

SOCIAL SECURITY CONTRIBUTION
INTEREST RATES
ECONOMIC
FINANCIAL SERVICES ECONOMIC ANALYSIS
INTEREST RATES
INTEREST RATES EXCHANGE
IMPORTS FINANCIAL SERVICE
FINANCIAL SERVICES TAX ADMINISTRATION TAX ADMI
LOOKING BEYOND WITH
EXCHANGE FINANCIAL SERVICES
LEGISLATIVE
CHANGES FINANCIA
IMPORT
2023 VALUE ADDED TAX
FINANCIAL SERVICES
INTEREST RATES INCOME T
TAX ADMINISTRATION MOVING FORWARD
FINANCIAL SERVICES LOOKING FINANCIAL SERVICES
WITH RESILIENCE TAX ADI
ONE-TIME T
INTEREST RATES IMPOR
TAX ADMINISTRATION
ECONOMIC ANALYSIS
MOVING FORWARD FINANCIAL SERVICES
VALUE ADDED
FINANCIAL SERVICES FINANCIAL

CONTENT

01	INTRODUCTION	2
02	INCOME TAX	
	➤ Inland Revenue (Amendment) Act No. 45 of 2022	6 - 8
	➤ Inland Revenue (Amendment) Act, No. 04 of 2023	9 - 11
	➤ Inland Revenue (Amendment) Act No. 14 of 2023	12 - 13
03	MANDATORY TAX REGISTRATION	14
04	SOCIAL SECURITY CONTRIBUTION LEVY	15
05	VALUE ADDED TAX	
	➤ The Value Added Tax (Amendment) Act No. 44 of 2022	16



INTRODUCTION

Taxation stands as a foundation stone of national development, recognized as a crucial element for ensuring economic and social stability within any nation. Over the past three decades, Sri Lanka has grappled with numerous challenges and issues concerning its tax framework, significantly impacting the country's economic development.

Taxes are the main source of revenue for the Government in Sri Lanka. According to the financial report of the Central Bank of Sri Lanka (CBSL), during the fiscal year 2021, the Government generated a total revenue of Rs 1,457,071 million. A significant portion of this revenue, amounting to Rs 1,298,019 million, was earned from taxation, while the remaining Rs 159,052 million was earned from various non-tax sources.

Taxes imposed under enactments administered by IRD during the year are shown in below Table:

Tax	Enactments
Income Tax	Inland Revenue Act, No. 24 of 2017 as amended by Act, No. 10 of 2021, 45 of 2022 and No. 04 of 2023
Value Added Tax (including VAT on Financial services)	Value Added Tax Act, No. 14 of 2002 as amended by Act, No. 7 of 2003, 13 of 2004, 6 of 2005, 08 of 2006, 14 of 2007, 15 of 2008, 15 of 2009, 9 of 2011, 7 of 2012, 17 of 2013, 7 of 2014, 11 of 2015, 20 of 2016, 25 of 2018, 19 of 2019, No.9 of 2021, No. 13 of 2022 and No. 44 of 2022
Betting and Gaming Levy	Betting and Gaming Levy Act, No. 40 of 1988 as amended by Act No. 14 of 2015 and No. 11 of 2023
Stamp Duty	Stamp Duty Act, No. 43 of 1982 and the Stamp Duty (Special Provisions) Act, No. 12 of 2006 as amended by Act, No. 10 of 2008 and 13 of 2011
Share Transaction Levy	Finance Act, No. 5 of 2005 and Finance Act. No. 13 of 2007
Migrating Tax	Finance Act, No. 10 of 2015
Tax on Voluntary Disclosure	Finance Act, No. 18 of 2021
Surcharge Tax	Surcharge Tax Act, No.14 of 2022
Social Security Contribution Levy	Social Security Contribution Levy Act, No.25 of 2022 and No. 15 of 2023
Remittance Fee	Foreign Exchange Act, No. 12 of 2017
Casino License Fee	Casino Business (Regulation) Act, No.17 of 2010



Government Revenue

The government revenue in Sri Lanka experienced fluctuations over the period from 2018 to 2022. In 2018, it stood at Rs. 1,919,973Mn, followed by a slight decrease to Rs. 1,890,899Mn in 2019. The trend continued in 2020, with a further decrease to Rs. 1,367,960Mn.

However, in 2021, there was a modest recovery, with government revenue rising to Rs. 1,457,071Mn. In 2022, there was a notable increase, with government revenue reaching Rs. 1,979,184Mn.

These trends in government revenue highlight the need for sustained financial planning and policies to support the fiscal stability and growth of Sri Lanka, particularly in light of the challenges faced in recent years.

Year	Government Revenue (Rs. Mn)
2018	1,919,973
2019	1,890,899
2020	1,367,960
2021	1,457,071
2022	1,979,184

Source: - Central Bank of Sri Lanka

The Revenue Collection

The Inland Revenue Department (“IRD”) has achieved a significant milestone with a remarkable growth in revenue collection, collecting a net revenue of Rs. 1,058,080,103,723/- for the year 2022. This includes Stamp Duty, which is fully transferred to the Provincial Councils, and one-third of the collection under the Nation Building Tax, also transferred to the Provincial Councils. This accomplishment marks the highest revenue achievement in the history of the IRD.

The ratio of the total revenue contribution by the IRD to the Government revenue for the year was at 53.46%. The total revenue collection indicates 93.55% achievement when compared to the revenue projected from each type of tax with their corresponding estimates. Furthermore, the net revenue collection, excluding Stamp Duty (transferred entirely to the Provincial Councils) and one-third of the collection under the Nation Building Tax (transferred to the Provincial Councils), reached 92.41% of the estimated revenue for the year.



The Revenue Collection - 2022

Type of Tax	Revenue Collection (Rs:)	Collection as a % of Total Revenue
Income Tax	524,533,797,581	49.57%
Capital Gain Tax	5,315,389,458	0.50%
Value Added Tax	463,071,659,532	43.77%
Tax on Voluntary Disclosure	3,969,890,410	0.38%
Debt Repayment Levy	81,798,840	0.01%
Betting & Gaming Levy	5,244,762,337	0.50%
Share Transaction Levy	4,215,856,857	0.40%
Migrating Tax	10,728,103	0.00%
Stamp Duty	12,719,609,022	1.20%
Economic Service Charge	201,752,669	0.02%
Nation Building Tax	585,045,019	0.06%
Turnover Tax	7,473,447	0.00%
National Security Levy	11,309,942	0.00%
Social Security Contribution Levy	36,111,030,506	3.41%
Casino License Fee	2,000,000,000	0.19%
Remittance Fee	-	0.00%
Total Revenue Collection	1,058,080,103,723	100.00%

Source: - Inland Revenue Department



Revenue Comparison of Year 2021 and 2022

In 2022, Sri Lanka witnessed significant fluctuations in tax revenue collection compared to the previous year, 2021. Particularly, two major taxes - Income Tax and Value Added Tax (VAT) - displayed noteworthy trends:

The Income Tax revenue saw a substantial increase in 2022, reflecting improved economic activities and compliance. This indicates potential positive developments in employment and income levels, which can contribute to overall economic growth. The Value Added Tax also demonstrated notable growth in 2022, indicating increased consumption and business activities. This suggests a recovery in consumer confidence and economic expansion.

The total revenue collection in 2022 displayed promising growth across various tax categories, signaling the resilience of an economy recovering from the challenges of the previous years. The upsurge in Income Tax and Value Added Tax revenues highlights the efficacy of tax policies in stimulating economic activity and revenue generation. However, specific taxes, such as Share Transaction Levy, experienced declines, prompting the need for further assessment and potential adjustments in tax strategies. Policymakers should continue to monitor these trends and adapt fiscal policies to sustain economic growth and stability in Sri Lanka.

Type of Tax	2021 Revenue Collection Rs.	2022 Revenue Collection Rs.	Increase/ Decrease of Collection as a %
Income Tax	300,544,591,273	524,533,797,581	74.53%
Capital Gain Tax	667,876,234	5,315,389,458	695.86%
Value Added Tax	308,213,044,594	463,071,659,532	50.24%
Tax on Voluntary Disclosure	174,616,959	3,969,890,410	2,173.49%
Debt Repayment Levy	7,565,402	81,798,840	981.22%
Betting & Gaming Levy	1,939,352,796	5,244,762,337	170.44%
Share Transaction Levy	6,964,477,149	4,215,856,857	-39.47%
Migrating Tax	17,032,375	10,728,103	-37.01%
Stamp Duty	12,949,837,858	12,719,609,022	-1.78%
Economic Service Charge	728,114,581	201,752,669	-72.29%
Nation Building Tax	599,129,474	585,045,019	-2.35%
Goods & Services Tax	244,534	-	-100.00%
Turnover Tax	18,742,858	7,473,447	-60.13%
National Security Levy	322,006	11,309,942	3412.34%
Social Security Contribution Levy	-	36,111,030,506	-
Casino License Fee	-	2,000,000,000	-
Construction Industry Guarantee Fund Levy	422,144	-	-100.00%
Remittance Fee	5,214,948	-	-100.00%
Total Revenue Collection	632,830,585,185	1,058,080,103,723	67.20%

Source: - Inland Revenue Department

INCOME TAX

Inland Revenue (Amendment) Act No. 45 of 2022

The Inland Revenue (Amendment) Act No. 45 of 2022 has been certified by the Hon Speaker on the 19th of December 2022.

Key Tax Changes Effective from 01st October 2022

Income Tax rates

Category	Rate
Standard Rate - Corporates	30%
Business of Liquor, Tobacco, Betting and Gaming	40%
Trusts	30%
Unit Trust or Mutual Funds	30%
NGOs	30%
Capital Gain Tax Rate for companies	30%

Basis of Computation Y/A 2022/23

Income tax payable for the Y/A shall be calculated separately for two periods. The proportionate basis may be adopted in the case of business income to arrive at the taxable income on the pro-rata basis allocating $\frac{1}{2}$ and $\frac{1}{2}$ to the period of first six months and second six months respectively.

New exemptions

Pass through dividends paid by a resident company to a member which has been subjected to AIT.

Removal of exemptions

1. A gain made by a person from the realization of land or building which was sold, exchanged, or transferred to a real estate investment trust listed in the Colombo Stock Exchange and licensed by the Securities and Exchange Commission of Sri Lanka.

2. Dividends and gains on the realisation of units or amounts derived as gains from the realization of capital assets of a business or investment by a unit holder, from real estate investment trust listed in the Colombo Stock Exchange and licensed by the Securities and Exchange Commission of Sri Lanka.

3. Dividends paid by resident company to a member who is a non- resident person.

Key Tax changes effective from 01st January 2023

Personal Income Tax

Reduction of Tax-free Allowance

Residents and Citizens would be entitled for a tax free allowance of Rs 1.2 Million per year of assessment from Y/A 2023/2024 onwards. Accordingly, any individual with gross monthly earnings in excess of Rs. 100,000 above would be liable to Income Tax.

Individual Progressive Tax Rate Revisions

Taxable Income p.a. (Rs.)	Rate
First 500,000	6%
Next 500,000	12%
Next 500,000	18%
Next 500,000	24%
Next 500,000	30%
Balance	36%



Withholding Taxes

Reintroduction of WHT on Employment (APIT)

Employers are mandated to deduct withholding tax as Advance Personal Income Tax (“APIT”) from any payments made to employees. The rates of deduction would be in line with the APIT Tables published by the IRD.

Filing of Personal Income Tax Return is not required by an individual whose tax payable for the year of assessment relates exclusively to income from employment where the employer has deducted Advance Personal Income Tax.

- Reintroduction of WHT on investment returns and other payments (AIT)
- Deducting of Advance Income Tax (“AIT”)/ WHT is mandatory for all persons when making investment returns which have a source in Sri Lanka, at the following rates;
 - Interest or discount paid -5%
 - Rent payments made to a resident person of Rs. 100,000 or more per month - 10%
 - Dividends-15%*
 - All other payments - 14%

The AIT deducted on dividends paid by a resident company will be treated as a final withholding payment. No threshold is spelt out in the case of individuals. Hence any individual who earns dividend up to the tax free allowance would still be liable to tax and same would-be final withholding (i.e., no further taxation).



Withholding Tax on Service Fees

Service fee paid with a source in Sri Lanka to a resident individual who is not an employee of the payer and exceeds Rs 100,000 per month will be subject to withholding tax at the rate of 5% on full payment.

- Service fees include payments made for;
 - For teaching, lecturing, examining, invigilating, or supervising an examination.
 - As a commission or brokerage to a resident insurance, sales, or canvassing agent; or
 - For services provided by such individual in the capacity of independent service provider such as doctor, engineer, accountant, lawyer, software developer, researcher, academic or any individual service provider as may be prescribed by regulation.

Key Tax Changes Effective from 01st April 2023

Removal of Exemptions

- Providing information technology and enabled services.
- Vocational education Institution
- Any business of export of gold, gem or jewellery or from the business of cutting and polishing of gems which are brought to Sri Lanka and exported after such cutting and polishing.
- Recycling of construction material commenced on or after 01st April 2021.
- Manufacturing of boats or ships in Sri Lanka and received or derived any gains and profits from the supply of such boats or ships (by a resident Person) in Sri Lanka commenced on or after 01st April 2021.
- Renewable energy project with capacity to produce not less than one hundred Mega Watts of solar or wind power to national grid commenced on or after 01st April 2021.
- Installation of communication towers commenced on or after 01st April 2021.
- Gain and profits earned or derived by any individual from any business commenced on or after 01st April 2021 upon successful completion of vocational education.

Improvements made to depreciable assets

Where the tax written down value of the depreciable asset is zero, the deduction for improvements will be deducted in equal installments as follows;

- Building, structures, and similar works of a permanent nature - 12 years of assessments
- Other classes of assets - 3 years of assessments

Marketing and communication expenses

Additional 100% deduction of Marketing and Communication Expenditure granted subject to the provision of the IRA will not be available from Y/A 2023/24.

Industry specific changes

The reduction on tax payable is reduced by 25% for the persons engaged in agro farming together with agro processing or manufacturing. This has been restricted to a period of two years of assessment commencing on April 1, 2021 and will end in Y/A 2022/23.

Key Tax Changes Effective from 01st April 2021

Deductions in computing Assessable Income

- **Taxes and other levies**
Taxes and other levies specified by the Commissioner General is non-deductible. This prohibition has been extended to any tax or levy which is not allowed to be deducted in calculating a person's income in terms of any other written law.
- **Allowable Financial costs**
The Act provides that, where there are no financial costs incurred during the year, the unused limitation for the above deduction can be computed by using the same amounts of the immediately preceding year.

Retrospective changes effective from 01st April 2018

Loss deduction rules

- **Loss deduction after the tax rate has been increased**

Where a person makes a loss and if that loss were a profit, it would have been taxed at a reduced rate, the loss shall be deducted only in calculating income taxed at the same reduced rate, a lower reduced rate or exempt amounts. However, the Act specifies that where the income tax rate has been subsequently increased, a loss incurred previously at a lower rate will not be considered as being taxable at a reduced rate and will be deductible against the profit liable to tax at the increased tax rate.

The Inland Revenue Amendment Act No. 04 of 2023 revised the implementation date to 01st October 2022.

- **Investment losses deductible up to 6 years of assessment**

The law currently has a restriction on the time available for carrying forward unrelieved losses from business up to six years. This has been extended to investment losses, which will also only be deductible within six years of assessment commencing on the first date of the year of assessment immediately succeeding the year of assessment in which such losses were incurred.

- **No loss deductible from a gain on the realization of an investment asset**

No loss can be deducted from the gain on realization of an investment asset unless prescribed by regulation.



Inland Revenue (Amendment) Act, No. 04 of 2023

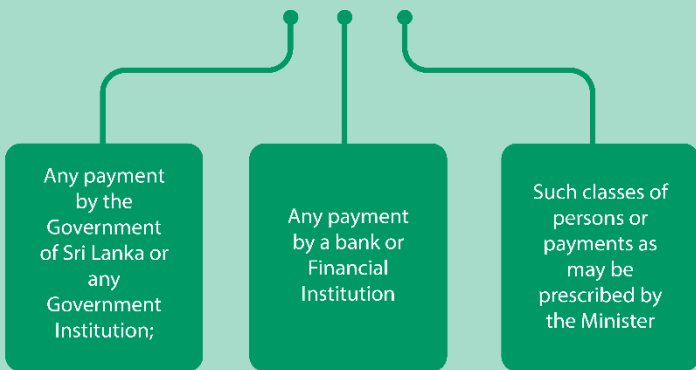
The Inland Revenue (Amendment) Act, No. 04 of 2023 was certified by the Hon Speaker on the 08th May 2023:

A. Restriction on the deductions on cash transactions on or after 08th May 2023

The Amendment Act provides a new provision to discourage cash transactions where the expense deductions will not be allowed or considered as cost of an asset when computing the income tax liability, where payments are made by a person to another person amounting to Rs. 500,000 or more, in a day, a single transaction, or a series of transactions related to one event other than by way of an account payee cheque or account payee bank draft or using a credit card, debit card or electronic payment system through a bank account.

A “single transaction” is defined to mean the purchase or procurement of any goods or services, on a single invoice, receipt or statement.

This restriction will not apply on the following-



B. Taxation on Dividends

The Amended Act clarifies the taxation on dividends as follows:

- ❖ The rate of tax for dividend income for the second 6 months of Y/A 2022/23 - 15%.
- ❖ Exemption on dividends declared to a member to the extent that such dividend payment is attributable to, or derived from, another dividend received by that resident company or another resident company (effective 1st October 2022).
- ❖ It is mandatory to deduct Advance Income Tax (AIT) from dividends declared to non-residents. The previous exemption is withdrawn commencing from 01st January 2023. The applicable rate for such deduction is 15%, or the rate specified in the Double Taxation Avoidance (DTA) agreement between the countries.

C. BOI Companies

- **Investment incentives** - A company which has an agreement with the Board of Investment of Sri Lanka, as per the Board of Investment of Sri Lanka Law (No. 4 of 1978), and make investments in expansion (not transfer, purchase or exchange of depreciable assets of an existing undertaking or associate of a person or replacement of an existing depreciable asset of an undertaking of a person) of their existing undertaking (‘any undertaking conducted by a person, prior to the first date of investment on depreciable assets’) in Sri Lanka are eligible for enhanced capital allowances. These allowances are granted in addition to the capital allowances calculated under the Fourth Schedule.
- **Clarity on continuing benefits** - If an enterprise has entered into an agreement with the BOI under section 17 of the BOI Law No. 4 of 1978 between April 1, 2018 but prior to October 1, 2022, and if that agreement grants full or partial exemption from income tax or dividends paid by such enterprise or allows for a reduced income tax rate, it will be eligible for the specified tax benefits.

D. Return Submission

- **Electronic Submissions of all Income Tax Returns**

Effective April 01, 2023, it is mandatory that all taxpayers (including individuals and non corporate entities) file tax returns electronically with the CGIR. This means that paper-based filing will no longer be accepted as a means of submitting tax returns.

However, the Commissioner General may make an exception in certain circumstances where he considers that such authorization is just and equitable.

- **Withholding Statements - AIT**

Withholding agents are required to submit quarterly statements within thirty days following the end of the quarter in March, June, September and December each year in respect of AIT deductions paid or payable to a Withholdee on any amounts as the interest, discounts or income from Islamic financial transactions or on other debt obligations made to resident individuals who are 59 years old or above as at the date of deduction of AIT or on other debt obligations at the rate of 5%.

E. New Exemptions

The Act introduces the following exemptions:

- Amount derived by a non-resident person from engaging in a project approved by the Minister taking into consideration the economic benefits to the country and is totally funded from foreign grants.



- Gains and profits received or derived by an authorized person carrying on a Business of “Strategic Importance” as approved under the provisions of the Colombo Port City Economic Commission Act, No. 11 of 2021 and the employment income of an employee employed in terms of section 35 of that Act, up to the extent provided for in that Act for each year of assessment.

F. Limitations on Exemptions

The following exemptions which were introduced in the Inland Revenue Amendment Act of 2021 will be restricted as follows:

- Any business commenced on or after April 1, 2021 but prior to April 1, 2023 by any individual after successful completion of vocational education from any Vocational Education Institution which is standardized under Technical and Vocational Education and Training concept and regulated by the Tertiary and Vocational Education Commission, for a period of five years;
- An undertaking commenced on or after January 1, 2021, but prior to April 1, 2023 by any resident person who constructs and installs communication towers and related appliances using local labour and local raw materials in Sri Lanka or provides required technical services for such construction or installation, for a period of five years;
- An undertaking for letting bonded warehouses or warehouses related to the offshore business in the Colombo and Hambanthota Ports, if such person has invested on such undertaking on or after April 1, 2021 but prior to April 01, 2023 for a period of two years of assessment.

G. Administrative Review

Where a request for Administrative Review has been made by the taxpayer on or after 08th May 2023, the CGIR shall, notify his decision and the reason for the decision within 2 years from the date of the request. If the Commissioner-General fails to notify his decision within the specified time, the review request shall be deemed to have been allowed, unless an appeal has been filed with the Tax Appeals Commission.

H. Claiming of Refunds prior to a Tax Audit

- Taxpayers can request to set off 60% of the refundable amount against the subsequent income tax payable prior to a tax audit on the refund claimed.
- In cases where a resident individual's refund claim is not exceeding Rs. 100,000, CGIR shall pay the refund amount within three months from the date of the refund claim made by such resident individual, prior to a tax audit.
- If a resident individual, who is a senior citizen and not an instalment payer, has a refund claim not exceeding Rs. 25,000 for any quarter ending June, September, December and March, the refund claim shall be paid within three months from the date of the refund claim made by such resident individual prior to a tax audit.



Inland Revenue (Amendment) Act No. 14 of 2023

The Inland Revenue (Amendment) Act No. 14 of 2023 was certified on 08th September 2023.

The provisions of this Act shall be deemed to have come into effect on 01st April, 2023 unless specified otherwise.

A. Tax rate for taxable Income of Employees' Trust Funds, Provident, Pension or Gratuity Funds and Termination Funds.

14%

Year of assessment commencing on or prior to 01st April 2022

14%

01st six month period of the Year of Assessment commencing on April 01st 2023

14%

- 02nd six month period of the Year of Assessment commencing on April 01st 2023 and
- Each year of assessment commencing on or after 01st April, 2024.
- Subject to condition in relation to details in B

B. Gain and Profit received or derived by the Employees' Trust Fund, an approved provident or pension fund or an approved termination fund from treasury bonds.

1. If gains and profits received or derived by the Employees' Trust Fund, an approved provident or pension fund or an approved termination fund from treasury bonds where such fund has not effectively participated in the process of domestic debt optimization approved by the Parliament by Resolution dated July 1, 2023.

30%

- 02nd six month period of the Year of Assessment commencing on April 01st 2023 and
- Each year of assessment commencing on or after April 01, 2024.

2. If the Employees' Trust Fund, an approved provident or pension fund or an approved termination fund has invested in eligible bonds and the Registrar of the Public Debt Department of the Central Bank of Sri Lanka confirms that any such fund has effectively participated in the process of domestic debt optimization approved by the Parliament by Resolution dated July 1, 2023 such part of the gains and profits received or derived by such funds from the treasury bonds.

14%

- 02nd six month period of the Year of Assessment commencing on April 01st 2023 and
- Each year of assessment commencing on or after April 01, 2024.



Key Definitions

- “**approved termination fund**” means any thrift, savings or building society or welfare fund to which contributions are made by employees only or, any gratuity fund approved by the Commissioner-General and maintained for the purpose of payment of gratuities to employees on the termination of their service, under the Payment of Gratuity Act, No. 12 of 1983.
- “**effectively participated**” means the submission of offers by the Employees’ Trust Fund, an approved provident or pension fund or an approved termination fund for not less than 50% of the total holding of each series of eligible bonds maturing in the year 2023, and for 100% of the total holding of eligible bonds maturing in the calendar years 2024 to 2032 (both inclusive) and acceptance of such offers by the Registrar of the Public Debt Department of the Central Bank of Sri Lanka.
- “**eligible bonds**” means the treasury bonds applicable for the purposes of domestic debt optimization, issued under the Registered Stocks and Securities Ordinance (Chapter 420) that are-
 - a) maturing between June 28, 2023 and December 31, 2023 (excluding the treasury bonds maturing on July 15, 2023 and September 1, 2023); and
 - b) maturing in the calendar years 2024 to 2032 (both inclusive).



MANDATORY TAX REGISTRATION

Pursuant to the Government Notification, under section 102 of the Inland Revenue Act, No. 24 of 2017, any person who is listed below is required to register with the Commissioner General:

With effect from 01st June 2023;

- 1 Practitioners registered with the Sri Lanka Medical Council established under the Medical Ordinance (Chapter 105)
- 2 Members of the Institute of Chartered Accountants of Sri Lanka established by Act, No. 23 of 1959
- 3 Members of Certified Management Accountants of Sri Lanka incorporated by act, No.23 of 2009
- 4 Members of the Institute of Engineers Sri Lanka incorporated by Act, No. 17 of 1968
- 5 Members of Association of Professional Bankers, Sri Lanka
- 6 Members of Sri Lanka Institute of Architects incorporated by Sri Lanka Institute of Architects Law, No.01 of 1976
- 7 Members of Institute of Quantity Surveyors Sri Lanka incorporated by Act, No.20 of 2007
- 8 Attorneys-at-Law of the Supreme Court of Sri Lanka

- 9 The person who registered their businesses in Divisional Secretariats
- 10 The person who has vehicles registered (other than Three wheelers, Motor bicycles and Hand Tractors) in Department of Motor traffic
- 11 The person who has purchased or acquired by virtue of Deeds Transfer, of any immovable property in Sri Lanka on or after April 1,2018.
- 12 Employees whose monthly contribution from both employee and employer to any Provident Fund is more than Rs. 20,000/-
- 13 Any individual who obtains approval for a building plan from a Local Authority
- 14 Any other individual who receives payment of Rs.100,000/- per month or Rs.1,200,000/- for twelve-month period for providing any services in Sri Lanka

With effect from 01st January 2024

Apart from those listed above, any person:

- 1 Who is at the age of 18 years or more as a December 31,2023, or
- 2 Who attains the age of 18 years on or after January 01,2024, after attaining the age 18 years. will be required to register with the Commissioner General.



SOCIAL SECURITY CONTRIBUTION LEVY

The Social Security Contribution Levy ('SSCL') Amendment Act, No. 15 of 2023 was certified on 08th September 2023.

New Exemptions

Exempted Articles

- Any motor vehicle identified under Harmonized Commodity Description and Coding Numbers for Custom purpose and liable to the excise duty under the Excise (Special Provision) Act, No, 13 of 1989 on the importation;
- Equipment used by differently abled persons;
- Rough unprocessed gem stones imported by a person who holds a license issued under section 15 of the National Gem and Jewellery Authority Act, No 50 of 1993, for the purpose of re-exporting such gems upon being cut and polished for payment in foreign currency, if such foreign currency is remitted to Sri Lanka through a bank;
- Any article sold at duty-free shops; and
- Rice manufactured out of locally produced paddy;

Exempted Services

- Services provided by any General Sales Agent who holds an Air Transport Service License issued under section 97 of the Civil Aviation Act, No. 14 of 2010;

Revisions to Exemptions

Exempted Services

- Generation of electricity and supply of electricity other than the supply of electricity by any person who holds a distribution license issued under section 13 of the Sri Lanka Electricity Act, No.20 of 2009;

Prior to the amendment, the exemption pertaining to electricity services was only on generation of electricity and supply of electricity by the Ceylon Electricity Board



VALUE ADDED TAX

The Value Added Tax (Amendment) Act No. 44 of 2022

The Value Added Tax (Amendment) Act No. 44 of 2022 has been certified by the Hon Speaker on the 14th of December 2022.

Revision of the Registration Threshold

The registration threshold for mandatory registration for VAT has been revised as follows;

Revised Threshold	Current Threshold
LKR 20 Mn per taxable period or LKR 80 Mn p.a.	LKR 75 Mn per taxable period or LKR 300 Mn p.a.

Accordingly, any person whose turnover exceeds or is likely to exceed the revised threshold will be required to obtain VAT registration and charge VAT on taxable supplies effective from 1st of October 2022.

However, the requirement for the registration will arise from the date of operation of the Amendment Act.

Removal of Exemptions

The exemption on supply of condominium apartments for residential accommodation by any person will be terminated with effect from 01st January 2023. Accordingly, the supply of condominium residential apartments will be liable to VAT at the standard rate of 15%.



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