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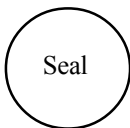
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PART I : SECTION (I) — GENERAL

Proclamations & c., by the President

P. O. No.: CA/3/03/09.

**BY HIS EXCELLENCY MAHINDA RAJAPAKSA PRESIDENT OF THE DEMOCRATIC
SOCIALIST REPUBLIC OF SRI LANKA**



MAHINDA RAJAPAKSA

To:

1. Prof. W. D. Lakshman,
2. Sarath Jayatillake Esquire,
3. Rajan Asirwathan Esquire,
4. Nihal Fonseka Esquire,
5. B. R. L. Fernando Esquire,
6. Dr. Saman Kelegama Esquire,
7. Samantha Kumarasinghe Esquire,
8. R. P. L. Weerasinghe Esquire,
9. K. J. Weerasinghe Esquire.

Greetings :

WHEREAS, I am of the opinion that it is in the interest of the Public welfare to appoint a Commission of Inquiry for the purposes hereinafter mentioned :

Now therefore, I, Mahinda Rajapaksa, President , reposing great trust and confidence in your prudence, ability and fidelity, do in pursuance of the provisions of Section 2 of the Commissions of Inquiry Act, (Chapter 393), by these presents appoint you, the said —

1. Prof. W. D. Lakshman,
2. Sarath Jayatillake Esquire,
3. Rajan Asirwathan Esquire,
4. Nihal Fonseka Esquire,
5. B. R. L. Fernando Esquire,
6. Dr. Saman Kelegama Esquire,
7. Samantha Kumarasinghe Esquire,
8. R. P. L. Weerasinghe Esquire,
9. K. J. Weerasinghe Esquire.

to be my Commissioners to ;

1. Study country's tax system and make an assessment as to why tax revenue in relation to GDP has declined over the years and make proposals as to how a tax/GDP ratio that is comparable with other emerging economies could be achieved through a buoyant performance in tax revenue and that will also prevent the need to make frequent changes to taxation.
2. Study various taxes operational at different levels of Government and propose as to how such taxes could be rationalized at national, provincial and local government levels with a view to maximize revenue objectives at each level.
3. Study the operations of numerous taxes at national level and propose as to how such taxes could be harmonized having regard to their revenue yield, administrative convenience and specific objectives for which such taxes have been introduced.
4. Study the framework of both personal and corporate income taxation and propose measures to raise income tax revenue as a percentage of tax revenue by expanding the base and overcoming legal, administrative and procedural obstacles that hamper tax compliance, keeping in line with other comparable emerging economies.
5. Study concessions that have been granted since 1977 by way of tax holidays and exemptions under the Inland Revenue, Customs and Board of Investment laws with the intention of promoting investment and ;
 - (a) Make a cost benefit analysis of such concessions in terms of promoting foreign direct investment and revenue foregone.
 - (b) Identify complexities or anomalies that such concessions have caused by creating different tax treatment for similar entrepreneurs and examine ways and means of rationalizing such concessions, considering the discrimination caused to local entrepreneurs who are expected to remain competitive in international trade, the likely impact on the tax base and the overall investment regime.
 - (c) Propose a rational and equitable mechanism through which strategically important foreign and domestic investments could continue to be attracted.
6. Study broad problems connected with the implementation of Value Added Tax (VAT), the associated refund mechanism, the possibilities of expanding VAT and how Provincial Turnover Tax could be rationalized with VAT and make recommendations as to how VAT could be made operative as an effective and simple indirect tax.

7. Study the prevailing Customs Tariff regime while recognizing the applicability of international trade agreements and propose desirable changes to make the related mechanism more compliant, simpler and cost effective.
8. Study the prevailing excise tax regime under the Excise (Special Provisions) Act and the Excise Ordinance and propose how best excise taxes could be used as a revenue source.
9. Study the various 'Cess' schemes in operation and make recommendations as to how income derived through such 'Cess' could be better utilized to ensure greater development of their respective sectors.
10. Study the system of devolved taxes and duties that have been assigned to Provincial Councils under the 13th Amendment to the Constitution and make recommendations as to how the potential revenue collection could be improved while ensuring effective revenue sharing and usage between central, Provincial and local government units.
11. Study the administrative structure of the Inland Revenue Department (IRD), the Customs Department (CD) and the Excise Department (ED) and their respective statutes and propose how best these 3 departments could be reformed to suit modern day needs through changes to the organizational structures and the relevant statutes with special emphasis on how these department could be coordinated for effective implementation of tax policy and administration.
12. Propose reform initiatives to be implemented to bring about more transparency in the tax system through greater coordination between different revenue administration institutions such as the Inland Revenue Department, Sri Lanka Customs and the Board of Investment and suggest how such institutions and other investment promoting institutions such as the Export Development Board and the Industrial Development Board could be harmonized to augment revenue, while also proposing desirable changes to the associated legal framework to facilitate this process.
13. Study the adequacy of skills involved in tax administration in the backdrop of major challenges associated with revenue collection efforts, while recognizing gaps, lapses or anomalies relating to procedural and internal controls that have left room for malpractices and abuses, and propose desirable institutional and capacity building measures to overcome such drawbacks.
14. Study the extent to which Information Technology is being used to facilitate revenue collection efforts and propose as to how best Information Technology could be used to link revenue collection agencies and investment promotion agencies to enhance efficiency and bring about a complaint and taxpayer friendly investment climate.
15. Propose as to how the relationship between the Ministry of Finance and Planning (MoFP) and IRD, CD and ED could be strengthened in terms of policy formulation, implementation and performance review, while ensuring that the MoFP could perform an effective supervisory control in discharging its duties in terms of the Constitution, while also facilitating effective functioning of the three (03) departments.
16. Examine the present incentive payments schemes of the revenue Departments and their implications on revenue administration, deficiencies and the desirability of continuation of such incentive schemes in current form and recommend alternative schemes based on the revenue effort.

And I do hereby appoint you the said Prof. W. D. Lakshman to be the Chairman of the said Commission.

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I කොටස : (I) ඡේදය - ශ්‍රී ලංකා ප්‍රජාතාන්ත්‍රික සමාජවාදී ජනරජයේ අති විශේෂ ගැසට් පත්‍රය - 2009.06.30
PART I : SEC. (I) - GAZETTE EXTRAORDINARY OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA - 30.06.2009

And I do hereby authorize and empower you, the said Commissioners to hold all such inquiries and make all such investigations into the aforesaid matters as may appear to you to be necessary and require you to transmit to me an Interim Report thereon within five months from the date hereof, and the Final Report within one year, under your hand, setting out the findings of you inquiries and your recommendations relating thereto :

And I do hereby direct that such part of any inquiry relating to the aforesaid matters as you may in your discretion determine shall not be held in public.

And I do hereby require and direct all public officers and other persons to whom you may apply for assistance or information for the purposes of your inquiries and investigations to render all such assistance and furnish all such information as may be properly rendered and furnished in that behalf :

And I do hereby declare that the provisions of Section 14 of the aforesaid Commissions of Inquiry Act, shall apply to the Commission :

Given at Colombo, under the seal of the Democratic Socialist Republic of Sri Lanka, this Twenty Ninth day of May, Two Thousand and Nine.

By His Excellency's Command,

LALITH WEERATUNGA,
Secretary to the President.

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