Sri Lanka: Trade unions call 25% surcharge tax on EPF, ETF ‘immoral, unethical’

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The Government’s proposal to implement a 25% surcharge tax on the profits accrued by the Employees’ Provident Fund (EPF) and Employees’ Trust Fund (ETF) from 1 April 2020 to 31 March 2021 is “immoral and unethical” and an attempt to resolve mistakes made by the Government at the expense of taxpayers, charged the Free Trade Zones and General Services Employees’ Union, representing a collective of trade unions under the National Labour Advisory Council (NLAC) from various industry verticals, in a statement issued yesterday (10).

The collective, in its statement, claimed: “Social security and welfare funds of employees and also the poor are never taxed in any decent society to compensate for the loss of revenue for the State due to financial mismanagement and lack of clear economic policy.”

Noting that “a tax of Rs. 62 billion would be levied on the EPF alone”, the collective stated that a total of 19.4 million contributors would be affected by the proposed surcharge tax.

However, as per Budget 2022, the surcharge tax aims at collecting Rs. 100 billion in tax revenue from over 60 large companies. It should also be noted that the Government’s tax revenue target for the year is set as Rs. 900 billion this year.

It went on to state: “We wish to note, the previous Government too imposed a one-time tax levy on the EPF in 2016 that was promised to never be repeated. Sadly, it is coming back again as another ‘one time only’ surcharge tax that now becomes a precedent for all governments in the future for ‘easy revenue’.”

The collective noted that the EPF exists to support private and semi-government sector employees during their retirement years, and should instead be strengthened to provide them with health benefits and other welfare services.

“It is disgusting therefore to have governments compensating their inability to manage national finances efficiently, squeezing off large chunks of money from employee benefits, instead,” charged the collective.

Accordingly, the collective demanded that the Government immediately withdraw all provisions in the proposed gazette bill on 2 February that stipulate the levying of taxes on employee social security and welfare funds, and that the Government instead seek “more progressive” measures in acquiring revenue.

The trade unions under the collective include: the Free Trade Zones and General Services Employees’ Union (FTZ and GSEU); the Sri Lanka Nidahas Sevaka Sangamaya (SLNSS); the Ceylon Mercantile and Industrial Workers’ Union (CMU); the Ceylon Federation of Trade Union (CFTU); the Intercompany Employees’ Union (IEU); the Ceylon Bank Employees’ Union (CBEU); the Lanka

Jathika Estate Workers' Union (LJEWU); the National Union of Sri Lankan Seafarers (NUSS); the Jathika Seva Sangamaya (JSS); the Ceylon Estate Staff Union (CESU); the United Federation of Labour (UFL); and the Joint Plantation Trade Union Centre (JPTUC).

The surcharge tax was initially proposed to be imposed on individuals or companies earning taxable income more than Rs. 2,000 million for the assessment year 2020/2021 in Budget 2022. Accordingly, it is to impose a one-off 25% tax on the respective individuals and companies. Additionally, the Attorney General's (AG) clearance has been received for the Surcharge Tax Bill and has been prepared by the Legal Draftsman. The Surcharge Tax Bill was gazetted on Tuesday (8), and accordingly awaits being passed in Parliament before coming into effect.

The proposed tax has been met with much criticism from Opposition MPs, industry experts, and the general public, who have raised issues over the impact it will have on workers and the possibility of the funds being misappropriated.

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