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High-income earners not as badly affected as poor, says CBSL chief

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- **Dr. Nandalal notes urgent need for Govt. to collect more revenue**
- Notes those earning over Rs. 100,000 must provide support

By Imsha Iqbal

Even though those earning above Rs. 100,000 are affected by the hike in income tax, those under the poverty line, particularly the poor and vulnerable, are more severely affected by inflation, said Central Bank of Sri Lanka (CBSL) Governor Dr. Nandalal Weerasinghe yesterday (25), when asked about taxing people who earn more than Rs. 100,000.

“Rs. 100,000 monthly-income-earners are also affected, but people under the poverty line are affected more.”

“There is an urgent need for the Government to collect more revenue somehow. It is a choice that affects how much money the Government will have to support aspects like education, health, and social safety nets amidst high inflation and economic contraction.”

The taxation principle is that those who are earning higher need to support those most affected in this kind of situation, Dr. Weerasinghe explained.

Compared to the necessity for the Government to increase revenue, there is a higher need for those below the poverty line to have social safety nets, which have now been widened.

The number of people below the poverty line is somewhat higher than it was before the economic crisis, which was the reason behind the taxation on those earning Rs. 100,000 and above, explained Dr. Weerasinghe.

Dr. Weerasinghe reiterated that necessary policy implementation is important in order not to repeat the same cycle over and over again, while the economy needs to be stabilised.

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He made these statements during the keynote speech on “Economic Crises and Policy Adjustments for Stabilisation” at the release of the Sri Lanka State of the Economy 2022 in Dr. Saman Kelegama Auditorium of Institute Policy Studies (IPS) of Sri Lanka.

Dr. Weerasinghe said: “Without implementing necessary structure reforms, we will remain in this cycle. This time, it is much more complicated, because the country is already in a crisis; not only because of the balance of the economic crisis, but also the debt crisis.”

He stressed that there will be no second opportunity or excuse for us to stabilise the economy and to go forward unless we implement all the required reforms.

He also noted: “There is greater public support for those fiscal reforms to be implemented, and obviously, we can better recover the losses that we are incurring than we could earlier.

“When we look at our history, we have gone to the International Monetary Fund (IMF) 16 times. All 16 times were only short-term stabilisation programmes that we have embarked on. Nevertheless, the current situation cannot be compared to these instances, as it is coupled with unsustainable debt.

“Some of the funds we are getting from the IMF, World Bank, and Asian Development Bank are only temporary relief.”

Secretary to the Treasury, and Ministry of Finance, Economic Stabilisation, and National Policies K.M. Mahinda Siriwardena was also a keynote speaker at the event.

The theme of this year’s event was “Driving Policy Action from Crisis to Recovery”.



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