

Sri Lankan government begins looting workers' pension funds

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On September 7, the Sri Lankan parliament passed a bill to impose a staggering 30 percent tax on workers' superannuation funds. The Inland Revenue (Amendment) Bill, which was endorsed by 103 MPs, with 58 voting against, came into effect the next day.

The new measure mainly targets the Employee Provident Fund (EPF), a mandatory pension fund for private and semi-government sector workers. The fund, which covers 2.5 million workers, currently has over 3.4 trillion rupees (\$US10.5 billion).

To avoid payment of the new 30 percent tax rate and maintain the EPF's current 14 percent tax rate, the entire fund must be invested in treasury bonds from 2024 to 2032 at lower interest rate payments. According to Central Bank governor Nandalal Weerasinghe, this will only be about 9 percent, irrespective of the market rate.

These brutal measures are in line with International Monetary Fund's domestic debt optimization (DDO) and other austerity demands, previously agreed to and imposed by the government in exchange for a \$US3 billion bailout loan.

Presenting the bill to the parliament on Wednesday, President Ranil Wickremesinghe, who is also the finance minister, said the measure must be passed "to ensure debt sustainability." An IMF team is arriving in Sri Lanka on September 14 to review implementation of its austerity measures before the next tranche of a bailout loan is approved.

In April 2022, the then Rajapakse government, amid a historic collapse of the Sri Lankan economy, defaulted on its foreign loans. In line with IMF directives, the Wickremesinghe government agreed to restructure its domestic debt before negotiating any restructuring of

its foreign obligations. The government's domestic debt is distributed among treasury bills and bonds held by local banks and individual dealers, the Central Bank, and superannuation funds.

The government has singled out superannuation funds, particularly the EPF, which is the country's largest fund, to reduce the debt value in treasury bonds, while excluding commercial banks and other corporate sector financial operators.

According to the Verite Research think tank, "Sri Lanka is the only country in the world (based on published data) that is putting the entire burden of local currency bond restructuring exclusively on the social security funds of workers." The government, it said, has offered a binary choice to present the measure as a "voluntary" debt exchange to "overcome the unconstitutionality of this unequal treatment."

The Central Bank is the custodian of the EPF, which holds 90 percent of the savings of mainly low-income wage earners—i.e., those paid less than 100,000 rupees (\$US310) per month. This includes hundreds of thousands of FTZ (free trade zone) workers, apparel factory employees and plantation workers, whose monthly income is below the current tax threshold imposed by the government.

The EPF was established in 1958 by the government of Prime Minister S.W.R.D. Bandaranaike in response to agitation by private sector workers demanding the right to a pension after retirement. At the time, the EPF was not subject to any taxation. Confronted with financial difficulties, however, subsequent Sri Lankan governments began taxing the EPF to offload this economic burden onto the working class.

In 1989, during the communal war against the Liberation Tigers of Tamil Eelam and the uprising of rural youth in the South, the government of President

Ranasinghe Premadasa—father of current opposition leader Sajith Premadasa—imposed a 10 percent tax on superannuation funds such as the EPF.

In 2011, Mahinda Rajapakse's government attempted to abolish the EPF by transforming it into a meager contributory monthly pension. This blatant social attack was vehemently opposed by the working class. Roshan Chanaka, a young FTZ worker, was killed and 200 others injured in June that year, when police opened fire on 2,000 workers demonstrating against Rajapakse's plans to abolish the EPF. Mass anger over the violent attack forced the government to withdraw its plans.

In 2017, the government of President Maithripala Sirisena and Prime Minister Ranil Wickremesinghe increased the tax on the EPF to 14 percent.

The current IMF-dictated assault is a response to the unprecedented collapse of the Sri Lankan economy, which is part of an escalating crisis of global capitalism intensified by the COVID-19 pandemic and the US-led war against Russia in Ukraine.

On top of this blatant government theft of workers' pension funds—in most cases their only savings—individual EPF depositors must already pay taxes when depositing and withdrawing funds. The real value of workers' superannuation funds, moreover, has been almost halved in the last couple of years by the prevailing hyperinflation.

Early this year, the Wickremesinghe government imposed brutal tax rates as part of the implementation of the IMF austerity demands. In April, it raised the value-added tax on all goods and services to 15 percent and imposed new exorbitant pay-as-you-earn tax rates on tens of thousands of workers and professionals. Government funding for social welfare, including health and education, has also been slashed, and plans have been announced to privatise/restructure 430 state-owned enterprises destroying hundreds of thousands of jobs.

Parliamentary debate on the bill last week was a farce. The opposition parties, mainly the Samagi Jana Balawegaya and the Janatha Vimukthi Peramuna, shed crocodile tears over the attack on workers' pension funds. However, they carefully avoided any criticism of the IMF program, which they support, instead cynically denouncing the government's cronies over tax evasion

and corruption.

The trade unions are playing a key role in dissipating mass anger over the government assault on pensions, calling sporadic protests while opposing any coordinated mobilisation of the working class to fight this attack and the job destruction, privatisation and restructuring hitting the SOEs.

This is why the Socialist Equality Party (SEP) has called for the working class to break from all the capitalist parties and union bureaucracies and fight for its own independent interests.

Such a movement requires workers to build action committees in every workplace and in the rural areas. The Socialist Equality Party has launched a campaign to build a Democratic and Socialist Congress of Workers and Rural Masses, made up of action committee delegates, to fight for a workers' and peasants' government, based on a socialist program in South Asia and internationally.

Such a government would nationalise the banks and the major corporations, placing them under the democratic control of the working class. It would seize the wealth of the super-rich and repudiate foreign debts, while removing all taxes on the wages and pensions of working people.



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