

SEC / 2015/08

26/10/2015

IMPLEMENTATION OF THE PROPOSED TAXES & LEVIES IMPOSED UNDER THE FINANCE BILL

The following proposals announced in the Interim Budget 2015, incorporated in the Finance Bill passed by Parliament on October 20, 2015 (yet to be certified by the Hon. Speaker,) are implemented by the relevant Authorities effective from the relevant dates specified therein. Out of the taxes and levies imposed under the provisions of the Finance Bill, the following taxes are collectible by the Commissioner General of Inland Revenue.

- (i) Super Gain Tax
- (ii) Casino Industry Levy
- (iii) Mansion Tax
- (iv) Migrating Tax

The taxes and levies imposed under the Finance Act are summarized in this note.

(i) Super Gain Tax (PART III of the Finance Act)

Imposition

1. Any company or any individual whose book profit (before income tax) of the year of assessment 2013/2014 exceeds Rs. two thousand million (2,000Mn).
2. Every company of a group of companies, of which aggregated book profits (before income tax) of all subsidiaries and holding companies for the year of assessment 2013/2014 exceeds Rs. two thousand million (2,000Mn).

Special Case

Any company of a group of companies, its book profit of the year of assessment 2013/2014 exceeds itself exclusively Rs. two thousand million (2,000Mn), whereas the aggregated book profit of the group (subsidiaries and holding companies) does not exceed Rs. two thousand million.

Tax Liability:

25% of the taxable income of the year of assessment 2013/2014 of such individual or a company.

Taxable Income of BOI Company

In case of any BOI company which pays income tax as determined in the BOI agreement (at concessional rate or turnover based), book profit (profit before income tax) should be treated as taxable income.

Date of Payment

SGT is a one off tax which should be paid in three equal installments to the Commissioner General of Inland

- 1st Installment - on or before October 31st, 2015 (Saturday)
- 2nd Installment - on or before November 30th, 2015
- 3rd Installment - on or before December 31st, 2015

Enforcing Authority: Commissioner General of Inland Revenue

Adjustment to the Accounts

The tax so paid could be recognized as expenditure (after making the payment) in the financial statement of the company for the year of assessment 2013/2014. However, this expenditure neither be allowed as expenditure for the purpose of taxation of any year of assessment nor as tax credit against any tax liability except SGT.

Definition for Group of companies, Holding/Subsidiary Company

Group of Companies: means a holding company and its subsidiaries.

Holding Company: means a company which owns more than fifty percentum 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 XVII of the Companies Act, No. 7 of 2007.

Subsidiary: means a company in which more than fifty percentum 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 XVII of the company Act, No. 7 of 2007, of a holding company incorporated outside Sri Lanka and not registered under Chapter XVIII of the Companies Act.

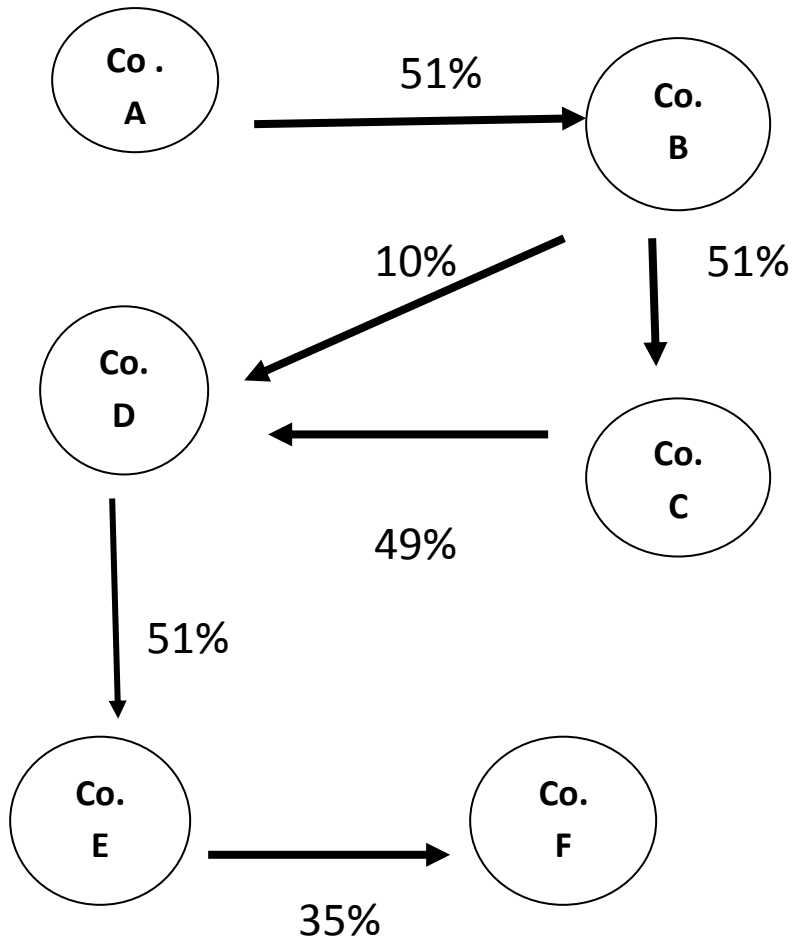
(Note: The definition provided in this bill is not the same as provided in the Inland Revenue Act)

Illustration for Group of Companies

Let's assume that in a group, company A, B, C, D, E, and F are exist and shareholding in each other companies are given as follows.

- a. Company A is having 51% of shares in Company B
- b. Company B is having 51% of shares in Company C
- c. Company C is having 49% of shares in Company D
- d. Company B is having 10 % of shares in Company D
- e. Company D is having 51% of shares in Company E
- f. Company E is having 35% of shares in Company F.

This scenario is sketched in a diagram as follows.



For the purpose of SGT, Company A, B, C, D and E become a Group of Companies as company A is having shares with voting rights directly in company B and indirectly in other companies except company F.

Following illustrations are given to elaborate liability of group of companies.

Illustration 01.

Let's assume that, ABC group consists of company A, company B and company C, book profit (profit before income tax) and taxable income of each company for the year of assessment 2013/2014 are given below.

ABC Group	Book Profit (Mn)	Taxable Income (TI) (Mn)	SGT Liability @25% of TI of each company (Mn)
Company A	800	850	212.50
Company B	600	550	137.50
Company C	750	775	193.75
Aggregated Profit	2150		

Illustration 02.

Let's assume that, XYZ group consists of company X, company Y and company Z, book profit (profit before income tax) and taxable income of each company for the year of assessment 2013/2014 are given below. Please note company Y enjoys losses and thereby the aggregated profit of the group does not exceed Rs. 2,000 Mn.

XYZ Group	Book Profit (Mn)	Taxable Income (TI) (Mn)	SGT Liability @25% of TI of each company (Mn)
Company X	2800	2750	687.50
Company Y	(1600)	(1350)	Not Liable
Company Z	200	175	Not Liable
Aggregated Profit	1400		

Illustration 03.

Let's assume that, KLM group consists of company K, company L and company M, book profit (profit before income tax) and taxable income of each company for the year of assessment 2013/2014 are given below. Please note even though company L enjoys losses still the aggregated profit of the group exceeds Rs. 2,000 Mn.

XYZ Group	Book Profit (Mn)	Taxable Income (TI) (Mn)	SGT Liability @25% of TI of each company (Mn)
Company K	1800	1600	400
Company L	(800)	(650)	Not Liable

Company M	1200	1300	325
Aggregated Profit	2200		

Illustration 04.

Let's assume that, company S and company T are two independent companies had entered separately into agreement with BOI under section 17 and enjoy special tax scheme as determined in the agreement which relates to each company. Accordingly, company S paid tax on turnover basis and company T paid tax on taxable income basis but at the rate specified in the agreement.

Company	Book Profit (Mn)	Taxable Income (TI) (Mn)	SGT Liability @25% of the book profit (Mn)
Company S	2500	-	625
Company T	3000	3200	750

Payment Detail

- Payment should be made to any one of specified branch of Bank of Ceylon by using the paying-in-slip specially designed for SGT.
- Paying-in-slips are obtainable either from the Taxpayer Service Unit (TPSU) or Secretariat of the Department of Inland Revenue (Head Office).
- Please indicate your TIN No and installment when payment is made
- Please ensure that the type of tax and your TIN (Number) are written on the reverse of the cheque.

(ii) Casino Industry Levy (PART II of the Finance Act)

Imposition

Casino Industry Levy is levied from every person who engaged in the business of every casino as at January 29, 2015.

Person includes a company registered under Companies Act and a person or a company licenced under the Casino Business (Regulation) Act.

Amount of Levy: Rs. 1000 Mn (One thousand million)

Date of Payment: One off tax payable on or before November 15, 2015

Collection Authority: Commissioner General of Inland Revenue

(iii) **Mansion Tax** (PART VIII of the Finance Act)

Imposition

Mansion tax is levied, for every year commencing on or after April 1, 2015, on every owner of a mansion constructed on or after April 1, 2000.

Definition of Mansion

“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 the local authority area wherein such building is situated **or the value of such building**, 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 and 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.

Gazette Notification

A gazette notification will be published in due course specifying necessary provisions for implementation of this tax, including any adjustment to be made in determining the value of any building.

Amount of Levy: Rs. 1 Mn (One million) per annum

Date of Payment

Mansion tax should be paid in four equal installments to the Commissioner General of Inland Revenue.

1 st Installment	- on or before 15 th July of the relevant year of assessment
2 nd Installment	- on or before 15 th October of the relevant year of assessment
3 rd Installment	- on or before 15 th January of the relevant year of assessment.
4 th Installment	- on or before 15 th April of the year succeeding the relevant year of assessment.

Enforcing Authority: Commissioner General of Inland Revenue.

(iv) Migrating Tax (PART IX of the Finance Act)

Imposition

Migrating Tax is levied with effect from November 1, 2015 from any citizen of Sri Lanka who permanently leaves Sri Lanka.

A gazette notification will be published specifying necessary provisions for implementation of this tax.

Tax Liability:

20% on the foreign exchange released to be taken out of the country.

Enforcing Authority: Commissioner General of Inland Revenue

(v) Bars and Taverns Levy (PART I of the Finance Act)

Imposition

The following license holders (specified in the Schedule to the Act) under the Excise Ordinance (Chapter 52) as at March 31, 2015 are liable to pay Bars and Taverns Levy in respect of every licenceship.

1. Retail licence for the sale of foreign liquor (including locally made foreign liquor) not to be consumed on the premises.(Excise F.L.4)
2. Licence for the supply of foreign liquor (including locally made malt liquor) to residents in hotels.(Excise F.L.7)
3. Bar licence for a place of public entertainment for the sale of foreign liquor (including locally made malt liquor) to be consumed on the premises. (Excise F.L.9)
4. Licence for the sale of foreign liquor (including locally made malt liquor) in a refreshment room or in a dining car attached to a railway train.(Excise F.L.10)
5. Licence for the sale of foreign liquor (including locally made malt liquor) in a refreshment room or restaurant.(excise F.L.11)
6. Licence for the sale of foreign liquor (including locally made malt liquor) in a rest house.(Excise F.L.12)
7. Licence for the sale of foreign liquor (including locally made malt liquor) in a proprietary club.(excise F.L.13)
8. Licence for the sale of foreign liquor (including locally made malt liquor) in a members only clubs, social and recreational clubs.(Excise F.L.13a)
9. Special licence for sale of beer, ale, stout and wines retail licence. [Excise F.L.22 a]
10. Beer, ale, stout and wines retail licence to be consumed on the premises.[Excise F.L.22 b]

Amount of Levy: on every licence Rs. 250,000/- (two hundred and fifty thousand)

Date of Payment: A one off tax payable on or before November 15, 2015 .

Enforcing Authority: Commissioner General of Excise appointed under section 7 of the Excise Ordinance (Chapter 52)

(vi) Mobile Telephone Operator Levy (PART IV of the Finance Act)

Imposition

Mobile Telephone Operator Levy is levied on every person who engaged in the business of a licenced mobile telephone operator, as at March 31, 2015.

Amount of Levy: Rs. 250 Mn (Two hundred and fifty million)

Date of Payment: One off tax payable on or before November 15, 2015

Enforcing Authority: Telecommunications Regulatory Commission of Sri Lanka

(vii) Satellite Location Levy (PART VI of the Finance Act)

Imposition

Satellite Location Levy is levied from every person who owned satellites and was permitted to utilize the Sri Lankan satellite locations, as at March 31, 2015.

Amount of Levy: Rs. 1000 Mn (One thousand million)

Date of Payment: one off tax payable on or before November 15, 2015

Collection Authority: Telecommunications Regulatory Commission of Sri Lanka

(viii) Dedicated Sports Channel Levy (PART VII of the Finance Act)

Imposition

Dedicated Sports Channel Levy is levied on every person who was carrying on the business of operating an island-wide dedicated sports channel, as at March 31, 2015, under authority of a certificate Registration issued under the Sri Lanka Rupavahini Corporation Act, No. 6 of 1982, using five or more transmitting locations as at January 29, 2015.

Amount of Levy: Rs. 1000 Mn (One thousand million)

Date of Payment: one off tax payable on or before November 15, 2015

Enforcing Authority: Telecommunications Regulatory Commission of Sri Lanka

(ix) Motor Vehicle Importers Licence Fee (PART X of the Finance Act)

Imposition

Motor Vehicle Importers Licence Fee is levied for every year commencing on or after January 1 2016, from every importer of motor vehicles.

Amount of Levy: Rs. 1.5 Mn (One million five hundred thousand) per annum

Exemption

Any person who imports a motor vehicle for personal use shall not be liable to pay the fee. However, such vehicle shall not be transferred to a new owner within four years from the date of registration except the transfers on following circumstances.

- No commercial purpose involved
- To a bank, finance company or finance leasing establishment as a security for a hire purchase/finance lease agreement

Enforcing Authority: Commissioner General of Motor Traffic



Kalyani Dahanayake
Commissioner General of Inland Revenue

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