2013 Budget Initiatives to SMEs and Entrepreneurship in Sri Lanka

Dissanayake, D.M.N.S.W.

University of Kelaniya, Sri Lanka

17 November 2012

Online at https://mpra.ub.uni-muenchen.de/42712/
MPRA Paper No. 42712, posted 22 Nov 2012 08:47 UTC
literary, entrepreneur is a person who set up businesses and business deals. Besides, British believe Asian entrepreneurs are solely running small businesses, generally, as shopkeepers, (Basu & Goswami, 1999). But the author’s view on this regard is the potential of transforming Asian SMEs into large scale profitable businesses is at a considerable stage.

As a developing country, the number of nonurban population when compared to the urban population is substantially high. Specifically, nonurban population consists of more than 75% of the total population in Sri Lanka. Thus, this scenario implies the importance of constituting small scale businesses in nonurban areas. Further, it is important to recognize the importance of encouraging entrepreneurs in nonurban areas of Sri Lanka to contribute to the national economic growth and to obtain its share of the benefits.

Though the author is recognizing the importance of constituting entrepreneurial initiatives, numbers of barriers also exist. For example, the difficulty of obtaining funds to business initiatives. This fact is evident from a very successful online shopping portal, anything.lk, is funded from a foreign bank not by Sri Lankan. Moreover, many countries have identified the importance of utilizing facilities such as PayPal payment modes. But my opinion is none of the banks have initiatives to such technologies. A good example at present is Extreme-seo.net, which was started by a small entrepreneur in Vavuniya district working around 60 employees at his search engine. Besides, a 19 year old school boy, Maleen, from Maliyadewa College Kurunegala, came up with a very challenging idea to predict weather conditions. His project was to forecast weather using planetary angles. Obviously, the idea was challenged to weather forecasts given by the Department of Meteorology. So, given all the facts above the author trying to suggest that inventions & innovations happen in Sri Lanka and absolutely it requires a certain support to proliferate entrepreneur’s business ideas from authoritative bodies.

Apart from that, recently proposed budget for 2013 depicts number of alternations to direct & indirect taxes to SMEs. Under the section of concessionary rate of income tax, any manufacturing and service undertaking with an annual turnover threshold not exceeding Rs.300 Mn. is considered a SME and entitled to a concessionary tax rate of 10%. It is proposed to increase this turnover threshold to Rs. 500 Mn. Particularly this proposal provides opportunity to incentivize to grow their businesses to formidable entities. Currently, a company with a turnover in excess of Rs. 300 Mn. is liable to tax at 28%. Further,
exceptions from VAT\(^1\) and NBT\(^2\) provided to any person or a partnership with an annual liable turnover not exceeding Rs.12 Mn. Almost certainly, this will reduce tax compliance obligations on SMEs. Finally income tax holidays also provided up to 5 years varying the nature of the industry. Obviously, the budget proposals of 2013 provide number of opportunities to SMEs in Sri Lanka. As I mentioned above, Sri Lanka has talented young entrepreneurs with novel ideas that aren’t developed into full potential, but with a bit support, primarily in terms of financing, they could monetize their ideas and reach the nooks and corners of the world, (Kanagaisingam, 2012).

**Works Cited**


---

\(^1\) Value Added Tax  
\(^2\) Nation Building Tax