



First Capital
A Janashakthi Group Company



Proposed Tax Reforms and impact on Listed securities





Implementing with immediate effect

1. To be implemented with immediate effect

Proposal	Affected counters	Impact
<i>VAT Rate</i>		
Increase VAT rate from 8.0% to 12.0%	Possible impact on all sectors.	Prices of goods and services will increase causing consumer demand to decline.
<i>Telecommunication Levy</i>		
Increase Telecommunication levy from 11.25% to 15.0%	DIAL, SLTL	Increase in cost of data and voice shall negatively impact affordability and volumes.



Implementing effective from 01st Oct 2022

2. To be implemented effective from 01st Oct 2022

Proposal	Affected counters	Impact
Income Tax		
Personal Income Tax (PIT)		
Reduction of personal income tax relief from LKR 3.0Mn to LKR 1.8Mn	Consumer services sector, Retailing sector, Food, Beverage & Tobacco sector, Super market chains, Construction sector.	Reduction in disposable income will negatively impact demand.
Reduction of tax slabs on taxable income from LKR 3.0Mn to LKR 1.2Mn and impose tax rates of 4.0%-32.0% for each slab		
Make Withholding Tax (WHT) mandatory, consider WHT on interest and dividends as final payments and reintroduce a relief on interest income of LKR 1.5Mn for senior citizens	Possible impact on all sectors.	Negative impact due to contraction in profitability.
Impose WHT on service payments exceeding LKR 100,000 per month made to individuals such as professionals.		
Corporate Income Tax (CIT)		
Increase corporate income tax rate from 24.0% to 30.0% and increase concessionary tax rate from 14.0% to 15.0%	All sectors	Negative impact due to contraction in profitability.

2. To be implemented effective from 01st Oct 2022 Contd...

VAT		
Decrease the VAT registration threshold from LKR 300.0Mn per annum to LKR 120.0Mn per annum	Possible impact on all sectors.	Prices of goods and services will increase causing consumer demand to decline.
Remove the VAT exemption granted for sale of Condominium Housing units.	MHDL, PLR, ASCO, OSEA, JKH, AEL, KDL	Negative impact as pricing of units will be increased causing profitability to decline.
Betting and Gaming Levy		
Increase annual levy for carrying on the business of gaming from LKR 200.0Mn to LKR 500.0Mn		
Increase annual levy for betting <ul style="list-style-type: none"> From LKR 4.0Mn to LKR 5.0Mn when it is carried on through agents From LKR 0.6Mn to LKR 1.0Mn when it is carried on using live telecast facilities From LKR 50,000 to LKR 75,000 when it is carried on without the use of live telecast facilities 		
Increase the rate of levy on gross collection from 10.0% to 15.0%		



Implementing effective from 01st Apr 2023

3. To be implemented effective from 01st Apr 2023

Proposal	Affected counters	Impact
Income Tax		
Making dividends paid by a resident company to non-resident person liable to income tax	Possible impact on all sectors.	Negative impact on dividend payout.
Remove the following tax holidays; <ul style="list-style-type: none">Recycling of construction materials – 10 YearsBusinesses commenced after TVET training - 5 YearsManufacturing of boats and ships – 7 yearsInstallation of communication towers – 5 yearsLetting bonded warehouses or warehouses related to the offshore business		Negative impact as profitability will decline.
Remove of additional deduction granted for expenses related to Marketing and Communication	Possible impact on all sectors.	
VAT		
Reviewing VAT exemption schedule and removal of unproductive exemptions based on the economic benefit	Possible impact on all sectors.	Prices of goods and services will increase causing consumer demand to decline.

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MANAGING RISKS"*

Contact Us

First Capital Holdings PLC

No: 02, Deal Place,
Colombo 00300,
Sri Lanka.

E: research@firstcapital.lk



Dimantha Mathew

Head of Research

T: +94 11 2639 853

E: dimantha@firstcapital.lk

Hiruni Perera

Assistant Manager- Research

T: +94 11 2639 864

E: hiruni@firstcapital.lk

Ranjan Ranatunga

Assistant Manager- Research

T: +94 11 2639 864

E: ranjan@firstcapital.lk

Vidushika Perera

Assistant Manager- Research

T: +94 11 2639 865

E: vidushika@firstcapital.lk

Tharusha Ashokgar

Research Analyst

T: +94 11 2639 866

E: tharushaash@firstcapital.lk

Zaeema Jihan

Research Analyst

T: +94 11 2639 866

E: zaheema@firstcapital.lk



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