



THE SUNDAY ECONOMY

Expressway Toll Leakage

Sri Lanka's expressway toll system is under scrutiny after a government official raised concerns about significant revenue leakage. Secretary to the Highways, Ranjith Subasinghe, informed the parliament's Committee on Public Enterprises that cashiers might be stealing up to 20% of the collected fees.

This suspicion stems from a spike in toll collections on a day when military personnel replaced cashiers who were on strike. The sharp rise in revenue during the military's involvement suggests a potential pattern of undercollection by regular cashiers.

Authorities have identified 19 cashiers suspected of stealing toll money. However, taking action against them is hampered by a critical shortage of cashiers to fill the vacant toll booth positions.

This lack of manpower creates a frustrating situation. The government cannot crack down on suspected



Imputed Rental Income Tax

An imputed rental income tax is designed to tax the potential income homeowners could earn if they rented their property instead of living in it. The government estimates the fair market rental value of a property, adds this value to the homeowner's taxable income, and taxes it accordingly. This approach aims to create tax equity between renters and homeowners, as renters cannot deduct their rent from taxable income.

Countries like Belgium, Iceland, Luxembourg, the Netherlands, Slovenia, Spain, and Switzerland have implemented imputed rental income taxes, with varying methods and rates. (Continued Pg 2)



Weekly CSE Summary

The Colombo stock market rebounded on Friday, ending five days of losses with improved investor sentiment.

The ASPI gained 23.1 points (0.2%) and the S&P SL20 increased by 5 points (0.1%). Despite a weekly loss of 0.5% for ASPI and 1% for S&P SL20, Friday's turnover was Rs. 2 billion with 46 million shares traded.

Key sectors driving activity included capital goods, food, beverage & tobacco, banks, and materials. Notable gainers were MGT (+3.6%), JAT (+2.8%), DIPD (+2.1%), and HAYL (+3.6%), while TJL, HNB, and SAMP were major drivers. JKH, MELS, and DIPD led in turnover, with JKH contributing Rs. 981 million.

Foreign investors generated a net inflow of Rs. 278 million, mainly due to JKH. Retail interest was observed in Amana Bank, SMB Leasing, and hSenid Business Solutions, with crossings accounting for 55.6% of the turnover.

ASPI - 12249.06

S&P SL 20 -3610.04

The overarching goal is to balance the tax burden between homeowners and renters. For example, in Switzerland, where imputed rental income taxes were introduced in the 1930s, homeowners must report a percentage of their property's value as imputed rent, which is then added to their taxable income.

In contrast, the United States allows homeowners to deduct mortgage interest, property tax payments, and other expenses from their federal taxable income. This means homeowners can reduce their taxable income through homeownership-related deductions, while the 'income' they gain from living in their property is not taxed.

Proponents of imputed rental income taxes argue that homeowners have a tax advantage because they save money by not paying rent and can deduct mortgage interest and maintenance costs. Introducing an imputed rental value as taxable income is proposed as a countermeasure to prevent this potential tax advantage and ensure a fairer tax system.

However, there are notable drawbacks. One significant concern is the increased tax liability for homeowners. Adding imputed income to taxable income can push taxpayers into higher tax brackets, leading to a higher overall tax bill. The complexity of accurately calculating the fair market rental value of properties poses another challenge, as it may require substantial administrative resources. Moreover, there is a risk of potential inequity, as the tax could disproportionately impact those with lower incomes or individuals living in high-value properties but with limited cash flow.

These pros and cons illustrate the delicate balance between fairness and practicality in implementing an imputed rental income tax system. By taxing the imputed rental value, governments can achieve greater tax equity, but they must carefully consider the implications to ensure it does not lead to undue hardship or administrative inefficiency.

Editor - Anupa De Silva

June 17th: 1944: Iceland declared its independence from Denmark and became a republic.

1885: The Statue of Liberty arrived in New York Harbor, a gift from the people of France to the United States.

June 18th: 1815: The Battle of Waterloo took place, marking the end of the Napoleonic Wars with the defeat of Napoleon Bonaparte by the Duke of Wellington and Gebhard Leberecht von Blücher.

1940: General Charles de Gaulle delivered his famous "Appeal of 18 June" (L'Appel du 18 Juin) speech on the BBC, rallying the French to resist Nazi Germany during World War II.

June 19th: 1865: Union General Gordon Granger arrived in Galveston, Texas, and announced the end of the Civil War

1961: Kuwait declared its independence from the United Kingdom.

June 20th: 1789: The Tennis Court Oath was taken by members of the Third Estate in France, an important event in the early stages of the French Revolution.

1837: Queen Victoria ascended to the British throne at the age of 18, beginning a reign that would last over 63 years.

June 21st: 1788: New Hampshire ratified the U.S. Constitution, becoming the ninth state to do so

1948: The first successful commercial use of the transistor

Concessionary Pledge Loan for Yala season

Approval of the Cabinet of Ministers was granted at their meeting held on 08.01.2024 to implement a pledge loan scheme through banks subject to a concessionary loan rate in order to purchase paddy for the Maha season 2023 / 24 and Yala season 2024. Accordingly, discussions have been held with Ministry, Department as well as state and private bank representatives headed by a Deputy Secretary to the Treasury in regard to the method of implementation of the pledge loan scheme for purchase of paddy during the Yala season 2024.

In accordance with the agreement entered into during the discussion, the Cabinet of Ministers granted approval to the proposal to issue pledge loans of Rs. 6,000 million across participatory banking institution subject to a concessionary loan rate for minor and medium scale owners

Tennis Court Oath

On June 20, 1789, during the early stages of the French Revolution, representatives of the Third Estate found themselves locked out of their meeting hall at Versailles. They convened at a nearby indoor tennis court and took the historic Tennis Court Oath, pledging not to disband until they had established a new constitution for France.

This act of defiance came shortly after they had declared themselves the National Assembly on June 17, challenging the authority of the clergy and nobility. Their unity and determination forced King Louis XVI to order the other estates to join the National Assembly on June 27.



World Column

NYSE weekly summary

The trading week ended with significant activity due to the triple witch expiration and S&P quarterly index rebalances, leading to a high-volume closing auction on the NYSE.

US equity markets experienced mixed performance, with some momentum stocks showing fatigue. Despite some tech sector weakness, most major indices recorded modest gains. Notable market movements included energy, financials, industrials, and consumer discretionary sectors rising over 1.5%. Global markets were generally positive, with Europe recouping some losses and mixed performance in Asia and emerging markets.

Commodities saw varied trends, with oil rising sharply while natural gas, metals, and agricultural products experienced declines. Economic data revealed disappointing retail sales but positive industrial production and PMI growth.

Indicies

DOW 38,589 (-58),
S&P 500 5,432 (-2),
Russell 2000 2,006 (-33),
NYSE FANG+ 11,196 (+79),
ICE Brent Crude \$82.55/barrel (-\$0.20),
Gold \$2,348/oz (+\$30),
Bitcoin ~65.7k (-1195)

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