

Guide to Release of Terminal Benefits

As per the instructions given by Circular No.SEC/2020/02 dated 18.02.2020, issued by the Commissioner General of Inland Revenue, in line with the instructions made by the Ministry of Finance on January 31, 2020, pending formal amendments being made to the Inland Revenue Act, No. 24 of 2017 (IRA) (as gazetted by the Bill to the IRA on 18.03.2021) and is being implemented with effect from 01.01.2020, before releasing following terminal benefits to the employees by employers that are specifically mentioned in the aforementioned Circular, such benefits shall be retained;

1. If the aggregate amount of the following payments exceeds Rs. 5,000,000/-, employers are required to retain 12% on the excessive amount
 - a. Amount payable in a commutation of a pension
 - b. Amount payable as a retiring gratuity
 - c. Amount payable as compensation for loss of office or employment under a scheme, which is uniformly applicable to all employees as approved by the Commissioner General of Inland Revenue
 - d. Any sum payable from the Employees Trust Fund (ETF) (excluding the share of Investment Income of the Fund earned after 31.03.1987)

2. Employers are required to retain 18% on any following payments or benefits
 - a. compensation for loss of office or employment under a scheme, which is not approved by the Commissioner General of Inland Revenue
 - b. Payment from other than regulated Provident Fund which has not been approved by Commissioner General of Inland Revenue
 - c. Any other payment
 - d. Retirement non-cash benefits (to be valued at the market price)

Accordingly, as an employee, you are required to submit the **Application for Release of Terminal Benefits** along with the supplementary documents presented in Table 1 in order to obtain the direction within 90 days of the date of retention.

Table 1: Supplementary Documents to be handed over for the Release of Terminal Benefits

Terminal Benefit	Percentage withheld	Documents required
Gratuity ***	12%	(2a) National Identity Card copy/ Passport copy (2b) Letter on Gratuity Payment issued by the employer (including the amount of gratuity, whether it was granted under a uniform scheme or not, amount withheld, way or basis of gratuity calculation i.e. based on the basic salary or gross salary, service period) (2c) ETF contribution (2d) Three (3) T-10 certificates (including the T-10 for the current year of assessment)
Commutated Pension ***	12%	(3a) National Identity Card copy/ Passport copy (3b) Letter on Commuted Pension payment issued by the employer (including the amount of commuted pension, whether granted under a uniform scheme or not, withhold amount, service period) (3c) ETF contribution (3d) Three (3) T-10 certificates (including the T-10 for the current year of assessment)
ETF ***	12%	(4a) National Identity Card copy/ Passport copy (4b) The document issued by the ETF Board (in ETF Letter Head) (4c) If the service period is more than 5 years, a letter from the employer stating details of gratuity payment if a gratuity has been paid, items as per (2b) (4d) Three (3) T-10 certificates (including the T-10 for the current year of assessment)
Compensation	18%	(5a) National Identity Card copy/ Passport copy (5b) Letter on Compensation Payment issued by the Employer (including the amount of compensation, amount withheld, service period) (5c) Letter of approval by Commissioner General of Inland Revenue for tax exemptions if granted (5d) Three (3) T-10 certificates (including the T-10 for the current year of assessment) (5e) If Commissioner General of Inland Revenue approval has been granted, items listed under (2b) and (2c)
Ex-Gratia	18%	(6a) National Identity Card copy/ Passport copy (6b) Letter on Ex-gratia Payment issued by the employer (including the amount of Ex-gratia, amount withheld, service period) (6c) Three (3) T-10 certificates (including the T-10 for the current year of assessment)

*** Service Records /Affidavit (If you have any services at former places, please submit service records /Affidavit (Including date of joining, date of resigning, gross amounts of gratuity and ETF)

Such applications should be handed over to;

The Commissioner
PAYE Audit Branch
Inland Revenue Department
100, Wekanda Road
Nawam Mawatha
Colombo 02

For any inquiries, following officers could be contacted;

Designation	Contact Numbers
Commissioner	011 230 2246
Senior Deputy Commissioner	011 230 2859
Deputy/ Assistant Commissioners	011 230 2964, 011 230 0115, 011 230 2874, 011 230 2863, 011 230 2951, 011 230 2862, 011 230 2958