



2022 Budget impact on IT/ BPM sector

Budget speech 2022 presented by Hon. Basil Rajapaksa, Minister of Finance, focuses on the betterment of the public by introducing national budgetary policies that would bring about a structural change and enable the increase of the country's total revenue while decreasing the total expenditure resulting in a subsequent rise in savings and investment.

The proposals are aimed at moving from a trading economy towards an environmentally friendly production economy driven by technology and innovation while focusing on export of goods & services and import substitution in identified sectors. This is expected to reduce reliance on foreign debt and foreign currency outflows. The national budget further identifies that increase in taxes have not resulted in increase in revenue due to poor expenditure management and hence introduces a series of proposals on expenditure management.

Fiscal Proposals of relevance

Surcharge Tax

A tax at 25% on individuals or companies who exceeds taxable income of LKR 2,000 Mn for the year of assessment 2020/2021.

This will be a one-time tax and expected government revenue - LKR 100 Bn.

Social Security Contribution Tax

A tax at 2.5% on persons with an annual liable turnover of over LKR 120 Mn. Expected Government revenue is LKR 140 Bn. The said tax is supposed to be temporarily introduced to address the COVID -19 related costs incurred by the Government.

Presumably the above taxes will be prescribed tax and not deductible for calculation of income tax.

Non Fiscal Proposals of relevance

- Amend laws and regulations that impede the inflow of foreign exchange earned by young free-lancers engaged in development and upgrading of new software through IT knowledge and artificial intelligence and new innovations. Presumably this proposal relates to the obstacles in receiving payments through online payment platforms such as PayPal.
- Three new techno-parks to commence in Habarana, Nuwaraeliya (Mahagasthota), Kandy (Digana) by 2023.