

TAX INFORMATION AT A GLANCE - AN UPDATE

INCOME TAX

- ◆ **Legislation:** Inland Revenue Act No. 38 of 2000
- ◆ **Implementation Agency:** Department of Inland Revenue.
- ◆ The global system is adopted in computing taxable income. Income from all sources computed according to the provisions of the Inland Revenue Act is considered as total statutory income from which certain specific deductions are made to arrive at the assessable income. Tax free allowance and qualifying payment allowance (on certain specific payments) are deducted from the assessable income to arrive at the taxable income.
- ◆ **Date of Payment:** Any income tax shall be paid in four installments on or before the 15th day respectively of August, November, February, in the year of assessment and 15th May of the next year of assessment..

Personal Income Tax

- ◆ **Tax free threshold** – Rs. 240,000 per annum (only for residents) w.e.f. 1/4/2002
- ◆ **Tax Rates**

Taxable income	Rate
First Rs. 180,000	10%
Next Rs. 180,000	20%
Balance (until 31.3.2003)	35%
Balance (w.e.f 1.4.2003)	30%

- ◆ **Terminal Benefits on Retirement**

Rs.	Rate
First 1000,000	Nil
Next 500,000	5%
Next 500,000	10%
Balance	15%
effective - 1.4.2002	

- ◆ **Retiring Gratuity**

- Retiring gratuity in excess of Rs. 1.8 million or average salary of last 3 years multiplied by number of years of service(whichever is more) – Taxed as normal income.
- Compensation under approved voluntary retirement schemes or retrenchment – exempt.

- Non-uniform compensation for loss of employment - 20%
- ◆ **Capital gains (also applicable to Corporate Income Tax) - abolished from 1.4.2002**
- ◆ **Rates of Depreciation (also applicable to Corporate Income Tax)**

Type of asset	Rate (%)
Plant, machinery or fixtures,	50
Commercial vehicles & office furniture	25
Qualified buildings	6.67
Motor coaches used for transport of employees	100
Computer hardware and software	100

Corporate Income Tax

- ◆ **Tax Rates**

	Rate (%)
Taxable Income < Rs.5 Mn	20%
Taxable Income > Rs.5 Mn	35%
Taxable Income > Rs.5 Mn	30% (w.e.f.1.4.03)
Exports, Tourism, Construction and Agriculture (any person)	15%
Specialised Housing Banks	20%
Provident Funds, Charities(all)	10%
Clubs and Associations (all)	20%
Remittance Tax (N/R. Cos.)	10%(w.e.f. 1.4.2003)
On dividends	10%
New Venture Capital Companies /5 year tax holiday(w.e.f.1.4.2003)	
Existing VCC	20%
Unit Trusts and Mutual Funds	10%/20%(w.e.f.1.4.03)
Quoted Company (with 300 shareholders or more) would receive a 5% tax credit (until 31.03.2003)	

- ◆ **Withholding Taxes (WHT)**

	Rate(%)
On interest, royalties paid out of Sri Lanka	20
Interest paid in Sri Lanka(on deposits)	10
Interest paid in S.L. in excess of Rs. 108,000 p.a. per deposit (w.e.f. 1.1.2003)	10
All dividends (w.e.f. 1.4.2002)	10
Interest on specified corporate debt securities (w.e.f. 1.11.2002)	10
On specified fees paid to specified persons	5
On non - residence rent > Rs. 50,000 p.m. or Rs. 500,000 p. a. (1.4.2002)	10
Government rewards (w.e.f. 1.4.2003)	10
Lottery prizes >Rs. 500,000 (w.e.f. 1.4.2003)	10
Treasury Bills at source(w.e.f. 1.4.2002)	10
Interest paid to Charitable Institutions in excess of Rs.12,000p.m/Rs.144,000p.a.(1.4.2002)	10

VALUE ADDED TAX (VAT)

- ◆ **Legislation** : Value Added Tax Act No 14 of 2002
- ◆ **Implementing Agency** : Department of Inland Revenue.
- ◆ **Date of payment** : Payable on or before the last day of the month following the end of the taxable period (month or quarter)

- ◆ **VAT Threshold** :
 - (a) Turnover exceeding Rs. 500,000 in any quarter ending on the month of March, June, September, December.
 - (a) Turnover exceeding Rs. 1,800,000 in any four successive quarters.
However, there is no threshold for imports.

- ◆ **Tax Liability** :
 - (a) On taxable supplies of goods or services made in Sri Lanka
 - (b) On the importation of goods taxable into Sri Lanka

- ◆ **Tax Rates**

Lower rate	10%
Standard rate	20%

- Zero rate
 - Export of goods
 - International transportation
 - Services directly connected with any moveable or immovable property outside Sri Lanka

VAT on inputs for zero rated and taxable goods and services is refundable.

- Banks & other specified financial sector organisations (w.e.f.1.1.2003) 10%
- 50% input credit on travelling vehicles used in taxable activities(1.1.2003)

- **Exemptions** :
 - Schedules relating to exemptions and lower rate items and services are Attached.

◆ Computation of VAT

- **On manufacturing** : Sale price excluding VAT multiplied by the VAT rate less input tax
- **On services** : Final consumer price excluding VAT multiplied by the VAT rate less input tax
- **On imports** : CIF with the addition of duty, any surcharge, cess and any excise duty payable and multiplied by the VAT rate.

Will be effective from 01.08.2002

CUSTOMS DUTY

- ◆ **Legislation**: Customs Ordinance No.17 of 1869 as amended from time to time.
- ◆ **Implementing Agency**: Department of Customs.
- ◆ **Tax Liability**: Customs Duty is levied on the CIF value of all goods, wares and merchandise imported into Sri Lanka.

Zero duty –
crude oil, pharmaceuticals, yarn, sewing thread, fabrics, pearls, wheat

Rate bands -

- 2% - On previously exempt items other than above zero duty items
- 5% - Machinery, infant milk powder
- 10% - Intermediate goods, milk powder
- 25% - Finished products, Vegetable (frozen),

Specific rates-

Rice	Rs. 5.00 / kg
Chilies	Rs. 30.00 / kg
Red onion	Rs. 5.00 / kg
Big onion	Rs. 6.00 / kg
Potatoes	Rs. 20.00 / kg
Sugar	Rs. 3.50 / kg
Green gram	Rs. 5.00/ kg
T/dhal	Rs. 5.00/ kg
Cowpea	Rs. 5.00/ kg

◆ Computation of duty

Duty rate is applied on CIF value or quantity of imports.

$$CD = \text{value of CIF} \times \text{Rate or Customs Duty}$$

$$\text{or}$$
$$= \text{Quantity} \times \text{unit rate of duty}$$

- **Date of Payment**: At the point of import

TURNOVER TAX

- ◆ **Legislation**: Turnover Tax Act No. 69 of 1981 as amended from time to time.
- ◆ **Implementing Agency**: Department of Inland Revenue. Turnover Tax on wholesale and retail trade is devolved to the provincial councils.
- ◆ TT collected by the Department of Inland Revenue was abolished from 12.10.2001.

EXCISE (SPECIAL PROVISIONS) DUTY

- ◆ **Legislation:** Excise (Special Provisions) Act No: 13 of 1989 and Amendments Act No. 40 of 1990 and Act No. 8 of 1994.
- ◆ **Implementing Agency:** Excise (Special Provisions) unit of Department of Customs.
- ◆ **Tax liability:** On the following articles manufactured locally or imported.

◆ Tax Rates

Cigarettes	
< 60 mm in length	Rs. 1,555 per 1000 sticks
60 mm – 67 mm	Rs. 2,970 per 1000 sticks
67 mm – 72 mm	Rs. 4,256 per 1000 sticks
72 mm – 84 mm	Rs. 5,022 per 1000 sticks
>84 mm	Rs. 5,228 per 1000 sticks
Pipe tobacco	Rs. 250/- per Kg
Diesel	Rs. 3/- per liter
Petrol	Rs.21/- per liter
Kerosene	Rs. 1.25 per liter
Motor vehicle	
Petrol cars	15%
Diesel cars	65%
Vans	35%
Aerated and mineral water - Rs. 4/- per liter (w.e.f. 22.03.2002)	
Publications on Horse racing - Rs.2/-per	

◆ Computation of Duty

Domestic	
Wholesale price excluding Excise (Special Provisions) Duty multiplied by the Excise (Special Provisions) Duty rate.	
Imports	
105% of CIF with all fiscal levies excluding Excise (Special Provisions) Duty, multiplied by the Excise (Special Provisions) Duty rates.	

Date of payment:

Cigarettes & Petroleum products - monthly
Imports - at the point of import

EXCISE (ORDINANCE) DUTY

Legislation :Excise Ordinance No. 8 of 1912 and subsequent amendments.

Implementing Agency : Department of Excise

Tax Liability :Domestically produced hard & soft liquor only

Tax Rates:

Coconut and processed Arrack - Rs. 299.00 per proof litre
Country Made Foreign Liquor - Rs. 399.00 per proof litre
Molasses and Palmyrah Arrack - Rs. 299.00 per proof litre
Malt liquor above 5% in strength - Rs. 25 per litre
Malt liquor less than 5% in strength - Rs. 15 per litre
Wine containing more than 4% in Strength per proof liter - Rs.149
w.e.f. 22.3.2002

Date of Payment : Monthly

LUXURY MOTOR VEHICLE TAX

Legislation :The motor vehicle levy was introduced in Sri Lanka by the Finance Act No. 16 of 1995 and implemented from 1st April 1995.

Implementing Agency : Department of Motor Traffic

Tax liability : Luxury motor vehicles as classified below are liable to a levy which is imposed on an annual depreciation over a period of 7 years.

Tax Rates:

Vehicle Type	Capacity	Levy in the first year
Luxury	Diesel-exceeding 2500cc Petrol-exceeding 2000cc	50,000/-
Semi luxury	Diesel-2200cc-2500cc Petrol-1800cc-2000cc	25,000/-
Semi luxury dual purpose vans	Diesel-exceeding 2500cc Petrol-exceeding 2000cc	10,000/- Excluding
All Diesel vehicles other than public passenger and goods transport are liable for Rs.5000 per year. Diesel Motor Vehicle Tax was abolished w.e.f. 12.10.2001.		

PORTS AND AIRPORTS DEVELOPMENT LEVY

- Effective from 01.05.2002
- **Legislation :** Finance Act No 11 of 2002
- **Implementing Agency :** Department of Customs
- **Tax Liability :** A levy at the rate of one per centum on CIF value of imported article.
At the inception a concessionary rate of 0.75% (which was reduced to 0.50% w.e.f. 01.01.2003) on those articles imported for processing and re-export.
- ◆ **Exemptions :-**
 - (a) Imports by any diplomatic mission or Any other organization within the provisions of Diplomatic Privileges Act No. 9 of 1996.
 - (b) Imports of diamonds, gems, gold, Jewellery and any electronic items or components import for processing and re-export.

DEBITS TAX:

- ◆ **Effective from 01.06.2002**
- ◆ **Legislation:** Debits Tax Act (No. 16 of 2002).
- ◆ **Implementing Agency :** Department of Inland Revenue
- ◆ **Tax Liability :** The Debits Tax at the rate of one tenth of one per centum (0.1%) will be charged on all debits transactions, proceeds realised by the encashment of certificates of deposits and travellers cheques .
- ◆ **Exemptions:**

- (i) If tax liability of all debit transactions during a particular month is not more than Rs. 20
- (ii) Debits made on tax payments and loan/interest payments to the government.
- (iii) Payments in relation to -
 - (a) pension fund benefits
 - (b) settlement of transactions for licensed produce brokers
 - (c) trading in government securities for primary dealers.
 - (d) Outright and repurchase and reverse repurchase transactions of government and corporate debt securities in the secondary market.
 - (e) Settlement of transactions in the Colombo Stock Exchange.
- (iv) Debits in relation to:
 - (a) inter- and intra-bank transactions
 - (b) collection accounts
 - (c) any exempt account
 - (d) dishonored cheques and error corrections.

BETTING AND GAMING LEVY

- ◆ **Legislation :** Betting and Gaming Levy Act No. 40 of 1990.
- ◆ **Implementing Agency :** Department of Inland Revenue
- ◆ **Tax Liability :**

Gaming - (other than Rudjino)
1.4.98 - 1.4.01 Rs. 1mn. per year
1.4.01 - 1.4.02 Rs. 25mn. per year
commencing 1.4.02 Rs. 12mn. per year
Playing Rudjino
Commencing 1.4.02 Rs. 500,000 per year
Bookmaking - with live telecast Rs.
30,000 per year
Bookmaking - without live telecast Rs.
10,000 per year
Quarterly payments
Each place of business will be liable to the above duty

