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Govt. capitalises on hunger

● Food taxes bouy govt. revenue ● Household real spending grows faster than income, latest data shows

Real expenditure of households have risen faster than real incomes, latest data released by the government statistics office showed, with food taxes buoying government revenue while the importation of luxury sports cars and development of casinos enjoy tax concessions from the government.

According to preliminary data of the Household Income and Expenditure Survey 2012/13 released by the Department of Census and Statistics recently, household real income, adjusted for inflation, rose 0.48 percent from Rs. 26,286 in 2006/7 to Rs. 26,414 in 2009/10 and increased 5.89 percent to Rs. 27,836 in 2012.

Real expenditure of households, adjusted for inflation, fell 1.06 percent from Rs. 22,952 in 2006/7 to Rs. 22,704 in 2009/10 and increased 7.31 percent to Rs. 24,631 in 2012.

In nominal terms, household spending on food items have increased 15.8 percent from 2009/10 to 2012 and household expenditure on non-food items grew 41.3 percent.

The statistics office said that the consumption of rice from 2009/10 to 12 has not changed but wheat and bread consumption has fallen.

Housing (up 31.54 percent), fuel and lighting (up 34.89 percent), healthcare (up 55.91 percent), education (up 40.47 percent), transportation (up 55.67 percent), communication (up 18 percent) and all other household expenditure items have increased from 2009/10 to 2012.

"There is a clear drop in the standard of living in this country. Where is the miracle of Asia? Where are the high GDP growth, high per capita income and low inflation? Are they felt by the households? The government's own statistics reveal that real household expenditures have risen faster than real incomes, an indication that household economic standards have eroded," Opposition lawmaker Dr. Harsha De Silva, UNP MP, said.

He went on to criticize the government's taxation policy, charging that it was burdening the people.

"Government revenue for the period January to April 2013 fell 23 percent from a year earlier but the taxes on food items had only dropped 1 percent. Also, the revenue to the government from the special commodity levy on imported food items has increased 39 percent during this period. This clearly shows that the cash-strapped government is relying on the hunger of the people to survive," Dr. De Silva told journalists yesterday.

He charged that tax concessions to be provided to casino tycoon James Packer to open a mixed development project in Sri Lanka would result in a Rs. 9 billion loss in revenue to the government each year. "This government is also providing tax concessions for luxury sports car imports such as Lamborghini, and Micro Cars Ltd has been appointed the local agent for Lamborghini. Clearly, this government has got its priorities mixed-up," Dr. De Silva said.

Senior Government Minister DEW Gunesekara, top economists such as Dr. Saman Kelegama, agencies such as the UNDP and ILO have already warned that the taxation policy was leading to widening inequality in the country.

The ratio for direct:in-direct taxation in Sri Lanka is close to 20:80, which means the ordinary people in this country bear the brunt of the tax burden, a heavier load for the poor. This also leads to slippages in good governance practices.

"Part of the reason for the slippage is the country's heavy reliance on indirect taxes, which account for over 80 percent of total tax revenue. This shifts the burden of taxation onto the poor," a UNDP report said in 2012 (Sri Lanka Human Development Report 2012).

"The Government may wish to revisit the balance between direct and indirect taxation for several reasons: to spread the burden of taxation more evenly, to improve revenue collection, to achieve better governance and accountability, and to ensure that revenue is in line with growth. Empirical evidence suggests that governance mechanisms are likely to be more robust in countries where the government relics heavily upon general taxation for its revenues. At the same time, taxation should not distort the business environment and force relocation of enterprises," the report said.