CoPF Urges Swift Action: Strong Displeasure Over Ministry of Finance and Inland Revenue Department's Failure in Collecting Due Amount from Companies Involved in Sugar Scam

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- **Instructing the Inland Revenue Department to Furnish a Report Within One Week: Delays and Expected Recoveries from the 2020 Sugar Scam**

The Committee on Public Finance, led by Hon. (Dr.) Harsha de Silva expressed its deep dissatisfaction with the Ministry of Finance and Inland Revenue Department's failure to collect foregone taxes from major corporations implicated in the Sugar scam, as outlined in the forensic report by the Auditor General.

During the session, the Committee underscored its disappointment with the lack of action taken by relevant authorities despite a 99.5% reduction in the Special Commodity Levy on sugar imports, as stipulated in Gazette 2197/12 dated October 13, 2020. The Committee emphasized that no accountability measures have been implemented, allowing certain large corporations to unfairly benefit from the reduced tax rate at the expense of consumers.

Specifically, the Committee inquired about the extent of tax collection from the implicated companies and directed the Inland Revenue Department to submit a comprehensive report within one week. The Committee aims to gain clarity on the current status of tax collection related to the Sugar scam.

Further addressing the issue, the Committee highlighted its concern over the proposed reversal of the tax policy, which aims to increase the Special Commodity Levy on sugar from LKR 0.25/Kg back to LKR 50/Kg. The Ministry of Finance's intention to collect LKR 30 billion from the average Sri Lankan while allowing implicated corporations to evade responsibility was strongly criticized. The Committee emphasized the need to hold wrongdoers accountable before imposing additional financial burdens on the general public.

Additionally, the Committee engaged with officials from the Consumer Affairs Authority (CAA) to address concerns about the maximum retail price (MRP) not being adhered to by distributors. CAA officials revealed that despite conducting 342 raids and imposing fines on micro, small, and medium businesses exceeding the MRP, challenges persist in penalizing wholesale distributors due to the absence of a maximum wholesale price in the gazette.

The Committee directed the CAA to conduct a comprehensive study on the imposition of MRP, considering factors such as the Special Commodity Levy and importer prices. Furthermore, the Committee requested the CAA to propose a mechanism to address the ongoing issue of wholesale distributors selling above the MRP and engaging in fraudulent activities.

Additionally, the Committee delved into the implications of the Order under Section 22 of the Foreign Exchange Act No. 12 of 2017. This order outlines provisions designed to regulate the movement of funds and foreign exchange transactions for individuals and companies in Sri Lanka, with the

overarching objective of sustaining economic stability and effectively managing foreign exchange reserves.

The migration allowance, as stipulated in the order, remains at 50,000 USD, with a reduced allowance of 20,000 USD for temporary visa holders. Officials from the Central Bank apprised the Committee of amendments to the previous gazette, including provisions allowing Sri Lankan individuals to purchase share options in their own overseas companies. Additionally, individuals are now permitted to withdraw 200,000 USD for investment in listed companies and 100,000 USD for unlisted companies.

While acknowledging these changes, the Chairman of the Committee on Public Finance (COPF) raised concerns about the feasibility of maintaining such a low migration allowance. He questioned the officials on the prevalence of individuals resorting to unofficial channels, such as Hawala and cryptocurrencies, due to these restrictions. Furthermore, the Chairman inquired whether the officials were aware of instances where Sri Lankans were converting their rupees to USDT (cryptocurrency) through various platforms such as Binance, and subsequently transferring funds abroad or investing in cryptocurrencies. Notably, cryptocurrencies were recently recognized as an asset class by the US Securities and Exchange Commission, with the approval of Exchange-traded funds just last week.

In response to the Chairman's queries, officials present were unaware of such occurrences and committed to conducting a thorough study into the matter. They emphasized that exchanging rupees into dollars outside formal channels is not permitted, and they will investigate the potential misuse of unofficial avenues for currency exchange and investment.

Members of Parliament Hon. Chandima Weerakkody, Hon. Madhura Withanage, Hon. Duminda Dissanayake, Hon. Sumith Udukumbura were present at the Committee meeting held.