses	2,000
15.	Development of rural houses	5,000
16.	Development of estate houses	500
17.	Rural Development Projects	42,063
18.	Development of local government divisions	19,668
19.	Decentralized budget	3,375
20.	Rural livelihood development	19,894
21.	Relief for Micro, Small and Medium Scale Entrepreneurs	5,000
22.	Relief for school van owners	400
23.	Relief for three-wheeler owners	600
24.	Relief for private bus owners	1,500
25.	Relief for areas of art and entertainment	500
26.	Environment conservation	2,000
27.	Forest conservation	2,000
28.	Wildlife protection	1,000

No.	Proposal	Allocation (Rs. million)
29.	Development of schools	5,300
30.	Health and indigenous medicine	5,000
31.	Development of sports facilities	3,000
32.	Minor irrigation	2,000
33.	Vocational and Technical Training	2,000
34.	Passenger Transport	2,000
35.	Court infrastructure facilities	5,000
36.	Public security, law and order	500
37.	Sanitary facilities for prisoners	200
38.	Facilities for elders and people with special needs	1,000
39.	Pregnant mothers	1,000
40.	Home economy	15,000
41.	Home shop	15,000
42.	Digitalization of the public sector	500
43.	Motor cycles for government employees	500
44.	Removal of salary anomalies of teachers and principals	30,000
45.	Confirmation of graduate trainees	7,600
46.	Compensating the politically victimized	100
47.	Removal of anomalies of pensioners	500
48.	Maintenance of Buddhist temples	500
49.	Compensation for disappeared people	300
50.	Contribution for professional association	100
51.	Saving of expenditure	(30,000)

Technical Note

Budget 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 2.5 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 the insurer 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 penalty during a period of amnesty.
4. Release all vehicles stationed at Sri Lanka Customs because of non-payment of tax or other reasons 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 an auction. These licences are issued in relation to telecommunication including for fixed telephone operators, mobile operators, internet service providers and satellite broadcasting operators.

III. 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).