



## DEPARTMENT OF INLAND REVENUE

### Notice to Tax payers

#### Implementation of Tax proposals under the Finance Act announced in the Interim Budget 2015

As announced in the Interim Budget 2015, the Finance Act No. 10 of 2015 passed by Parliament on October 20, 2015 and certified on 30.10.2015, provides for the imposition of following taxes payable to the Commissioner General of Inland Revenue in the manner specified therein.

#### (i) Super Gain Tax

- **Imposition** : a one off tax imposed under PART III of the Finance Act.
- **Liable persons** :
  - (a) any company or any individual whose profit before income tax as per the audited financial statement for the year of assessment commenced on April 1, 2013 exceeds Rs. 2000 million ;
  - (b) each company in a group of companies, in which the aggregate of the profits before income tax of all subsidiaries and the holding company in that group of companies as per the audited financial statement exceed Rs. 2000 million.

(If the aggregate of the profit before income tax of a group of companies does not exceed Rs. 2000 million, the tax shall be levied from any company in the group which has profits before tax exceeding Rs 2000 million.)
- **Rate** : 25% on the **taxable income** for the Year of Assessment 2013/2014 of any individual or each company (including subsidiaries and holding company in a group of companies notwithstanding that the profit before income tax of any such company in the group does not exceed Rs 2000 million).
- **Due dates of payments** :
 

Tax is payable in 3 equal instalments :

  - 1<sup>st</sup> instalment on or before October 31, 2015
  - 2<sup>nd</sup> instalment on or before November 30, 2015
  - 3<sup>rd</sup> instalment on or before December 31, 2015
- **Definitions**
  - (i) **"taxable income"**
    - (a) in relation to a company which has entered into an agreement with BOI under section 17 of the BOI Law and has become liable to income tax determined in accordance with such agreement, after the expiration of its period of tax exemption set out in such agreement means **the profits before income tax of such company as per the audited financial statement;**
    - (b) in relation to an individual or a company other than the companies referred to in paragraph (a) above, shall have the same meaning assigned to such expression under the Inland Revenue Act No 10 of 2006.
  - (ii) **"group of company"** means a holding company and its subsidiaries;
  - (iii) **"holding company"** means a company which owns more than 50% of the shares with voting rights of another company directly or indirectly, other than a holding company incorporated outside Sri Lanka and not registered under Chapter XVIII of the Companies Act No 7 of 2007 .
  - (iv) **"subsidiary"** means a company in which more than 50% of its shares with voting rights are owned by another company directly or indirectly other than a subsidiary incorporated outside Sri Lanka and not registered under Chapter XVIII of the Companies Act No. 7 of 2007 of a holding company incorporated outside Sri Lanka and not registered under Chapter XVIII of the Companies Act.
- **Nonpayment of taxes** : any individual or a company liable to pay the Super Gain Tax fails to pay such tax shall be deemed to be a defaulter and the provisions of the Inland Revenue Act relating to the recovery of tax are applicable.
- **Other** :
  - Provisions relating to the implementation may be prescribed by regulation.
  - Any subsequent liquidation process of Member Company shall not be indemnify such company from the liability to pay the tax.
  - The tax levied under the Finance Act shall be deemed to be an expenditure in the financial statement relating to the year of assessment 2013/2014. However, no deduction on Super Gain Tax shall be given in calculating the taxable income under Inland Revenue Act or calculation of the liability of the Nation Building Tax or the Value Added Tax.

#### (ii) Casino Industry Levy

- **Imposition** : a one off tax imposed under PART II of the Finance Act.
- **Liable persons** : every person who engaged in the business of a Casino as at **January 29, 2015**. Where a person engaged in the business of more than one Casino , such person shall be liable to pay the levy in respect of every such Casino .
- **Amount of Levy** : Rs 1000 million for each casino business.
- **Due dates of payments** : Levy is payable on or before November 15, 2015.
- **Definitions** :
  - (i) **"Casino"** : means any premises to which individuals have access—
    - (a) with or without payment;
    - (b) whether as of right or not,

for the playing of any game for a stake and includes the playing of baccarat, puntobanco, big six, blackjack, boule, chemin – de fer, chuck – a – luck, crown and anchor, faro, faro bank, hazard, poker dice, pontoon, American french roulette, trente – et – quartc, vingt – et – um, or wheel of fortune or any other game which the Minister may, from time to time prescribe by regulations;
  - (ii) **"Person"** includes a company registered under the Companies Act, No. 7 of 2007 and a person or a company licensed under the Casino Business (Regulation) Act, No.17 of 2010.
- **Nonpayment of taxes** : Where the amount of the levy or part thereof is in default, the Commissioner General shall issue a certificate containing particulars of the amount in default and the name and address of the last known place of residence or business of the defaulter to the Magistrate having jurisdiction over such place, or proceeding for recovery before Magistrate.

#### (iii) Mansion Tax

- **Imposition** : Levied annually on or after April 1, 2015, under PART VIII of the Finance Act
- **Liable persons** : Owner of a mansion constructed on or after April 1, 2000
- **Amount of tax** : Rs. 1million per annum
- **Due dates of payments** : Payable in 4 instalments :
  - 1<sup>st</sup> instalment is payable on or before 15 July of the relevant year of assessment ;
  - 2<sup>nd</sup> instalment is payable on or before 15 October of the relevant year of assessment ;
  - 3<sup>rd</sup> instalment is payable on or before 15 January of the succeeding the relevant year of assessment;
  - 4<sup>th</sup> instalment is payable on or before 15 April of the succeeding year of assessment
- **Definitions** :
  - (i) **"mansion"** means any building constructed on or after April 1, 2000 for residential purpose of which the floor area is not less than ten thousand square feet as per the building plan approved by the local authority of such building, area wherein such building is situated or the value of local authority, as at the first day of April of any relevant year, is not less than rupees one hundred and fifty million as determined by the Government Chief Valuer or by an officer authorized by him, after making any adjustment as may be prescribed in the case of a condominium property , a condominium unit of such property shall be deemed to be a building for the purposes of this Part. [ PART VIII] of the Finance Act];
  - (ii) **"owner of a mansion"** means a person or persons who hold the ownership of the land wherein the relevant land ownership, and in the case of a condominium property, an owner of a condominium unit of such property shall be deemed to be the owner of the mansion for the purposes of this Part [PART VIII] of the Finance Act].
- **Nonpayment of taxes** : Where an owner of the mansion who is liable to pay the tax under the Finance Act, fails to pay such tax as provided in such provisions shall be deemed to be a defaulter and the provision of the Inland Revenue Act relating to the recovery under the IRD Act is applicable.
- **Other** : The provisions which may be necessary for the implementation of the provisions of this Part, including any adjustment to be made in determining the value of any building, shall be prescribed by regulations made under this Act. The relevant Gazette by prescribing the Value, adjustment and manner in which the tax is payable will be published in due course.

#### (iv) Migrating Tax

- **Imposition** : Levied under PART IX of the Finance Act
- **Liable persons** : any citizen of Sri Lanka who permanently leaves Sri Lanka
- **Rate** : 25% on the foreign exchange released to be taken out of the country.
- **Due dates of payments** : when the clearance is obtained to take money out of the country
- **Definitions** : "Citizen of Sri Lanka " has the same meaning assigned to such expression under the Citizenship Act ( Chapter 349)
- **Nonpayment of taxes** : The provisions which may be necessary for the implementation of the Tax shall be prescribed by regulation.

For further information please visit Inland Revenue Web Site [www.ird.gov.lk](http://www.ird.gov.lk)

For any clarification please contact :

Taxpayer Service Unit (TPSU) - Tel : 011 - 2134170, 011 - 2134171, 011 - 2328702, 011 - 2134172  
 Secretariat - Tel : 011 - 2135412, 011 - 2135413, 011 - 2135411, 011 - 2135438, 011 - 2135435, 011 - 2135434, 011 - 2135431 or 011 - 2135402

Commissioner General of Inland Revenue



**TAXES - FOR A BETTER FUTURE**