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FREE TRADE ZONES & GENERAL SERVICES EMPLOYEES UNION

08th November 2022

To all Members of Parliament,

Hon. Members,

Re- information on VAT and income tax defaulters in millions and immediate measures to be taken

A serious exposure was made in parliament on 20th September last, over one and a half months ago by Kandy district parliamentarian Mahindananda Aluthgamage who provided substantial information on tax defaulting in this country. We are made to accept the aforesaid information as true as the government nor the Ministry of Finance have to date not made any public statement and have not provided a clear report to parliament in relation to the said tax defaults. The government should therefore take steps accordingly to hold these corrupt defrauders responsible and binding to this economic collapse we are presently trapped in.

As per information presented to Parliament on that day,

01. only 25,692 companies have paid taxes out of 100,005 business companies that have income tax files opened. Accordingly, 74,313 companies have been defrauded in paying due taxes.
02. of the 60,721 enterprises registered for VAT, only 185 have paid VAT charged from customers by September to the government. This means the remaining 60,536 enterprises have kept for themselves the VAT charged from customers.
03. income tax has not been paid by a leading businessman who owns a popular chain of garment outlets and also by a businessman owning a popular supermarket chain.
04. income tax is not paid by 75 MPs.

Whatever the motive was for MP Aluthgamage to expose these defrauds, in a country where indirect tax totals 83 percent, it is the general public who ends up carrying this huge burden of tax defaults in billions of rupees by corrupt businessmen. People have been made to undergo all hardships due to these defaults with no government taking effective measures to recover defaulted tax money with surcharges from those who defraud. Instead of recovering defaulted tax money with penalties from corrupt defrauding businessmen, governments impose and increase indirect taxes on people who thus become unnecessarily punished.

We are not aware of any concerns raised in parliament or the public on these said tax defaults by any of the political parties in parliament even after one and a half months since the tax defaulting exposure. Not heard of even any Member of Parliament raising issues on these tax defaults. We believe, the political parties in the Opposition should have asked for at least a one-day debate on this issue.

As nothing to this effect has hitherto happened in Parliament, as a trade union that stands for the rights and issues of over five hundred thousand workers employed in the export production sector that generates foreign exchange for the country, also as a trade union representing workers of other

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sectors as well, and as a trade union representing the National Labor Advisory Council (NLAC), we wish to request you to pay immediate attention to the following decided by the General Council of our union at its meeting on 06 November 2022.

01. Request the Minister of Finance to present a detailed report to Parliament including the names of businessmen who are related to tax frauds mentioned above, before the next budget is presented in parliament
and also adopt resolutions in parliament too,
02. immediately suspend the income tax imposed on personal incomes of one hundred thousand rupees (100,000) and above, until a final decision is taken by the NLAC on information provided by the ministry of finance on tax defrauds and
03. remove the total VAT imposed on essential consumer goods and suspend the social security contribution levy of 2.5 percent in force with effect from the 01st of October 2022.

We sincerely expect you will pay special attention and intervene immediately on this issue of tax defaults in billions of rupees. Further, we request that our trade union be kept informed of measures taken by you in this regard. We look forward to an acknowledgment in this regard.

Thank you,
Yours faithfully,

Anton Marcus
Joint Secretary
Free Trade Zones and General Services Employees' Union

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