



# LEGISLATIVE CHANGES 2017





## Introduction

This publication has been carefully prepared by BDO - Sri Lanka to provide a guideline to the key changes that have been introduced to the statutes through the amending legislation passed in Parliament in 2017.

We believe that the information contained in this document will assist you in doing business.

The publication covers the changes made to the following;

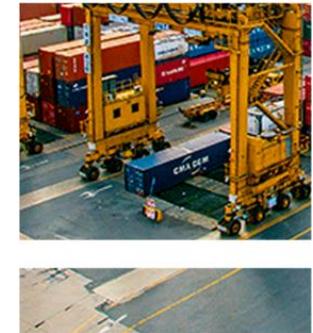
- Income Tax
- Nation Building Tax
- Economic Service Charge
- Exchange Control/Foreign Exchange

Please note that this publication has been carefully prepared, but has been written in general terms and should be taken as a broad guideline only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting upon the information contained therein without obtaining specific professional advice.

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## Income Tax

Key changes introduced by the Inland Revenue (Amendment) Act No. 24 of 2017

Effective Date:

- i. The provisions relating to business income shall be effective from 1<sup>st</sup> April 2018
- ii. All other provisions shall be effective from 1<sup>st</sup> April 2018

The redrafting of the tax laws was to bring about necessary improvements to the legal framework to ensure clarity, consistency and simplicity towards reflecting the features of modern tax systems in a bid to help taxpayers understand the system easily and to eliminate loopholes that have been created by the ambiguities in the law, while strengthening tax administration.

### Chargeability

#### 1. Basis of chargeability

- Any person who has taxable income for that year
- Any person who receives final withholding payments during the year

Person has been defined to mean *“an individual or entity and includes and a body of persons corporate or incorporate, an executor, non-governmental organization and charitable institution;”*

#### 2. Key concepts

- Residents are taxed on global income
- Non-residents are charged on income arising in or derived from Sri Lanka
- The year of assessment is a 12 month period from 1 April to 31 March.  
[section 20 (2) provides a trust or a company to request a change in year end which is to be granted at the discretion of the CGIR)
- Taxable Income is the aggregate of a person’s assessable income from the following sources:
  - Employment
  - Business
  - Investment
  - Other income

- Deductions are available for qualifying payments and reliefs as specified
- Credits and Foreign tax credits are granted against income tax payable
- Investment allowances and investment tax credits have been introduced
- Capital Gains Tax has been reintroduced within the ambit of “gains on realization of investment assets”
- Basis of partnership taxation has been changed.
- Deemed Dividend Tax has been removed
- WHT regime widened to cover rent and service fees.
- Transfer pricing provisions are more robust with a stringent penalty regime
- Penalties for non-compliance have been increased

### Residence Rules

#### 1. Individual

- (a) resides in Sri Lanka, or
- (b) is physically present in Sri Lanka for 183 days within any 12 month period in a year;

#### Change of residence (for those falling within (b) above)

- An individual who is resident in Sri Lanka only by reason of his presence falling within period or periods amounting to 183 days or more in any 12 month period that commences or ends during the year shall be treated as resident from the start of the 183 day period. Otherwise the person is resident for the whole year.
- At the time of becoming resident in Sri Lanka the net cost of an asset held by the person shall be equal to the market value of the asset at that time.
- At the time he/she ceases to be resident in Sri Lanka, the value of assets held by that person at the time of realization shall be equal to the market value.

#### (c) Partnership

- Formed in Sri Lanka, or
- Management and control of affairs are exercised in Sri Lanka

The basis of taxing partnerships has been changed.



Current Treatment	New Treatment
<p>Partnership is chargeable with income tax in respect of</p> <ul style="list-style-type: none"> <li>- Divisible Profit</li> <li>- Other Income</li> </ul> <p>The liability was calculated at the rate of 8% after deducting tax relief of Rs. 1,000,000/- from aggregate amounts of Divisible Profit and other income.</p>	<p>A Partnership is not be liable to pay income tax on its Taxable Income. Instead a withholding tax of 8% will be deducted from the share of any partnership income excluding gains from realisation of an investment asset at the time such profit is being distributed to the partners.</p> <p>The Gains from realisation of an Investment Asset will be liable to tax at the rate of 10%.</p>

### (d) Trust

- Settled or established in Sri Lanka, or
- A trustee of the trust is resident in Sri Lanka at any time during the year, or
- A person resident in Sri Lanka directs the management of the trust

Current Treatment	New Treatment
<p>Investment income of Dividends and Interest subject to WHT is final. Trust is liable only on the excess profits (i.e. profits retained after distributing to the beneficiaries.)</p> <p>No tax credit is available to beneficiaries</p> <p><b>Tax Calculation</b></p> <p>Gross Income - sums distributed to beneficiaries @ 24%</p>	<p>All income is liable to tax except for dividends which is final. The trust is liable to tax before distributing the profits to the beneficiaries.</p> <p>The share of tax credit will be distributed amongst the beneficiaries which can be claimed against their tax liability</p> <p>Gross Income @ 24%</p>

### (e) Companies

- Incorporated or formed under the laws of Sri Lanka, or
- Registered/ Principal Office is in Sri Lanka, or
- Management and control of affairs are exercised in Sri Lanka

## Sources of Income

The ten sources of income which are found in the current law has been re-classed to four sources, with most of the sources being bundled up as “investment income”.

The four sources of income together with their inclusions, exclusions and exemptions are set out below.

### 1. Employment Income

Scoped In	Scoped Out	Exemptions
<ul style="list-style-type: none"> <li>- Salary, wages, leave pay, overtime pay, fees, pensions, commissions, gratuities, bonuses and other similar payments</li> <li>- payments of personal allowance, including any cost of living, subsistence, rent, entertainment or travel allowance</li> <li>- discharge or reimbursement of expenses incurred by the individual or an associate of the individual;</li> <li>- Payments for agreements to employment conditions</li> <li>- Redundancy payment, loss of office</li> <li>- Retirement contributions by employer, retirement payments received by employee (subject to exceptions)</li> <li>- payments or transfers to another person for the benefit of the individual or an associate person of the individual</li> <li>- the fair market value of benefits received or derived by virtue of the employment by an individual or an associate person of the individual;</li> </ul>	<ul style="list-style-type: none"> <li>- Gains and Profits which are exempt from income tax and income subject to withholding taxes.</li> <li>- discharge or reimbursement of expenses incurred by the individual on behalf of the employer;</li> <li>- discharge or reimbursement dental, medical or health insurance expenses on a uniformly applicable scheme.</li> <li>- Payments made to or benefits accruing to employees on a non-discriminatory basis.</li> <li>- Value of a right or option to acquire shares to an employee under an employee share scheme</li> <li>- Contributions made by an employer to an employees account with a pension provident or savings fund or provident or savings society approved by CGIR.</li> </ul>	<ul style="list-style-type: none"> <li>- employment income of the President</li> <li>- pension received from the GoSL or a department of the GoSL</li> <li>- capital sums paid to a person as compensation or a gratuity in relation to personal injuries suffered by the person; or the death of another person.</li> <li>- retirement payments from any provident, pension fund or the ETF (derived by that fund, for any period after April 1, 1987) from investments made by it and a provident fund approved by CGIR.</li> <li>- the income of an individual entitled to privileges to the extent provided for by a diplomatic immunities law or a similar law/ institutions.</li> <li>- benefits received or derived by an employee of the government of Sri Lanka from a road vehicle permit issued to that employee.</li> </ul>

Scoped In	Scoped Out	Exemptions
<ul style="list-style-type: none"> <li>- other payments, including gifts received in respect of the employment;</li> <li>- market value of shares at the time allotted under an employee share scheme, including shares allotted as a result of the exercise of an option or right to acquire the shares, reduced by the employee's contribution for the shares (subject to exceptions)</li> </ul>		<ul style="list-style-type: none"> <li>- Employment income of a non-resident person is exempt if the paying company has invested more than USD 1,000Mn on assets eligible for enhanced depreciation allowance (other than on an intangible assets)- this applies upto 20 expat employees. <i>The wording of this exemption on the Bill and Amendments require clarification.</i></li> </ul>

### 2. Business Income

Scoped In	Scoped Out	Exemptions
<ul style="list-style-type: none"> <li>- Service fee</li> <li>- Consideration received in respect of trading stock</li> <li>- Gains arise from realization of capital assets and liabilities.</li> <li>- amounts derived as consideration for accepting a restriction on the capacity to conduct the business</li> <li>- realization of depreciable assets of the business.</li> <li>- Gifts received in respect of the business.</li> <li>- derived that are effectively connected with the business and that would otherwise be included in calculating the person's income from an investment</li> <li>- Any other sources of income from business.</li> </ul>	<ul style="list-style-type: none"> <li>- Gains and Profits which are exempt from income tax and income subject to withholding taxes.</li> <li>- Employment income included in person's income.</li> </ul>	<ul style="list-style-type: none"> <li>- Exemption granted in another law or an agreement entered into prior to the commencement of this Act</li> <li>- profits and income from any property donated by royal or other grant before March 2,1815, to any place of public worship administered by a charitable institution, in so far as such profits and income are applied to the purposes for which such grant was made</li> </ul>

### 3. Investment Income

Scoped In	Scoped Out	Exemptions
<ul style="list-style-type: none"> <li>- Dividends, Interests, discounts, charges, annuities, rent, premiums, royalties and natural resource payments.</li> <li>- Consideration for accepting a restriction on the capacity to conduct the investment</li> <li>- Gifts received in respect of the investment.</li> <li>- Winnings from lotteries, betting or gambling</li> <li>- Any other income from investments.</li> </ul>	<ul style="list-style-type: none"> <li>- Gains and Profits which are exempt from income tax and income subject to withholding taxes.</li> <li>- Employment and business income included in persons income.</li> </ul>	<ul style="list-style-type: none"> <li>- Dividends distributed out of dividends received from a resident company on which WHT has been deducted</li> <li>- Dividend received by a non-resident person is exempt if the paying company has invested more than USD 1,000Mn on assets eligible for enhanced depreciation allowance (other than on an intangible assets).</li> <li>- dividends from and gains on the realization of shares in a non-resident company derived by a resident company with respect to a substantial participation in the non-resident company.</li> <li>- Interest/ discount sovereign bonds (for banks and non-residents)</li> <li>- Interest derived by a charitable institution used for charitable causes.</li> <li>- amount derived by a senior citizen from an annuity for life for a period of not less than ten years purchased from a bank or an insurance company</li> <li>- winning from a lottery not exceeding Rs. 500,000/-</li> </ul>
<ul style="list-style-type: none"> <li>- Gains from realization of investment assets.</li> </ul>		<ul style="list-style-type: none"> <li>- LKR 600,000 for a year of assessment by any resident individual being a total gain on realization of investment assets</li> <li>- a gain made by a resident individual on the realization of the individual's principal place of residence, provided it has been owned by the individual continuously for the three years before being realized and lived in by the individual for atleast two of those three years (calculated on a daily basis).</li> <li>- a gain made on realization of an investment asset consisting shares quoted in a stock exchange licensed by the SEC of Sri Lanka</li> </ul>

### 3.1 Gain on Realization of Investment Assets

This is treated as an investment income as tabulated above and is subject to the exemptions as reflected therein. The rate of tax applicable on gains from the realization of investment assets is 10%. Tax shall be paid on gain from realization of investment assets within one month after the realization of such assets.

The mechanism to calculate gains are briefly set out hereunder:

$$\text{GAIN / (LOSS)} = \text{CONSIDERATION RECEIVED} - \text{COST OF THE ASSET}$$

#### Consideration Received shall be;

- amounts received or receivable by the person for the asset, include fair market value of any consideration in kind at the time of realization
- amount derived from altering or decreasing the value of the asset including by way of covenant to repair or otherwise
- amount derived or an entitlement to derive in the future in respect of realization of the asset
- consideration received by way of grant of an option (only if the person has not been subject to tax in respect of any income/ gain made on the grant of the option).

Consideration received excludes an exempt amount, a final withholding payment and amount included in calculating a person's assessable income.

#### Cost of the asset shall be;

- expenditure incurred in acquiring the asset (including cost of construction, manufacture or production)
- expenditure incurred in altering, improving, maintaining and repairing the asset
- incidental expenditure incurred in acquiring and realizing the asset

Cost of the asset excludes consumption expenses, excluded expenses and expenditure to the extent to which it is deducted in calculating person's income or included in the cost of another asset.

**The cost of an investment asset held by a person as at 30<sup>th</sup> September 2017 is equal to the market value of the asset at that time.**

Special rules have been stipulated for realisation of assets/ deemed realisation in instances such as changing one's residence, death, divorce, gifting assets at no consideration to one's associate/ any individual or charitable institution.

Associate in relation to an individual is defined to mean *"the individual's child by marriage or adoption, spouse, parent, grandparent, grandchild, sibling, aunt, uncle, nephew, niece or first cousin"*

The manner and the procedure relating to the payment of tax on the gain from realization of an asset may be specified by the Commissioner General.

## 4. Other Income

Scoped In	Scoped Out	Exemptions
<ul style="list-style-type: none"> <li>- Any other source of income other than income which are casual and non-recurring nature.</li> </ul>	<ul style="list-style-type: none"> <li>- Gains and Profits which are exempt from income tax and income subject to withholding taxes.</li> <li>- Employment, business and investment income included in person's income.</li> </ul>	<ul style="list-style-type: none"> <li>- any prize received by a person as an award made by the President of the Republic of Sri Lanka or by the Government in recognition of an invention any research</li> <li>- any sum received by a person from the President's Fund or National Defence Fund</li> <li>- any amount derived by a person from the sale of any gem on which WHT has been deducted</li> </ul>

## Qualifying payments and Reliefs

### Qualifying payments

#### 1. Donations made (in money) to a charitable institutions

- established for providing institutionalized care for sick and needy
- Declared by Minister as an Approved Charity subject to the following ceilings (i.e. the lower of):  
 Individuals - 1/3 of Taxable Income or LKR 75,000  
 Entities - 1/5 of Taxable Income or LKR 500,000

#### 2. Profits remitted to the Presidents Fund by a public corporation as required by law or corporation rules

#### 3. Donations made to specified institutions

- Government of Sri Lanka or a fund established by same
- Local Authority and a fund established by same and approved by the Minister
- A fund established by a Provincial Council and approved by the Minister
- Buddhist and Pali University as per Buddhist and Pali University Act No. 74 of 1981
- Higher Education Institutions as per Universities Act No. 16 of 1978
- Sevana Fund created by National Housing Development Authority as per National Housing Development Authority Act No. 17 of 1979
- Api Wenuwen Api Fund as per Api Wenuwen Api Fund Act No. 6 of 2008
- National Kidney Fund as per National Kidney Fund Act No. 34 of 2006



### Reliefs

- Individuals - both residents as well as citizens (other than trustee, receiver, executor or liquidator) - LKR 500,000 tax free allowance (not applicable on capital gains)
- Individuals in employment - LKR 700,000
- Individuals with rent income - 25% repair allowance on the investment asset
- Senior Citizen individuals with interest income - LKR 1,500,000
- Resident individual or partner of a partnership with income earned in foreign currency in Sri Lanka, from any service rendered in or outside Sri Lanka to any person outside Sri Lanka, Rs.15,000,000 for each year of assessment, upto the total of such income for the year

### Losses

Any utilized losses could be carried forward and set off in the same manner over a period of 6 years

*It is pertinent to note that as per the current law deductible losses have an indefinite life.*

### Investment Incentives

#### 1. Enhanced Depreciation Allowances

A person who invests in Sri Lanka (other than expansion of existing business) on depreciable assets other than intangible assets during a year of assessment shall be granted enhanced capital allowances in addition to the normal capital allowances available to the business.

Region/ Project	Rate	Minimum Investment (in tangible assets)
Other than Northern Province	100%	USD 3Mn to 100Mn
Other than Northern Province	150%	USD 100Mn
Northern Province	200%	USD 3Mn
State owned company ("state owned company" means any company, where 50% or more of the shares are held by the Government and includes a company or which 40% or more of the shares held by the Government are acquired by a person for an amount not less than USD 250 million)	150%	USD 250Mn

## 2. Losses due to enhanced depreciation

- If the loss has been incurred due to enhanced depreciation allowances claimed during a year of assessment, the carried forward period for such losses to be set off has been extended as follows;

Amount of Investment	Time granted to claim losses from enhanced depreciation allowances
More than USD 1,000 million	25 years
State owned company	25 years
Others	10 years



## 3. Exemption from withholding tax

### Dividend paid to a non-resident

If the company paying the dividend has incurred more than USD 1,000 million on depreciable assets (other than intangible assets) or made an investment in a state owned company and the dividend is paid out of profits sheltered by enhanced depreciation allowances, such dividend will be exempt from tax.

### Expatriate Employee

If the company making employment payments to an expatriate employee has incurred more than USD 1,000 million on depreciable assets (other than intangible assets) or made an investment in a state owned company where the expatriate employees is less than 20, such employment payments will be exempt from tax.



## Withholding Taxes

Source	Withholding Agent	Withholdee	Rate ( % )
Employment	A Resident Employer	any employee	rates specified by the Commissioner General and published in the Gazette
Interest or discount	A Resident Person	A resident person (other than on government securities)	5%
		a senior citizen in relation to a bank deposit account	At the rate prescribed in regulations
		A Non-resident	
Dividends	A Resident Person	A resident person	14%
		A Non-resident	
Rent	Any Person	A resident person	10%
		A Non-resident	14%
Winnings from a lottery, reward, betting or gambling	A Resident Person	Any Person	14%
Discount, charge, natural resource payment, royalty, premium or retirement payment	A Resident Person	Any Person	14%
Service Fees and contract payments	Any Person	A resident individual	First Rs.50,000 per month - 0% Any Balance - 5%
		A Non-resident	14%
Insurance Premium	Any Person	A Non-resident	14%
Gems sold at an Auction of National Gem and Jewelry Authority	Any Person	Any person	2.5%

- Deductions for WHT will only be granted when the tax has been paid the tax to the CGIR.
- WHT Returns are to be filed annually within 30 days from the end of the year of assessment (i.e. 31 March)

## Tax Rates

### 1. Individuals

Taxable Income (LKR)	Tax Rate
First 600,000	4%
Next 600,000	8%
Next 600,000	12%
Next 600,000	16%
Next 600,000	20%
Any Balance	24%

Income from employment would be liable at the same rates subject to the qualifying payments. Therefore, the current maximum rate of 16% has been removed.

- Retirement payment rates

Period of contribution or employment is 20 years or less:

Total Income from Employment (LKR)	Tax Rate
First 2,000,0000	0%
Next 1,000,0000	5%
Any Balance	10%

Period of contribution or the period of employment is more than 20 years:

Total Income from Employment (LKR)	Tax Rate
First 5,000,0000	0%
Next 1,000,0000	5%
Any Balance	10%



## 2. Trusts - 24%

## 3. Companies

- **Normal Rate - 28%**
- **Concessionary rate - 14%**
  - Small and Medium Enterprises
  - a company *predominantly* conducting a business of export of goods and services
  - a company *predominantly* conducting an agricultural business
  - a company *predominantly* providing educational services
  - a company *predominantly* engaged in an undertaking for the promotion of tourism
  - a company *predominantly* providing information technology services

Predominantly means 80% or more calculated based on gross income.

“Small and Medium Enterprise” is defined to mean a person that satisfies the following:

- conducts business solely in Sri Lanka other than an individual who is engaged in providing professional services individually or in partnership being an individual who is professionally qualified;
- does not have an associate that is an entity; and
- the annual gross turnover is less than Rs. 500 Mn

"export" has been defined to include specified undertakings engaged in the activities enlisted below:

- Entrepot trade involving import, minor processing and re-export;
- Offshore business where goods can be procured from one country or manufactured in one country and shipped to another country without bringing the same into Sri Lanka;
- Providing front end services to clients abroad;
- Headquarters operations of leading buyers for management of financial supply chain and billing operations;
- Logistic services such as bonded warehouse or multi-country consolidation in Sri Lanka;
- Transshipment operations;
- Freight forwarding;

- Supply of services to any exporter of goods or services or to any foreign principal of such exporter directly, being services which could be treated as essentially related to the manufacture of such goods or provision of such services exported by such exporter either directly or through any export trading house, including any service provided by an agent of a ship operator to such agent's foreign principal, and the payment for such services are made by such exporter or foreign principal to such person in Sri Lanka in foreign currency;
  - Production or manufacture, and supply to an exporter of non-traditional goods;
  - The performance of any service of ship repair, ship breaking repair and refurbishment of marine cargo containers, provision of computer software, computer programmes, computer systems or recording computer data, or such other services as may be specified by the Minister by notice published;
  - Sale for foreign currency, of any gem or jewellery, being a sale made in Sri Lanka by any person authorized by the Central Bank of Sri Lanka to accept payment for such sale in foreign currency.
- **Luxury rate - 40%**
    - a company with income from a business consisting of betting and gaming, liquor and/or tobacco
4. **Unit Trusts or Mutual Funds - 28%**  
*The taxability on unit trusts have been structurally changed to tax dividends distributed by unit trusts to unitholders.*
  5. **Charitable institutions - 14%**
  6. **Non-Governmental organizations - 28%**

Current Treatment	New treatment
Calculation of Deemed Profit: 3% equal to aggregate of Grant, Donation, and Contribution or in any other form other than received from the Government of Sri Lanka.	Calculation of the income from NGO is same. However, the exemption on donation received from Government has been removed



7. **Employees Trust Funds, Provident or Pension Funds and Termination Funds - 14%**
8. **Remittance tax rate on profits - 14%**



## International

### 1. Transfer Pricing (“TP”)

The transfer pricing regulations have been strengthened and include the following concepts and penal provisions;

- Permanent Establishment
- Safe harbor rules
- Penalties

- **Permanent Establishment (“PE”)**

The concept of a PE previously was only prevalent in Double Taxation agreements. The new law seeks to introduce the concept in the domestic statute. Accordingly, the PE concept is extended in relation to a country with which there is no agreement on avoidance of double taxation. A PE in such case will include **any business connection or a fixed place of business through which the business of the enterprise is wholly or partly carried out irrespective of the number of days of such business carried out in Sri Lanka.**

Accordingly, for TP purposes, a PE is separated from its head office and related branches and the transactions between them will need to be ascertained having regard to arm’s length price.

- **Safe harbor rules**

The concept of safe harbor rules have been introduced. Under this, the Commissioner General is empowered to propose a simplification measure that shall accept the transfer price declared by the tax payer. This has simplified Transfer Pricing and benefit the tax payers who do not have comparables and service organizations.

- **Penalties**

A new section been introduced to impose penalties on non-compliance to transfer pricing regulations;

- Required documents have not been maintained - 1% from the aggregate value of transaction
- Where required documents have not been submitted - LKR 250,000/-
- Non-disclosure of any required information - 2% from the aggregate value of transaction
- Where required documents have not been submitted on the specified date - LKR 100,000/-
- Concealed or furnished inaccurate particulars of such income - 200% of value of additional tax

## 2. Double Taxation Agreements

The law recognizes the concept of treaty override but the concept of beneficial ownership has been stressed. Accordingly, where there is any conflict between the terms of a double tax agreement and the provisions of the Act, the double taxation agreement prevails. However, the benefit under these agreements shall not be available to a body that, when fifty percent or more of the underlying ownership or control of that body is held by an individual or individuals who are not residents of that other contracting state for the purposes of the agreement, other than where the resident of the other contracting state is a company listed on a stock exchange in that other contracting state.

## Administration

### 1. Obtaining TIN registrations

The Act requires every person liable to furnish a return of income to register not later than 30 days after the end of the basis period for that year with the CGIR. In the event the CGIR refuses the application, the reason for such refusal is to be communicated to the applicant in writing within 14 days of making the decision.

### 2. Tax Payments

Tax payments arise in three circumstances:

- Withholding Tax
- Instalment Tax
- Tax on assessment

#### 2.1 Withholding Tax

Sums are to be remitted within 15 days after the end of each calendar month in respect of any tax that has been withheld on the following source in the payment or allocation:-

1. Employment income
2. Dividend, interest, discount, charge natural resource payment, rent, royalty, premium and retirement payment.
3. Share of any partnership income
4. Service fees in respect of:
  - Teaching, lecturing, examining, invigilating or supervising examination.
  - Commission or brokerage to a resident insurance, sale or canvassing agent.
  - Endorsement fee
  - Supply of any article on a contract basis through tender or quotation.

## 2.2 Instalment Tax

Income tax is payable in quarterly instalments if any person derives or expects to derive assessable income from business, investment or employment which has not been subject to tax under the withholding tax regime. The taxes are required to be made based on the estimated tax liability for the year as tabulated below:

	Due day of instalment of tax
A person whose Y/A ending on 31 <sup>st</sup> March	1 <sup>st</sup> Instalment - on or before 15 <sup>th</sup> of August 2 <sup>nd</sup> Instalment - on or before 15 <sup>th</sup> of November 3 <sup>rd</sup> Instalment - on or before 15 <sup>th</sup> of February 4 <sup>th</sup> Instalment - on or before 15 <sup>th</sup> of May Final instalment - on or before 30 <sup>th</sup> September
In any other case	on or before 15 days after each 3 month period commencing at the beginning of each year of assessment 1 <sup>st</sup> Instalment - on or before 15 <sup>th</sup> of July 2 <sup>nd</sup> Instalment - on or before 15 <sup>th</sup> of October 3 <sup>rd</sup> Instalment - on or before 15 <sup>th</sup> of January 4 <sup>th</sup> Instalment - on or before 15 <sup>th</sup> of April Final Instalment - on or before 30 <sup>th</sup> September

The amount of each instalment of tax payable by a person for a year of assessment is to be calculated based on the following formula:-

$$\frac{A - C}{B}$$

- A- Is the current estimated tax payable for the year of assessment
- B- Is the number of instalment remaining for the year of assessment including the current instalment
- C- Is the sum of any
  - Previous instalment paid during the year of assessment
  - Withholding tax paid under any double tax agreement
  - Withholding tax paid by a person who fails to deduct WHT at the time of the payment but paid subsequently.

Any person who pays tax by instalment basis is required to file a return of estimated tax liability for a year of assessment at the time of making payment of the first instalment.

The period for assessing a penalty shall be limited to 5 years

**2.3 Tax on assessment** - payable on the date stated in a notice of payment.

**2.4 Tax on capital gain** - Tax shall be paid on gain from realization of investment assets within one month after the realization of such assets.

### 3. Penalties

#### 3.1 Penalty on non-registration / change of details

Any person who fails to meet tax registration requirement shall be liable for a penalty not exceeding LKR 50,000.

#### 3.2 Penalty on non-filing the return

Any person who fail to file a tax return on or before the date specified in the Act shall be liable for a penalty as tabulated below:

50% of the amount of the tax due + Further 1 % of amount of tax due for each month or part of the month until return is filed	Whichever is greater
LKR 50,000 + Further LKR 10,000 for each month or part of the month until return is filed	

The penalty in respect of non-filing of a tax return shall be limited to LKR 400,000.

#### 3.3 Penalty on late /non payment

Any person who fails to pay in full or part of tax within 14 days from due date or by the due date specified in the notice of assessment shall be liable for a penalty equal to 25% of the tax payable amount.

Any person who fails to pay in full or part of instalment tax within 14 days from the due date shall be liable for a penalty equal to 10% of the tax payable amount.

### 3.4 Penalty on negligent or fraudulent underpayment

Where tax is unpaid by any person as a result of an incorrect statement or material omission in a taxpayer's tax return, such person shall liable to penalty as tabulated below:

Underpayment	Penalty
The amount of the underpayment is less than LKR 10 Mn or 25 % of the person's tax liability for the period.	25% of the underpayment
The amount of the underpayment is more than LKR 10 Mn or 25 % of the person's tax liability for the period.	75% of the underpayment

## 4 Tax Returns

- **Income Tax Return**

Every person shall furnish a Return of income who is chargeable with income tax to the Assistant Commissioner not later than 18 months after the end of each year of assessment.

- **Capital Gains tax return**

Every person shall furnish a capital gain tax Return to Commissioner General not later than one month after realization of an investment assets.

Following information and documents to be filed with the capital gain tax Return;

- Statement of calculation of capital gain
- Tax payment details and any tax credit available in respect of such gain.

## 5 Tax Assessment

The time bar provision for raising an initial assessment have been extended to thirty months.

## 6 Due dates

In the event a specified due date to perform any process or activity has been stipulated and such last date falls on a day which the Department is not open to the public (holiday); such activity will be considered as duly done if it is performed or done on the next succeeding day on which the Department is open to the public.

### 7 Tax Rulings

The Act sets out a more rigorous ruling mechanism than the current advance ruling mechanism. It encompasses both private and public rulings.

- **Private ruling**

A taxpayer may make a written request to the CGIR regarding the application of the Act on a transaction entered into or to be entered into by such person. Such request must specify precisely the question on which the ruling is sought including full details of the transaction and other related documents and a full statement setting out the opinion of the applicant.

The timeframe for issuance of the ruling is 90 days from the receipt of the application and a fee maybe charged in respect of same. A private ruling will be binding on the CGIR as against the taxpayer identified, but shall not be binding on the CGIR as against any other taxpayer.

- **Public ruling**

To achieve consistency in the administration of the Act and provide guidance to the general public and officers of the Department, the CGIR may issue public rulings setting out the Commissioner- General's interpretation of the application of the Act. A public ruling will be binding on the Commissioner- General until withdrawn but not be binding on taxpayers.

### 8 Authorized representatives

The Commissioner-General may specify the circumstances under which a taxpayer may designate an authorized representative to communicate with the Department on behalf of the taxpayer and shall accept a designation made in accordance with such circumstances.

## ANNEXURE 1 - COMPARISON OF COMPUTATION OF TAX

Calculation of Adjusted Business Profits			
Current treatment		New Treatment	
Profit before tax as per Income Statement	xx	Profit before tax as per Income Statement	xx
(-) Profits and Income Considered separately		(-) Income from other sources	(x)
Eg :- Interest Income	(xx)	(+) Disallowable Expenses	
Dividend Income	(xx)	[Division IV (Sec. 10)]	
		Eg :Domestic Expenses	xx
		Penalties, fines, Entertainment etc	xx
(+) Disallowable Expenses (Sec 26)		(+) Capital Nature Expenses	
Ex- Entertainment	xx	[Division IV (Sec. 11)]	(xx)
Gratuity Provision	xx		
(-) Allowable Expenses (Sec 25)		(-) Repairs (including capital nature) [Division IV (Sec. 14)]	(x)
Ex- Depreciation		Class 4 assets - 5% of	
Allowances (Annexure 2)	(xx)	previous year	
Gratuity Paid	(xx)	Others - 20% of	
		Previous year	
Statutory Income from Business	<u>xx</u>	(-) R &D and agricultural start up expenses (including capital nature)	(x)
Other Sources of income		(-) Depreciation Allowances	
Ex- Interest Income	<u>xx</u>	[Division IV (Sec. 16)]-	(xx)
<b>Total Statutory Income</b>	<b>xx</b>	(Annexure 2)	
(-) Deductions under Sec 32		Assessable Income from Business	<u>xx</u>
Ex- Income not form part			
of assessable Income	(xx)		
Losses	(xx)		
Pre commencement			
Exp	(xx)		

<p>Assessable Income <span style="float: right;">xx</span></p> <p>(-) Qualifying Payments Under Sec 34 <span style="float: right;"><u>(xx)</u></span></p> <p><b>Taxable Income <span style="float: right;"><u>xx</u></span></b></p> <p style="text-align: center;">Income Tax    Taxable    Tax Liability    = Income X Rate</p>	<p>(Net of losses) <span style="float: right;">xx</span></p> <p>Net Investment Income <span style="float: right;">xx</span></p> <p>Other Sources of income</p> <p><b>Assessable Income <span style="float: right;"><u>xx</u></span></b></p> <p>(-) Qualifying Payments Under Sec 52 <span style="float: right;">xx</span></p> <p><b>Taxable Income <span style="float: right;"><u>(xx)</u></span></b></p> <p style="text-align: center;">Income Tax    Taxable    Tax Liability = Income X Rate <span style="float: right;"><u>xx</u></span></p>
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## ANNEXURE 2 - COMPARISON OF TAX DEPRECIATION RATES

Current Treatment	New Treatment																																																
<p><b>Depreciation Allowances (Rates)</b> An allowance for depreciation is granted to the assets acquired, constructed or assembled by applying relevant rates specified in the Sec. 25 (a) of the IRD Act No. 10 of 2006. Such rates are as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;">Class of asset</th> <th style="width: 30%;">Rate</th> </tr> </thead> <tbody> <tr> <td>Information Technology Equipment</td> <td style="text-align: center;">25%</td> </tr> <tr> <td>Software developed in SL</td> <td style="text-align: center;">100%</td> </tr> <tr> <td>Motor Vehicle and Furniture</td> <td style="text-align: center;">20%</td> </tr> <tr> <td>Buildings-     Prior to 1/4/2015</td> <td style="text-align: center;">6.67%</td> </tr> <tr> <td>    After 1/4/2015</td> <td style="text-align: center;">10%</td> </tr> <tr> <td>Software developed in SL</td> <td style="text-align: center;">100%</td> </tr> <tr> <td>Plant &amp; Machinery     Prior to 1/4/2011</td> <td style="text-align: center;">12.5%</td> </tr> <tr> <td>    After 1/4/2011</td> <td style="text-align: center;">33.3%</td> </tr> <tr> <td>Plant and Machinery acquired -</td> <td></td> </tr> <tr> <td> <ul style="list-style-type: none"> <li>Energy efficiency purposes, technology upgrading purposes, exporters (Subject to conditions), new undertaking with minimum investment of USD 2Mn for the manufacture of products for export.</li> </ul> </td> <td style="text-align: center; vertical-align: middle;">50%</td> </tr> <tr> <td> <ul style="list-style-type: none"> <li>IT infrastructure by stock broker companies, business of power generation</li> </ul> </td> <td style="text-align: center; vertical-align: middle;">100%</td> </tr> </tbody> </table>	Class of asset	Rate	Information Technology Equipment	25%	Software developed in SL	100%	Motor Vehicle and Furniture	20%	Buildings- Prior to 1/4/2015	6.67%	After 1/4/2015	10%	Software developed in SL	100%	Plant & Machinery Prior to 1/4/2011	12.5%	After 1/4/2011	33.3%	Plant and Machinery acquired -		<ul style="list-style-type: none"> <li>Energy efficiency purposes, technology upgrading purposes, exporters (Subject to conditions), new undertaking with minimum investment of USD 2Mn for the manufacture of products for export.</li> </ul>	50%	<ul style="list-style-type: none"> <li>IT infrastructure by stock broker companies, business of power generation</li> </ul>	100%	<p><b>Depreciation Allowances (Rates)</b> An allowance for depreciation is granted to the assets acquired, constructed or assembled by applying relevant rates specified in the fourth schedule of the Bill.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Class of asset</th> <th style="width: 30%;">Rate</th> <th style="width: 40%;"></th> </tr> </thead> <tbody> <tr> <td>Class 1</td> <td style="text-align: center;">20%</td> <td rowspan="5" style="vertical-align: middle; text-align: center;"><i>Classification of depreciable assets</i></td> </tr> <tr> <td>Class 2</td> <td style="text-align: center;">20%</td> </tr> <tr> <td>Class 3</td> <td style="text-align: center;">20%</td> </tr> <tr> <td>Class 4</td> <td style="text-align: center;">5%</td> </tr> <tr> <td>Class 5</td> <td style="text-align: center;">Actual lifetime or 5% (in the case of assets with an indefinite lifetime)</td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 10%;">Class 1</td> <td>Computer Equipment</td> </tr> <tr> <td>Class 2</td> <td>Motor Vehicles (Other than vehicles used for travelling), Plant and Machinery used in the business</td> </tr> <tr> <td>Class 3</td> <td>Furniture, Fixtures, Specialized Plant and Machinery, Water transportation equipment, aircrafts etc.</td> </tr> <tr> <td>Class 4</td> <td>Buildings and structures</td> </tr> <tr> <td>Class 5</td> <td>Intangible Assets (Other than goodwill)</td> </tr> </tbody> </table>	Class of asset	Rate		Class 1	20%	<i>Classification of depreciable assets</i>	Class 2	20%	Class 3	20%	Class 4	5%	Class 5	Actual lifetime or 5% (in the case of assets with an indefinite lifetime)	Class 1	Computer Equipment	Class 2	Motor Vehicles (Other than vehicles used for travelling), Plant and Machinery used in the business	Class 3	Furniture, Fixtures, Specialized Plant and Machinery, Water transportation equipment, aircrafts etc.	Class 4	Buildings and structures	Class 5	Intangible Assets (Other than goodwill)
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## Nation Building Tax (“NBT”)

Key changes introduced by the Nation Building Tax (Amendment) Act No. 13 of 2017

Effective Date: 1<sup>st</sup> April 2017 (unless specified otherwise)

The NBT Amendment Act of 2017 focuses on amendments to be effected to Part I and Part II of the First Schedule to the Nation Building Tax Act, No. 9 of 2009 (as amended) [“NBT Act”].

### Exceptions

#### 1. New exceptions

The following articles and services have been granted NBT exceptions:

- Printed books, magazines, journals or periodicals other than newspapers, identified under the Harmonized Commodity Description and coding numbers; and
- International telecommunication services provided to local operators by External Gateway Operators

#### 2. Removal or restricted exceptions

The following exceptions has been removed or restricted:

#### Articles

- The exception for lubricants classified under Harmonized Commodity Description and coding numbers for customs purposes has been removed for the interim period 02<sup>nd</sup> May 2016 to 11<sup>th</sup> July 2016 and from 1<sup>st</sup> November 2016 onwards.
- The exception that was afforded to Sri Lankan Airlines Ltd, Mihin Lanka (Pvt) Ltd and Air Lanka Catering Services Limited on authorized goods has been removed with effect from 1<sup>st</sup> August 2017.
- The exception granted to the articles imported or sold by any society registered under Co-operative Societies Act No. 5 of 1972 or under the respective statutes enacted by the Provincial Councils providing for such registration or Lak Sathosa Limited registered under the Companies Act No. 7 of 2007 has been removed with effect from 1<sup>st</sup> August 2017.

### Services

- The exception pertaining to supply of electricity has been restricted to the period commencing from 11<sup>th</sup> July 2016 to 1<sup>st</sup> April 2017. Generation and supply of electricity (other than the supply of electricity by the Ceylon Electricity Board) will continue as an excepted service.
- The exception afforded to construction contractors and subcontractors in respect of specified constructions has been restricted to construction subcontractors only.
- The exception on inbound tour services provided by travel agents registered with the Ceylon Tourist Board will only be applicable to such service providers, who receive payments in foreign currency through a bank on or after 1<sup>st</sup> August 2017.
- With regard to payment in foreign currency remitted to Sri Lanka through a bank for services rendered in or outside Sri Lanka, exception on the same will be available only if such payment is made for the purpose of utilization out of Sri Lanka to any person or partnership outside Sri Lanka.
- The exception granted to services provided by any society registered under Co-operative Societies Act No. 5 of 1972 or under the respective statutes enacted by the Provincial Councils providing for such registration or Lak Sathosa Limited registered under the Companies Act No. 7 of 2007 has been removed with effect from 1<sup>st</sup> August 2017.
- The exception pertaining to the services rendered in the business of real estate and improvements in relation to the construction and sale of residential accommodation for the construction project relating to the supply of such residential accommodation, less than 10Mn USD or its equivalent in any other currency has been removed with effect from 1<sup>st</sup> August 2017.



## Economic Service Charge (“ESC”)

Key changes introduced by the Economic Service Charge (Amendment) Act No. 7 of 2017

Effective Date: 1<sup>st</sup> April 2016 (unless specified otherwise)

The ESC Amendment Act of 2017 incorporates the changes proposed in the budget for 2016 and 2017.

### Chargeability

The present exclusion of profit making business from chargeability of ESC was removed from **01<sup>st</sup> April 2016**. Accordingly, every person or partnership which carries on a trade, business, profession or vocation is liable to pay ESC.

### ESC rates

The ESC rate was increased from 0.25% to 0.5% with effect from **01<sup>st</sup> April 2016**.

Part of the Liable Turnover	Rate of the Service Charge applicable to the Part
1. On the relevant turnover other than the relevant turnover of a person or a partnership of the retail sale of petrol, diesel or kerosene	0.5%
2. On 1/10 <sup>th</sup> of the relevant turnover of a person or partnership from the retail sale of petrol, diesel or kerosene	0.5%

### Set off against Income tax

ESC paid will be considered as a credit for self assessment payment of such relevant quarter and it can be set off for Income Tax payable for the relevant year of assessment. The balance, if any can only be carried forward for 2 subsequent years of assessments with effect from **01<sup>st</sup> April 2016**.

### Ceiling on ESC payment

The maximum ESC payable of LKR 30 Mn per quarter has been removed resulting in the payment of ESC without any cap with effect from **01<sup>st</sup> April 2016**.

### Threshold for liability

Every person or partnership which carries on a trade, business, profession or vocation and has a turnover of more than LKR 12.5 Million per quarter from **01<sup>st</sup> April 2017** will be liable to pay ESC.

### ESC at the point of import

ESC will be charged on the Cost, Insurance and Freight (CIF) value of the following items at the point of import;

- Any article subject to Special Commodity Levy on or after 1st April 2016
- Gold or other precious metals on or after 24th November 2016
- Motor vehicles on or after 1st April 2017

The threshold for ESC liability based on the turnover will not be applicable where ESC is charged at the point of import.

Any person or partnership which pays ESC at the point of import can obtain a credit against;

1. The ESC liability arising on the relevant turnover and
2. Any residue can be set off against Income Tax payable for the relevant year of assessment and 2 subsequent years of assessments



## Foreign Exchange

Key changes introduced by the Foreign Exchange Act, No. 12 of 2017

Effective Date: 1<sup>st</sup> November 2017 (unless specified otherwise)

The new Foreign Exchange Act introduces a more rule-based regulatory system to promote and regulate foreign exchange through the Central Bank.

### Date of operation

The date of operation has been specified as 01<sup>st</sup> November 2017 by Gazette Extraordinary No. 2040/43 issued on 13<sup>th</sup> October 2017.

### Key Definitions

**Foreign Exchange** means foreign currency and includes -

- deposits, credits and balances payable in foreign currency;
- drafts, travelers' cheques, letters of credit and bills of exchange drawn in Sri Lanka and payable outside Sri Lanka in foreign currency;
- drafts, travelers' cheques, letters of credit and bills of exchange drawn outside Sri Lanka but payable in Sri Lankan currency;
- any document or instrument of a type customarily employed for international transfers of funds;

**Person** means any natural person or legal person including partnerships

**A person resident in Sri Lanka** means such person as is determined by the Minister by Order published in the Gazette

**Currency** includes coins, currency notes, postal orders, money orders, cheques, drafts, travelers' cheques, letters of credit, bills of exchange, promissory notes, other electronic fund transfer cards and digital currency;

**Securities** means shares, stock, bonds, debentures, units under a unit trust scheme or of any mutual fund.

**Foreign Asset** means any movable or immovable property outside Sri Lanka of any class or description whatsoever and without prejudice to the generality of the preceding provisions of this definition, includes foreign exchange, foreign currency, foreign securities and foreign bank accounts;

### Authorised dealers and restricted dealers

Entities/Persons authorised to deal with Foreign Exchange (subject to guidelines and directions issued from time to time by the Central Bank) are:

- Authorised Dealers
- Restricted Dealers (for the purposes specified in the permit)
- Any person who has been granted special permission by the Central Bank of Sri Lanka (“CBSL”)

### Foreign exchange or foreign assets held or owned by a person in or resident in Sri Lanka

Foreign exchange or foreign assets owned by a person in or resident in Sri Lanka may be utilized for making any payment in respect of any Capital or Current transaction within or outside Sri Lanka (“SL”).

Any payment made within SL shall be made through an authorized dealer or restricted dealer. The Act is silent about the exchange of Gold.

### Current Transaction

A person shall be entitled to deal in foreign exchange for a **CURRENT TRANSACTION** through an authorized dealer or restricted dealer

“**Current Transaction**” means any international transaction necessitating a transfer of foreign exchange into or from SL and referred to in paragraph (d) of Article XXX of the Articles of the International Monetary Fund set out in the Schedule to the Act as set out below;

Payments for current transactions means payments which are not for the purpose of transferring capital assets, and includes, without limitation:

- all payments due in connection with foreign trade, other current business, including services, and normal short term banking and credit facilities;
- payments due as interest on loans and as net income from other investments;
- payments of moderate amount for amortization of loans or for depreciation of direct investments; and
- moderate remittances for family living expenses.

[The Fund may, after consultation with the members concerned, determine whether certain specific transactions are to be considered current transactions or capital transactions.]

Authorized dealer or Restricted Dealer shall refuse to deal in foreign exchange for a current transaction (even without consultation with CBSL) for the following reasons:

- i) Information, documents or declaration relating to such transaction is not complied with;
- ii) the dealer is satisfied that the requirement is not for a current transaction;
- iii) or the requirement is not in conformity with any other laws relating to such transaction.

The Authorised dealer or restricted dealer refusing to deal in foreign exchange in respect to a current transaction shall communicate his decision in writing together with his reasons for such refusal.

Appeals to CBSL against such refusals need to be made within 14 days of such refusal.

### Capital Transaction

A person shall be entitled to deal in foreign exchange for a **CAPITAL TRANSACTION** through an authorized dealer or restricted dealer being capital transactions of a class or classes, which are authorised by the Regulations.

“**Capital Transaction**” means “a transaction which is not a current transaction within the meaning of the Act.

The Minister shall in consultation with Monetary Board and with the approval of the Cabinet of Ministers authorize by regulations the class or classes of capital transactions in foreign exchange.

Authorized dealer or Restricted Dealer shall refuse to deal in foreign exchange for a capital transactions (even without consultation with CBSL) for the following reasons:

- i) Information, documents or declaration relating to such transaction is not complied with;
- ii) the dealer is satisfied that the requirement is not for a current transaction;
- iii) or the requirement is not in conformity with any other laws relating to such transaction.

The Authorised dealer or restricted dealer refusing to deal in foreign exchange in respect to a capital transaction shall communicate his decision in writing together with his reasons for such refusal.

Appeals to CBSL against such refusals need to be made within 14 days of such refusal.

### Regulation of certain transactions

#### Import/Export of foreign currency and holding foreign exchange

A person in or resident in SL shall;

- a. export from SL or import into SL any foreign currency or SL currency
- b. hold foreign exchange in his possession or in a bank account in SL

Only for **such purpose, upto the limits** and subject to such **terms and conditions** prescribed by the Minister.

#### Acquiring a foreign asset

A person in, or resident in SL, shall acquire a foreign asset from

- a. foreign exchange derived from the conversion of SL currency or
- b. disposal or conversion of an asset in SL or
- c. provision of any service in or from Sri Lanka

Only for **such purpose upto the limits** and subject to such **terms and conditions** prescribed by the Minister

### Remittance fee of 1% on remitting foreign exchange to SL

SL Citizens resident in SL who remit to SL any foreign exchange which have not been declared to the following regulatory bodies;

- the Commissioner General of Inland Revenue;
- Head of the Department of Foreign Exchange; or
- is not subject to any court proceeding under:
  - a) the Prevention of Money Laundering Act No.5/2006 or
  - b) Convention on the Suppression of Terrorist Financing Act No. 25/2005 or
  - c) The Bribery Act (Chapter 26)

Shall be liable to pay **only a remittance fee of one per centum** (1%) to the Commissioner General of Inland Revenue and shall not be subject to any other fee, tax, surcharge or levy. The foreign exchange so remitted can be repatriated outside SL without any restrictions.

The Foreign Exchange held outside SL and remitted to SL may be held in a foreign currency account or converted to SL rupees.

### Exemptions from the remittance fee

Persons who remit to SL foreign exchange less than US\$1Mn held outside SL shall not be liable to pay the remittance fee or any other tax, surcharge, levy or penalty.

Any amount remitted exceeding such value shall be liable to pay the remittance fee **of one per centum** unless such person invests in a development bond issued by the Government of SL which shall exempt such person from any other fee, tax, surcharge or levy.

### Preservation of financial stability

If the foreign exchange into or out of SL constitute a potential threat to the financial stability of the country, the Minister may with the approval of the Cabinet of Ministers restrict or regulate remittances of foreign exchange into or out of SL.

### Failure to comply with a provision of the Act or any Regulation, Order, Direction, Guideline

CBSL may,

- upon the Minister being informed issue a notice directing such Authorised dealer/ restricted dealer to comply with the act, regulation, order, direction, guideline etc
- temporarily suspend the authorization granted to deal in foreign exchange
- Revoke the authorization/permit granted or considering the relevant circumstances require the authorized dealer or restricted dealer to pay to the CBSL an amount not exceeding the value of foreign asset, foreign exchange or Sri Lanka currency together with the expenses incurred by CBSL for detection and investigation of such transaction
- impose a limitation on authorized dealer/restricted dealer from dealing in current/capital transaction in relation to foreign exchange
- impose penalties

## Liability of bodies corporate or unincorporated

Where any person that is required to pay any sum of money or penalty to the CBSL is a body corporate or unincorporated, every director, member or partner of such body shall also be personally liable jointly and severally to pay such amount.

## Recovery of sums due to Government

- District Court - under sections 226 to 297 of the Civil Procedure Code
- Magistrate Court - Provisions of section 291 (except paragraphs (a), (d) and (i) (1) of the Code of Criminal Procedure Act No. 15 of 1979



## Abbreviations

Term	Definition
BOI	Board of Investment
CGIR	Commissioner General of Inland Revenue
ESC	Economic Service Charges
ESC Act	Economic Service Charge Act No. 13 of 2006
IRA	Inland Revenue Act No. 10 of 2006 (as amended)
IT	Income Tax
LKR	Sri Lankan Rupee
NBT	Nation Building Tax
NBT Act	Nation Building Tax Act No. 09 of 2009 (as amended)
PE	Permanent Establishment
TIN	Taxpayer Identification Number
TP	Transfer Pricing
USD	United States Dollar
VAT	Value Added Tax
VAT Act	Value Added Tax Act No. 14 of 2002 (as amended)
WHT	Withholding Tax

## WE TAKE IT PERSONALLY

The team of professionals at BDO Partners is equipped with the knowledge and capacity to assist you for all your tax related matters

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## WE ALSO OFFER THE FOLLOWING SERVICES

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