Issue No. 386 26th SEPTEMBER 2026 CEYLON INDEPENDENT @+94 77 230 0305

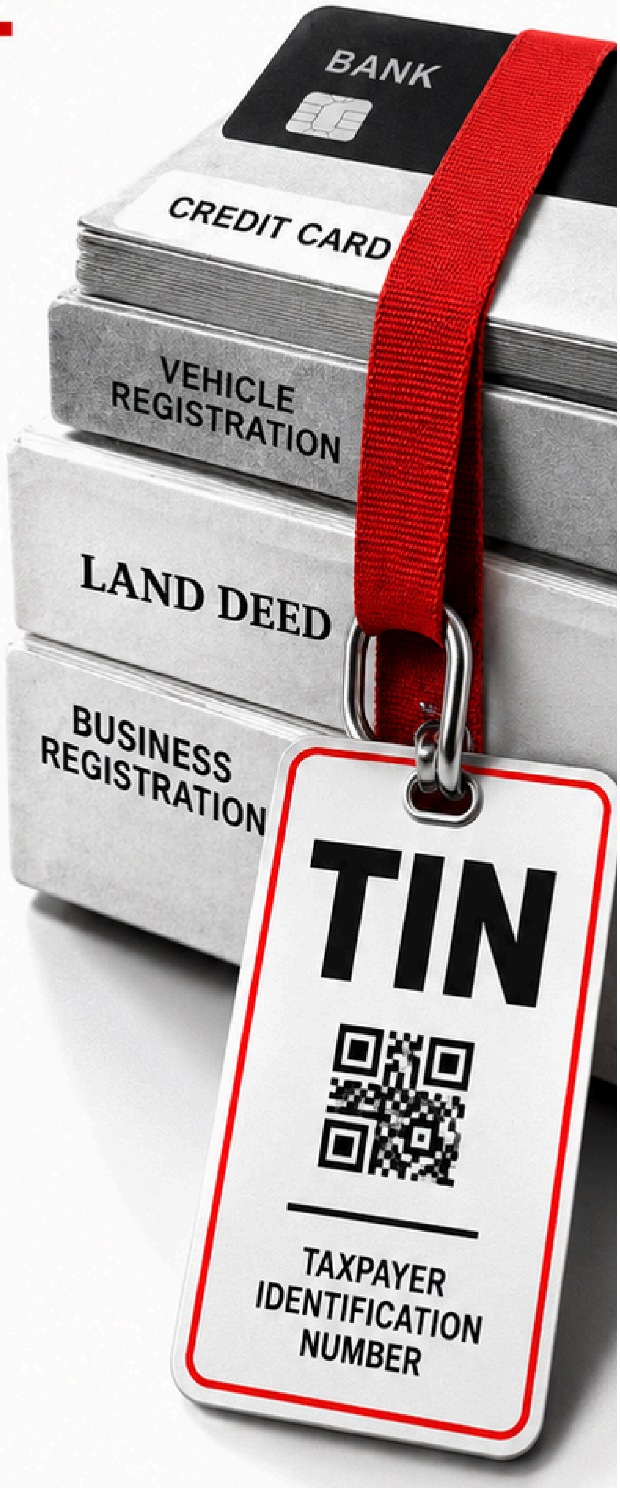
NEWSLINE
Daily by Faraz
"Questioning The Answers"

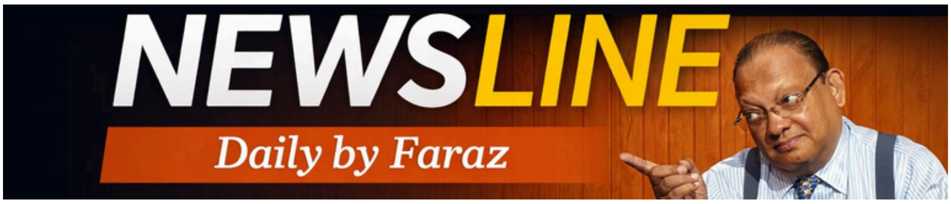
NewsLine

SRI LANKA. CLEARER.

FROM NOVEMBER 1, YOU WILL NEED A TIN

BANK ACCOUNTS.
CREDIT CARDS.
VEHICLES.
LAND.
BUSINESSES.





"Questioning The Answers"

THE SECOND READING OF THE 22ND AMENDMENT TO THE CONSTITUTION WAS APPROVED BY PARLIAMENT. THE VOTING WAS A PREDICTABLE 158 FOR AND 63 AGAINST

FROM NOVEMBER 1, YOUR TIN BECOMES A KEY TO EVERYDAY LIFE

Opening a bank account. Getting a credit card. Registering a car, land or even a business. From November 1, Sri Lankans attempting any of these will need something else first: a valid Taxpayer Identification Number certificate.

Sri Lanka is about to make the tax system considerably harder to avoid - but it is also about to make the Taxpayer Identification Number, or TIN, part of the machinery of ordinary life.

From November 1, anyone carrying out a range of specified transactions will be required to produce a valid TIN certificate before the transaction can be completed. The requirement arises from amendments to the Inland Revenue Act and is now being put into operation by the Inland Revenue Department.

The list is extensive. A TIN certificate will be required to open an account at a bank or financial institution, obtain approval for a building plan, register a motor vehicle, renew a vehicle revenue licence, register land or title to land, register a business, transfer shares in a Sri Lankan company or obtain a credit card. In a share transfer, both the seller and buyer will be caught by the requirement.

This is therefore considerably more significant than another piece of tax administration.

The TIN is effectively becoming a gateway through which Sri Lankans will have to pass before undertaking some of the most common financial, commercial and property transactions in the country.

The Government's objective is not difficult to understand. Sri Lanka has long struggled with a narrow tax base, weak compliance and an economy in which substantial amounts of income and economic activity have remained outside the effective reach of the tax authorities.

Making a TIN necessary for transactions involving banks, vehicles, land, businesses and company shares gives the State something it has historically lacked: a much clearer trail connecting people to economic activity.

But there is an important distinction which must not become lost in the rush to expand the tax net. **Having a TIN does not, by itself, mean that a person owes income tax.**

The TIN identifies the taxpayer within the revenue system. Whether tax is actually payable depends upon the applicable tax rules, income and circumstances. That distinction will need to be communicated clearly if the November change is not to cause unnecessary anxiety.

There is also a practical question.

The requirement applies against a backdrop in which TIN registration itself has already been made mandatory for resident individuals aged 18 and above under the relevant rules.

The IRD provides electronic facilities for registration and verification, and says a printout of a successful online verification displaying both the NIC number and TIN can be accepted instead of the certificate for the specified transactions.

That should make compliance easier. But November 1 will test whether the administrative infrastructure is capable of handling the policy in the real world.

A person who needs urgently to open a bank account, transfer property, renew a vehicle licence or obtain a credit card should not discover at the counter that an error, delay or discrepancy in a government database has effectively prevented the transaction.

The responsibility therefore does not fall only upon citizens.

Banks, local authorities, the Department of Motor Traffic, provincial authorities, the Registrar General's Department, the Registrar of Companies and credit-card issuers will all become part of the enforcement mechanism. The legislation places responsibility on the relevant officials to ensure compliance.

That represents a significant change in the relationship between taxation and everyday administration.

Sri Lanka undoubtedly needs a broader tax base. Those who are legally liable to pay tax should not be able to remain invisible while compliant taxpayers carry a disproportionate burden.

But widening the tax net also places an obligation on the State to make compliance simple, accurate and accessible.

From November 1, the TIN will no longer be something many Sri Lankans can regard simply as a number belonging to the taxman.

It is becoming one of the keys to participating in the formal economy.

YOUR MEDICINE MAY BE ABOUT TO COST MORE. LOOK AT THE REASON WHY.

The NMRA has approved another batch of medicine price revisions because of the depreciation of the rupee. That may be commercially understandable. But for patients already struggling with the cost of treatment, another question matters just as much: when the currency moves the other way, do medicine prices follow?

Sri Lanka's National Medicines Regulatory Authority has published a second list of approved revisions to Maximum Retail Prices of medicines specifically resulting from currency depreciation.

The latest list covers applications reviewed and approved by the NMRA Pricing Division up to September 21.

It follows an earlier list published on September 17 and a regulatory process established to allow pharmaceutical companies to seek revised maximum prices when movements in the US dollar exchange rate cross the prescribed threshold.

There is an economic logic behind the exercise.

Sri Lanka remains heavily dependent on imported medicines and imported

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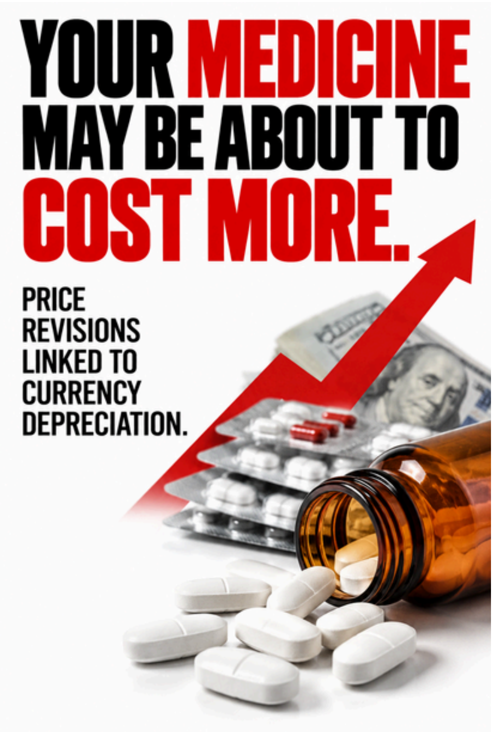
YOUR MEDICINE MAY...

pharmaceutical inputs. When the rupee weakens against the dollar, the local-currency cost of bringing those products into the country rises.

The pharmaceutical industry has been warning for months that currency depreciation, freight costs and other pressures were making existing controlled prices increasingly difficult to sustain. Earlier this year, industry representatives warned that failure to accommodate significant exchange-rate movements could eventually affect medicine availability.



The NMRA's own procedure recognises that problem.

Its published rules allow Marketing Authorisation Holders to apply for an MRP revision where the relevant average US dollar exchange rate has moved by more than 5%. The Authority has also specified that revised prices apply only to consignments imported after approval of the new MRP.

That qualification matters. Medicine already imported under an earlier cost structure should not simply acquire a higher price because a new ceiling has subsequently been approved.

But there is another side to the equation, and it belongs to the patient.

For a person taking medication every day for diabetes, hypertension, heart disease or another chronic condition, even apparently modest price movements accumulate month after month.

Medicine is not an optional purchase which can simply be postponed until prices improve.

The question therefore is not whether pharmaceutical companies should be protected indefinitely from genuine increases in import costs.

If regulated prices make importing essential medicines commercially impossible, the eventual result can be shortages - which may be considerably worse for patients than a transparent price adjustment.

The question is whether the mechanism operates equally in both directions.

If depreciation of the rupee provides grounds for increasing an approved maximum retail price, appreciation should logically create the possibility of reviewing that price downward when the relevant conditions are met.

Sri Lanka has been here before. Currency movements following the economic crisis produced dramatic changes in import costs, and medicine pricing became one of the clearest examples of the tension between commercial viability and affordability.

That makes transparency particularly important now.

Patients should be able to know what the previous approved price was, what the revised ceiling is, the exchange rate upon which the adjustment was calculated and whether subsequent currency movements trigger another review.

There is also an important distinction between a maximum retail price and the price that must necessarily be charged.

An approved increase in the ceiling does not mean every medicine must automatically be sold at that maximum.

The NMRA says it is now publishing the approved lists online rather than separately emailing individual agents, an improvement in public visibility of the process.

It has also moved the status of medicine pricing reviews and import-licence pricing applications online in what it describes as an effort to improve transparency and access to information.

That is welcome.

THE CENTRAL BANK HAS CHANGED THE RULES ON BIG BANK EXPOSURES. WHY DOES IT MATTER?

When a bank lends too much to one borrower or one connected group, it is not only that borrower taking a risk. Depositors and ultimately the financial system can be exposed too. The Central Bank has now amended the rules governing just how concentrated those risks can become.

The Central Bank of Sri Lanka has issued fresh amendments to the rules governing large exposures of licensed banks, adding another layer to a regulatory framework designed to prevent too much banking risk becoming concentrated in too few hands.

Banking Act Directions No. 05 of 2026 were issued on September 24 and amend the Large Exposures Directions originally introduced in March 2024.

Behind the technical language lies a straightforward question.

How much of a bank's financial strength should be allowed to depend upon one borrower - or upon several borrowers who, although appearing separately on paper, are sufficiently connected that trouble affecting one could affect the others? It matters because concentration can turn what initially appears to be the failure of one company or corporate group into a banking problem.

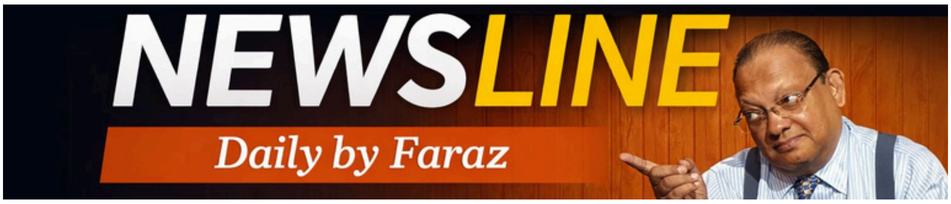
A bank with thousands of borrowers may appear diversified. But if a disproportionately large amount of its lending is concentrated among a handful of major corporate groups, its actual risk can look very different.

Sri Lanka's newer large-exposure framework was designed precisely to address that problem.

When the Central Bank introduced the framework in 2024, it moved the measurement of the exposure ceiling towards Tier 1 capital, expanded the concept of connected borrowers to include economic dependence and established a 25 per cent cap on large exposures relative to Tier 1 capital.

The framework also provided transitional arrangements for banks carrying exposures above the new limits.

Tier 1 capital matters because it represents the core financial resources available to a bank to absorb losses.



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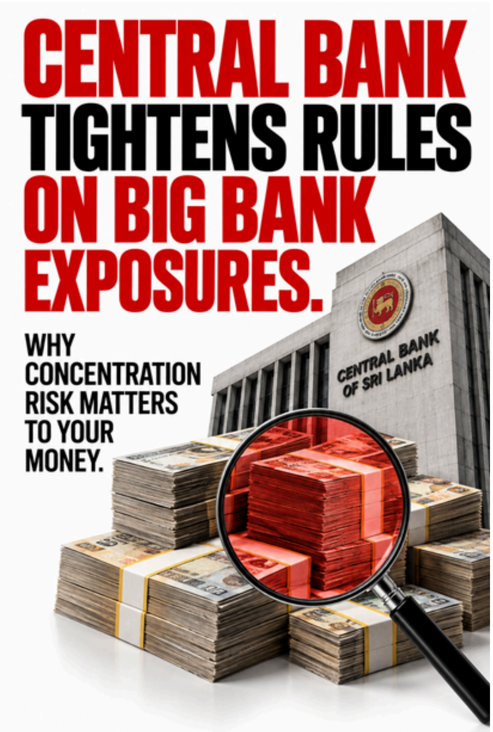
THE CENTRAL BANK...

Measuring a very large loan against that capital therefore provides a clearer picture of what could happen to the bank if a major borrower fails.

The other important concept is the connected borrower.

Two companies do not necessarily have to share the same name or obvious ownership structure to create essentially the same credit risk. If one is economically dependent upon another, lending to both may in reality represent one concentrated exposure.



That is why modern banking supervision increasingly looks through corporate structures and asks whether apparently separate borrowers are genuinely independent risks.

The latest amendment therefore deserves attention beyond banking circles.

Sri Lanka has spent several years rebuilding confidence in its financial system following the economic crisis.

Stronger bank capital, better supervision and tighter recognition of risk are not technical luxuries in that process.

They are part of preventing problems inside individual institutions from becoming problems for depositors and eventually taxpayers.

But regulation on paper is only part of the equation.

The more important question is how aggressively the rules are supervised.

If a bank approaches a large-exposure ceiling, what happens?

If several companies are economically connected, how quickly does the regulator identify the connection? And where legacy exposures exceed a newly imposed limit, how long should a bank reasonably be given to bring them down?

Those questions become especially important in an economy such as Sri Lanka's, where a relatively small number of large corporate groups operate across multiple sectors and may simultaneously borrow from several financial institutions.

There is no suggestion in the September 24 Direction that the amendment was prompted by a particular bank or borrower. It would therefore be wrong to attach the regulatory change to any individual institution without evidence.

But its timing nevertheless provides a useful reminder of something much larger.

Banks do not lend only their shareholders' money. Much of the money they intermediate ultimately belongs to depositors.

When one enormous loan performs well, the profits belong to the bank. When an enormous loan goes badly wrong, the consequences can travel considerably further.

That is why limits on large exposures matter.

The real test of the Central Bank's latest rules will not be how formidable they appear in a Direction.

It will be whether concentrated risks are identified and controlled before the borrower gets into trouble.

SRI LANKA IS MOVING CLOSER TO THE WORLD'S BIGGEST TRADING BLOC. WHAT WOULD WE HAVE TO GIVE IN RETURN?

Sri Lanka's attempt to enter RCEP has moved another step forward. Access to a market stretching from China and Japan to Australia and ASEAN could be enormously important. But free trade is never simply about what Sri Lanka gets to sell. It is also about what Sri Lanka agrees to let in.

Sri Lanka has moved further along the road towards possible membership of the Regional Comprehensive Economic Partnership, better known as RCEP, after trade ministers approved machinery to advance the accession process of Sri Lanka and three other applicants.

The decision followed the fifth RCEP Ministers' Meeting in Manila on September 21. Ministers endorsed the establishment of an ad hoc accession working group to progress discussions with Sri Lanka, Bangladesh, Chile and Hong Kong.

That does not mean Sri Lanka has joined RCEP.

It means the application has moved into a more substantive stage in which preparedness, obligations and the terms upon which an applicant could enter the agreement can be examined.

That distinction is important because membership would be a major economic decision.

RCEP brings together the ten ASEAN economies with China, Japan, South Korea, Australia and New Zealand. Taken together, its members represent one of the largest concentrations of production, consumption and trade anywhere in the world.

For Sri Lanka, the attraction is obvious.

An economy of 22 million people cannot build long-term prosperity by selling principally to itself.

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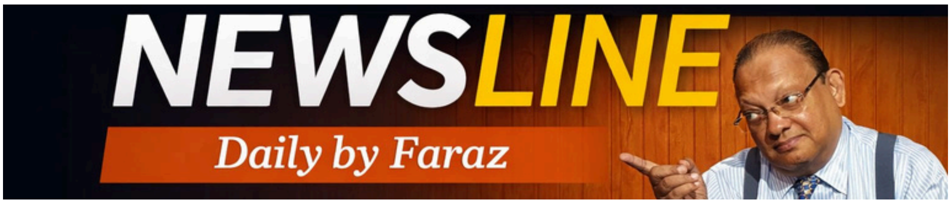

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SRI LANKA IS MOVING...

Sri Lankan manufacturers and service providers need larger markets, deeper supply chains and better access to the economies driving Asian growth.

RCEP potentially offers all three.

Membership could make it easier for Sri Lankan companies to become part of regional production networks rather than simply exporting finished goods from Sri Lanka to individual countries.

That distinction matters.

Modern international trade increasingly involves products crossing borders several times before reaching the consumer.

Components may originate in one country, undergo processing in another and be assembled in a third.

A common trading framework can make participation in those supply chains considerably easier.
For Sri Lankan exporters, that could create opportunities well beyond traditional tea, garments and rubber products.

But there is another half of every free-trade agreement.

Sri Lanka would not simply receive better access to other markets. Other RCEP economies would seek improved access to Sri Lanka's market as well.

That raises difficult questions for domestic manufacturers that have historically operated behind tariffs and other forms of protection.

An inefficient industry can survive for years when imported competitors face sufficiently high barriers. Reduce those barriers and the consumer may benefit from lower prices and greater choice - but the protected producer suddenly has to compete.

That is why the detail of accession negotiations matters enormously.

Which tariff lines would Sri Lanka agree to reduce? Over what period? Which sectors could receive transitional protection?

How would rules of origin operate? What commitments would apply to services and investment? And which domestic industries could realistically compete within a vastly larger Asian marketplace?

There is another important hurdle.

Accession is not automatic. The process requires agreement among the existing RCEP members. The establishment of the working group therefore represents progress, not admission.

Sri Lanka consequently has two jobs ahead.

The first is diplomatic: persuading existing members that Sri Lanka should be admitted.

The second is considerably harder: preparing Sri Lankan businesses to compete once the doors open in both directions.

Free-trade agreements do not magically create competitive industries.

They create opportunities for industries that are already capable of competing - and expose weaknesses in those that are not.

Sri Lanka has spent decades discussing its ambition to become an export-driven economy.

RCEP could eventually provide access to an extraordinary marketplace in which to test that ambition.

But the real question is not simply whether Asia is prepared to open more of its market to Sri Lanka.

It is whether Sri Lanka is prepared for what happens when it opens more of its market to Asia.

TEACHERS DON'T WANT TO BECOME PRINCIPALS. PARLIAMENT WANTS TO KNOW WHY.

A school cannot be better than the people prepared to lead it. Parliament is now examining an uncomfortable problem in Sri Lanka's education system: experienced teachers can actually be financially disadvantaged by becoming principals.

There are promotions people spend careers trying to achieve. Becoming the principal of a school ought to be one of them.

Yet Sri Lanka appears to have created a peculiar situation in which some experienced teachers may have good reason to think twice before accepting the responsibility of running a school.

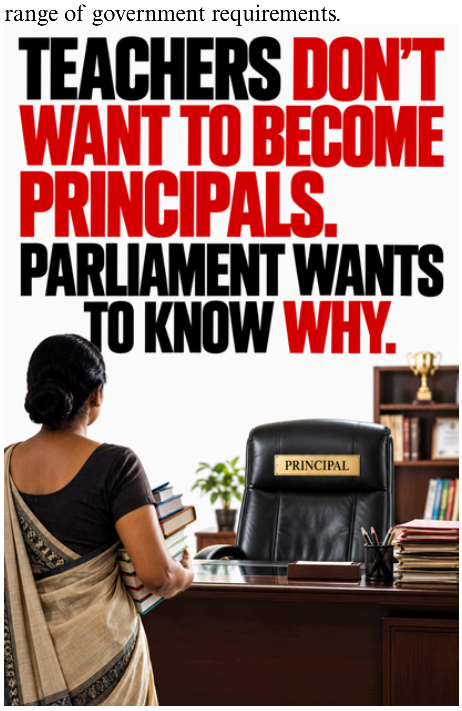
The issue has now reached Parliament.

The Sectoral Oversight Committee on Education, Manpower and Human Capital has decided to appoint a special subcommittee to examine problems surrounding the Teachers' Service and Principals' Service, including salary disparities that can discourage teachers from entering the principals' ranks.

That deserves considerably more attention than an argument about salary scales.

A principal is not simply the most senior teacher in a school.

The job carries responsibility for staff, pupils, discipline, administration, finances, examinations, parents, buildings and, increasingly, compliance with an expanding range of government requirements.



In many schools, the principal is effectively the chief executive of a substantial public institution.

The obvious assumption would therefore be that moving from teaching into school leadership brings both greater responsibility and a correspondingly clear financial progression.

If that relationship has become distorted, the problem is not merely unfair to the individual teacher. It creates precisely the wrong incentive for the education system.

Why should an experienced teacher with a secure position volunteer for substantially greater administrative responsibility if the financial reward is inadequate, uncertain or compromised by anomalies between the two services?

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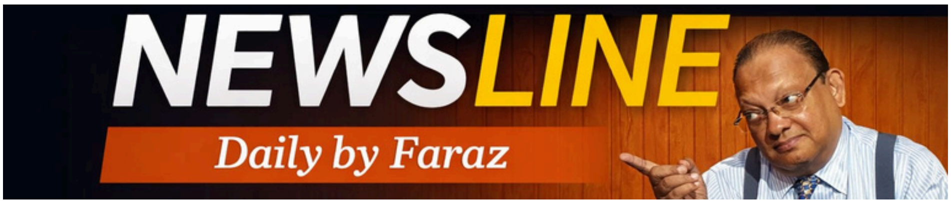

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TEACHERS DON'T WANT...

That question becomes more serious when viewed across thousands of schools.

Sri Lanka can build classrooms, distribute textbooks, change syllabuses and introduce education reforms. None of those measures eliminates the need for capable leadership inside the school itself.

A weak incentive to enter the Principals' Service therefore risks becoming a weak pipeline of future school leaders.

There is another difficulty.

The best classroom teacher does not automatically become the best principal. School leadership requires management, financial literacy, conflict resolution, administration and the ability to lead other professionals.

Sri Lanka therefore needs not simply enough applicants for principal positions, but enough **good** applicants.

That makes the incentives particularly important.

The parliamentary inquiry should establish how widespread the reluctance actually is, how many principal vacancies exist, whether qualified teachers are declining appointments and precisely what happens to salary, allowances and career progression when a teacher crosses into the Principals' Service.

It should also ask whether the system is losing precisely the people it should be trying hardest to attract.

Education debates in Sri Lanka frequently revolve around examinations, university admissions, teacher shortages and curriculum reform.

Leadership receives rather less attention.

Yet every parent understands the difference a strong principal can make to a school. The culture can change. Teachers can perform differently. Discipline can improve.

Resources can be managed better. Expectations can rise.

The reverse is equally true.

Parliament is right to examine the problem. But another committee will achieve little unless the anomalies it identifies are actually corrected.

Sri Lanka has spent years asking how to improve its schools.

Perhaps one place to begin is remarkably simple.

Make sure that becoming responsible for an entire school does not leave a good teacher wondering whether accepting the promotion was a mistake.

SRI LANKA WANTS EVERY DOG REGISTERED. THE LAW GOES MUCH FURTHER THAN THAT.

Annual vaccination and registration. Controls on breeding. A census every five years. Powers to enter premises and seize animals. Sri Lanka's proposed new rabies law is not simply about registering the family dog. It would create an entirely new system for managing the country's dog population.

A piece of legislation presented to Parliament on Thursday could eventually affect almost every household in Sri Lanka that owns a dog.

The **Elimination of Rabies and Registration of Dogs Bill** seeks to replace two longstanding laws with a new national framework covering rabies vaccination, dog registration, stray-dog management and commercial breeding. Parliament's official record confirms that the Bill was presented on September 24.

At first glance, it sounds straightforward.

Vaccinate dogs. Register them. Control rabies.

Look more closely at the Bill, however, and the scale of what is proposed becomes apparent.

Owners or those responsible for dogs more than six weeks old would be required to ensure that they are vaccinated against rabies and registered. Local authorities would carry significant responsibility for administering the system, while commercial dog-breeding operations would also be brought under a licensing regime.

The legislation also proposes national and regional rabies-elimination advisory committees and a mechanism for managing the dog population. The Government says its objective is ultimately the elimination of rabies.

Few could quarrel with that objective.

Rabies is preventable, yet once clinical symptoms develop it is overwhelmingly fatal. A country capable of systematically vaccinating its dog population should therefore be capable of preventing deaths that should never occur.

But legislation is the easy part.

Implementation will depend heavily upon Sri Lanka's local authorities.

That raises some very practical questions.

Can every Municipal Council, Urban Council and Pradeshiya Sabha maintain an accurate register of dogs within its area? Are there sufficient veterinary personnel? How will registration work in rural communities? What happens when ownership cannot readily be established? And who carries the continuing cost of dealing with a large free-roaming dog population?

The Bill also contains enforcement powers that deserve public attention.

Authorised officers may, subject to the conditions set out in the legislation, enter premises where they reasonably believe a rabid, unregistered or unvaccinated dog is being kept. They may examine animals, inspect relevant material and in specified circumstances seize and detain dogs.

Those powers may be necessary for effective disease control. But powers of entry and seizure should always be understood by the public before a law begins operating, rather than discovered after an enforcement officer arrives at the gate.

There are significant animal-welfare provisions as well.

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EVERY DOG REGISTERED...

The proposed framework moves away from simply destroying an animal because rabies is suspected.

Dogs suspected of infection can instead be captured and observed under veterinary supervision, with euthanasia contemplated where infection is confirmed and the animal presents the relevant danger.

Stray dogs present perhaps the hardest challenge.

The Bill envisages sterilisation or castration as part of population management, with animals subsequently returned to the place from which they were captured after recovery in applicable circumstances. It also proposes a nationwide dog census every five years.

That is ambitious.

Sri Lanka has tried for decades to reconcile three competing obligations: protecting human beings from rabies, treating animals humanely and controlling a large roaming-dog population.

A modern law can establish the rules.

It cannot vaccinate a single dog by itself.

That requires veterinary capacity, functioning local authorities, reliable records, sustained funding and cooperation from millions of people.

The real measure of this legislation will therefore not be whether Parliament can pass it.

It will be whether Sri Lanka can make it work outside Parliament.

THE SYSTEM IS BEING UPGRADED. FOR EIGHT PROVINCES, THE SERVICE STOPS.

Sri Lanka wants more government services online. This weekend provides a small but important test of what that promise means in practice: the electronic vehicle revenue-licensing system is unavailable across eight of the country's nine provinces while its infrastructure is upgraded.

From Friday until Monday, motorists across most of Sri Lanka will be unable to obtain electronic vehicle revenue licences through the eRL 2.0 system.

The interruption affects the Central, North Central, North Western, Southern, Eastern, Northern, Sabaragamuwa and Uva provinces. Only the Western Province is excluded. The authorities say normal operations are expected to resume on Tuesday, September 29.

The explanation is straightforward.

The system requires what the authorities describe as an infrastructure upgrade intended to improve the efficiency and quality of the electronic revenue-licensing service.

Systems need maintenance. Technology needs upgrading. There is nothing particularly remarkable about either.

But there is a larger question worth asking as Sri Lanka moves rapidly towards digital government.

What happens to the citizen when the digital State goes offline?

The question is becoming increasingly relevant because more interactions between Sri Lankans and their Government are moving away from paper, counters and discretionary human processes towards databases and interconnected electronic systems.

That transformation has enormous potential benefits.

A properly designed digital service can eliminate journeys to government offices, reduce queues, create an electronic audit trail, limit opportunities for petty corruption and allow a citizen to complete in minutes something that once consumed half a working day.

But digitalisation also changes the nature of failure.

When a government counter is closed, another counter may sometimes remain available. When the central electronic system upon which an entire service depends is unavailable, the consequences can potentially extend across a province - or, as this weekend demonstrates, eight of them.

The present interruption is planned rather than a system failure. The public has been given advance notice, and authorities say the purpose is to improve the system. That distinction is important.

But planned downtime still provides a useful opportunity to ask whether Sri Lanka is designing sufficient resilience into its digital State.

Can essential transactions continue when a system is unavailable? Is there a manual fallback? What happens when a deadline expires during downtime?

Will a motorist ever be penalised because the Government's own system prevented a licence being renewed?

These questions become more important as the number of services dependent upon digital identification and government databases grows. From November, as NewsLine reports elsewhere in this edition, the TIN will become necessary for a range of transactions involving banks, vehicles, land, businesses and credit cards.

One policy expands the reach of digital administration. Another event reminds us how dependent citizens become upon the infrastructure supporting it.

That does not make digitalisation undesirable.

Quite the opposite.

Sri Lanka should be moving government services online. A country in which citizens can deal with the State from a telephone or computer rather than carrying files between desks is a country capable of becoming more efficient.

But efficiency cannot be the only measure of success.

Reliability matters. Cybersecurity matters. Data accuracy matters. Redundancy matters. And there must be a workable route for a citizen whose transaction is blocked because the Government's technology - rather than the citizen - has failed.

The eRL system is expected to return on Tuesday with upgraded infrastructure.

For most motorists, this weekend's interruption will probably amount to little more than an inconvenience.

But the principle is considerably larger.

As Sri Lanka builds a State increasingly dependent upon technology, it must build something else alongside it.

A way for the citizen to function when the technology does not.

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RS. 9.92 TRILLION. THAT IS THE NUMBER BEHIND THE 2027 BUDGET.

The headline number in Sri Lanka's 2027 Appropriation Bill is Rs. 4.99 trillion. But that is only part of the picture. Add expenditure already charged to the Consolidated Fund under existing law and the expenditure provided for under the Bill approaches Rs. 9.92 trillion. Before the Budget Speech begins, those numbers deserve examination.

Sri Lanka's 2027 Budget process has begun before the President has uttered a word of the Budget Speech.

The Appropriation Bill for the coming financial year has been gazetted, providing the first detailed view of the enormous sums Parliament will be asked to authorise or recognise for the operation of the State in 2027.

The figure attracting immediate attention is **Rs. 4.993 trillion**.

That is the estimated service expenditure for Government ministries and departments which the Bill seeks authority to meet from the Consolidated Fund, other government funds or borrowings.

But it is not the entire expenditure picture.

The Bill separately identifies approximately **Rs. 4.92 trillion in statutory expenditure** - expenditure already charged to the Consolidated Fund under existing laws.

Put the two together and expenditure provided for under the Bill reaches approximately **Rs. 9.92 trillion**.

That distinction matters.

A Budget is often presented to the public through announcements: a new programme here, another subsidy there, a tax concession, infrastructure project or welfare measure.

But long before a government decides what new things it would like to do, enormous financial commitments already exist.

The State has employees to pay, pensions and institutions to support, existing programmes to finance and, critically, debt obligations to meet.

That is why the Appropriation Bill deserves attention before the political theatre of Budget Day.

Among individual ministries, the Ministry of Finance, Planning and Economic Development carries the largest allocation at approximately **Rs. 856.85 billion**, while expenditure associated with Provincial Councils is separately budgeted at approximately **Rs. 659.95 billion**.

There is another number that should command attention.

The Bill proposes that the net outstanding balance of Government borrowings raised during the 2027 financial year be capped at **Rs. 3.8 trillion**.

Sri Lanka therefore enters another Budget cycle carrying the same fundamental challenge that has confronted successive governments: the distance between what the State wishes to spend, what it can raise through revenue and what ultimately has to be financed.

That issue has become even more important after the sovereign default and subsequent debt restructuring.

Borrowing is not inherently irresponsible. Governments borrow throughout the world to finance investment, manage cash flows and spread the cost of long-lived infrastructure.

The question is what is being financed, at what cost, and whether tomorrow's taxpayers receive something of lasting value in return.

Borrowing to build economically productive infrastructure is one proposition.

Borrowing because the State cannot sustainably finance its recurring obligations is another.

The Appropriation Bill therefore provides Parliament with considerably more than a set of accounting numbers. It provides the starting point for asking what Sri Lanka's Government actually costs.

The First Reading is scheduled for October 7. The Budget Speech and Second Reading are scheduled for November 12, followed by weeks of parliamentary scrutiny before the process concludes in December.

By then there will be promises, arguments and political claims from both sides of the House.

But the more useful questions can begin now.

How much of 2027 expenditure is genuinely discretionary? How much is already committed? How much goes into maintaining the machinery of government?
How much creates assets or services citizens will actually experience?

And how much borrowing will be necessary to keep the whole structure operating?

Sri Lanka has learned painfully that a Budget can appear manageable until the assumptions beneath it cease to hold.

That is why **Rs. 4.99 trillion** should not be read in isolation.

The larger figure - approximately **Rs. 9.92 trillion when statutory expenditure is included**- tells us something more important.

Before asking what the Government intends to give Sri Lanka in 2027, perhaps the first question should be:

What will the Sri Lankan State cost us in 2027?

THE STATE IS BECOMING DIGITAL. THE CITIZEN MUST NOT BECOME INVISIBLE.

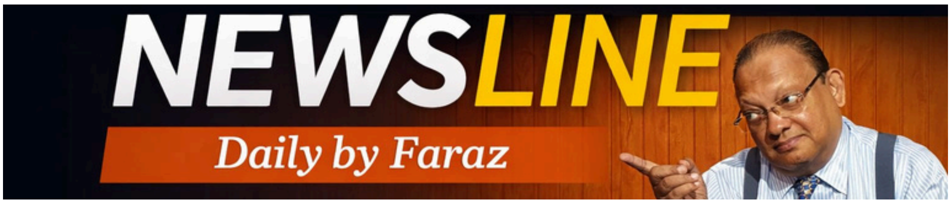
Sri Lanka is quietly changing the relationship between the citizen and the State. From November 1, a Taxpayer Identification Number will become necessary for an extraordinary range of ordinary transactions, from opening a bank account and obtaining a credit card to registering a vehicle, land or business. Increasingly, the ability of a Sri Lankan to participate in the formal economy will depend upon being correctly identified inside government databases.

At the same time, the electronic vehicle revenue-licensing system is temporarily unavailable across eight provinces while its infrastructure is upgraded. There is nothing inherently alarming about either development.

Indeed, Sri Lanka desperately needs a more efficient State, and anyone who has spent hours carrying a file from one government counter to another will understand the attraction of digitisation.

Done properly, digital government can shorten queues, reduce paperwork, create audit trails, make corruption harder and connect information previously scattered across dozens of institutions.

It could begin dismantling the bureaucracy that has made dealing with the Sri Lankan State an endurance test for generations. NewsLine supports that transformation, but the balance of responsibility must change with it.



"Questioning The Answers"

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When Government relies upon paper, the citizen can usually produce another piece of paper. When Government relies upon a database, the citizen becomes dependent upon what that database says about him or her.

An incorrect NIC number connected to a TIN, a property record carrying the wrong information or two government systems failing to communicate could mean that an entirely legitimate transaction simply stops.

That is where the debate about digital government must move beyond technology. Every new power given to a government database should be accompanied by a corresponding protection for the citizen, including the ability to discover why a transaction has been refused, correct inaccurate information quickly and challenge a decision based upon that information.

There must also be a reasonable alternative when the Government's own technology fails.

Privacy is another issue Sri Lanka cannot afford to treat casually. Connect taxation, banking, property, vehicles, companies and identity and the State begins accumulating an extraordinarily detailed picture of an individual's economic life. Some of that information is necessary for effective administration, but necessity cannot become a blank cheque for unrestricted access.

Who can see this information, for what purpose and under whose authority are questions that should be answered before systems are interconnected rather than after something goes wrong.

Every legitimate access should be capable of being audited, misuse should carry consequences and citizens should know what remedies are available when their information is wrongly accessed or disclosed.

Sri Lanka has spent decades worrying about the abuse of government files; digitisation potentially creates a file more comprehensive than anything the old bureaucracy could have assembled.

There is also an issue of equality. A Colombo professional with a smartphone, laptop and reliable internet connection may regard digital government as liberation, while an elderly pensioner in a rural community may experience precisely the opposite.

The same difficulty confronts citizens with limited digital literacy, unreliable connectivity or no convenient access to the devices increasingly required to communicate with the State.

A government may become more efficient when it goes digital, but it does not automatically become more accessible.

Digitisation that saves the State money while transferring inconvenience and difficulty to the citizen is not necessarily progress. The measure must ultimately be whether public services become easier for everyone to use, not merely easier for Government to administer.

Sri Lanka's economic crisis has forced the State to become better at knowing who earns, who owns, who pays and who owes.

That is understandable. A country cannot operate indefinitely when substantial parts of its economy remain invisible to its tax system while compliant citizens and businesses carry a disproportionate share of the burden.

But visibility must work both ways. If Government expects to see the citizen more clearly, the citizen should be able to see Government more clearly too. We should know what information is being collected, how it is being used, who is responsible when systems fail and where responsibility ultimately lies when an incorrect government record prevents a lawful transaction.

Sri Lanka should build the digital State, and it should do so quickly, intelligently and ambitiously. Technology can remove bureaucracy, reduce corruption and make government vastly more efficient, but it must never remove accountability.

Be that as it may, the purpose of digital government cannot simply be to make the citizen more visible to the State. It must make the State more accountable to the citizen