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உளநாட்டு இறைவரி-இலங்கை
Inland Revenue - Sri Lanka

2017

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செயலாற்றுகை அறிக்கை
PERFORMANCE REPORT

**PERFORMANCE REPORT
OF THE
COMMISSIONER GENERAL OF INLAND REVENUE**

2017

Ivan Dissanayake

INLAND REVENUE DEPARTMENT

The Summary of the Performance during the Year 2017

Inland Revenue Department contributed to the Government objective of collecting revenue for the development of the country during the year 2017. The total Revenue collected by the IRD during the year 2017 was Rs. 836,518 million recording an increase of 194,971 million over that of the previous year. It was a 45.67% contribution to the total Government Revenue and 5.25% to the Gross Domestic Production of the year.

The integrated mechanism consisting of both facilitation and enforcement measures for the enhancement of tax compliance enabled the IRD to fulfil her objectives. In addition, other means of compliance facilitating monitoring and enforcement were continuously used as provided in respective enactments along with the Default Tax Recovery Act for the recovery of tax.

The Committee for interpretation of Tax Laws issued interpretations on 33 cases during the year, in addition to necessary guidelines and instructions on certain provisions of the legislation.

Tax Registration Unit was established in 2017 to provide a convenient service in registering different tax types. A considerable number of new tax files had been opened with the initiatives taken by the Information Branch, other assessing units and Regional offices.

During the year Business Consultation Unit was strengthened with officers to assist every person seeking help or information.

During the year Individual Income Tax (IIT), Partnership Income Tax (PIT) and VAT on Finance modules are launched under Revenue Administration Management and Information System. As a result, IIT and PIT returns and schedules submission by online has been started from November 2017.

IRDOSS

Vision

To be a taxpayers friendly tax administrator delivering excellent service to the tax paying public, with well trained and dedicated staff.

Mission

To collect taxes in-terms of relevant tax and other related laws, by encouraging voluntary compliance while deterring tax evasion and tax avoidance,

To enhance public confidence in the tax system by administering relevant tax and other related legislation fairly, friendly and expeditiously and thereby facilitate and foster a beneficial tax culture.

Strategic Goals

To improve voluntary compliance by taxpayers with the tax laws through programs, which encourage and assist in that and detect those who do not comply and, where necessary, take appropriate corrective action.

To improve the effectiveness of the Department by the application of efficient work methods, technology and better utilization of available resources.

To enhance the productivity and professionalism of the staff through management and technical training, work experience, and thereby to enable them to contribute more effectively towards the fulfillment, by the Department, of its mission.

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Principal Officials

Mr. D.M.L.I. Dissanayake

Commissioner General of Inland Revenue

Deputy Commissioner Generals

Mr. A.N. Guruge

Tax Administration (Corporate Large & Medium Entities)

Mrs. P. Rohini

Customer Service, Compliance Support & Promotion

Mrs. R.M.P.S.K. Rajapaksha

Appeals, Objection, Debt Management & Legal

Mr. A.A.D.U. Abesinghe

Tax Administration (Corporate Small Entities & Non Corporate Sector)

Mr. M.G. Somachandra

Tax Surveillance & Information Interface, Source Tax Administration & SVAT Duties

Mrs. C.H. Weerasingha

Human Capital & Assets Administration

Mrs. H.M.D. Munasinghe

Tax Compliance & Enforcement Corporate Large & Medium Enterprises

Mrs. K.S.B.R.D.S. Karunarathne

Tax Policy, Legislation, Rulings and International Affairs

Mr. M.S.M. Fuward

ICT Administration & Tax Operation Support

Senior Commissioners

Mr. P.L.S. Liyanage	Customer Registration and Update
Mr. A.A. Dayarathne	Tax Compliance & Enforcement (Corporate Medium Enterprises)
Mr. E.S. De Soyza	Zone I
Mr. H.M.W.C. Bandara	Zone III
Mr. D.R.S. Hapuarachchi	Human Resource Development, Chang Management & Tax Treaties
Mr. W.M.P.N.B. Wanigasekara	Compliance Support Service & Promotion
Mr. M.J. Gunasiri	Investigation
Mr. D. Ranagalla	Large Corporate and Non-Corporate Appeals and Objections
Mr. R.M. Jayasinghe	Independent Internal Functions Controlling
Mr. M.H. Densil	Zone II & VIP & RTP
Mr. U.B. Wakkumbura	WHT, PAYE, Stamp Duty & BGL and SVAT Duties
Mr. J.A.G. Mahindaratne	Large & Medium Corporate Business Enterprises Refunds
Mr. B.J. Jayarathne	Legal Affairs and Default Collection
Mr. M.L.M. Thahir	Human Resource Management
Mr. K.D.M. Rathnakumara	Procurement & Assets Management & Tax Operation Support
Mr. G.C. Mahanama	Audit Large Business Enterprises & Legacy System duties
Mr. K.D.M.N. Gunatunga	Tax Compliance & Enforcement Large Corporate Enterprises
Mr. S.S.D. Weerasekara	Legislation, issues relating to International Affairs & Domestic
Mr. T. Rajapaksha	Audit Medium Business Enterprises
Mr. M.S.M. Siyaan	Information Technology Administration & Payments Controlling
Mr. U.P.S.A. Jayalath	Transfer Pricing & Research
Mr. M.D.J.M. Devapriya	Information & Interface Agencies

Taxes Administered by the IRD during the year

Taxes imposed under enactments administered by the IRD during the year are as follows.

Tax	Enactments
Income Tax	Inland Revenue Act, No. 10 of 2006 as amended by Act No.10 of 2007, 9 of 2008, 19 of 2009, 22 of 2011, 8 of 2012, 18 of 2013, 8 of 2014 and 9 of 2015 and Inland Revenue Act, No. 24 of 2017
Value Added Tax (including VAT on Financial services, Advance Tax on VAT and Optional VAT)	Value Added Tax Act, No. 14 of 2002 as amended by Act, No. 7 of 2003, 13 of 2004, 6 of 2005 & 49 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 and 20 of 2016
Economic Service Charge	Economic Service Charge Act, No. 13 of 2006 as amended by Act, No. 15 of 2007, 11 of 2008, 16 of 2009, 11 of 2011, 11 of 2012, 6 of 2013, 9 of 2014, 13 of 2015 and 3 of 2017
Nation Building Tax	Nation Building Tax Act, No. 9 of 2009 as amended by Act, No.32 of 2009, 10 of 2011, 9 of 2012, 11 of 2013, 10 of 2014, 12 of 2015, 21 of 2016 and 22 of 2017
Betting and Gaming Levy	The Betting and Gaming Levy Act, No. 40 of 1988 and 14 of 2015
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
Construction Industry Guarantee Fund Levy	
Migrating Tax	Finance Act, No. 15 of 2015
Transfer Tax on Land	Land (Restrictions on Alienation) Act, No. 38 of 2014

The IRD continued to deal with collection of following taxes, which were in force earlier and have since been repealed or abolished.

Tax	Relevant Enactment
National Security Levy	The National Security Levy Act, No. 52 of 1991 as amended
Goods and Services Tax	The Goods and Services Tax Act, No. 34 of 1996 as amended
Save the Nation Contribution	The Save the Nation Contribution Act, No. 5 of 1996 as amended
Turnover Tax (Northern Province)	The Turnover Tax Act, No. 69 of 1981 as amended

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PART I

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HUMAN RESOURCE MANAGEMENT AND DEVELOPMENT

Chapter 1

Human Resources

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1.1 Approved cadre, the number in post and vacancies

The following table shows the approved cadre of the Department, the number in post and the vacancies, as at December 31, 2017.

Table 1.1 Cadre as at 31.12.2017			
Position	Approved Cadre	Number in Post	Vacancies
<u>Inland Revenue Service</u>	<u>1234</u>	<u>1,162</u>	<u>72</u>
Commissioner General	1	1	-
Deputy Commissioner General	9	7	2
Senior Commissioner	22	14	8
Commissioner	90	81	9
Senior Deputy Commissioner / Deputy Commissioner/ Assistant Commissioner	1107	1057	50
Senior Tax Officer/ Tax Officer	5	2	3
<u>Other Services</u>	<u>1,542</u>	<u>1,362</u>	<u>182</u>
<u>Combined Services</u>	<u>1,391</u>	<u>1,262</u>	<u>129</u>
Chief Finance Officer	1	1	-
Chief Accountant	1	1	-
Internal Auditor	1	1	-
Director (Administration)	1	1	-
Accountant	5	4	1
Administrative Officer	3	3	-
Translator	9	9	-
Development Officer	7	7	-
Librarian	1	1	-
Assistant Librarian	1	-	1
Public Management Assistant	925	820	105
Transport Officer	1	-	1
Driver	86	81	5
KKS	349	333	16
<u>ICT Service</u>	<u>132</u>	<u>84</u>	<u>48</u>
Director (ICT)	2	1	1
Deputy Director / Assistant Director (ICT)	6	6	-
System Analyst	1	1	-
Officer (ICT)	18	12	6
Assistant (ICT)	105	64	41
<u>Other</u>	<u>19</u>	<u>16</u>	<u>5</u>
Engineer	1	1	-
Technical Officer	2	-	2
Building Supervisor	1	-	1
Research Associate	10	10	-
Receptionist	4	3	1
Carpenter	1	-	1
Sanitary Labour	-	2	-
Total	2,773	2,553	225

1.2 Promotions

- Ten Commissioners were promoted to the rank of Senior Commissioners.
- Twelve Senior Deputy Commissioners were promoted to the rank of Commissioners.
- Two hundred and ninety two Assistant Commissioners were promoted to the rank of Deputy Commissioners.

1.3 Retirements

The following senior officers retired from the service during the year.

• Mrs. K. Dahanayake	Commissioner General
• Mr. J.P.D.R. Jayasekera	Deputy Commissioner General
• Ms. D.G.P.W. Gunatilake	Deputy Commissioner General
• Mrs. B.A.A.D. Herath	Deputy Commissioner General
• Mr. J. Rathnayake	Senior Commissioner
• Mr. O.P.K.K. Sirisena	Senior Commissioner
• Mr. K.A.D.P. Koralearachchi	Senior Commissioner
• Mr. D.B. Dissanayake	Senior Commissioner
• Mr. W.S.K. de Costa	Senior Commissioner
• Mrs. D.M.P. Ganepola	Senior Commissioner

Other Retirements

• Commissioner	2
• Senior Deputy Commissioner	4
• Assistant Commissioner / Deputy Commissioner	19
• Administrative Officer	1
• Management Assistant	20
• KKS	18
• Driver	9

Mrs. K. Dahanayake

Mrs. K. Dahanayake joined the Department in 1981 as an Assessor. At the time of his retirement which took place on June 22, 2017, she was functioning as the Commissioner General of Inland Revenue. Mrs. K. Dahanayake counted 36 years of dedicated service in the IRD serving in respective capacities in Inland Revenue Service. During her tenure of office, she participated in several overseas taxation programs including program on Developing e-Commerce & e-Business held in USA in 2005, program on Tax Authority by Tax Appeal Commission & the Interpretation Commission held in Singapore in 2011, Asian Tax Authorities Symposium on Anti Avoidance rules in Taxation held in Malaysia in 2012, Workshop on Tax Administration for Higher level officials held in Netherland in 2015 and Workshop on the OECD - Transfer Pricing Documentation & country by country reporting held in Mexico in 2016. She represented the Department at the 67th Congress of the IFA held in Denmark in 2013, CATA Annual General Committee Meetings in years 2015 & 2017 held in United Kingdom, Asia Pacific Regional Conference of the IFA held in Korea in 2016 and she represented the Country in Negotiations for

Double Tax Avoidance Agreements between Sri Lanka and Switzerland and Sri Lanka and Czech Republic.

Mr. J.P.D.R. Jayasekera

Mr. J.P.D.R. Jayasekera who joined the IRD in 1984 as an Assessor, reached the rank of Deputy Commissioner General in 2016. He retired from the service on October 15, 2017. Mr. Jayasekera during the tenure of his office, underwent training and participated in several overseas taxation programs including Workshop on Tax Modeling in Austria in 2001, training program on Advancing Management Potential held in United Kingdom in 2003, specialized training program on Audit & Management in India in 2007, program on Post due diligence relating to the customs expansion modernization held in Angola in 2012 and Workshop on Taxation and the Oil Industry, Transfer Pricing and other tax risks in Mexico in 2016. He represented the Department at the First meeting of the Global Forum on VAT held in France in 2012, Forth High level Tax Conference in Japan in 2013 and Negotiation of the proposed China and Sri Lanka Free Trade Agreement in China in 2014, Negotiations for Double Tax Avoidance Agreements between Sri Lanka and Seychelles and Sri Lanka and Saudi Arabia. He provided a tremendous service in implementing the Revenue Administration and Management Information System (RAMIS) in the Department.

Ms. D.G.P.W. Gunatilake

Ms. D.G.P.W. Gunatiltke joined the Department in 1984 as an Assessor. At the time of her retirement which took place on November 27, 2017, she was functioning as a Deputy Commissioner General. Ms. Gunatiltke counted 33 years of dedicated service in the IRD serving in respective capacities in Inland Revenue service. During her tenure of office, she participated in several overseas taxation programs including Seminar on Financial Taxes in Singapore in 2006, Seminar on Double Tax Relief Agreement held in Austria in 2007, program on Tax Authority by Tax Appeal Commission & Interpretation Commission held in Singapore in 2011, program IRBM - OECD Tax policy Analysis in Malaysia in 2013, program on Advanced Transfer Pricing Case Studies held in Malaysia in 2014, Executive Training Programme on e-Governance & IT System Management in Singapore in 2017. Ms. Gunatiltke represented IRD in International Tax dialogue VAT Conference held in Italy in 2005, 4th ITD Global Conference on Tax & Inequality in India in 2011, 19th OECD Annual Tax Treaty Meeting held in France in 2014, Negotiations for Double Tax Avoidance Agreements between Sri Lanka and Singapore and Sri Lanka and Finland. She also performed as the Chairman of the Committee for Interpretation of Tax Laws, which was responsible for the interpretation of provisions in the statutes administered by the Commissioner General of Inland Revenue from the period from 2014 to 2017. She provided a tremendous service in internal training programs for the IRD officials

1.4 Training

1.4.1 In-house Training

Human Resources Development Unit of the IRD conducted training courses and examinations for Assistant Commissioners, regularly with the aim of enhancing their knowledge and improving their analytical skills, particularly in taxation and accountancy. These courses are designed as to provide the training on subjects, required to fulfill various service requirements of officers for confirmation in the respective grades and promotions and to acquire knowledge for discharging duties.

Details of personnel trained and the examinations conducted during the year were as follows.

- **For Assistant Commissioners**

Course / Examination	Number of Trainees	
Training classes conducted for Assistant Commissioners in Grade III for the First Departmental Examination (2 nd Batch)	Sinhala Medium	- 90
	Tamil Medium	- 07
	English Medium	- 04
Training classes conducted for Assistant Commissioners in Grade III for the Second Departmental Examination	Sinhala Medium	- 379
	Tamil Medium	- 14
	English Medium	- 21
First Efficiency Bar Examination for the Assistant Commissioners in Grade III	2 nd Attempt	Sinhala Medium - 210 Tamil Medium - 08 English Medium - 25
Second Efficiency Bar Examination for the Assistant Commissioners in Grade III	3 rd Attempt	Sinhala Medium - 18 Tamil Medium - 00 English Medium - 01
Second Efficiency Bar Examination for the Assistant Commissioners in Grade III (2 nd Batch)	2 nd Attempt	Sinhala Medium - 81 Tamil Medium - 04 English Medium - 06

- **Seminars, Work Shops etc**

Subject	No. of seminars / workshops held during the year	No. of officers attended
Seminar on Tax Procedure	1	95
Seminar on Taxpayer Registration	2	86
Seminar on International Relations on Taxation	1	94
Seminar for Stock Market	1	92
Seminar on SLFRS for Smaller Entities	3	246

- **Training on Computerized Accounting Package**

A training programme on computerized accounting package was conducted for 30 IRD officers with the aim of improving the knowledge. This program was conducted with the collaboration of AAT institute.

1.4.2 Overseas Training

As usual arrangements were made for officials of the Department to participate in training programmes, seminars or workshops held abroad with a view to expose them to the advancement of administration of tax legislation and best practices of the other countries in order to maintain a high level of professionalism as tax administrators. Details of such officers who were sent abroad for seminars and workshops and the programmes they participated are as follows.

Table 1.4 Details on Participation for Foreign Training Programs				
No.	Name & Designation	Program	Country	Duration
				From
1	Mr. D. M. L. I. Dissanayake Commissioner General	From Policy to Legislation Workshop	United Kingdom	15.09.2017-23.09.2017
2	Mr. D. M. L. I. Dissanayake Commissioner General	2017 OECD Asian Roundtable on Corporate Governance	Japan	18.10.2017-22.10.2017
3	Mr. M. G. Somachandra Deputy Commissioner General	2017 OECD Asian Roundtable on Corporate Governance	Japan	18.10.2017-22.10.2018
4	Ms. R. P. D. S. D. Perera Chief Accountant	PIM International Management Programme	Thailand	20.08.2017-22.10.2017
5	Ms. N. A. H. K. Wijerathne Chief Internal Auditor	PIM International Management Programme	Thailand	20.08.2017-22.10.2018
6	Mr. P L S Liyanage Senior Commissioner	2nd meeting of the Inclusive Framework on BEPS	Paris	24.01.2017-28.01.2017
7	Mr. E. S. De Zoysa Senior Commissioner	OECD – Compliance by Design [MTC Event]	Hungary	15.10.2017-22.10.2017
8	Mr. H. M. W. C. Bandara Senior Commissioner	Leading Change: Changing Culture: People, attitudes and behavior workshop	United Kingdom	11.11.2017-19.11.2017
9	Mr. M. H. Densil Senior Commissioner	OECD – Compliance by Design [MTC Event]	Hungary	15.10.2017-22.10.2017
10	Mr. U. B. Wakkumbura Senior Commissioner	OECD – Compliance by Design [MTC Event]	Hungary	15.10.2017-22.10.2018
11	Mr. T. Rajapakse Commissioner	OECD – Tax Policy Analysis and Revenue Statistics [MTC Event]	Korea	19.03.2017-25.03.2017
12	Mr. N. M. M. Mifly Commissioner	Workshop on Auditing MNE's for BEPS, A Case Study	Mexico	25.11.2017-03.12.2017
13	Mr. S. M. A. Bandara Commissioner	Second Country Study Visit of Master of Public Management (MPM) Programme-2016	China	27.02.2017-11.03.2017
14	Mr. S. M. A. Bandara Commissioner	Workshop on Modern Techniques of Investigation & Intelligence Gathering	India	21.08.2017-25.08.2017
15	Ms. L. M. C. Weerakoon Commissioner	International VAT/ GST Workshop at SARTTAC, led by the IMF's Fiscal Affairs Department	India	24.09.2017-30.09.2017
16	Mr. H. T. K. F. Peiris Commissioner	OECD – Tax Policy Analysis and Revenue Statistics [MTC Event]	Korea	19.03.2017-25.03.2017
17	Ms. U. H. M. Irangani Commissioner	Second Country Study Visit of Master of Public Management (MPM) Programme-2016	China	18.05.2017-29.05.2017
18	Ms. A. D. I. S. Abeysekera Commissioner	Income Tax Workshop	China	05.03.2017-11.03.2017
19	Ms. H. A. Lalitha Ranjani Commissioner	Second Country Study Visit of Master of Public Management (MPM) Programme-2016	China	27.02.2017-11.03.2017
20	Mr. W. S. Thilakaratne Commissioner	OECD-Auditing MNEs for BEPS, A Case Study [MTC Event]	Hungary	26.03.2017-02.04.2017
21	Ms. M. J. Perera Commissioner	Managing Tax Compliance, Focus on SMEs	China	09.04.2017-16.04.2017
22	Mr. K. G. P. K. Dharmawardena Commissioner	OECD-Auditing MNEs for BEPS, A Case Study [MTC Event]	Hungary	26.03.2017-02.04.2017

23	Mr. M. K. P. J. S. S. Perera Commissioner	OECD-Auditing MNEs for BEPS, A Case Study [MTC Event]	Hungary	26.03.2017- 02.04.2018
24	Mr. I. V. Jayaratne Commissioner	Workshop on Auditing MNE's for BEPS, A Case Study	Mexico	25.11.2017- 03.12.2017
25	Ms. U. G. R. Damayanthi Accountant	International Programme on Strategic Management	Indonesia	14.05.2017- 21.05.2017
26	Ms. U. L. C. Perera Accountant	International Programme on Strategic Management	Indonesia	14.05.2017- 21.05.2017
27	Ms. U. P. Wijayahewa Accountant	Diploma in Public Procurement and Contract Administration (DIPPCA) - Partial Fulfillment of the course – 2nd Country Study Tour	United Kingdom	14.11.2017- 26.11.2017
28	Ms. D. M. N. D. Dassanayake Commissioner (Actg.)	International VAT/ GST Workshop at SARTTAC, led by the IMF's Fiscal Affairs Department	China	24.09.2017- 30.09.2017
29	Mr. W. D. A. A. Walimini Senior Deputy Commissioner	Workshop on Auditing MNE's for BEPS, A Case Study	Mexico	25.11.2017- 03.12.2017
30	Ms. S. I. Weerawardana Deputy Commissioner	Income Tax Workshop	China	05.03.2017- 11.03.2017
31	Mr. A. K. Wickramasooriya Deputy Commissioner	Income Tax Workshop	China	05.03.2017- 11.03.2017
32	Ms. R. P. S. Liyanage Deputy Commissioner	Managing Tax Compliance, Focus on SMEs	China	09.04.2017- 16.04.2017
33	Ms. S. D. Nirmala Devi Deputy Commissioner	LHDNM-OECD: Technology and Analytics for Better Tax Administration	Malaysia	09.04.2017- 15.04.2017
34	Mr. S. W. P. Y. Silva Deputy Commissioner	Second Country Study Visit of Master of Public Management (MPM) Programme-2016	China	27.02.2017- 11.03.2017
35	Mr. N. S. P. Senanayake Deputy Commissioner	Workshop on Auditing MNE's for BEPS, A Case Study	Mexico	25.11.2017- 03.12.2017
36	Mr. B. N. S. Perera Deputy Commissioner	The Commonwealth Association of Tax Administrators Training Programme	United Kingdom	28.07.2017- 09.09.2017
37	Ms. H. D. R. P. Siriwardana Deputy Commissioner	Second Country Study Visit of Master of Public Management (MPM) Programme-2016	China	27.02.2017- 11.03.2017
38	Mr. B. G. S. Thushara Deputy Commissioner	Tax Seminar on Risk Assessment	Fiji	23.04.2017- 29.04.2017
39	Mr. Y. S. Dissanayake Deputy Commissioner	International VAT/GST Workshop at SARTTAC, led by the IMF's Fiscal Affairs Department	India	24.09.2017- 30.09.2017
40	Mrs. W. I. Balaraj Deputy Commissioner	International VAT/GST Workshop at SARTTAC, led by the IMF's Fiscal Affairs Department	India	24.09.2017- 30.09.2017
41	Mr. H. M. A. L. B. Herath Deputy Commissioner	Tax Seminar on Risk Assessment	Fiji	23.04.2017- 29.04.2017
42	Mr. M. G. R. W. B. Kaduwela Deputy Commissioner	Workshop on Modern Techniques of Investigation & Intelligence Gathering	India	21.08.2017- 25.08.2017
43	Ms. S. K. N. Sujani Deputy Commissioner	The Commonwealth Association of Tax Administrators Training Programme	United Kingdom	28.07.2017- 10.09.2017
44	Mr. S. Samarasinghe Deputy Commissioner	International VAT/GST Workshop at SARTTAC, led by the IMF's Fiscal Affairs Department	India	24.09.2017- 30.09.2017

45	Mr. H. T. G. L. R. Abeysekera Deputy Commissioner	International VAT/GST Workshop at SARTTAC, led by the IMF's Fiscal Affairs Department	India	24.09.2017-30.09.2017
46	Mr. K. W. K. Nandasiri Deputy Commissioner	Tax Workshop organizes by State Administration of Taxation (SAT)	China	11.10.2017-31.10.2017
47	Mr. K. N. N. Kahavidane Deputy Commissioner	Managing Tax Compliance, Focus on SMEs	China	09.04.2017-16.04.2017
48	Ms. H. S. Y. Soysa Deputy Commissioner	International Programme on Management	Thailand	19.03.2017-26.03.2017
49	Mr. K. A. S. Vijitha Kumara Deputy Commissioner	Tax Workshop organizes by State Administration of Taxation (SAT)	China	11.10.2017-31.10.2017
50	Ms. C. J. Gamaratne Deputy Commissioner	Tax Workshop organizes by State Administration of Taxation (SAT)	China	11.10.2017-31.10.2017
51	Ms. M. M. Corera Deputy Commissioner	International Programme on Management	Thailand	19.03.2017-26.03.2017
52	Mr. B. D. N. P. Kumara Assistant Commissioner	Tax Workshop organizes by State Administration of Taxation (SAT)	China	11.10.2017-31.10.2017

1.4.3 Other overseas Training provided

- i. The workshop on Tax Administration was held in Netherland during the year and 105 higher officials of the Department were participated in this Programme.
- ii. Officers who have successfully completed the Master of Business Administration in Taxation (Postgraduate Institute of Management-PIM) were participated for program in Thailand.
- iii. Training Programme on e-Governance & IT System Management was held in Singapore and 21 officers consist of higher officials, RAMIS Core committee members and several officers from UAT team were participated for that.

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PART II

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TAX ADMINISTRATION

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Chapter 2

Collection of Revenue

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Inland Revenue Department collected net revenue of Rs. 836,517,705,134 /- (including Stamp Duty which is transferred in full to Provincial Councils and the 1/3 of collection under Nation Building Tax which is transferred to Provincial Councils) during the year 2017. The aggregate number of files maintained by the IRD for the collection of different taxes stood at 1,409,944 as at December 31, 2017.

2.1 Number of Taxpayers and Tax Files

The number of persons registered with the Department for the payment of tax, as at the end of the year, is given in Table 2.1.

Table 2.1 - Number of Taxpayers and Tax Files as at 31.12.2017		
Income Tax		
<u>Corporate</u>		
Resident / Non Resident Companies	49,000	49,000
<u>Non Corporate</u>		
Individuals	133,871	
Partnerships	12,907	
Bodies of Persons	804	
Employees paying income tax under Pay- As- You- Earn (PAYE) Scheme (as at 31.03.2017)	1,051,364	1,198,946
Total Income Taxpayers		1,247,946
<u>Other Taxpayers</u>		
Persons and Partnerships registered for Economic Service Charge (ESC)	11,159	
Persons registered for Value Added Tax (VAT)	23,695	
Persons registered for Value Added Tax on Financial Services	233	
Persons registered for Nation Building Tax (NBT)	96,468	
Persons registered for Nation Building Tax on Financial Services	233	
Betting Levy Files	605	
Gaming Levy Files	5	
Total other Taxpayers		132,398
Employers registered under PAYE Scheme	19,469	
Withholding Tax on Interest (Withholding Agents)	409	
Withholding Tax on Specified fees (Regular Monthly Schedules Senders)	465	
Stamp Duty (Regular Monthly Schedules Senders)	9,257	29,600
Total Number of Tax Files/ Taxpayers as at 31.12.2017		1,409,944

2.2 Total Revenue Collection

The total revenue collection for the year, amounting to Rs. 836,517 million shows an increase of Rs.194,970 million over that of the previous year. This achievement was possible mainly due to wide array of measures undertaken by tax administration for facilitating and enforcement of compliance including the implementation of RAMIS system.

The ratio of the total revenue contribution by the IRD to the Government revenue in the year was 45.67%. Total collection of revenue indicates 99.84% achievement when compared to the revenue under each type of taxes with the corresponding estimates while net revenue collection (excluding Stamp Duty which is transferred in full to Provincial Councils and the 1/3 of collection under Nation Building Tax which is transferred to Provincial Councils) was 94.57% from the estimate for the year.

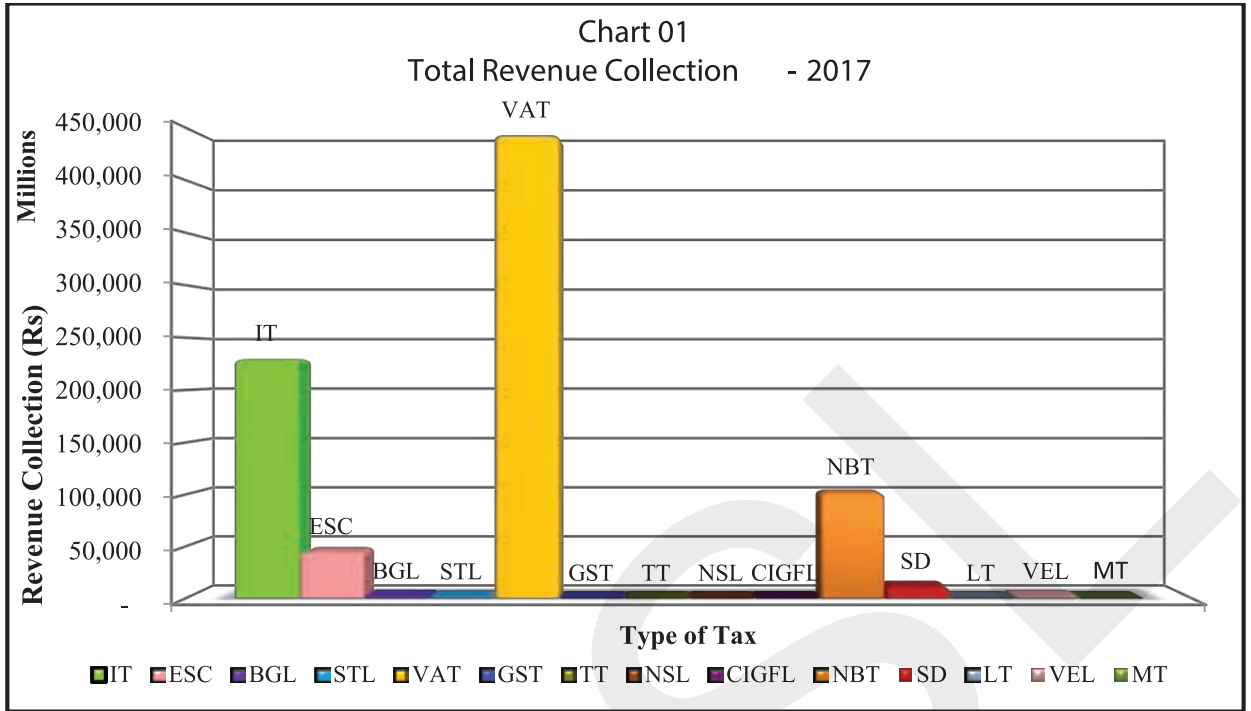
Collection of income tax as a percentage of total revenue declined to 27.48% in 2017 from 37.16% in 2016 while nominal terms it declined by 7.03% to 229,841 million in 2017 to Rs. 238,398 million in the previous year. And also income tax collection during the year reflects a deficit of 11.6% when compared to the estimate for the year. Reason for this decline may be due the amendments made to the ESC which made every person liable to pay notwithstanding the loss making or exempted from income tax.

The collection of VAT increased over that of the previous year by 32.31% and Rs. 160,287 million in nominal value. The possible reason for the increase could be the reduction liable turnover limits and increase of VAT rate to 15%.

As per the policy decision taken in the budget proposal 2016 and 2017 to remove the exclusion of profit making business from chargeability of ESC while increasing the rate and decrease the liable threshold, collection of ESC shows a drastic increase over the previous year.

A comparison of revenue under each type of tax with the corresponding estimates is revealed in Table 2.2 and illustrated in Chart 01. The cash flow during the year is shown in the Table 2.3 and is illustrated by Chart 02.

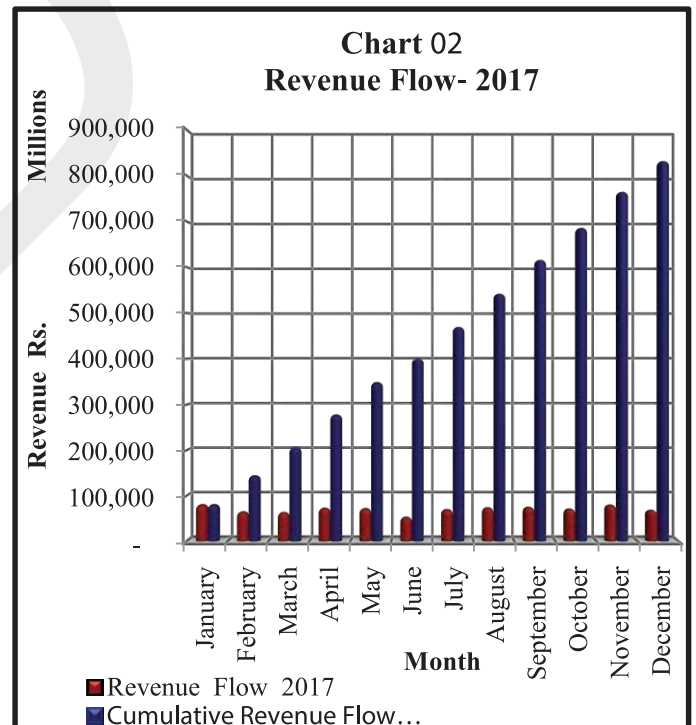
Type of Tax	Revenue Estimate (Revised) (Rs.)	Revenue Collection (Rs.)	Collection as a % of Estimate	Collection as a % of Total Revenue
Income Tax	260,000,000,000	229,841,806,636	88.40%	27.48%
Economic Service Charge	48,000,000,000	44,719,757,960	93.17%	5.35%
Betting & Gaming Levy	1,800,000,000	1,929,034,608	107.17%	0.23%
Share Transaction Levy	1,500,000,000	1,333,904,584	88.93%	0.16%
Value Added Tax	450,000,000,000	443,739,474,789	98.61%	53.05%
Goods & Services Tax	-	115,977	-	0.00%
Turnover Tax	-	20,753,568	-	0.00%
National Security Levy	-	15,947,317	-	0.00%
Construction Industry Guarantee Fund Levy	45,000,000	52,769,318	117.27%	0.01%
Nation Building Tax	75,000,000,000	101,824,565,352	135.77%	12.17%
Stamp Duty	-	11,377,134,752	-	1.36%
Land Tax	-	7,382,158	-	0.00%
Vehicle Entitlement Levy	1,500,000,000	1,650,961,000	110.06%	0.20%
Migrating Tax	10,000,000	4,097,115	40.97%	0.00%
Total Revenue Collection	837,855,000,000	836,517,705,134	99.84%	100.00%



2.3 Total Revenue Flow

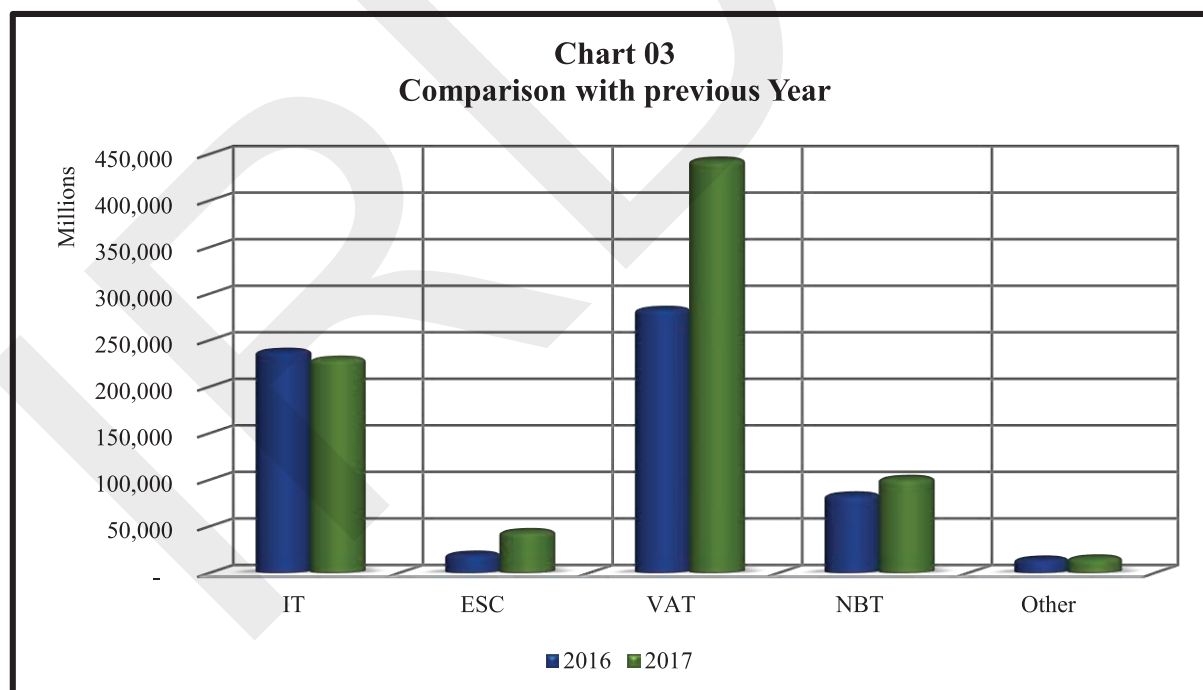
Table 2.3 - Total Revenue Flow 2017

Month	Revenue Collection (Rs.)	Cumulative Revenue Collection (Rs.)
January	79,756,429,537.27	79,756,429,537.27
February	63,916,411,803.24	143,672,841,340.51
March	62,413,455,936.54	206,086,297,277.05
April	71,908,338,157.40	277,994,635,434.45
May	71,129,846,329.36	349,124,481,763.81
June	52,025,081,056.46	401,149,562,820.27
July	68,866,903,035.39	470,016,465,855.66
August	72,842,785,905.04	542,859,251,760.70
September	74,035,803,021.06	616,895,054,781.76
October	70,134,959,443.65	687,030,014,225.41
November	78,948,715,454.80	765,978,729,680.21
December	67,267,533,845.07	833,246,263,525.28



2.4 Revenue Comparison with Previous Year

Type of Tax	2017 Revenue collection (Rs.)	2016 Revenue collection (Rs.)	Increase/ Decrease of Collection as a %
Income Tax	229,841,806,636	238,398,610,641	-3.59%
Economic Service Charge	44,719,757,960	20,458,175,363	118.59%
Betting & Gaming Levy	1,929,034,608	1,884,498,652	2.36%
Share Transaction Levy	1,333,904,584	737,659,559	80.83%
Value Added Tax	443,739,474,789	283,451,513,780	56.55%
Goods & Services Tax	115,977	1,585,883	-92.69%
Turnover Tax	20,753,568	16,639,038	24.73%
National Security Levy	15,947,317	8,091,202	97.09%
Construction Industry Guarantee Fund Levy	52,769,318	258,801,839	-79.61%
Nation Building Tax	101,824,565,352	84,066,526,724	21.12%
Stamp Duty	11,377,134,752	10,650,973,620	6.82%
Land Tax	7,382,158	22,665,680	-67.43%
Vehicle Entitlement Levy	1,650,961,000	1,579,133,507	4.55%
Migrating Tax	4,097,115	11,054,550	-62.94%
Social Responsibility Levy	-	836,043	-100.00%
Total Revenue Collection	836,517,705,134	641,546,766,081	30.39%



2.5 Transfer of Revenue of Stamp Duty and Nation Building Tax to Provincial Councils

In terms of the amendments made to respective legislative provisions in pursuant to the Budget proposals of 2011 revenue from following taxes collected by the Commissioner General of Inland Revenue have been transferred at the mentioned percentages to the Provincial Councils.

Nation Building Tax	33.33% of the total collection
Stamp Duty	100% of the total collection

Table 2.5 shows the total revenue collection and the amount transferred to Provincial Councils of respective taxes.

	Total Collection (Rs.)	Amount transferred to Provincial Councils (Rs.)	%
Nation Building Tax	101,824,565,352	32,789,366,798	33.33%
Stamp Duty	11,377,134,752	11 377 134,752	100%

2.6 Collection of Revenue – Self-Assessment and Other

During the year payments under self-assessment out of the total revenue collection (excluding VAT & NBT on imports) contributed almost wholly the total whereas collection by way of official assessments was 4% of the aggregate. Audit functions carried out during the year reflects decrease of collection through assessments when compared with the previous year. However, the efforts were taken to encourage the voluntary compliance as the prime part of the IRDs mission to collect the revenue under self-assessment basis. Necessary actions taken in this regard and facilities continuously contributed for this success. Table 2.6 shows the comparison of figures.

	2015 (Rs'000)		2016 (Rs'000)		2017 (Rs'000)	
	Self Assessment	Other	Self Assessment	Other	Self Assessment	Other
Income Tax	256,434,940	11,539,082	220,471,725	17,926,886	217,555,269	12,286,538
VAT (Excluding VAT on Imports)	130,510,553	4,688,017	161,404,285	6,710,993	269,545,383	5,801,137
NBT(Excluding NBT on Imports)	41,419,548	1,445,941	53,290,159	2,313,174	69,034,384	4,009,688
Others	113,907,066	477,215	34,757,043	873,072	60,358,388	753,469
Total	542,272,107	18,150,255	469,923,212	27,824,125	616,493,424	22,850,832
% to the Total Revenue (Excluding VAT and NBT on Imports)	97%	3%	94%	6%	96%	4%

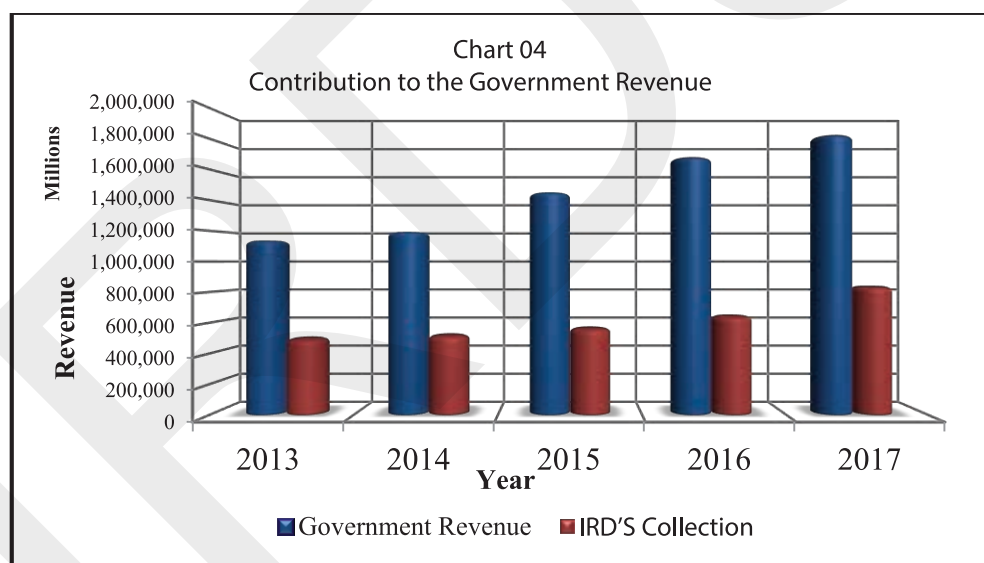
2.7 Inland Revenue Contribution to the Government Revenue

Table 2.7 shows the contribution of the Inland Revenue Department to the Government Revenue and to the GDP in 2017 and its trends in last four years. Chart 04 illustrates these contributions. Total Government Revenue in 2017 has increased to Rs. 1,831,531 million (Annual Report of Central Bank of Sri Lanka - 2017) recording a 45.67% contribution from the IRD to the total Government revenue.

Revenue collection by IRD as a percentage of GDP continued to decline and accounted for 6.29% in 2017.

Year	Government Revenue (Rs. Mn*)	IRD's Collection (Rs. Mn)	% of IRD's Collection to Govt. Revenue	GDP at current Prices of major Economic Activities (Rs. Mn*)	Percentage of IRD'S Collection to GDP
2013	1,137,447	492,539	43.30%	8,674,230	5.68%
2014	1,195,206	514,161	43.02%	9,784,672	5.25%
2015	1,454,878	560,422	38.52%	11,183,220	5.01%
2016	1,686,061	641,547	38.05%	11,838,975	5.42%
2017	1,831,531	836,518	45.67%	13,289,466	6.29%

Source: - * Central Bank of Sri Lanka (Annual Report 2017)



2.8 Return Compliance

The settled programme for enhancing taxpayer compliance in timely filing of tax returns and paying taxes on self-assessment basis continued during the year.

Accordingly, during the year of assessment 2016/2017, the percentage of filing non-corporate income tax returns on the due date was 45% and within one month from the due date, it had increased to 56%. The compliance rate after two months from the due date was 64% in corporate sector.

In the case of corporate sector, it was 41% on the due date and 45% within one month from the due date. The compliance rate within two months from the due date was 47% in this sector.

The return compliance rate of all the taxes has been almost consistent even though it is not the expected level in a self-assessment tax system. IRD continued to take actions for achieving the return compliance. However, a considerable decline of the rate is seen in NBT in the concerned year. Non familiarizing of taxpayers in submitting returns through the e-filing system would be a reason for this decline even though they were provided with assistance. Table 2.8.1 shows the income tax return compliance rate on due date, and within one month from the due date of the years 2012/2013 to 2016/2017. Table 2.8.2 shows the rates of return compliance on other taxes.

Year of assessment	Sector	Compliance on due date	Compliance within one month from the due date
2012/2013	Corporate	56%	70%
	Non-Corporate	41%	54%
2013/2014	Corporate	53%	61%
	Non-Corporate	42%	57%
2014/2015	Corporate	52%	58%
	Non-Corporate	47%	62%
2015/2016	Corporate	30%	46%
	Non-Corporate	48%	59%
2016/2017	Corporate	41%	45%
	Non-Corporate	45%	56%

Year	VAT	NBT	PAYE	
Year 2015	65%	86%	Year of Assessment 2014/2015	63%
Year 2016	71%	31%	Year of Assessment 2015/2016	57%
Year 2017	47%	21%	Year of Assessment 2016/2017	14%

2.9 Income Tax Collection

Collection of revenue from corporate income tax, personal income tax, dividend tax and withholding tax dropped by 3.72% to Rs. 229,842 million in 2017 in comparison to Rs.238,398 million in 2016. Total income tax collection accounts for 27.48% of total revenue of IRD for the year and that was 37.16% in the year 2016.

2.9.1 Income Tax Collection – Sector-wise Clarification

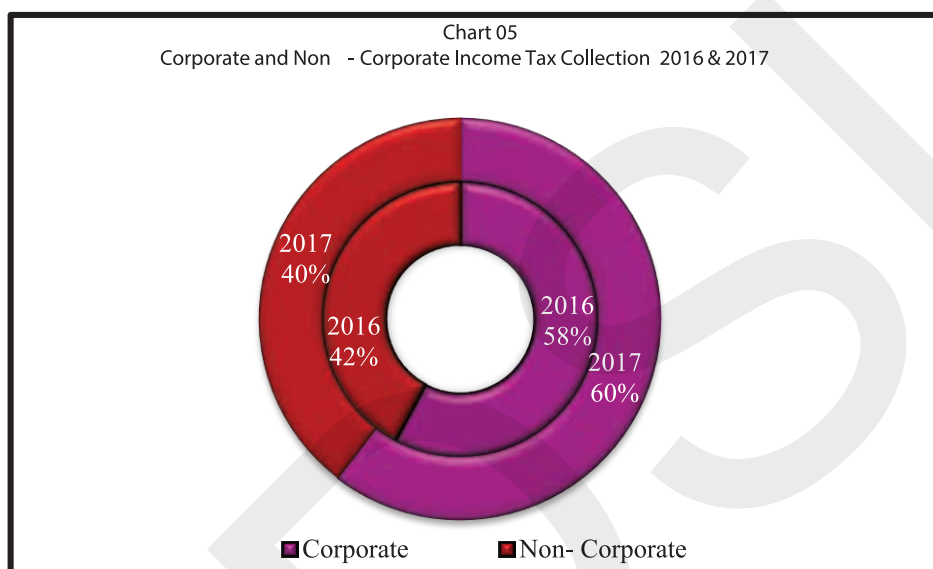
The contribution from the corporate sector to the total income tax collection amounted to Rs.144,134 million or 60% of the total income tax collected. The non-corporate sector contributed Rs. 94,265 million or 40%.

Table 2.9.1 shows the composition and Chart 05 illustrates it.

Table 2.9.1 - Corporate and Non Corporate Income Tax Collection				
	2017		2016	
	Tax Collection (Rs.)	%	Tax Collection (Rs.)	%
Corporate*	132,871,563,934	58%	144,133,758,898	60%
Non Corporate**	96,970,242,702	42%	94,264,851,743	40%
Total	229,841,806,636	100%	238,398,610,641	100%

* Includes Dividends Tax of Rs. 15,902 Mn in 2016 & Rs. 17,074 Mn in 2017

**Includes WHT deducted and remitted from interest income services rendered by corporate sector and income tax paid by employees under Pay as You Earn (PAYE) scheme



2.9.2 Source -wise Analysis of Income Tax Collection

Table 2.9.2 shows the source wise composition (employment and others) of income tax collected during the year.

Table 2.9.2 - Income Tax Collection - 2017		
Source	Collection (Rs. Mn)	
Employment		
PAYE Scheme	32,466.24	
Assessments with penalties with tax in default	454.02	32,920.26
Others		
Self Assessment and Assessments with penalties	116,374.25	
Withholding tax on interest, rent and specified fees	55,333.81	
Other deductions at source	25,258.12	
Gross Collection		229,886.44
Less: Refund		(44.63)
Net Collection		229,841.81

The amount of Rs.116,374 million by way of self-assessments and assessments with penalties consist of taxes on trade, business, profession, vocation and other service which do not fall within WHT mechanism.

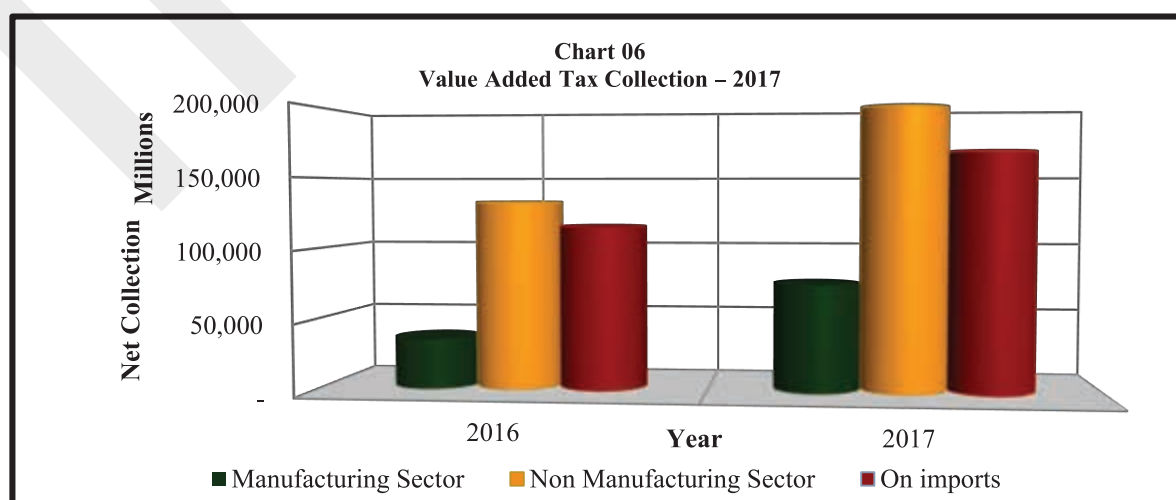
2.10 Value Added Tax Collection

The Value Added Tax (VAT) collection during the year reflects an increase of Rs. 160,288 or 32.31% over that of the previous year which was Rs 283,451 million. However, when compared with the estimate of Rs. 450,000 million for the year, the revenue for the year has shown a shortfall of Rs. 6,250 million. Reduction of threshold for registration, increase of VAT rate, removal of certain exemptions and implementation of changes in administration under RAMIS helped to increase in VAT revenue. VAT collected on both domestic supplies and imports shows drastic increase over the previous year. The total domestic VAT collected for the year was Rs. 275,346 million and this amount was an increase of 63.78% over that of the Rs. 168,115 million of the year 2016. While, VAT collected on imports during the year 2017 shown an increase of 46% over the previous year.

Table 2.10.1 shows the sector wise gross collection of Value Added Tax, refunds and the net collection, which is illustrated in Chart 06.

Sector	2016		2017			
	Net Collection (Rs.Mn)		Gross Collection (Rs.Mn)		Refunds	Net Collection (Rs.Mn)
Manufacturing		35,412.91		76,523.50	677.19	75,846.31
Non-Manufacturing						
-Service	96,605.62		149,488.08		40.82	149,447.26
-Financial Service	36,096.75	132,702.37	50,052.95	199,541.03		50,052.95
Imports		115,336.23		168,394.62	1.67	168,392.95
Total		283,451.51		444,459.15	719.68	443,739.47

Sector	2016		2017		Percentage of VAT collection to GDP	
	Net Collection (Rs)	%	Net Collection (Rs)	%	2016	2017
	Manufacturing sector	35,412,908,090	12.49%	75,846,312,316	17.09%	0.29%
Non-Manufacturing sector	132,702,369,902	46.82%	199,500,207,439	44.96%	1.12%	1.50%
On Imports	115,336,235,788	40.69%	168,392,955,034	37.95%	0.97%	1.26%
Total	283,451,513,780	100.00%	443,739,474,789	100.00%	2.39%	3.34%



2.10.1 Industry wise Contribution of VAT

Table 2.10.3 shows the VAT on domestic supplies classified under each sector and their contribution to the total VAT revenue.

Sector	2015 (Rs.Mn)	2016 (Rs.Mn)	% of decrease / increase compared to previous year	2017 (Rs.Mn)	% of decrease / increase compared to previous year
Banking	23,089	27,770	20.27%	37,150	33.78%
Insurance	5,403	6,371	17.92%	7,313	14.79%
Hotel & Restaurant	7,429	10,566	42.23%	13,668	29.36%
Construction	6,605	8,230	24.60%	14,542	76.70%
Electricity & Gas	501	526	4.99%	674	28.14%
Imports	9,880	9,383	-5.03%	10,143	8.10%
Financing	18,487	20,242	9.49%	21,121	4.34%
Communication	376	7,429	1875.80%	19,743	165.76%
Petroleum Products	417	175	-58.03%	0	-100.00%
Beverage - Alcoholic	396	1,553	292.17%	18,802	1110.69%
Services not classified	12,295	39,690	222.81%	82,024	106.66%
Manufacturing not classified	9,173	29,079	217.01%	56,641	94.78%
Others	36,460	36,091	-1.01%	50,053	38.69%
Total	130,511	197,105	51.03%	331,874	68.37%

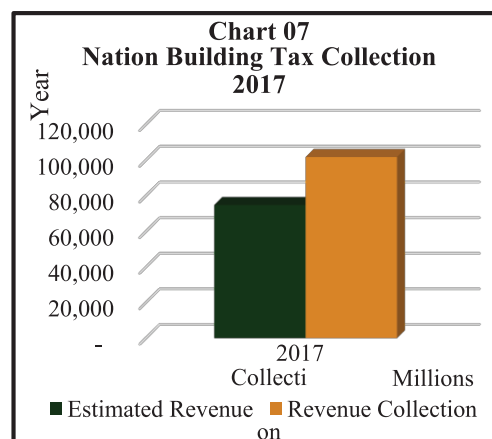
2.11 Nation Building Tax Collection

The Nation Building Tax contributed Rs. 101,824 million to the total revenue during the year concerned. This is an increase of 21.12% over the previous year's collection. Out of the total NBT revenue an amount of Rs. 32,789 million was transferred to Provincial Councils.

Sector		Manufacturing	Service	Imports	Total
Net Collection (Rs.)	2016	9,908,497,868	29,120,398,350	18,395,242,141	57,424,138,359
	2017	10,894,310,333	38,821,335,524	19,319,552,697	69,035,198,554

Table 2.11.2 compares the revenue estimate of NBT with the revenue collected in the year 2016 and year 2017 after transferring the revenue to Provincial Councils.

Year	2017	2016
Estimated Revenue (Rs.)	75,000,000,000	54,000,000,000
Revenue Collection (Rs.)	69,035,198,554	57,424,138,359
%	92%	106%



2.11.1 Main policy changes relating to NBT

i. The following exemptions are removed and made liable with effect from August 01, 2017:

- Supply of any goods required for the purpose of providing of services of international transportation, being goods consigned to Sri Lankan Airlines Ltd, Mihin Lanka (Pvt) Ltd or Air Lanka Catering services Ltd;
- Supply of any goods or services provided by any Cooperative Society or Lak Sathosa;
- Construction services by a contractor other than by a sub-contractor;
- Services of a travel agent in respect of inbound tours (other than services where the payment is received in foreign currency through a bank);
- The supply of residential apartments.

ii. The following goods and services are made exempt with effect from August 01, 2017:

- Supply of international telecommunication services to local operators by External Gateway Operators;
- Supply of printed books, magazines, journals, or periodicals other than newspapers.

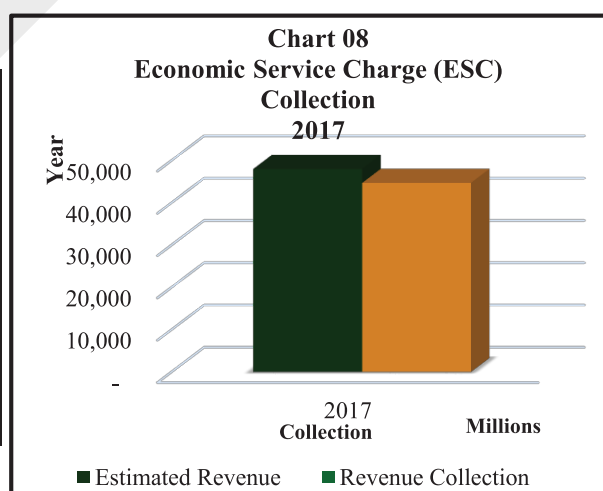
iii. The following services are made exempt with effect from April 01, 2017 –

Supply of electricity other than supply of electricity by Ceylon Electricity Board

2.12 Economic Service Charge Collection

The collection of ESC during the year amounted to Rs. 44,719 million and its contribution to the total revenue was 5.35% while it was 93% of the estimate for the year.

Year	2017	2016
Estimated Revenue (Rs.)	48,000,000,000	21,000,000,000
Revenue Collection (Rs.)	44,719,757,960	20,458,175,363
%	93%	97%



2.12.1 Main policy changes relating to ESC

The following changes to ESC were proposed by the budget.

- i. The present threshold is reduced from Rs 50 Mn to Rs 12.5 Mn. per quarter with effect from 01.04.2017

- ii. Advance ESC is charged in advance on the CIF value certified by the Director General of Customs, of an importer (disregarding the threshold for ESC liability), in respect of every consignment of imports of motor vehicles with effect from 01.04.2017. The advance payment of ESC could be set off against the actual liability of ESC for the same year of assessment and not entitle for any refund.
- iii. Re defined the "Person" to include Central Bank of Sri Lanka is redefined as a person for the purpose of ESC and liable for ESC with effect from 01.04.2017.

2.13 PAYE Collection

Gross revenue collected during the year under PAYE scheme which is considered as part of the income tax on employment income was Rs. 32,920 million.

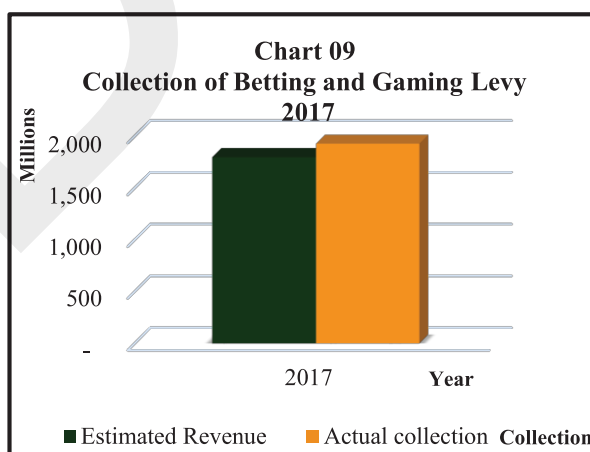
2.14 Withholding Taxes (on interest and specified fees)

Collection of revenue from withholding tax on interest recorded a Rs. 51,350.859,423 during the year. Revenue generated from withholding tax on interest increased by Rs.3,511 million over the previous year collection.

2.15 Betting and Gaming Levy

Collection of Betting and Gaming Levy during the year was Rs.1,929 million and reflects an increase of 2.31% when compared to the previous year. And also it was an excess of 129 million over the estimated amount for the year concern.

Year	2017	2016
Estimated Revenue (Rs.)	1,800,000,000	900,000,000
Revenue Collection (Rs.)	1,929,034,608	1,884,498,652
%	107%	209%



2.16 Vehicle Entitlement Levy

Vehicle Entitlement Levy (VEL) was introduced with effect from January 1, 2016 in lieu of Motor Vehicle Import License Fee imposed under the Finance Act, No. 10 of 2015. This levy is collected from every importer, who imports motor vehicle at the time of opening a letter of credit at any bank.

During the year revenue collection from VEL was Rs. 1,651 million and it was an excess of Rs. 151 million over the estimate for the year.

2.17 Stamp Duty

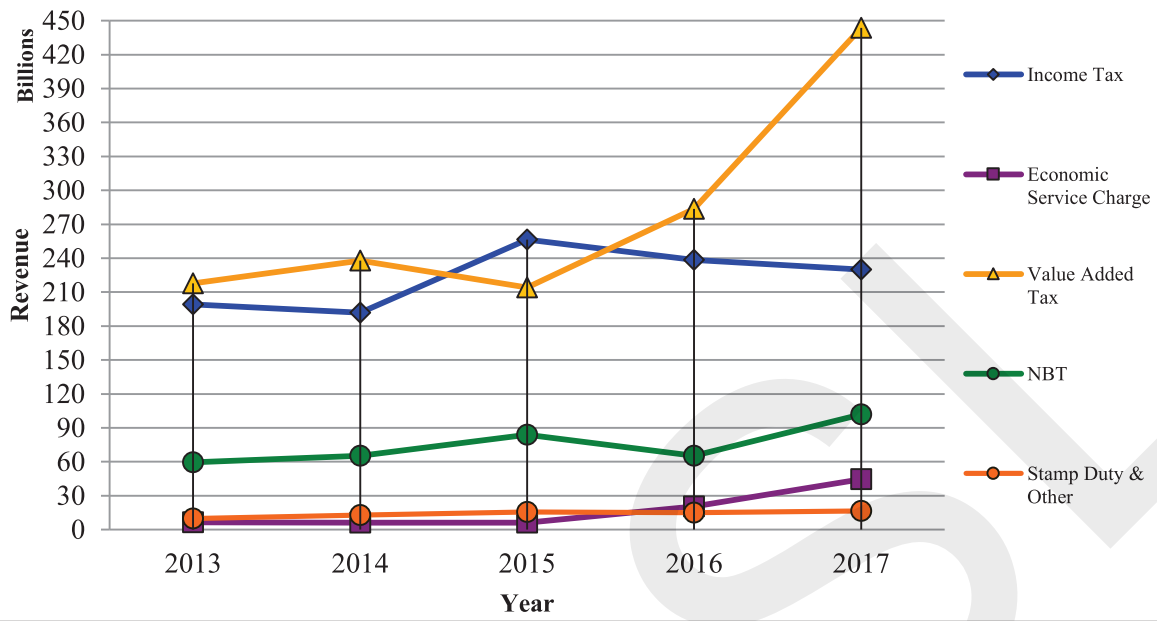
A revenue of Rs. 10,651 million generated from Stamp Duty during the year. In terms of Provincial Councils (transfer of Stamp Duty) Act, No. 13 of 2011, the total collection of Stamp Duty was transferred to respective Provincial Councils. The IRD conducted advisory and supervisory visits with a view to enhance the compliance of stamp duty.

2.18 Inland Revenue Collection 2013 to 2017 (Tax wise)

Type of Tax	2013		2014		2015		2016		2017	
	Colln.	%	Colln.	%	Colln.	%	Colln.	%	Colln.	%
	(Rs.Mn)		(Rs.Mn)		(Rs.Mn)		(Rs.Mn)		(Rs.Mn)	
Income Tax	199,070	40.42	191,960	37.33	256,435	47.56	238,399	37.16	229,842	27.46
Economic Service Charge	6,596	1.34	6,155	1.2	6,148	1.1	20,458	3.19	44,720	5.34
Value Added Tax	217,687	44.2	237,915	46.27	214,237	38.23	283,451	44.18	443,739	53.05
Betting & Gaming Levy	592	0.12	815	0.16	832	0.15	1,884	0.29	1,929	0.24
Share Transaction Levy	1,197	0.24	2,048	0.4	1,395	0.25	738	0.12	1,334	0.16
Turnover tax	218	0.04	472	0.09	16	-	17	-	20	0
Stamp Duty	6,884	1.4	7,918	1.54	11,596	2.07	10,651	1.67	11,377	1.36
Goods & Services Tax	16	-	3	-	0.88	-	1.59	-	0.11	0
National Security Levy	2	-	14	-	12	-	8	-	16	0
Construction Industry Guarantee Fund Levy	751	0.15	842	0.16	753	0.13	259	0.04	53	0.01
NBT	59,397	12.06	65,354	12.71	67,911	12.12	84,066	13.1	101,825	12.17
Land Tax	97	0.02	579	0.11	1,066	0.19	23	-	7	0
Vehicle Entitlement Levy	-	-	-	-	-	-	1,579	0.25	1,651	0.19
Migrating Tax	-	-	-	-	-	-	11	-	4	0
Social Responsibility Levy	32	0.01	85	0.02	20	-	1	-	-	-
Total Collection	492,539	100	514,160	100	560,422	100	641,546	100	836,517	100

Chart 10

Inland Revenue Collection 2013 to 2017 - Tax wise Analysis



Chapter 3

Expenditure and Productivity Ratio

IRDS

IRPDSL

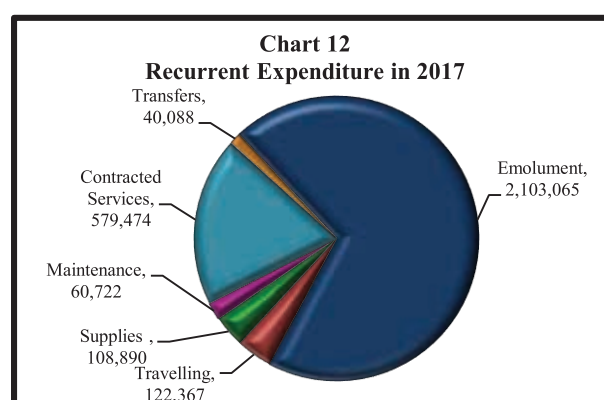
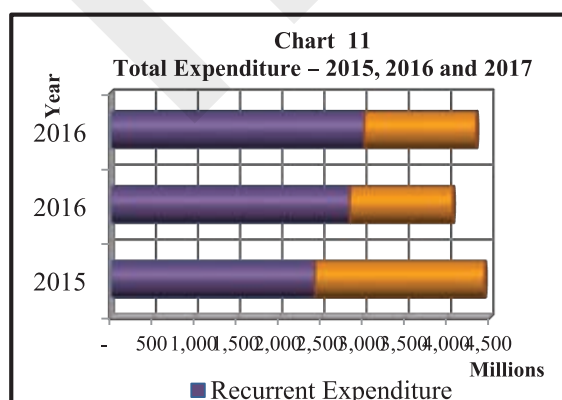
Total expenditure of the IRD in the year was Rs. 4,337 million which recorded a 6.79% increase when compared with the previous year's figure of Rs. 4,061 million. Out of the total expenditure, 69.51% or Rs. 3,015 million was spent for recurrent expenditure. In 2016, the corresponding amount was Rs. 2,841 million. Expenditure on emoluments increased by 5.97% as against that of 2016 which was Rs. 1,984 million. This was the largest single expenditure item that accounted for 48.49% of the total expenditure and 69.76% of the recurrent expenditure.

The capital expenditure during the year recorded an increase of 8.41% when compared to 2016 and was Rs. 1,322 million. That was Rs. 1,220 million in 2016. Out of the total expenditure of the IRD, 30.49% represents capital expenditure.

Investment made for Revenue Administration Management Information System (RAMIS) during the year concerned was Rs. 1,068 million. During the year expenditure made on implementation of new Inland Revenue Act was Rs. 12 million.

3.1 Comparison of the Total Expenditure incurred during the years – 2015, 2016 and 2017

Description	2015		2016		2017	
	(Rs.'000)	%	(Rs.'000)	%	(Rs.'000)	%
Recurrent Expenditure						
Emolument	1,783,351	40.19%	1,984,484	48.87%	2,103,065	48.49%
Travelling	22,337	0.50%	33,172	0.82%	122,367	2.82%
Supplies	86,449	1.95%	107,990	2.66%	108,890	2.51%
Maintenance	47,768	1.08%	52,562	1.29%	60,722	1.40%
Contracted Services	453,239	10.21%	624,199	15.37%	579,474	13.36%
Transfers	35,268	0.79%	38,752	0.95%	40,088	0.92%
Sub Total	2,428,412	54.73%	2,841,159	69.96%	3,014,606	69.51%
Capital Expenditure						
Rehabilitation and Improvements	73,624	1.66%	29,425	0.72%	61,083	1.41%
Acquisitions of capital Assets	31,820	0.72%	27,130	0.67%	53,439	1.23%
Capacity Building	385,170	8.68%	55,031	1.36%	127,817	2.95%
Investment (RAMIS Project)	1,518,108	34.21%	1,108,385	27.29%	1,067,931	24.62%
Investment (New IR Act)	-	-	-	-	12,290	0.28%
Sub Total	2,008,722	45.27%	1,219,971	30.04%	1,322,560	30.49%
Total	4,437,134	100.00%	4,061,130	100.00%	4,337,166	100.00%



3.2 Productivity Ratio

The total expenditure of the Department in the year 2017 was Rs. 4,337.16 million and the revenue collected was Rs. 836,517.70 million. The productivity ratio (i.e. the revenue collected for every rupee of expenditure) therefore, works out to 193:1. In other words, the cost of collection for Rs. 100/- was 52 cents. The cost of collection for the Rs. 100/- excluding VAT and NBT on imports, accounted 68 cents. (in previous year the corresponding amounts were 63 cents and 84 cents respectively).

Table 3.2 provides a classification of revenue collection, total expenditure and the cost of collection for the year 2015 to 2017.

Table 3.2 - Revenue Collection, Total Expenditure and Cost of Collection (Rs. Million)			
Description	2015	2016	2017
Revenue collection			
Income tax	256,434.94	238,398.61	229,841.81
Economic Service Charge	6,148.45	20,458.17	44,719.76
Value Added Tax	214,236.99	283,451.51	443,739.47
Nation Building Tax	67,911.06	84,066.53	101,824.56
Betting and Gaming Levy	831.92	1,884.50	1,929.03
Share Transaction Levy	1,394.92	737.66	1,333.90
Turnover Tax	15.77	16.64	20.75
Stamp Duty	11,595.88	10,650.97	11,377.13
Goods and Services Tax	0.89	1.59	0.12
National Security Levy	11.63	8.09	15.95
Construction Industry Guarantee Fund Levy	753.31	258.80	52.77
Land Tax	1,066.64	22.66	7.38
Vehicle Entitlement Levy	-	1,579.13	1,650.96
Migrating Tax	-	11.05	4.10
Social Responsibility Levy	19.96	0.84	-
Total Collection	560,422.36	641,546.75	836,517.69
Expenditure			
Recurrent Expenditure			
Emoluments	1,783.35	1,984.48	2,103.06
Travelling	22.34	33.17	122.37
Supplies and Equipment	86.45	107.99	108.89
Maintenance and repairs	47.77	52.56	60.72
Services	453.24	624.20	579.47
Transfers	35.27	38.75	40.09
Capital Expenditure			
Rehabilitation & Improvements	73.62	29.42	61.08
Acquisitions	31.82	27.13	53.44
Building capacity	385.17	55.03	127.82
Investment (RAMIS Project)	1,518.11	1,108.39	1,067.93
Investment (New IR Act)	-	-	12.29
Total Expenditure	4,437.14	4,061.12	4,337.16
Cost of Collection per 100/-	0.79	0.63	0.52
Cost of Collection per 100/- , excluding VAT & NBT on imports	0.98	0.84	0.68

3.3 The Internal Audit

Audits carried out by the Internal Audit Branch included examining of all payments, daily vehicle running charts (maintained by the Head office and Regional offices), pay sheets, annual board of survey reports and bank reconciliation of Peoples bank, Bank of Ceylon, and Central Bank. In addition to these activities, examining the actions taken to recover the amount due on dishonored cheques, refunds relating to income tax and VAT, checking imprest account and imprest cash account were the other main tasks performed by the Internal Audit Branch.

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Chapter 4

Taxes in Default

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4.1 Taxes in Default

Table 4.1 shows the default tax amounts, disputed amounts, penalties and the amount collectible as at December 31, 2017.

Type of tax	Gross Tax in Default (Rs.)	Penalty (Rs.)	Disputed Taxes Excluding Penalty (Rs.)	Penalty related to disputed Taxes (Rs.)	Collectible Tax (Rs.)	Collectible Penalty (Rs.)
Income Tax	117,663,779,978	69,900,855,557	112,000,816,315	66,915,465,836	5,662,963,663	2,985,389,721
Surcharge on Income Tax	258,960,780	165,710,940	255,044,714	163,763,121	3,916,066	1,947,819
Income Tax (WHT on Interest)	1,508,265,061	688,812,235	214,441,597	91,808,201	1,293,823,464	597,004,034
Value Added Tax	50,350,479,988	38,913,961,644	42,597,804,741	32,783,899,407	7,752,675,247	6,130,062,237
Value Added Tax (Financial Services)	7,643,997,409	4,153,954,002	7,609,732,579	4,118,186,802	34,264,830	35,767,200
Economic Service Charge	3,849,895,152	3,319,060,447	3,120,031,452	2,799,561,786	729,863,700	519,498,661
Nation Building Tax	9,145,262,843	6,752,140,750	5,297,328,168	4,419,749,404	3,847,934,675	2,332,391,346
Nation Building Tax (Financial Services)	391,312,502	190,590,856	383,119,329	186,520,478	8,193,173	4,070,378
Stamp Duty	9,732,724	4,866,362	-	-	9,732,724	4,866,362
Debit tax	2,215,581,368	-	2,215,581,368	-	-	-
Turnover Tax	1,722,835,502	863,949,677	1,722,835,502	863,949,677	-	-
Good & Services Tax	934,955,433	1,011,928,821	934,955,433	1,011,928,821	-	-
National Security Levy	1,267,057,545	529,265,383	1,267,057,545	529,265,383	-	-
Save the Nation Contribution	14,286,141	4,471,485	14,286,141	4,471,485	-	-
Wealth Tax	849,952	403,652	849,952	403,652	-	-
Gift Tax	2,409	1,204	2,409	1,204	-	-
Social Responsibility Levy	1,848,479	146,995	1,848,424	146,995	55	-
Compounding Penalty	-	252,837,716	-	137,202,448	-	115,635,268
Total	196,979,103,266	126,752,957,726	177,635,735,669	114,026,324,700	19,343,367,597	12,726,633,026

Notes:

- i. Total taxes in default represent remained cumulative balances of respective taxes. However, taxes in default as classified above do not fully remain as arrears per se.
- ii. Arrears or defaults are created when an assessment is issued for whatever reason (non-furnishing a returns, non-payment of taxes on the basis of returns, furnishing incorrect returns or declarations etc. by the taxpayers). Penalty is generally, 10% for the non-payments on due

date and further, 2% for each month of default until it reaches 50% of tax in the case of income tax and as much as 100% with regard to VAT.

- iii. Where the taxpayers have lodged appeals invoking their rights, against assessments and consequently, when such appeals are taken up to higher appellate levels (Tax Appeals Commission, Courts of Appeal), related taxes are considered as default tax. Such of tax amounts are categorized as disputed taxes, penalties or held over taxes. On the settlement of the appeals, any excess amount assessed together with the relevant penalty has to be discharged.

4.2 Plans for reduction of Default Taxes

- a. The respective enactments stipulate actions and steps to be taken for recovery of tax in default. Although, such actions were continuously taken after the issuing of assessments, considerable amount of taxes remains in default.
- b. The Default Tax Recovery Unit has prepared relevant reports of default taxes as provided in the Default Taxes (Special Provisions) Act, No. 16 of 2010. (An Act to provide for a streamlined and speedier process for the recovery of taxes) and effective recovery actions with an added authority are intended for better results.

4.3 Maintenance of arrears of tax at 3%

In terms of section 12 of Default Taxes (Special Provisions) Act, No. 16 of 2010, it shall be the duty of the Commissioner General to ensure that the aggregate of any taxes, not including any penalty accrued thereon or any part of tax held over or deferred, which is in default under any law specified in the schedule to that Act as at the end of any calendar year commencing on or after January 1, 2010, over the aggregate of taxes in default as at the end of the immediately preceding year, shall not exceed three *per centum* of the total amount of the taxes levied and charged under the said laws, in the immediately preceding year.

Accordingly,

Net tax in default as at 31.12.2017	-	Rs. 19,343,367,597
<u>less</u>		
Net tax in default as at 31.12.2016	-	<u>Rs. 18,808,903,073</u>
Increase of Default Tax in 2016	-	Rs. 534,464,524
Total collection of taxes in the year ended 31.12.2016	-	Rs. 604,252,568,053
3% of the total tax collection in 2016	-	Rs 18,127,577,041

Therefore, there is no net addition of taxes in default in 2017, thus it is below 3% of total tax collection in the preceding year, as required under the Default Taxes (Special Provisions) Act, No.16 of 2010.

Chapter 5

Audits, Additional Tax Collection, Refunds, Recovery Action and Appeals

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5.1 Audits

Audits and investigations were undertaken during 2017 to a widest possible coverage of the taxpayer population, in terms of business activity, entity type and business size. However, as the IRD in the initial stage of implementation of automated process of carrying out audits, number of audits and revenue collected through assessment shows significant decrease compared to previous years. Table 5.1.1 and Table 5.1.2 shows the details of audits and revenue collected through audits.

	Income Tax	VAT	ESC	PAYE	NBT	Total
Total amount of additional tax assessed during the year	4,372,703	434,383	25,069	8,255	158,583	4,998,993
Total amount of additional tax collected during the year	3,702,318	212,594	18,062	7,113	118,986	4,059,073
Number of tax audits commenced during the year 2017	1244					
Number of tax Audit finalized during the year 2017	1221					

Description	Additional income/ Turnover assessed & agreed (Rs.'000)	Additional Tax Assessed & Agreed (Rs.'000)				Additional Tax Collected (includes Refund claims setoff) (Rs.'000)
		Corporate - LTU	Corporate - other	Other units	Total	
Income Tax	18,418,505	3,702,392	164,500	505,811	4,372,703	3,702,318
VAT	3,342,898	199,488	164,727	70,168	434,383	212,594
ESC	5,028,984	0	10,353	14,716	25,069	18,062
PAYE	50,231	1,243	7,012	0	8,255	7,113
NBT	11,541,003	25,673	58,881	74,029	158,583	118,986
Total	38,381,621	3,928,796	405,473	664,724	4,998,993	4,059,073

5.2 Appeals

During the year, the IRD has finalized 292 appeals received against the assessments issued, and the analysis of appeal position is as follows:

		Income Tax	VAT	ESC	NBT	Others	Total
Balance as at 01.01.2017	Appeal & Objection Unit	62	72	0	35	0	169
	CGIR'S Hearing	82	100	0	81	2	265
Registered (as per APL 2) during the year		322	271	16	171	16	796
Finalized	Determined (CGIR)	36	60	0	60	1	157
	Appeal & Objection Unit	39	74	1	21	0	135
Submitted for CGIR's hearing		46	91	0	63	1	201
Balance as at 31.12.2017	Appeal & Objection Unit	300	166	15	135	5	621
	CGIR 's Hearing	78	118	0	70	1	267

5.3 Recovery Actions

Following table shows the number of cases attended and notices issued for the recovery of taxes during the year.

	Cases	Notices
Issuing Seizure Notices	228	263
Prosecution Action	400	247
Other Action	2,131	1,956

5.4 Refunds

An analysis of refunds made during the year (excluding refunds, which were set off against outstanding taxes) is as follows.

Type of tax	2016		2017	
	Amount of Refund (Rs.)	% to Net Revenue Collection of each tax	Amount of Refund (Rs.)	% to Net Revenue Collection of each tax
VAT	505,773,176	0.18%	719,684,181	0.16%
Co – operate Income tax	28,077,492	0.02%	15,918,082	0.01%
Other non Co – operate Income tax	7,061,585	0.07%	3,928,822	0.04%
WHT on Specified fees	921,091	0.01%	-	0.00%
PAYE	28,634,229	0.10%	24,786,377	0.08%
Total	570,467,573	0.09%	764,317,462	0.09%

Chapter 6

International Relations

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6.1 Double Tax Avoidance Agreements

The objective and purpose of the Double Tax Conventions are to eliminate or mitigate the incidence of juridical double taxation and prevention of fiscal evasion connected with the profits and income earned by persons through global operations. These treaties are particularly important for developing countries as they play a great role in attracting foreign investments, paving the way to obtain expertise, modern technology, employment opportunities etc.

In addition, double tax conventions are entered in to having solidarity and cooperation between countries like it happened recently with several treaty partners of Sri Lanka.

Sri Lanka has as at December 31, 2017 entered into Double Tax Avoidance Treaties tax treaties with 44 countries and a multilateral treaty (SAARC) as referred to in the table 6.1.

Table 6.1 The countries with which double tax treaties are in force as at 31.12.2017					
	Country	Date of Signing the Agreement	Gazette		Operative in Sri Lanka From the Year of Assessment
			No.	Date	
1	Australia	18-12-1989	657/2	08-04-1991	1992/93
2	Bangladesh	24-07-8196	448/13	07-04-1987	1989/90
3	Bahrain	24-06-2011	1847/51	31-01-2014	2015/16
4	Belgium	03-02-1983	292/6	09-04-1984	1984/85
5	Canada	23-06-1982	253/8	13-07-1983	1986/87
6	China	11-08-2003	1374/20	6-01-2005	2006/07
7	Czechoslovakia (Czech Republic)	23-02-1979	24/19	23-02-1979	1979/80
8	Denmark (Rev.)	22-12-1981	228/15	20-01-1983	1980/81
9	France	17-09-1981	210/17	17-09-1982	1982/83
10	Finland	18-05-1982	253/8	13-07-1983	1981/82
11	Germany	13-09-1979	113	31-10-1980	1982/83
12	Hong Kong (Limited)	26-03-2004	1374/21	06-01-2005	2005/06
13	India (Rev.)	22-01-2013	1828/9	17-09-2013	2014/15
14	Indonesia	03-02-1993	789/10	21-10-1993	1995/96
15	Iran	25-07-2000	1187/16	06-06-2001	2002/03
16	Italy	28-03-1984	322/4	05-11-1984	1978/79
17	Japan	12-12-1967	14803/5	29-05-1968	1969/70
18	Korea	28-05-1984	342/11	29-03-1985	1980/81
19	Kuwait	05-02-2002	1245/19	18-07-2002	2002/03
20	Malaysia (Rev.)	16-09-1997	1028/21	22-05-1998	99/2000
21	Mauritius	12-03-1996	958/10	15-01-1997	1998/99
22	Nepal	06-07-1999	1116/6	26-01-2000	2001/02
23	Netherlands	17-11-1982	281/13	26-01-1984	1979/80
24	Norway (Rev.)	01-12-1986	464/4	27-07-1987	1989/90
25	Oman (Limited)	26-07-1994	881/7	26-07-1995	1979/80
26	Pakistan (Rev.)	15-10-1981	210/17	17-09-1982	1983/84
27	Philippines	11-10-2000	1237/7	21-05-2002	2010/11
			1256/27	02-10-2002	
28	Poland	25-04-1980	130	27-02-1981	1984/85
29	Qatar	07-11-2004	1422/10	05-12-2005	2008/09

30	Romania	19-10-1984	371/9	15-10-1985	1986/87
31	Russia	02-03-1999	1101/22	15-10-1999	2003/04
32	Saudi Arabia (Limited)	16-12-1999	1101/23	15-10-1999	1983/84
33	Singapore (old)	29-05-1979	57/11	10-10-1979	1977/78
	Singapore (new)	03-04-2014	1993/11	16-11-2016	2018/19
34	Sweden	23-02-1983	297/28	18-05-1984	1985/86
35	Switzerland	11-01-1983	292/6	09-04-1984	1981/82
36	Thailand	14-12-1988	571/16	18-08-1989	1990/91
	U.A.E. (Limited)	07-07-1992	824/13	23-06-1994	1979/80
37	U.A.E. (Comprehensive)	24-09-2003	1346/1	21-06-2004	2004/05
38	U.K.	21-06-1979	60/23	02-11-1979	1977/78
	U.S.A. Protocol	20-09-2002	1298/8	21-07-2003	2004/05
39	U.S.A	14-03-1985	398/4	22-04-1986	
40	Vietnam	26-10-2005	1455/9	24-07-2006	2007/08
41	Seychelles	23-09-2011	1837/14	20-11-2013	2015/16
42	Belarus	26-08-2013	1837/13	20-11-2013	2015/16
43	Palestine	16-04-2012	1838/8	26-11-2013	2015/16
44	Luxembourg	31-01-2013	1838/9	26-11-2013	2015/16
Multi National Treaties					
1	SARRC Multilateral Treaty	13-10-2005	1447/3	29-05-2006	2011/2012

6.1.1 Affairs related to Double Tax Avoidance Treaties during the Year 2017

Revised Agreement with Czech Republic

First round negotiations were held in Prague, Czech Republic during 25-28 April, 2017.

Revised Agreement with Switzerland

Second round negotiations were held in Colombo, Sri Lanka during 24-27 October, 2017.

In addition, work on several other new conventions and existing conventions were in progress during the year. Revision of conventions which have been entered into several decades ago is of high importance as to comply with requirements under the Base Erosion and Profit Shifting (BEPS) Project and its actions including the Multi-Lateral Instrument (MLI) in future, as Sri Lanka is no exception to countries affected by deprived tax revenue due to eroding the tax base from the actual economical substance.

6.2 Participations at International Taxation Matters Abroad

No.	Name & Designation	Programme	Country	Duration
				From
1	Mrs. K. Dahanayake Commissioner General	Annual Management Committee Meeting	London	18.04.2017- 22.04.2017

2	Mrs. K. Dahanayake Commissioner General	Negotiations for a Double Taxation Avoidance Agreement between Sri Lanka and Czech Republic	Prague	24.04.2017-01.05.2017
3	Mrs. P. Rohini Deputy Commissioner General	OECD Forum - 2017	Paris	04.06.2017-10.06.2017
4	Mrs. R. M. P. S. K. Rajapakshe Deputy Commissioner General	OECD Forum - 2017	Paris	04.06.2017-10.06.2017
5	Mr. A. A. D. U. Abeysinghe Deputy Commissioner General	38 th CATA Annual Technical Conference	Ghana	05.11.2017-12.11.2017
6	Mrs. C. H. Weerasinghe Deputy Commissioner General	2nd meeting of the Inclusive Framework on BEPS	Paris	24.01.2017-28.01.2017
7	Ms. H. M. D. Munasinghe Deputy Commissioner General	Fifth OECD Forum on Tax & Crime and Fourth Forum of Heads of Tax Crime Investigation	United Kingdom	05.11.2017-11.11.2017
8	Mr. D. R. S. Hapuarachchi Senior Commissioner	Negotiations for a Double Taxation Avoidance Agreement between Sri Lanka and Czech Republic	Prague	24.04.2017-01.05.2017
9	Mr. W. M. P. G. N. B. Wanigasekara Senior Commissioner	38 th CATA Annual Technical Conference	Ghana	05.11.2017-12.11.2017
10	Mr. M. L. M. Thahir Senior Commissioner	71 st Congress of the International Fiscal Association	Brazil	26.08.2017-03.09.2017
11	Mr. K. D. M. Rathna kumara Senior Commissioner	VAT Global Forum	France	10.04.2017-16.04.2017
12	Mr. G. C. Mahanama Senior Commissioner	VAT Global Forum	France	10.04.2017-16.04.2017
13	Mr. S. S. D. Weerasekara Senior Commissioner	VAT Global Forum	France	10.04.2017-16.04.2017
14	Mr. M. S. M. Siyaan Senior Commissioner	2nd meeting of the Inclusive Framework on BEPS	France	24.01.2017-28.01.2017
15	Mr. M. D. J. M. Devapriya Senior Commissioner	38 th CATA Annual Technical Conference	Ghana	05.11.2017-12.11.2017
16	Ms. R. P. H. Fernando Commissioner	Negotiations for a Double Taxation Avoidance Agreement between Sri Lanka and Czech Republic	Prague	24.04.2017-01.05.2017
17	Ms. J. A. D. D. W. K Siriwardena Commissioner	Workshop on Tax Treaties, Issues in the BEPS Context and the MLI	Mexico	22.04.2017-30.04.2017
18	Mr. T. U. Athukorala Commissioner	38 th CATA Annual Technical Conference	Ghana	05.11.2017-12.11.2017
19	Ms. T. M. S. M. Tennakoon Commissioner	Fifth OECD Forum on Tax & Crime and Fourth Forum of Heads of Tax Crime Investigation	United Kingdom	05.11.2017-11.11.2017
20	Ms. S. O. A. C. R. Niwunhella Senior Deputy Commissioner	Workshop on Tax Treaties, Issues in the BEPS Context and the MLI	Mexico	22.04.2017-30.04.2017

21	Mr. L. M. Wasantha Deputy Commissioner	Implementing BEPS – Minimum Standards	Korea	16.04.2017- 23.04.2017
22	Ms. W. A. C. S. Senanayake Deputy Commissioner	Meeting of Management Committee	United Kingdom	18.04.2017- 22.04.2017
23	Mr. G. M. Indika Deputy Commissioner	Workshop on Taxation of International Transactions (TOIT 2017)	Malaysia	06.08.2017- 26.08.2017
24	Mrs. C. D. Lokuliyana Deputy Commissioner	Workshop on Taxation of International Transactions (TOIT 2017)	Malaysia	06.08.2017- 26.08.2017
25	Ms. S. A. P. D. Dissabandara Deputy Commissioner	Negotiations for a Double Taxation Avoidance Agreement between Sri Lanka and Czech Republic	Prague	24.04.2017- 01.05.2017
26	Mrs. P. N. M. Panagoda Deputy Commissioner	Tax Inspectors Without Borders (TIWB) Stakeholders Workshop	France	01.11.2017- 05.11.2017
27	Ms. K. P. P. N. Kumari Deputy Commissioner	Implementing BEPS – Minimum Standards	Korea	16.04.2017- 23.04.2017
28	Mr. V. P. Hettiarachchi Deputy Commissioner	Workshop on Taxation of International Transactions (TOIT 2017)	Malaysia	06.08.2017- 26.08.2017
29	Mr. J. S. U. V. De Silva Deputy Commissioner	Workshop on Taxation of International Transactions (TOIT 2017)	Malaysia	06.08.2017- 26.08.2017
30	Mrs. C.J. Gunarathna Deputy Commissioner	International Taxation for Asian Countries	Japan	08.05.2017- 31.05.2017
31	Mr. J. C. B. Manathunga Assistant Commissioner	LHDNM-OECD: Multilateral Convention to Implement Tax Treaty related measures to prevent Base Erosion and Profit Shifting	Malaysia	19.03.2017- 25.03.2017

Chapter 7

Legislation

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7.1 Legislation enacted during the year

- i. Inland Revenue Act, No. 24 of 2017
- ii. Economic Service Charge (Amendment) Act, No. 07 of 2017
- iii. Nation Building Tax (Amendment) Act, No. 13 of 2017
- iv. Land (Restrictions on Alienation) (Amendment) Act, No. 03 of 2017

7.2 Approved Charities

There was one approval granted during the year

Charitable Institute	Gazette Number / Date of Registration
Lotus Hill Home for Disabled Children	2046/10 – 12.11.2017

7.3 Gazette Notices

Following Gazette notices were issued during the year under the respective Acts administered by the IRD.

	Gazette No.	Date	Description
I	2006/37	15.02.2017	Authorized Representative Regulations No. 01 of 2006 made under section 212 & 217 of the Inland Revenue Act, No. 10 of 2006
II	2007/24	21.02.2017	Amendment to the Order made under Stamp Duty (Special Provisions) Act that published in the Ex. Ord. Gaz. No. 1465/20 W.e.f. 21.02.2017
III	2012/2	27.03.2017	Notification to specify the records to be maintained and procedure to be adopted by persons who registered for Value Added Tax on wholesale and retail trade effective from May 02, 2016
IV	2036/23	13.09.2017	The Regulations made in relation to section 2 of Economic Service Charge Act, No. 13 of 2006
V	2040/21	26.10.2017	Record Keeping Regulations No. 1 of 2017 under the Value Added Tax Act

7.4 Interpretation Committee

The Committee for Interpretation of Tax Laws (CITL), appointed in 2011 by the Commissioner General of Inland Revenue under the Section 208A of Inland Revenue Act, comprises of senior officials of Inland Revenue Department and Chaired by the Deputy Commissioner General (Tax Policy) presently, is responsible for the issuance of interpretations, clarifications, guidelines etc. on the provisions of Acts administered by the CGIR.

Any person, who finds any ambiguity in any provision of an enactment administered by The Inland Revenue Department, can request seeking interpretation thereon to the Committee. (Secretary of Committee, Secretariat, Inland Revenue Department). The CITL as mandated to issue necessary guidelines and instructions to ensure uniformity with regard to interpretations and procedures dealt with 33 cases during the year concerned. Table 7.2 shows the details of the interpretations given by the CITL.

Area	Income Tax	VAT	NBT	PAYE	ESC	Total
Tax Liability	4	4	6	-	3	17
Dividends	1	-	-	-	-	1
Exemptions	1	2	-	-	-	3
Employment Income	1	-	-	2	-	3
Qualifying Payments	1	-	-	-	-	1
Definition	3	-	3	-	-	6
Deductibility of Expenses	1	-	-	-	-	1
Others	1	-	-	-	-	1
Total	13	6	9	2	3	33

Chapter 8

Other Work

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8.1 Taxpayer Services

The taxpayer service unit has been split in to two units naming Primary Registration Unit and Customer Supporting and Promotion Unit under the RAMIS implementation with the view of providing effective and efficient service to taxpayers and public.

Primary Registration Unit facilitate the registration for Taxpayer Identification Number (TIN), Tax Agent and Personal Identification Numbers (PIN). Registration of taxpayers during the year by Primary Registration Unit as follows.

Type of Registration	Online	Walk in	Force
TIN Registration	128	11,333	925
PIN Registration	1,732		
Tax Agent Registration	14		

Tax Registration Unit was established in 2017 to provide a convenient service in registering different tax types. New registrations made under different types of taxes are as follows.

VAT	SVAT	VAT (Temporary)	NBT	CIT	PAYE	WHT	ESC	PIT	IIT
2,610	342	23,088	5,448	4,192	1,293	220	835	2,366	13,777

Several types of leaflets were prepared during the year for the benefit of taxpayers. Moreover, Taxpayer Service Unit provided tax consultancy services to the taxpayers.

8.2 Details of the Directions and Clearance Certificates issued by the Department

Description	2016	2017
<i>Directions issued</i>		
• To Banks for WHT on interest	142	123
<i>Clearance Certificates issued</i>		
• In relation to persons leaving Island	-	456
<i>Privilege Cards Issued</i>		
• Gold Cards	97	47
• Silver Cards	78	24

8.3 Transfer Pricing Regulation Unit

During the year Transfer Pricing Regulation Unit has organized 2 residential workshops for a group of officers who were selected representing different units of the Department to improve the knowledge on transfer pricing methods and to gain understanding of global transfer pricing issues. This was a continuation of 2 workshops held in last year with the assistance of Organization for Economic Corporation and Development (OECD).

In addition to that in house training program for 50 selected officers was conducted by the unit as knowledge sharing program with the support of officers who have participated in the residential workshop. This program was consist of 26 workshops and officers who have a completed the program were awarded a certificate.

Officers of the Transfer Pricing Regulation Unit have finalized the determination of arm's length price in 04 cases which were received from different assessing Units of the Department.

A comprehensive guideline and gazette notification on Transfer pricing have been drafted taking in to account the new developments and legislative changes.

8.4 Human Resources Development Unit

Training branch of the IRD organized several awareness programs for taxpayers during the year in addition to training courses conducted for officers of the Department.

Table 8.2 - Details of Awareness programs		
Subject	Institute	No. of persons attend
Demonstration on VAT & NBT	Land Reform Commission	80
Awareness program on Taxation for academic staff and students	Sri Lanka College of Technology - Maradana	50
Seminar on Taxation for SME Sector with the sponsorship of Sampath Bank PLC - Maho	Divisional Secretariat - Maho	70
Training program on Taxes for managerial officers, government accountants and service contractors	District Secretariat - Puttalan	100
Program on functions of Inland Revenue for undergraduates	Wayamba University - Kuliypitiya	150
Awareness program on VAT and other amendments for Sri Lanka Liquor Licensees Association	Kandy	200
Awareness program on VAT and other amendments for Sri Lanka Liquor Licensees Association	Gampaha	80
Awareness program on VAT and other amendments for Sri Lanka Liquor Licensees Association	Matara	80
Awareness program on Taxation for Co-operative Sector	Kurunegala	68

Chapter 9
Revenue Administration Management
Information System (RAMIS)

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Revenue Administration and Management Information System (RAMIS) was implemented with the aim of supporting the IRD in simplifying the tax administration and tax compliance for taxpayers. RAMIS is also envisioned to support in increasing the revenue collection and tax compliance by enabling IRD to reach out to taxpayers in a more efficient and effective way. The project officially kicked off in July 2014 and the software developer was NCSI Solutions Pte Ltd of Singapore. RAMIS project was targeted to implemented under 2 phases and Phase 1 was implemented by March 2016 and Phase 2 was implemented in October 2016.

Phase 1 comprises with Corporate Income Tax (CIT), Value Added Tax (VAT), SVAT (Simplified Value Added Tax), Withholding Tax (WHT), Nation Building Tax (NBT) and Pay-As-You-Earn Tax (PAYE) which will be covered more than 95% of IRD Revenue. Phase 2 comprises with Non-corporate Income taxes such as Individuals, Partnerships, Clubs, Associations etc. and Stamp Duty, Economic Service Charge (ESC), VAT on Finance and Betting & Gaming Levy (B & G).

Progress of the RAMIS project in 2017 as follows

- Payment of the VAT on Finance through the system was introduced from August 2017 to be covered VAT on Finance liability and to collect returns for the year 2017 and onwards.
- In addition to the modules which launched in 2016, Individual Income Tax (IIT), Partnership Income Tax (PIT) and VAT on Finance modules are launched in 2017. As a result, IIT and PIT returns and schedules submission by online has been started from November 2017.
- Audit module was released to conduct an audit of manually selected cases and selection of Risk Audit and Detail audit cases for the tax type NBT and PAYE were made through the system.
- Module for Collection of Defaults tax was released during the year.
- Actions for non-filing cases started through the system from 2017.
- Registration of Tax Agents (Authorized representatives, Approved Accountants etc.) comments during the year 2017.

Further, In 2017, the Department has identified the area which needs to be changed in RAMIS project which was aim to more friendly to the taxpayers, users and the officers of Inland Revenue Department. During the year some changes were implemented and several policy changes such as workflow changes to be implemented in the medium term to encourage effectiveness of the officers of Inland Revenue Department in order to achieve the desired collection of income.

In 2013 Preliminary steps were taken to implement RAMIS of the IRD under the supervision of Ministry of Finance and Planning. During 2014, the Inception Report was prepared and completed requirement gathering, validation and Business process Reengineering. IRD Web Portal in three languages was launched in 2015. Having completed the development user acceptance testing for Phase 1 was commenced in the same year.

In 2016, the RAMIS commenced its operation. Taxpayer registration under RAMIS system has been started from February 2016 and e-registration facilities were enabled from March. Taxpayers were facilitated to submit the returns of VAT, NBT, PAYE, WHT and CIT through e-Service. Submission of relevant schedules together with VAT, PAYE, WHT returns has been introduced with the e-Service.

IRD conducted a number of awareness programs for all stakeholders, regional offices and the staff emphasizing functional areas of the system, benefits and the prospective services of the system in order to improve the effectiveness RAMIS project.