



2018

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செயலாற்றுகை அறிக்கை
PERFORMANCE REPORT



දේශීය ආදායම් දෙපාර්තමේන්තුව - ශ්‍රී ලංකාව
உள்நாட்டு இறைவரித் திணைக்களம் - இலங்கை
Inland Revenue Department - Sri Lanka



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

2018

Nadun Guruge

INLAND REVENUE DEPARTMENT

Summary of the Performance during the Year 2018

Inland Revenue Department (IRD) contributed to the Government objective of collecting revenue for the development of the country during the year 2018. The total revenue collected by IRD during the year 2018 was 900,348 million rupees recording an increase of 63,830 million rupees over that of the previous year. It was a 46.89% contribution to the Total Government Revenue and 6.23% to the Gross Domestic Production of the year.

During the year, IRD has administrated 16 taxes and has dealt with 4 taxes which were in force earlier before been repealed.

There were 1,132 Inland Revenue officers and 1,467 other officers who have processed integrated mechanism consisting of both facilitating and enforcing the tax compliance. During the year, IRD has conducted training programs for IR officers whilst sending them for overseas training on different aspects of taxation and accountancy on the aim of enhancing their knowledge. In addition to that, several awareness programs were organized for awareness of taxes among the public and to promote e – service facility with the objective of improving tax compliance.

Actions and steps have been taken continuously as stipulated in respective enactments in addition to the Default Tax Recovery Act for the recovery of tax.

During the year 2018, 16 gazette notifications and 9 interpretations had been issued by IRD. A considerable number of new tax files had been opened with the initiatives taken by the Information Branch, other assessing units and Regional Offices.

Tourist VAT Refund Scheme (TVRS) was introduced by IRD in 2018 as proposed in the government budget, to refund Value Added Tax (VAT) which is charged when purchasing goods by tourists who visit Sri Lanka. All the taxes except ESC, Stamp Duty and Betting and Gaming Levy are handled by RAMIS during the year.

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.

Principal Officials

Mr. A.N. Guruge

Commissioner General of Inland Revenue

Deputy Commissioner Generals

Mr. A.N. Guruge

Tax Administration (Corporate Large & Medium Enterprises), Revenue Forecasting & Monitoring, Special Task & Legacy

Mrs. P. Rohini

Customer Service, Compliance Support & Promotion

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

Debt Management, Legal, Appeal & Objection

Mr. A.A.D.U. Abeysinghe

Tax Compliance & Enforcement (Corporate Large & Medium Enterprises)

Mr. M.G. Somachandra

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

Mrs. C.H. Weerasingha

Human Capital & Assets Administration

**Mrs. K.S.B.R.D.S.
Karunaratne**

Tax Policy, Legislation, Ruling & International Affairs

Mr. A.A. Dayarathne (Acting)

Tax Administration (Corporate Small Entities & Non - Corporate Sector)

Mr. E.S. De Zoyza (Acting)

Information & Communication Technology Administration & Tax Operation Support

Senior Commissioners

Mr. H.M.W.C. Bandara	Audit (Large Business Enterprises) & Legacy System duties
Mr. D.R.S. Hapuarachchi	Tax Policy, International Affairs & Secretariat
Mr. W.M.P.N.B. Wanigasekara	Compliance Support Service & Promotion
Mr. M.J. Gunasiri	Investigation
Mr. R.M. Jayasinghe	Transfer Pricing & Research
Mr. M.H. Densil	Zone II, VIP & RTP
Mr. U.B. Wakkumbura	WHT, PAYE, Stamp Duty , BGL & SVAT Duties
Mr. J.A.G. Mahindaratne	Audit Medium Business Enterprises
Mr. B.J. Jayarathne (Acting)	Legal Affairs & Default Collection
Mr. M.L.M. Thahir (Acting)	Human Resource Management
Mr. K.D.M. Rathnakumara (Acting)	Procurement & Assets Management & Tax Operation Support
Mr. K.D.M.N. Gunatunga (Acting)	Tax Compliance & Enforcement (Large Corporate Enterprises)
Mr. S.S.D. Weerasekara (Acting)	Refunds (Large & Medium Corporate Business Enterprises)
Mr. T. Rajapaksha (Acting)	Independent Internal Function Controlling
Mr. M.S.M. Siyaan (Acting)	Customer Registration & Update
Mr. M.D.J.M. Devapriya (Acting)	Information & Interface Agencies & Special Task
Mrs. T.D.G.S. Jayawardhane (Acting)	Human Resource Development & Change Management
Mrs. T.S. Mendis (Acting)	Tax Compliance & Enforcement (Medium Corporate)
Mr. R.A.N. Rajapaksha (Acting)	Information Technology Administration & Payment Controlling
Mr. Mahinda Gunaweera (Acting)	Zone I
Mr. D.U.A. Jayawardhane (Acting)	Zone III
Mrs. W.A.S. Chandrasekara (Acting)	Corporate & Non - Corporate Appeals and Objection

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. 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, 20 of 2016 and 25 of 2018
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, 3 of 2017 and 33 of 2018
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, 22 of 2017 and 20 of 2018
Betting and Gaming Levy	Betting and Gaming Levy Act, No. 40 of 1988 as amended by Act No. 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
Migrating Tax	Finance Act, No. 10 of 2015
Vehicle Entitlement Levy	Finance Act, No. 10 of 2015
Debt Repayment Levy	Finance Act, No. 35 of 2018

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	National Security Levy Act, No. 52 of 1991 as amended
Goods and Services Tax	Goods and Services Tax Act, No. 34 of 1996 as amended
Turnover Tax (Northern Province)	Turnover Tax Act, No. 69 of 1981 as amended
Construction Industry Guarantee Fund Levy	Finance Act, No. 5 of 2005 as amended

Table of Contents

SUMMARY OF THE PERFORMANCE DURING THE YEAR 2018	3
PRINCIPAL OFFICIALS	7
TAXES ADMINISTERED BY THE IRD DURING THE YEAR	9
TABLE OF CONTENTS	11
PART I	15
HUMAN RESOURCE MANAGEMENT AND DEVELOPMENT	15
CHAPTER 1 HUMAN RESOURCES	17
1.1 Approved cadre, the numbers in post and vacancies	19
1.2 Promotions	20
1.3 Retirements	20
1.4 Training	22
PART II	31
TAX ADMINISTRATION	31
CHAPTER 2 COLLECTION OF REVENUE	33
2.1 Details of Taxpayer Registration	35
2.2 Total Revenue Collection	35
2.3 Total Revenue Flow	37
2.4 Revenue Comparison with Previous Year	38
2.5 Transfer of Revenue of Stamp Duty and Nation Building Tax to the Provincial Councils	39
2.6 Collection of Revenue – Self Assessment and Other	39
2.7 Inland Revenue Contribution to the Government Revenue	40
2.8 Return Compliance	40
2.9 Income Tax Collection	41
2.10 Value Added Tax Collection	43
2.11 Nation Building Tax Collection	46
2.12 Economic Service Charge Collection	47
2.13 PAYE Collection	47
2.14 Withholding Taxes (on interest and specified fees)	47
2.16 Betting and Gaming Levy	48
2.17 Vehicle Entitlement Levy	48
2.18 Stamp Duty	48
2.19 Debt Repayment Levy	48
2.20 Inland Revenue Collection 2014 to 2018 (Tax wise)	49
CHAPTER 3 EXPENDITURE AND PRODUCTIVITY RATIO	51
3.1 Comparison of the Total Expenditure incurred during the years – 2016, 2017 and 2018	53
3.2 Productivity Ratio	54
3.3 The Internal Audit	55
CHAPTER 4 TAXES IN DEFAULT	57
4.1 Taxes in Default	59
4.2 Plans for reduction of Default Taxes	60
4.3 Maintenance of arrears of tax at 3%	60
CHAPTER 5 AUDITS, ADDITIONAL TAX COLLECTION, REFUNDS, RECOVERY ACTION AND APPEALS	61
5.1 Audits	63
5.2 Appeals	63
5.3 Recovery Actions	64
5.4 Refunds	64

CHAPTER 6	INTERNATIONAL RELATIONS	65
6.1	Double Tax Avoidance Agreements	67
6.2	Participations at International Taxation Matters Abroad	69
CHAPTER 7	LEGISLATION	75
7.1	Legislation enacted during the year	77
7.2	Approved Charities	77
7.3	Gazette Notices	77
7.4	Interpretation Committee	78
CHAPTER 8	OTHER WORK	81
8.1	Taxpayer Services	83
8.2	Details of the Directions and Clearance Certificates issued by the IRD	83
8.3	Transfer Pricing Regulation Unit	84
8.4	Tourist VAT Refund Scheme (TVRS)	84
CHAPTER 9	REVENUE ADMINISTRATION MANAGEMENT INFORMATION SYSTEM (RAMIS)	85

List of Abbreviations

BEPS	Base Erosion & Profit Shifting
BGL	Betting and Gambling Levy
CATA	Commonwealth Association of Tax Administrators
CGIR	Commissioner General of Inland Revenue
CGT	Capital Gain Tax
CIGFL	Construction Industry Guarantee Fund Levy
CIT	Corporate Income Tax
CITL	Committee For Interpretation of Tax Laws
DCGIR	Deputy Commissioner General of Inland Revenue
DRL	Debt Repayment Levy
ESC	Economic Service Charge
FMEP	Fiscal Management Efficiency Project
GDP	Gross Domestic Product
GST	Goods And Services Tax
IAOS	International Association for Official Statistics
ICT	Information and Communication Technology
IFA	International Fiscal Association
IIT	Individual Income Tax
IMF	International Monetary Fund
IRD	Inland Revenue Department
IT	Income Tax
LTU	Large Taxpayer Unit
MOU	Memorandum of Understanding
MT	Migrating Tax
NBT	Nation Building Tax
NSL	National Security Levy
OECD	Organization for Economic Cooperation and Development
PAYE	Pay As You Earn
PIM	Postgraduate Institute of Management
PIN	Personal Identification Number
PIT	Partnership Income Tax
RAMIS	Revenue Administration Management Information System
ROC	Registrar Of Company
SARTTAC	South Asia Regional Training and Technical Assistance Center
SD	Stamp Duty
STL	Share Transaction Levy
SVAT	Simplified Value Added Tax
TIN	Taxpayer Identification Number
TT	Turnover Tax
TVRS	Tourist VAT Refund Scheme
U.A.E.	United Arab Emirates
U.K.	United Kingdom
U.S.A.	United State of America
VAT	Value Added Tax
VEL	Vehicle Entitlement Levy
VIP & RTP	Very Important Person & Restricted Tax Payers
WHT	Withholding Tax

PART I

HUMAN RESOURCE MANAGEMENT AND DEVELOPMENT

Chapter 1

Human Resources

1.1 Approved cadre, the numbers in post and vacancies

The following table shows the approved cadre of the IRD, the numbers in post and the vacancies, as at December 31, 2018.

Table 1.1 Cadre as at 31.12.2018			
Position	Approved Cadre	Numbers in Post	Vacancies
<u>Inland Revenue Service</u>	<u>1232</u>	<u>1,132</u>	<u>100</u>
Commissioner General*	1	0	1
Deputy Commissioner General	9	7	2
Senior Commissioner	22	10	12
Commissioner	90	75	15
Senior Deputy Commissioner / Deputy Commissioner / Assistant Commissioner	1107	1040	67
Senior Tax Officer / Tax Officer**	3	0	3
<u>Other Services</u>	<u>1,552</u>	<u>1,467</u>	<u>87</u>
<u>Combined Services</u>	<u>1,401</u>	<u>1,367</u>	<u>34</u>
Chief Finance Officer	1	0	1
Chief Accountant	1	1	-
Internal Auditor	1	1	-
Director (Administration)	1	-	1
Accountant	5	5	-
Administrative Officer	3	3	-
Translator	9	9	-
Development Officer	7	7	-
Librarian	1	1	-
Assistant Librarian	1	-	1
Public Management Assistant	925	908	17
Transport Officer	1	-	1
Driver	96	91	5
KKS	349	341	8
<u>ICT Service</u>	<u>132</u>	<u>82</u>	<u>48</u>
Director (ICT)	2	2	-
Deputy Director / Assistant Director (ICT)	6	4	2
System Analyst	1	1	-
Officer (ICT)	18	13	5
Assistant (ICT)	105	62	43
<u>Other</u>	<u>19</u>	<u>18</u>	<u>5</u>
Engineer	1	1	-
Technical Officer	2	-	2
Building Supervisor	1	-	1
Research Associate	10	10	-
Receptionist	4	4	-
Carpenter	1	1	-
Sanitary Labour (Casual)***	-	2	-
Total	2,784	2,597	187

*In terms of the appointment letter issued on 12.04.2019, the appointment has been made to the post of Commissioner General with effect from 19.11.2018, which was vacated as at 31.12.2018.

**Actions are being taken to obtain the approval from the Department of Management Services for the nullifying of posts mentioned in the approved carder on Tax Officers / Senior Tax Officers who are not in service presently.

***The attachment has been done on the basis of casual as approved by the Ministry of Finance on 15.01.2018

1.2 Promotions

- Three Senior Commissioners were promoted to the rank of Deputy Commissioner General (Acting).
- Six Commissioners were promoted to the rank of Senior Commissioners (Acting).
- Thirteen Senior Deputy Commissioners (In-Charge) were promoted to the rank of Commissioner (Acting).

1.3 Retirements

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

- | | |
|------------------------------|-----------------------------|
| • Mrs. R.M.R.W. Manchanayake | Commissioner General |
| • Mr. D.M.L.I. Dissanayake | Commissioner General |
| • Mrs. H.M.D. Munasinghe | Deputy Commissioner General |
| • Mr. P.L.S. Liyanage | Deputy Commissioner General |
| • Mr. M.S.M. Fuward | Senior Commissioner |
| • Mr. D. Rangalla | Senior Commissioner |

Other Retirements

- | | |
|--|----|
| • Commissioner | 9 |
| • Senior Deputy Commissioner | 2 |
| • Assistant Commissioner / Deputy Commissioner | 14 |
| • Chief Finance Officer | 1 |
| • Director (ICT) | 1 |
| • Public Management Assistant | 23 |
| • KKS | 16 |
| • Driver | 8 |

Mrs. R.M.R.W. Manchanayake

Mrs. R.M.R.W. Manchanayake joined the IRD in 1984 as an Assessor. At the time of her retirement which took place on November 17, 2018, she was functioning as a tax advisor to the Ministry of Finance from 19.03.2015 till her retirement. Mrs. Manchanayake was at the helm of IRD from 29.07.2014 to 18.03.2015 holding the post of Commissioner General. She played major role of the commencement of RAMIS as a project director. During his tenure of office, she participated in several overseas taxation programs including Workshop on Tax Administration for the higher level officials of the IRD held in Netherland in 2015, Signing of MOU on e-Governance Training Programme held in Malaysia in 2014, Proposed visit to Inland Revenue of Singapore in 2013, Workshop on E-Governance and Change Management held in Singapore in 2013, LHDNM – OECD Practical Workshop on the Negotiation of Tax Treaties held in Malaysia in 2010, 2nd Country Study Visit of MPM Programme held in Thailand in 2007, Workshop on Tax Policy held in India in 2006. She has represented IRD in 18th Annual Tax Treaty Meeting of OECD held in Paris in 2013.

Mr. D.M.L.I. Dissanayake

Mr. D.M.L.I. Dissanayake joined the IRD in 1984 as an Assessor. At the time of his retirement which took place on September 14, 2018, he was functioning as the Commissioner General of Inland Revenue. Mr. Dissanayake counted 34 years of dedicated service in the IRD, serving in respective capacities. He was the main role of the introduction of the new Inland Revenue Act, No. 24 of 2017 and he was the dedicated person for the implementation of RAMIS Phase 1 and Phase 2. During his tenure of office, he participated in several overseas taxation programs including workshop on implementing sustainable e-Government solutions held in Singapore in 2018, Program from policy to legislation held in UK in 2017, Workshop on taxation & the oil industry, transfer pricing & other tax risks held in 2016 in Mexico, Program on Effective & Efficient use of Tax Incentives held in Mexico in 2016, Workshop on Tax Administration held in Netherland in 2015, Signing of MOU on e-governance Training Programme held in Malaysia in 2014, Program on Transforming Human Resource : Driving Alignment between HR and the Organization held in UK in 2014, 3rd annual meeting of Global Forum on Transfer Pricing held in Paris in 2014, Program on e-Governance and Change Management (FMCP), Program on Tax Authority by the Tax Appeal Commission & Interpretation Commission held in Singapore in 2011, Program on practical aspects of International Tax Planning held in Netherland in 2010, Program on Audit & Management held in India in 2007 and Program on Tax Policy held in India in year 2006. He represented the IRD at the Management Committee Meeting held in London in 2018, OECD Asian Round table on Corporate Governance held in Japan in 2017, 6th International Tax Dialogue Conference held in Paris in 2015, 34th CATA Technical Conference held in Rwanda in 2013, IMF Japan High level Tax conference for Asia Pacific countries held in Japan in 2012, Seminar of General Taxation held in Japan in 1998 and he participated to the Negotiations for the Revision of the Double Tax Avoidance Agreements between Sri Lanka and Denmark and Sri Lanka and Netherland in 2018 and meeting of initiating proposed agreement on the Avoidance of Double Taxation held in Croatia in 2011.

Mrs. H.M.D. Munasinghe

Mrs. H.M.D. Munasinghe who joined the IRD in 1984 as an Assessor, reached the rank of Deputy Commissioner General in 2017. She retired from the service on October 19, 2018. Mrs. Munasinghe during the tenure of her office, underwent training and participated in several overseas taxation programs including Workshop on SOE Reforms and Shared prosperity and Taxation & Growth, 5th OECD Forum on Tax & Crime and 4th Forum of Heads of Tax Crime Investigation held in UK in 2017, Training programme on e-Governance & IT System Management held in Singapore in 2017, Workshop on Tax Administration held in Netherland in 2015, Workshop on e-Governance and Change Management held in Singapore in 2013, Programme on TFCTN held in Singapore in 2011, Program on Practical Issues of Tax Policy and Audit, Tax Administration in Developing Countries held in India in 2007, Program on Advancing Management Potential held in UK in 2005. She represented the IRD at the 2nd meeting of the OECD Global Forum on VAT held in Tokyo in 2014 and Meeting and 5th OECD Global Forum held in Paris in 2016.

Mr. P.L.S. Liyanage

Mr. P.L.S. Liyanage joined the IRD in 1985 as an Assessor. At the time of his retirement which took place on November 11, 2018, he was functioning as a Deputy Commissioner General. Mr. Liyanage counted 33 years of dedicated service in the IRD, serving in respective capacities to the Inland

Revenue Department. During his tenure of office, he participated in several overseas taxation programs including Workshop on Implementing Sustainable e-Government Solutions held in Singapore in 2018, Workshop on Tax Administration held in Netherland in 2015, Workshop on Base Erosion and Profit Shifting held in Korea in 2014, e-Governance and Change Management Programme – FMEP held in Singapore in 2013, Specialized training programme on Audit & Management Held in India in 2007, Workshop on Principles of International Taxation held in Netherland in 2007, Workshop on Practical Issue of Tax Policy and Tax Administration in Developing Countries held in India in 2007, Tax Modeling Workshop held in Austria in 2002. Further he represented IRD in 2nd meeting of the Inclusive Framework on BEPS held in Paris in 2017, OECD Tax Development Meeting held in Paris in 2015, Joint – LHDNM OECD Advanced Seminar on Transfer Pricing held in Malaysia in 2011.

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 training and the examinations conducted for IRD personal during the year were as follows.

▪ For Assistant Commissioners

Table 1.2 Training Classes and Examinations conducted during the year		
Course / Examination	Number of Trainees	
Training classes conducted for Assistant Commissioners for the Departmental Examination (275 hours)	Sinhala Medium	- 379
	Tamil Medium	- 14
	English Medium	- 21
First Efficiency Bar Examination for the Assistant Commissioners in Grade III	May	Sinhala Medium - 40 Tamil Medium - 03 English Medium - 01
First Efficiency Bar Examination for the Assistant Commissioners in Grade III	July	Sinhala Medium - 09 Tamil Medium - 00 English Medium - 01
Lectures on subjects related to the First Efficiency Bar Examination for newly recruited Assistant Commissioners (2018 Batch)	Sinhala Medium	- 06
	Tamil Medium	- 09
	English Medium	- 12

▪ **Seminars and Work Shops**

Subject	No. of seminars / workshops held during the year	No. of officers attended
Seminar on new Inland Revenue Act & Practical Aspects of New IR Act, No. 24 of 2017 for IRD officers	5	392
Seminar on ROC Functions and Provisions of Companies Act, No. 07 of 2007 & Capital Gain Tax	2	247
Seminar for IRD Officers and Training on RAMIS Work Items	9	96
Seminar on e – services under the RAMIS System for IRD Officers	1	87
Seminar for IRD officers on Provisions of International Taxation on IR Act, No. 24 of 2017	6	26
Workshop for IRD officers (Orientation Program for Newly Recruited Batch)	9	27

1.4.2 Overseas Training

As usual arrangements were made for officials of the IRD to participate in training programs, 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 programs they participated are as follows.

No.	Name & Destination	Program	Country	Duration
				From
1	Mr. D.M.L.I. Dissanayake Commissioner General	Workshop on Implementing Sustainable E-Government Solutions	Singapore	25.02.2018 - 04.03.2018
2	Mr. A.N. Guruge Deputy Commissioner General	Study Tour on Tourist VAT Refund	Singapore	05.04.2018 - 11.04.2018
3	Mrs. P. Rohini Deputy Commissioner General	Seminar for Senior Tax Officials from the “Belt and Road Initiative” Countries	China	25.06.2018 - 01.07.2018
4	Mrs. R.M.P.S.K. Rajapakshe Deputy Commissioner General	Seminar for Senior Tax Officials from the “Belt and Road Initiative” Countries	China	25.06.2018 - 01.07.2018
5	Mr. A.A.D.U. Abeyasinghe Deputy Commissioner General	Seminar for Senior Tax Officials from the “Belt and Road Initiative” Countries	China	25.06.2018 - 01.07.2018
6	Mr. M.G. Somachandra Deputy Commissioner General	Workshop on Implementing Sustainable E-Government Solutions	Singapore	25.02.2018 - 04.03.2018

7	Mrs. C.H. Weerasinghe Deputy Commissioner General	Next Generation Human Resources: Transforming People Management in the Public Sector	United Kingdom	16.06.2018 - 23.06.2018
8	Mrs. K.S.B.R.D.S. Karunaratne Deputy Commissioner General	Next Generation Human Resources: Transforming People Management in the Public Sector	United Kingdom	16.06.2018 - 23.06.2018
9	Mrs. H.M.D. Munasinghe Deputy Commissioner General	Invitation to the World Bank-KDI Workshops on: SOE Reforms & Shared Prosperity and Taxation & Growth	South Korea	24.03.2018 - 31.03.2018
10	Mr. P.L.S. Liyanage Senior Commissioner	Workshop on Implementing Sustainable E-Government Solutions	Singapore	25.02.2018 - 04.03.2018
11	Mr. A.A. Dayaratne Senior Commissioner	Study Tour on Tourist VAT Refund	Singapore	20.03.2018 - 24.03.2018
12	Mr. A.A. Dayaratne Senior Commissioner	Study Tour on Tourist VAT Refund	Singapore	05.04.2018 - 11.04.2018
13	Mr. H.M.W.C. Bandara Senior Commissioner	Workshop on Implementing Sustainable E-Government Solutions	Singapore	25.02.2018 - 04.03.2018
14	Mr. M.J. Gunasiri Senior Commissioner	Study Tour on Tourist VAT Refund	Singapore	05.04.2018 - 11.04.2018
15	Mr. D. Rangalla Senior Commissioner	Study Tour on Tourist VAT Refund	Singapore	20.03.2018 - 24.03.2018
16	Mr. M.L.M. Thahir Senior Commissioner	Professional Certificate in Strategic Human Resource Management	United Kingdom	10.03.2018 - 17.03.2018
17	Mr. K.D.M.N. Gunatunga Senior Commissioner	PIM International Programme on Strategic Management	Australia	27.02.2018 - 08.03.2018
18	Mr. K.D.M.N. Gunatunga Senior Commissioner	Workshop to Enhance Knowledge in Tax Compliance for the Middle Level officers of Inland Revenue Department – 2018	Netherlands	15.12.2018 - 22.12.2018
19	Mr. S.S.D. Weerasekara Senior Commissioner	Study Tour on Tourist VAT Refund	Singapore	05.04.2018 - 11.04.2018
20	Mr. S.S.D. Weerasekara Senior Commissioner	International Workshop for Business Executives	Sweden	23.09.2018 - 30.09.2018
21	Mrs. Nirupa Andradi Chief Financial Officer	Study Tour on Tourist VAT Refund	Singapore	05.04.2018 - 04.11.2018
22	Mrs. N.A.H.K. Wijerathne Chief Internal Auditor	International Programme on Management Auditing for the Public Sector Internal Auditors	Malaysia	16.01.2018 - 23.01.2018
23	Mr. O.W.N. Gunasekara Commissioner	International Training Programs for Sri Lankan Professionals	Malaysia	09.05.2018 - 13.05.2018
24	Mr. N.M.M. Mifly Commissioner	One-week Course on Audit Techniques (SA18.53, AT)	India	09.12.2018 - 15.12.2018
25	Mr. T.M.J.N. Bandara Commissioner	Workshop to Enhance Knowledge in Tax Compliance for the Middle Level officers of Inland Revenue Department – 2018	Netherlands	15.12.2018 - 23.12.2018
26	Mrs. H.M.C.M. Herath Commissioner	International Training Programs for Sri Lankan Professionals	Malaysia	09.05.2018 - 13.05.2018

27	Mr. M.P.S. Abeyrathne Commissioner	Senior Leadership Programme (SLP)	Uganda	20.05.2018 - 02.06.2018
28	Mr. M.P.S. Abeyrathne Commissioner	Senior Leadership Programme (SLP)	United Kingdom	28.07.2018 - 19.08.2018
29	Mr. M. Ganesharajah Commissioner	IMF SARTTAC International Survey on Revenue Administration Workshop	India	08.04.2018 - 14.04.2018
30	Mr. H.T.K.F. Peiris Commissioner	Seminar on Public Private Partnership Application and Development for Sri Lanka	China	03.11.2018 - 27.11.2018
31	Mrs. U.H.M. Irangani Commissioner	Workshop to Enhance Knowledge in Tax Compliance for the Middle Level officers of Inland Revenue Department – 2018	Netherlands	15.12.2018 - 23.12.2018
32	Mr. L.H.N. Jayalath Commissioner	International Training Programme on “Enterprise Project & Organization Management”	Thailand	04.11.2018 - 11.11.2018
33	Mr. U.D.N. Jayaweera Commissioner	International Programme on Management	Thailand	15.07.2018 - 23.07.2018
34	Mr. L.D.R. Jayasekara Commissioner	International Training Programme on “Enterprise Project & Organization Management”	Thailand	04.11.2018 - 11.11.2018
35	Mr. W.S. Thilakarathne Commissioner	PIM International Programme on Strategic Management	Indonesia	09.12.2018 - 16.12.2018
36	Ms. R.S.A.D.K. Vijenama Commissioner	OECD – Toolkit on Tax Incentives for Foreign Investment (MTC Event)	Turkey	24.11.2018 - 02.12.2018
37	Mr. K.G.P.K. Dharmawardena Commissioner	OECD –Toolkit on Indirect Transfer or Assets (MTC Event)	Korea	21.10.2018 - 29.10.2018
38	Mr. I.V. Jayaratne Commissioner	Workshop to Enhance Knowledge in Tax Compliance for the Middle Level officers of Inland Revenue Department – 2018	Netherlands	15.12.2018 - 23.12.2018
39	Ms. S. Jasinghe Commissioner	International Programme on Management	Japan	08.05.2018 - 16.05.2018
40	Mr. J.D. Dimantha Commissioner	Senior Leadership Programme (SLP)	Uganda	20.05.2018 - 02.06.2018
41	Mr. J.D. Dimantha Commissioner	Senior Leadership Programme (SLP)	United Kingdom	28.07.2018 - 19.08.2018
42	Ms. J.N. Rajapaksha Commissioner	Workshop to Enhance Knowledge in Tax Compliance for the Middle Level officers of Inland Revenue Department – 2018	Netherlands	15.12.2018 - 23.12.2018
43	Ms. S.O.A.C.R. Niwunhella Commissioner	OECD – Toolkit on Tax Incentives for Foreign Investment (MTC Event)	Turkey	24.11.2018 - 02.12.2018
44	Mr. W.D.A.A. Walimini Commissioner	Workshop to Enhance Knowledge in Tax Compliance for the Middle Level officers of Inland Revenue Department – 2018	Netherlands	15.12.2018 - 23.12.2018
45	Mrs. R. Kahawala Commissioner	Workshop to Enhance Knowledge in Tax Compliance for the Middle Level officers of Inland Revenue Department – 2018	Netherlands	15.12.2018 - 22.12.2018

46	Mr. A.A.R. De Zoysa Commissioner	Workshop to Enhance Knowledge in Tax Compliance for the Middle Level officers of Inland Revenue Department – 2018	Netherlands	15.12.2018 - 22.12.2018
47	Mrs. D.H.D. Satharasingha Commissioner	Workshop to Enhance Knowledge in Tax Compliance for the Middle Level officers of Inland Revenue Department – 2018	Netherlands	15.12.2018 - 23.12.2018
48	Mrs. C.A. Bandaranayake Commissioner	Workshop to Enhance Knowledge in Tax Compliance for the Middle Level officers of Inland Revenue Department – 2018	Netherlands	15.12.2018 - 23.12.2018
49	Mr. R.M.N.K. Ratnayake Senior Deputy Commissioner	IMF Compliance Risk Management Course	India	22.04.2018 - 28.04.2018
50	Mr. A.M. Nafeel Senior Deputy Commissioner	Study Tour on Tourist VAT Refund	Singapore	05.04.2018 - 11.04.2018
51	Mrs. R. Kahawala Senior Deputy Commissioner	IMF SARTTAC International Survey on Revenue Administration Workshop	India	08.04.2018 - 14.04.2018
52	Mr. A.A.R. De Zoysa Senior Deputy Commissioner	PIM International Management Programme	Thailand	25.03.2018 - 02.04.2018
53	Mrs. D.A.C. Dissanayake Senior Deputy Commissioner	Workshop to Enhance Knowledge in Tax Compliance for the Middle Level officers of Inland Revenue Department – 2018	Netherlands	15.12.2018 - 22.12.2018
54	Mrs. S.I. Weerawardena Senior Deputy Commissioner	PIM International Management Programme	Thailand	25.03.2018 - 02.04.2018
55	Mrs. S.I. Senanayke Senior Deputy Commissioner	Workshop to Enhance Knowledge in Tax Compliance for the Middle Level officers of Inland Revenue Department – 2018	Netherlands	15.12.2018 - 23.12.2018
56	Mr. M.N.M.A. Caader Senior Deputy Commissioner	Seminar on Public Private Partnership Application and Development for Sri Lanka	China	03.11.2018 - 27.11.2018
57	Mr. M.N.M.A. Caader Senior Deputy Commissioner	Workshop to Enhance Knowledge in Tax Compliance for the Middle Level officers of Inland Revenue Department – 2018	Netherlands	15.12.2018 - 23.12.2018
58	Mrs. R.P.D.S.D. Perera Chief Accountant	Second Country Study Visit – Capacity Building Training Program for Class I (Batch 2 & 3) officers of the Sri Lanka Accountants' Service	India	09.09.2018 - 15.09.2018
59	Mrs. G.M.S. Chithranganie Deputy Commissioner	PIM International Management Programme	Thailand	25.03.2018 - 02.04.2018
60	Mr. W.S. Wimalaratne Deputy Commissioner	IMF Compliance Risk Management Course	India	22.04.2018 - 28.04.2018
61	Ms. G.R. Wimalawathie Deputy Commissioner	PIM International Management Programme	Thailand	25.03.2018 - 02.04.2018
62	Mrs. W. Pasdunkorala Deputy Commissioner	PIM International Management Programme	Thailand	25.03.2018 - 02.04.2018

63	Ms. S.C. Abeysekera Deputy Commissioner	PIM International Management Programme	Thailand	25.03.2018 - 02.04.2018
64	Mrs. R.A.R.P. Ranasinghe Deputy Commissioner	Study Tour on Tourist VAT Refund	Singapore	05.04.2018 - 11.04.2018
65	Mr. D.M. de S Gamage Deputy Commissioner	International Programme on Management	Thailand	15.07.2018 - 23.07.2018
66	Mr. G.D. Karunasena Deputy Commissioner	IMF SARTTAC One-week Course on Collection and Arrears Management (SA18.49, CAM)	India	11.11.2018 - 17.11.2018
67	Mr. S.W.P.Y. Silva Deputy Commissioner	Conducting Financial Investigations Foundation Programme	Italy	11.03.2018 - 24.03.2018
68	Mr. S.W.P.Y. Silva Deputy Commissioner	Seminar on Public Private Partnership Application and Development for Sri Lanka	China	03.11.2018 - 27.11.2018
69	Mr. P.G. Lalith Deputy Commissioner	One-week Course on Audit Techniques (SA18.53, AT)	India	09.12.2018 - 15.12.2018
70	Mr. A.W.P. De Silva Deputy Commissioner	Workshop on Modern Techniques of Investigation & Intelligence Gathering	India	18.08.2018 - 26.08.2018
71	Mr. A.K. Hettiarachchi Deputy Commissioner	Study Tour on Tourist VAT Refund	Singapore	20.03.2018 - 24.03.2018
72	Mr. A.K. Hettiarachchi Deputy Commissioner	Seminar on Public Private Partnership Application and Development for Sri Lanka	China	03.11.2018 - 27.11.2018
73	Mr. W.A.D.S.U. Wanasinghe Deputy Commissioner	OECD – Tax Admin: Trends in Modern Tax Administration (MTC Event)	Korea	11.03.2018 - 18.03.2018
74	Mrs. S.S. Colombage Deputy Commissioner	Study Tour on Tourist VAT Refund	Singapore	20.03.2018 - 24.03.2018
75	Ms. D.S.S.S. Dissanayake Deputy Commissioner	OECD-Tax Administration: Recent Developments in Large Business Administration (MTC Event)	China	13.01.2018 - 21.01.2018
76	Ms. A.G.A.G. Jayamanthi Deputy Commissioner	One-week Course on Audit Techniques (SA18.53, AT)	India	09.12.2018 - 15.12.2018
77	Mr. L.A.S.K. Perera Deputy Commissioner	Study Tour on Tourist VAT Refund	Singapore	05.04.2018 - 11.04.2018
78	Mrs. E.K.S.P. Manathunga Deputy Commissioner	Study Tour on Tourist VAT Refund	Singapore	05.04.2018 - 11.04.2018
79	Mr. M.P.J. Chandraneel Deputy Commissioner	OECD-Tax Administration: Recent Developments in Large Business Administration (MTC Event)	China	13.01.2018 - 21.01.2018
80	Mr. H.M.A.L.B. Herath Deputy Commissioner	Workshop on Modern Techniques of Investigation & Intelligence Gathering	India	18.08.2018 - 26.08.2018
81	Mr. D.G. Dissanayake Deputy Commissioner	Workshop on Modern Techniques of Investigation & Intelligence Gathering	India	18.08.2018 - 26.08.2018
82	Ms. W.I. Balaraj Deputy Commissioner	IMF SARTTAC One-week Course on Collection and Arrears Management (SA18.49, CAM)	India	11.11.2018 - 17.11.2018

83	Mr. S.N. Hewagama Deputy Commissioner	OECD-Tax Administration: Recent Developments in Large Business Administration (MTC Event)	China	13.01.2018 - 21.01.2018
84	Mr. M.M.L.P.K. Mapa Deputy Commissioner	IMF SARTTAC International Survey on Revenue Administration Workshop	India	08.04.2018 - 14.04.2018
85	Mr. M.M.L.P.K. Mapa Deputy Commissioner	Workshop on e – commerce	Thailand	26.08.2018 - 29.08.2018
86	Ms. P.S. Zubair Deputy Commissioner	Study Tour on Tourist VAT Refund	Singapore	20.03.2018 - 24.03.2018
87	Mr. K.N.N. Kahawidane Deputy Commissioner	Diploma in Public Procurement and Contract Administration (DIPPCA) - Partial Fulfillment of the course – 2nd Country Study Tour	Japan	09.09.2018 - 20.09.2018
88	Mr. P.S. Bandara Deputy Commissioner	IMF Compliance Risk Management Course	India	22.04.2018 - 28.04.2018
89	Ms. C.S.S. Fernando Deputy Commissioner	Workshop on Implementing BEPS1: Minimum Standards	Mexico City	02.06.2018 - 10.06.2018
90	Ms. J.M.D.P.H. Jayasekera Deputy Commissioner	Study Tour on Tourist VAT Refund	Singapore	20.03.2018 - 24.03.2018
91	Ms. S. Sarveswaran Deputy Commissioner	Foreign Study Tour – Master of Business Administration	Thailand	08.10.2018 - 14.10.2018
92	Mr. N.C. Wijewardana Deputy Commissioner	Conducting Financial Investigations Foundation Programme	Italy	11.03.2018 - 24.03.2018
93	Mr. R.A.M. Ranawakaarachchi Deputy Commissioner	Study Tour on Tourist VAT Refund	Singapore	20.03.2018 - 24.03.2018
94	Mr. R.A.M. Ranawakaarachchi Deputy Commissioner	Study Tour on Tourist VAT Refund	Singapore	05.04.2018 - 11.04.2018
95	Ms. H.M.S.K. Illangasinghe Deputy Commissioner	Study Tour on Tourist VAT Refund	Singapore	20.03.2018 - 24.03.2018
96	Mr. W.D.N. Chandralal Deputy Commissioner	OECD – International VAT Guidelines (MTC Event)	Korea	23.06.2018 - 01.07.2018
97	Mr. R.S.T.H. Gamage Deputy Commissioner	Study Tour on Tourist VAT Refund	Singapore	05.04.2018 - 11.04.2018
98	Ms. A.D.C.C. Basnayake Deputy Commissioner	Seminar on Public Private Partnership Application and Development for Sri Lanka	China	03.11.2018 - 27.11.2018
99	Mr. R.D.M.S. Muhandiram Deputy Commissioner	Study Tour on Tourist VAT Refund	Singapore	20.03.2018 - 24.03.2018
100	Mr. N.P. Senadeera Deputy Commissioner	Study Tour on Tourist VAT Refund	Singapore	05.04.2018 - 11.04.2018
101	Mr. M.Y.M. Naseem Deputy Commissioner	IMF SARTTAC One-week Course on Collection and Arrears Management (SA18.49, CAM)	India	11.11.2018 - 17.11.2018
102	Mr. R.N. Senanayaka Deputy Commissioner	Study Tour on Tourist VAT Refund	Singapore	05.04.2018 - 11.04.2018
103	Ms. H.A.I. Perera Accountant	PIM International Programme on Strategic Management	Indonesia	28.01.2018 - 04.02.2018

104	Mrs. U.P. Wijayahewa Accountant	Study Tour on Tourist VAT Refund	Singapore	05.04.2018 - 11.04.2018
105	Mr. J.M.U.N.B. Jayamaha Assistant Commissioner	PIM International Management Programme	Thailand	25.03.2018 - 02.04.2018
106	Mr. M.R.P. Fernando Assistant Commissioner	PIM International Management Programme	Thailand	25.03.2018 - 02.04.2018
107	Ms. M.C. Gunathilaka Assistant Commissioner	Regional Workshop on Tax Policy	India	05.08.2018 - 11.08.2018
108	Mrs. D.P.M. Nanayakkara Assistant Commissioner	PIM International Management Programme	Thailand	25.03.2018 - 02.04.2018
109	Mr. R.M.A.G.S.P. Samarakoon Assistant Commissioner	PIM International Management Programme	Thailand	25.03.2018 - 02.04.2018
110	Mr. U.G.U.N.R.K. Karunarathne Assistant Commissioner	OECD – Tax Admin: Trends in Modern Tax Administration (MTC Event)	Korea	11.03.2018 - 18.03.2018
111	Ms. P.A.D.S.K. Wijayathilaka Assistant Commissioner	IMF Compliance Risk Management Course	India	22.04.2018 - 28.04.2018
112	Ms. M. Ranamuka Assistant Commissioner	IMF Compliance Risk Management Course	India	22.04.2018 - 28.04.2018
113	Mr. W.A.L.S. Wijesinghe Assistant Commissioner	24 Senior Management Course (SMC)	Pakistan	26.08.2018 - 15.12.2018
114	Mr. D.M.U. Dissanayaka Assistant Commissioner	IMF SARTTAC One-week Course on Collection and Arrears Management (SA18.49, CAM)	India	11.11.2018 - 17.11.2018
115	Mr. R.M.R.W.S.B. Rathnayaka Assistant Commissioner	IMF SARTTAC One-week Course on Collection and Arrears Management (SA18.49, CAM)	India	11.11.2018 - 17.11.2018
116	Ms. M.P.E.R. Manamendra Assistant Commissioner	IMF SARTTAC One-week Course on Collection and Arrears Management (SA18.49, CAM)	India	11.11.2018 - 17.11.2018
117	Mrs. D.C.E. Arachchige Assistant Commissioner	OECD – International VAT Guidelines (MTC Event)	Korea	23.06.2018 - 01.07.2018
118	Mr. N.G.L.S. Chandrathilaka Assistant Commissioner	OECD – International VAT Guidelines (MTC Event)	Korea	23.06.2018 - 01.07.2018
119	Mr. B.D.N.P. Kumara Assistant Commissioner	Master of Public Finance Program (Tax Course)	Japan	03.09.2018 - 02.10.2019
120	Mr. B.G.P.D. Bulanawewa Assistant Commissioner	Study Tour on Tourist VAT Refund	Singapore	20.03.2018 - 24.03.2018
121	Ms. S. Thayakaran Assistant Commissioner	Foreign Study Tour – Master of Business Administration	Thailand	08.10.2018 - 14.10.2018
122	Mrs. S.D.S. Fernando Administrative Officer	Diploma in Office Management – 2015/2016 - Foreign Study Tour	India	24.09.2018 - 29.09.2018

1.4.3 Other Overseas Training provided

- i. Fifty nine officers who have successfully completed the Master of Business Administration in Taxation at the Postgraduate Institute of Management - (PIM) participated for a program in Australia from 19.11.2018 to 27.11.2018.

PART II

TAX ADMINISTRATION

Chapter 2

Collection of Revenue

Inland Revenue Department collected net revenue of Rs. 900,348,477,876 /- (including Stamp Duty which is transferred in full to the Provincial Councils and the 1/3 of collection under Nation Building Tax which is transferred to the Provincial Councils) during the year 2018. The aggregate number of Registered Taxpayers maintained by the IRD for the collection of different taxes stood at 1,182,736 (excluding Withholding Taxpayers) as at December 31, 2018.

2.1 Details of Taxpayer Registration

The number of persons registered with the IRD for different taxation purposes, as at the end of the year, is given in Table 2.1.

Table 2.1 - Number of Registered Taxpayers as at 31.12.2018		
Income Tax		
<i>Corporate</i>		
Resident Companies / Non - Resident Companies	53,260	
<i>Non - Corporate</i>		
Individuals	249,759	
Partnerships	17,033	
Bodies of Persons	804	
Employees paying Income Tax under Pay – As – You – Earn (PAYE) scheme (as at 31.03.2018)	664,828	
Total Income Taxpayers		986,684
Other Taxpayers		
Persons and Partnerships registered for Economic Service Charge (ESC)	15,587	
Persons registered for Value Added Tax (VAT)	26,647	
Persons registered for Value Added Tax on Financial Services	235	
Persons registered for Nation Building Tax (NBT)	95,127	
Persons registered for Nation Building Tax on Financial Services	235	
Persons registered for Betting Levy Taxpayers	633	
Persons registered for Gaming Levy Taxpayers	4	
Total Other Taxpayers		138,468
Employers Registered under PAYE Scheme	37,230	
Withholding agents registered for Withholding Tax on Interest (Withholding Agents)	492	
Withholding Tax on Specified Fees (Regular monthly schedules Senders)	9,768	
Stamp Duty (Regular Monthly Schedules Senders)	9,914	57,404
Total Number of Tax Files/ Taxpayers as at 31.12.2018		1,182,736

2.2 Total Revenue Collection

The total revenue collection for the year, amounting to Rs. 900,348 million shows an increase of Rs. 63,830 million over that of the previous year. This achievement was possible mainly due to wide array of measures undertaken by IRD 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 46.89%. Total collection of revenue indicates 87.56% 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 the Provincial Councils and the 1/3 of collection under

Nation Building Tax which is transferred to the Provincial Councils) was 84.05% from the estimate for the year.

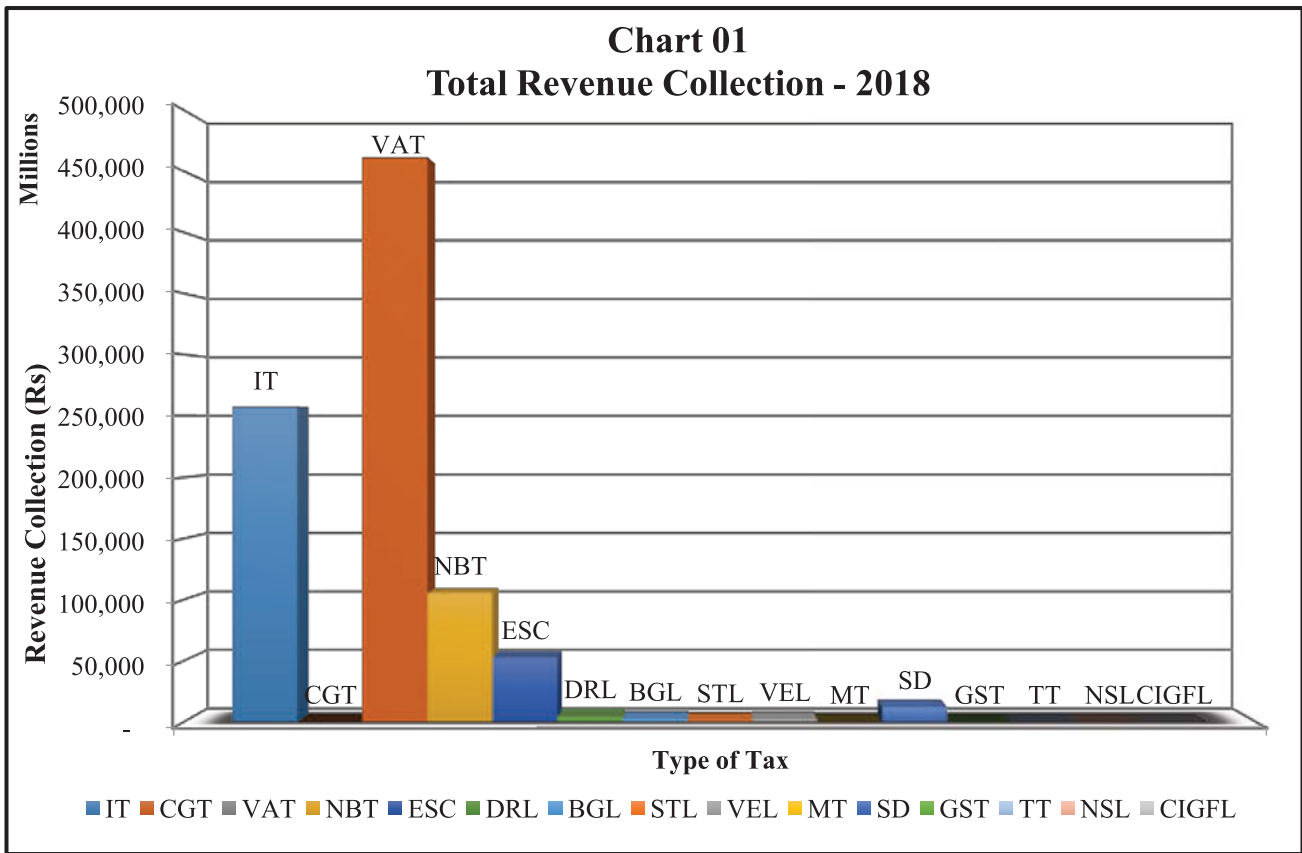
Collection of Income Tax as a percentage of total revenue increased to 28.59% in 2018 from 27.48% in 2017 whilst in nominal terms it increased by 11.98% to Rs. 257,367 million in 2018 to Rs. 229,842 million in the previous year. However, the Income Tax collection during the year reflects a deficit of 17.19% when compared to the estimate for the year. Reason for this decline may be due to the amendments made in 2017 to the ESC which made every person liable to pay notwithstanding the loss making or exempted from Income Tax. As the ESC payment can be taken against the Income Tax payment, the collection of Income Tax shows a measurable decrease.

The collection of VAT increased over that of the previous year by 4.04% and Rs. 17,911 million. The possible reason for the increase could be the termination of exemption granted on supply of residential accommodation and import and supply of some goods.

As per the enactments of new IR Act, No. 24 of 2017, Capital Gain Tax was introduced and 104 million collection has been recorded. Also, Debt Repayment Levy, which was introduced under Finance Act, No. 35 of 2018, contributed 4,501 million to the total revenue of IRD. The number of importation of vehicle has increased along with the issuance of government vehicle permit to government officers and therefore the revenue from the Vehicle Entitlement Levy increased over that of the previous year by 32.75% and 541 million in nominal value.

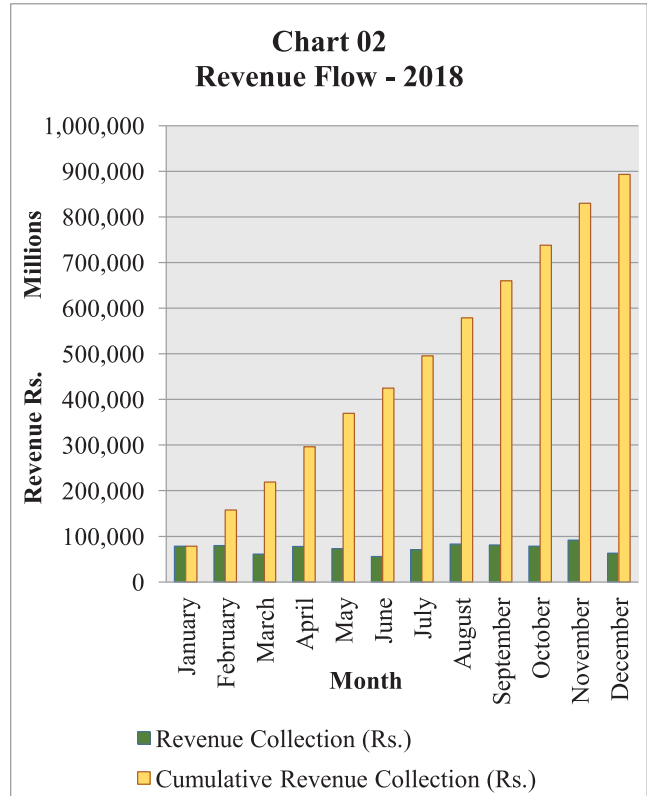
A comparison of revenue under each type of tax with the corresponding estimates is revealed in Table 2.2 and illustrated in Chart 01. The cash flow during the year is shown in the Table 2.3 and illustrated by Chart 02.

Type of Tax	Revenue Estimate (Rs.)	Revenue collection (Rs.)	Collection as a % of Estimate	Collection as a % of Total Revenue
Income Tax	310,800,000,000	257,366,657,198	82.81%	28.59%
Capital Gain Tax	1,800,000,000	104,148,162	5.79%	0.01%
Value Added Tax	550,000,000,000	461,650,624,889	83.94%	51.27%
Nation Building Tax	87,000,000,000	105,690,527,186	121.48%	11.74%
Economic Service Charge	59,200,000,000	52,978,509,494	89.49%	5.88%
Debt Repayment Levy	15,000,000,000	4,501,166,919	30.01%	0.50%
Betting & Gaming Levy	1,000,000,000	2,469,578,624	246.96%	0.27%
Share Transaction Levy	1,800,000,000	1,196,346,653	66.46%	0.13%
Vehicle Entitlement Levy	1,650,000,000	2,191,685,363	132.83%	0.24%
Migrating Tax	15,000,000	16,682,442	111.22%	0.00%
Stamp Duty	-	12,026,430,018	-	1.34%
Goods & Services Tax	-	2,000	-	0.00%
Turnover Tax	-	88,934,025	-	0.01%
National Security Levy	-	40,986,382	-	0.00%
Construction Industry Guarantee Fund Levy	-	26,198,521	-	0.00%
Total Revenue Collection	1,028,265,000,000	900,348,477,876	87.56%	100.00%



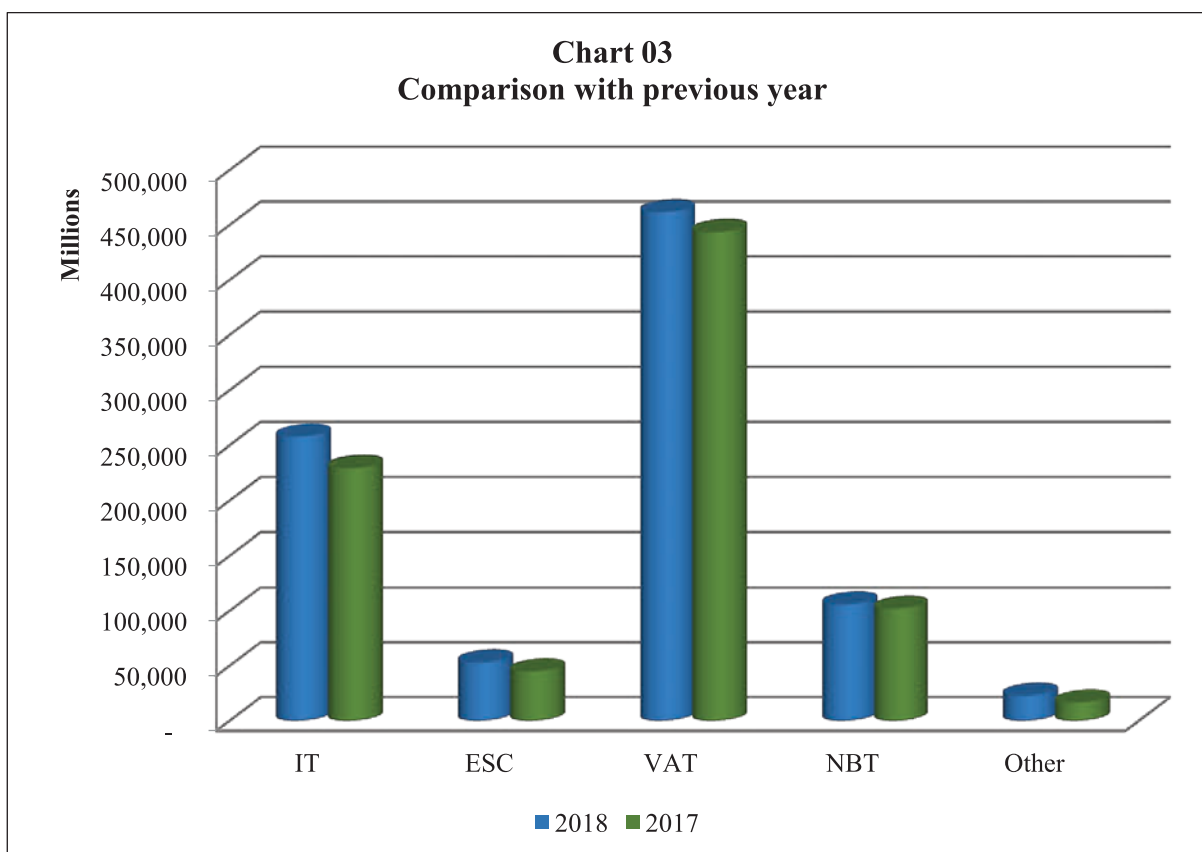
2.3 Total Revenue Flow

Month	Revenue Collection (Rs.)	Cumulative Revenue Collection (Rs.)
January	78,342,927,072.99	78,342,927,072.99
February	79,501,207,317.93	157,844,134,390.92
March	60,901,894,239.84	218,746,028,630.76
April	77,520,634,503.41	296,266,663,134.17
May	73,074,031,894.04	369,340,695,028.21
June	55,603,249,413.05	424,943,944,441.26
July	70,262,920,152.60	495,206,864,593.86
August	83,254,250,524.70	578,461,115,118.56
September	81,423,949,309.83	659,885,064,428.39
October	78,120,615,523.85	738,005,679,952.24
November	92,058,464,617.92	830,064,144,570.16
December	63,073,530,997.75	893,137,675,567.91



2.4 Revenue Comparison with Previous Year

Type of Tax	2018 Revenue Collection Rs.	2017 Revenue Collection Rs.	Increase/ Decrease of Collection as a %
Income Tax	257,366,657,198	229,841,806,636	11.98%
Capital Gain Tax	104,148,162	-	-
Value Added Tax	461,650,624,889	443,739,474,789	4.04%
Nation Building Tax	105,690,527,186	101,824,565,352	3.80%
Economic Service Charge	52,978,509,494	44,719,757,960	18.47%
Debt Repayment Levy	4,501,166,919	-	-
Betting & Gaming Levy	2,469,578,624	1,929,034,608	28.02%
Share Transaction Levy	1,196,346,653	1,333,904,584	-10.31%
Vehicle Entitlement Levy	2,191,685,363	1,650,961,000	32.75%
Migrating Tax	16,682,442	4,097,115	307.18%
Stamp Duty	12,026,430,018	11,377,134,752	5.71%
Goods & Services Tax	2,000	115,977	-98.28%
Turnover Tax	88,934,025	20,753,568	328.52%
National Security Levy	40,986,382	15,947,317	157.01%
Construction Industry Guarantee Fund Levy	26,198,521	52,769,318	-50.35%
Land Tax	-	7,382,158	-100.00%
Total Revenue Collection	900,348,477,876	836,517,705,134	7.63%



2.5 Transfer of Revenue of Stamp Duty and Nation Building Tax to the 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 the Provincial Councils of respective taxes.

	Total Collection (Rs.)	Amount Transferred to Provincial Councils (Rs.)	%
Nation Building Tax	105,690,527,186	34,333,142,938	33.33%
Stamp Duty	12,026,430,018	12,026,430,018	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 & ESC on imports) contributed almost wholly the total whereas collection by way of official assessments was 5% of the aggregate. Audit functions carried out during the year reflects increase 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 IRD's 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.

	2016 (Rs'000)		2017 (Rs'000)		2018 (Rs'000)	
	Self Assessment	Other	Self Assessment	Other	Self Assessment	Other
Income Tax	220,471,725	17,926,886	217,555,269	12,286,538	257,350,666	15,991,324
VAT (Excluding VAT on Imports)	161,404,285	6,710,993	269,545,383	5,801,137	282,477,652	9,550,364
NBT (Excluding NBT on Imports)	53,290,159	2,313,174	69,034,384	4,009,688	85,523,090	2,486,270
ESC (Excluding ESC on Imports)	19,024,527	848,146	41,834,227	725,821	50,050,090	5,000,577
Others	15,732,516	24,926	18,524,161	27,648	22,662,101	58,045
Total	469,923,212	27,824,125	616,493,424	22,850,832	698,063,599	33,086,580
% to the Total Revenue (Excluding VAT and NBT on Imports and ESC on Imports)	94%	6%	96%	4%	95%	5%

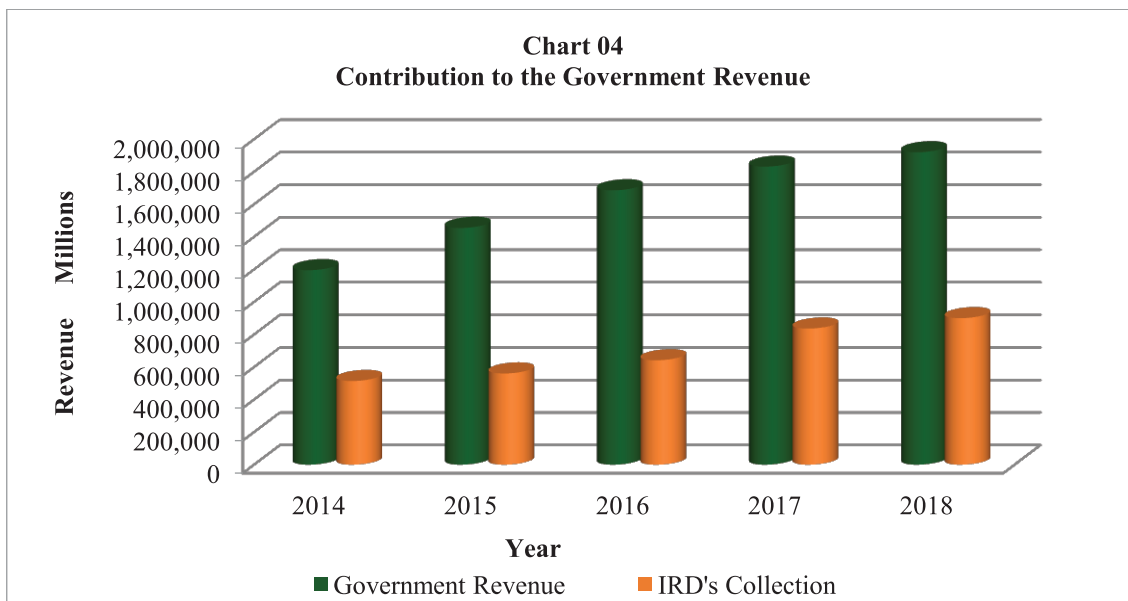
2.7 Inland Revenue Contribution to the Government Revenue

Table 2.7 shows the contribution of the Inland Revenue Department to the Government Revenue and to the GDP in 2018 and its trends in last four years. Chart 04 illustrates these contributions. Total Government Revenue in 2018 has increased to Rs. 1,919,973 million (Annual Report of Central Bank of Sri Lanka - 2018) recording a 46.89% contribution from the IRD to the total Government revenue.

Revenue collection by IRD as a percentage of GDP is 6.23% in 2018.

Year	Government Revenue (Rs. Mn *)	IRD Collection (Rs. Mn)	% of IRD Collection to Government Revenue	GDP at Current Prices of Major Economic Activities (Rs. Mn *)	% of IRD Collection to GDP
2014	1,195,206	514,161	43.02%	10,361,151	4.96%
2015	1,454,878	560,422	38.52%	10,950,621	5.12%
2016	1,686,061	641,547	38.05%	11,996,083	5.35%
2017	1,831,531	836,518	45.67%	13,418,287	6.23%
2018	1,919,973	900,348	46.89%	14,449,931	6.23%

Source:- * Central Bank of Sri Lanka (Annual Report 2018)



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 2017/2018, the percentage of filing non-corporate income tax returns on the due date was 31% and within one month from the due date, it had increased to 38%. The compliance rate after two months from the due date was 42% in non - corporate sector.

In the case of corporate sector, it was 47% on the due date and 51% within one month from the due date. The compliance rate within two months from the due date was 53% 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 Income Tax (Non Corporate) and NBT in the concerned year. Increasing of number of individual tax files and non-familiarizing of taxpayers in submitting returns through the e-filing system would be reasons 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 2013/2014 to 2017/2018. 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
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%
2017/2018	Corporate	47%	51%
	Non-Corporate	31%	38%

Year	VAT	NBT	PAYE	
Year 2016	71%	31%	Year of Assessment 2015/2016	57%
Year 2017	47%	21%	Year of Assessment 2016/2017	14%
Year 2018	42%	17%	Year of Assessment 2017/2018	41%

2.9 Income Tax Collection

Collection of revenue from Corporate Income Tax, Individual Income Tax, Partnership Income Tax, Dividend Tax, Remittance Tax and Withholding Tax increased by 11.98% to Rs. 257,367 million in 2018 in comparison to Rs.229,842 million in 2017. Total Income Tax collection accounts for 28.59% of total revenue of IRD for the year and that was 27.48% in the year 2017.

2.9.1 Income Tax Collection – Sector - Wise Classification

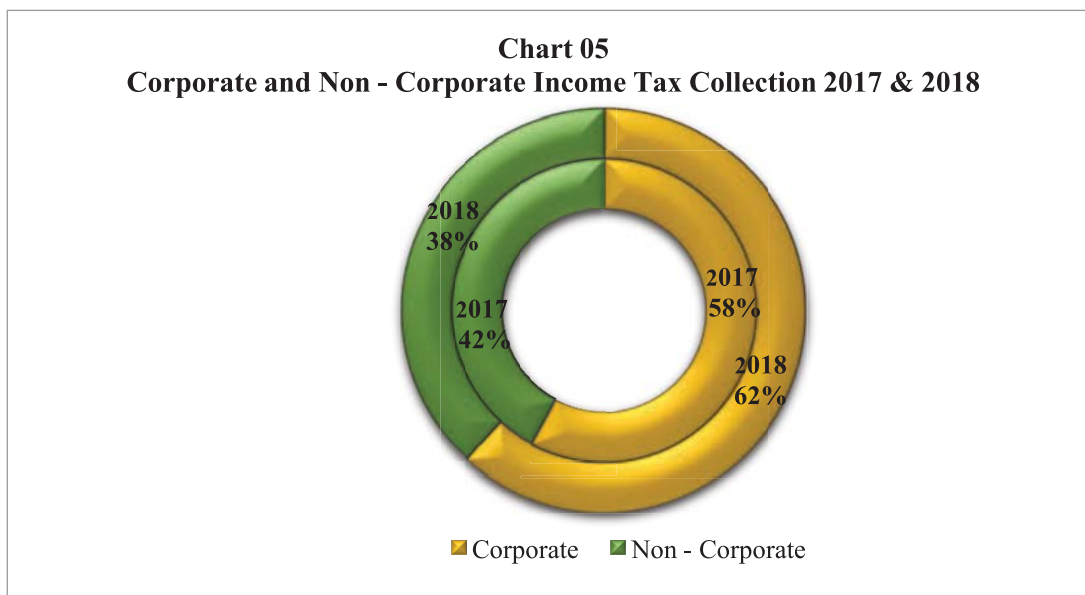
The contribution from the corporate sector to the total Income Tax collection amounted to Rs.159,133 million or 62% of the total Income Tax collected. The non-corporate sector contributed Rs. 98,233 million or 38% to the total Income Tax collection.

Table 2.9.1 shows the composition and the Chart 05 illustrates it.

Table 2.9.1 - Corporate & Non-Corporate Income Tax Collection				
	2018		2017	
	Tax Collection (Rs.)	%	Tax Collection (Rs.)	%
Corporate*	159,133,186,810	62%	132,871,563,934	58%
Non- Corporate**	98,233,470,388	38%	96,970,242,702	42%
Total	257,366,657,198	100%	229,841,806,636	100%

* Includes Dividends Tax of Rs. 21,470 Mn in 2018 & 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 - 2018		
Source	Collection (Rs. Mn)	
Employment		
PAYE Scheme	40,042.17	
Assessments with penalties with tax in default	1,342.54	41,384.71
Others		
Self Assessment and Assessments with penalties	137,359.64	
Withholding Tax on interest, rent and specified fees	46,413.76	
Other deductions at source	32,132.62	
Gross Collection		257,290.73
Less: Refund		(75.93)
Net Collection		257,366.66

The amount of Rs.137,360 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.

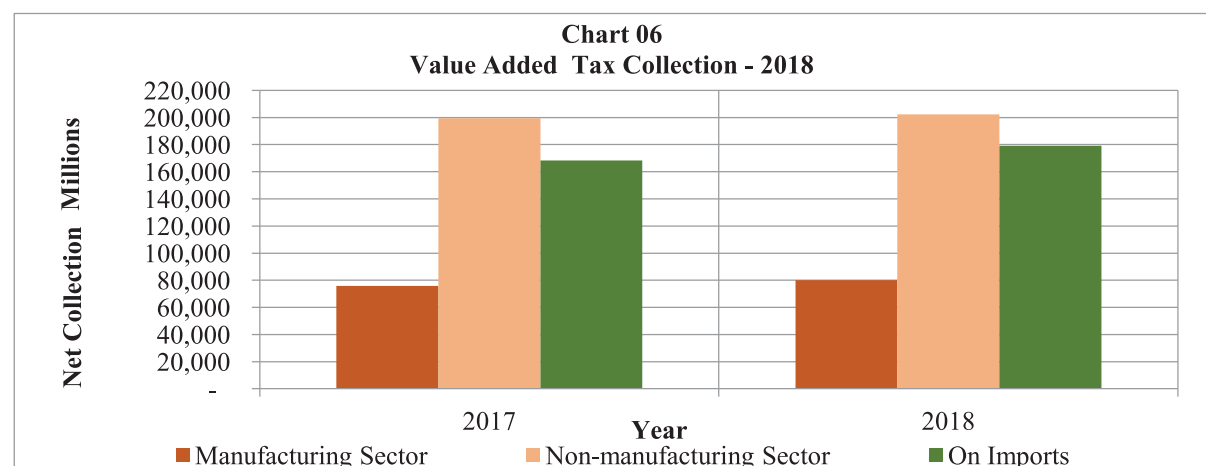
2.10 Value Added Tax Collection

The Value Added Tax (VAT) collection during the year reflects an increase of Rs. 17,911 million or 4.04% over that of the previous year which was Rs 443,739 million. However, when compared with the estimate of Rs. 550,000 million for the year, the revenue for the year has shown a measurable fall of Rs. 88,349 million. The termination of exemption granted on supply of residential accommodation and import and supply of Aircraft or Helicopters, Sunglasses, Wood (Sawn) and Fabric for domestic consumption has caused to increase of VAT collection. VAT collected on both domestic supplies and imports does not show measurable increase or decrease over the previous year. The total domestic VAT collected for the year was Rs. 282,487 million and this amount was an increase of 2.59% over that of the Rs. 275,346 million of the year 2017. While, VAT collected on imports during the year 2018 shown an increase of 6.4% 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	2017		2018				
	Net Collection (Rs. Mn)		Gross Collection (Rs. Mn)		Refunds	Net Collection (Rs. Mn)	
Manufacturing		75,846.31		80,979.04	831.18		80,147.86
Non-Manufacturing							
- Service	149,447.26		146,501.05				
- Financial service	50,052.95	199,500.21	55,838.29	202,339.34		202,339.34	202,339.34
Imports		168,392.95		179,163.48	0.06		179,163.42
Total		443,739.47		462,481.86	831.24		461,650.62

Sector	2017		2018		Percentage of VAT collection to GDP	
	Net Collection (Rs)	%	Net Collection (Rs)	%	2017	2018
Manufacturing Sector	75,846,312,316	17.09%	80,147,857,741	17.36%	0.57%	0.55%
Non-manufacturing Sector	199,500,207,439	44.96%	202,339,344,169	43.83%	1.49%	1.40%
On Imports	168,392,955,034	37.95%	179,163,422,979	38.81%	1.25%	1.24%
Total	443,739,474,789	100.00%	461,650,624,889	100.00%	3.31%	3.19%



2.10.3 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.

Table 2.10.3 - Gross Domestic VAT- Manufacturing and Services Sectors					
Sector	2016 (Rs. Mn)	2017 (Rs. Mn)	% of decrease / increase (compared to previous year)	2018 (Rs. Mn)	% of decrease / increase (compared to previous year)
Banking	27,770	37,150	33.78%	40,117	8%
Insurance	6,371	7,313	14.79%	8,180	12%
Hotel & Restaurant	10,566	13,668	29.36%	16,596	21%
Construction	8,230	14,542	76.70%	14,908	3%
Electricity & Gas	526	674	28.14%	718	7%
Imports	9,383	10,143	8.10%	10,730	6%
Financing	20,242	21,121	4.34%	23,326	10%
Communication	7,429	19,743	165.76%	17,963	-9%
Petroleum Product	175	-	-100.00%	774	-
Beverage – Alcoholic	1,553	18,802	1110.69%	19,937	6%
Services not classified	39,690	82,024	106.66%	74,019	-10%
Manufacturing not classified	29,079	56,641	94.78%	60,249	6%
Others	36,091	50,053	38.69%	55,838	12%
Total	197,105	331,874	68.37%	343,355	3%

2.10.4 Main policy changes relating to VAT in 2018

i. Changing the Piece base for VAT on Certain Garments

- The composite tax in lieu of VAT, NBT and other taxes imposed at the point of Customs collected under the VAT Act, will be Rs. 75/- for six pieces of panties, socks, briefs and boxer shorts.

ii. Introduction of VAT Refund Scheme for Tourist

- The refund scheme is effective from the date determined by the Minister of Finance and Mass Media by order published in the Gazette.

iii. The following exemptions are removed and made liable with effect from August 16, 2018.

- Exemption granted on imports and supply of following goods are terminated and made liable for VAT with effect August 16, 2018 (unless otherwise stated).
 - i. Aircrafts or Helicopters
 - ii. Sunglasses
 - iii. Wood (sawn)
 - iv. Fabric for domestic consumption subject to a cess at a specific rate in lieu of chargeability of any other tax payable on importation at the point of entry into

the country, as specified in a Gazette Notification issued under the Sri Lanka Export Development Act, No. 40 of 1979.

- Exemption granted on the supply of residential accommodation other than lease or rent by any person is terminated and made liable for VAT with effect from August 16, 2018.

(Note: As instructed by the Ministry of Finance and Mass Media, a policy decision has been taken to continue the exemption on the supply of residential accommodation until March 31, 2019)

- Exemption granted on the imports of following goods are terminated and made liable for VAT with effect from August 16, 2018 (unless otherwise stated)
 - i. Aircraft engines or aircraft spare parts identified under specified Harmonized Commodity Description and Coding System Numbers for Custom purposes
 - ii. Cinematographic cameras and projector parts and accessories
 - iii. Aircraft stimulators and parts
 - iv. Green houses, poly tunnels and materials for the construction of green houses, by any grower of agricultural products or plants of any type
 - v. Fabric specified under the Harmonized Commodity Description and Coding System Numbers for Custom purposes.

iv. The following goods and services are made exempt

- Imports or supply of following goods are exempt from VAT with effect from the date stated.

- i. Locally manufactured jewellery for any period from November 22, 2016

- ii. All healthcare services provided by medical institutions or professionally qualified persons providing such care other than hospital room charges (exemption applicable for any period from July 2, 2018)

- iii. Geriatric services or child care services from August 16, 2018

- iv. International telecommunication services provided by “External Gateway Operators” to local telecommunication operators from August 16, 2018

- v. The supply of residential accommodation on or after April 1, 2019, other than any lease or rent by any person and where such supply
 - is not relating to a sale of any condominium housing unit or
 - is a supply of a condominium housing unit of a condominium housing project and the maximum price or the market value (whichever is higher) of and single unit of that project does not exceed rupees fifteen million.

v. The following exemptions are made under VAT on Financial Services.

- Sri Lanka Deposit Insurance Scheme established by regulation made under the Monetary Law Act is exempt from VAT on FS with effect from April 1, 2018.

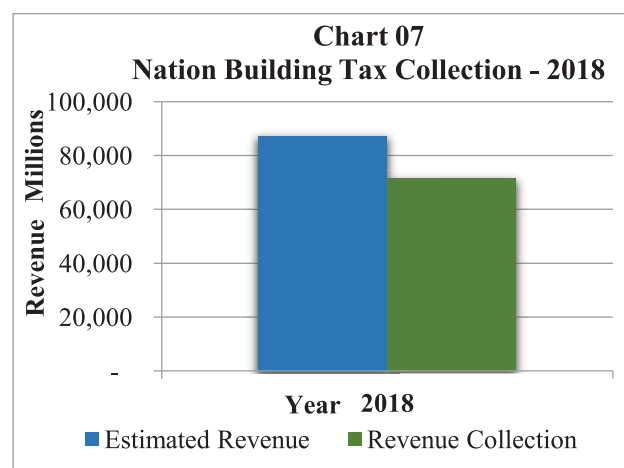
2.11 Nation Building Tax Collection

The Nation Building Tax contributed Rs. 105,690 million to the total revenue during the year concerned. This is an increase of 3.80% over the previous year's collection. Out of the total NBT revenue an amount of Rs. 34,333 million was transferred to the Provincial Councils.

Sector		Manufacturing	Service	Imports	Total
Net Collection (Rs.)	2017	10,894,310,333	38,821,335,524	19,319,552,697	69,035,198,554
	2018	11,179,474,851	40,012,958,409	20,164,950,986	71,357,384,246

Table 2.11.2 compares the revenue estimate of NBT with the revenue collected in the year 2017 and year 2018 after transferring the revenue to Provincial Councils.

Year	2018	2017
Estimated Revenue (Rs.)	87,000,000,000	75,000,000,000
Revenue Collection (Rs.)	71,357,384,246	69,035,198,554
%	82%	92%



2.11.1 Main policy changes relating to NBT in 2018

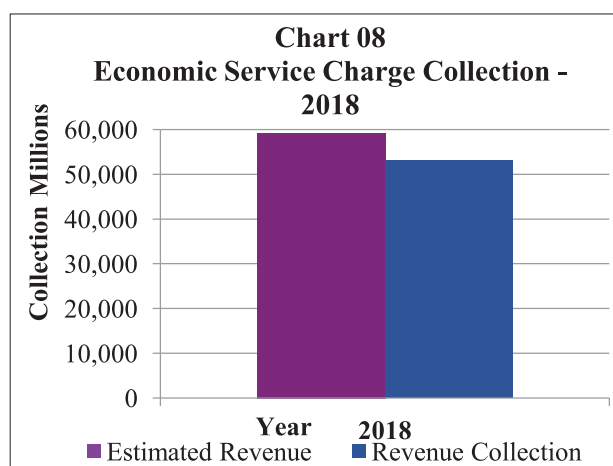
- i. The following exemptions are removed and made liable.
 - The present exemption applicable on sale of liquor by the importer himself is removed and made liable with effect from April 1, 2018.
 - The present exemption applicable on the imports of liquor and the turnover from the business of manufacture of liquor is removed and made liable to NBT.
 - Supply of electricity is made liable for the period commencing from November 1, 2016 but prior to April 1, 2017. With effect from April 1, 2017, supply of electricity is liable for the supply by Ceylon Electricity Board only.
- ii. The following goods and services are made exempt
 - Locally manufactured coconut milk, coconut oil, poonac, pairing, coconut shells or coconut water at the point of sale by the manufacturer, for a period of three years commencing from April 1, 2018.
 - Services by a construction contractor if such service is provided under a contract agreement executed prior to August 1, 2017.

- Importation of non-motorized equipment and accessories for water sports including Kayaks, Canoes, Kite Surfing, and diving.
- Non-powered equipment and accessories for aero including hang gliding, ballooning, dirigibles, parachuting and Para-gliding, classified under Harmonized Commodity Description and Coding Numbers for customs purposes at the point of importation.
- Importation of gem stones for purpose of re-export upon being cut and polished.
- Importation of equipment for greenhouses and poly tunnels and materials for the construction of greenhouses by any grower of agricultural products or plants of any type, subject to the condition that such items are not manufactured in Sri Lanka and are approved by the Director General, Department of Fiscal Policy on the recommendation of the Secretary to the Ministry of the Ministry assigned the subject of Agriculture.
- Any service provided by Sri Lanka Deposit Insurance Scheme established by regulations made under the Monetary Law Act, (Chapter 422), with effect from April 1, 2018.

2.12 Economic Service Charge Collection

The collection of ESC during the year amounted to Rs. 52,978 million and its contribution to the total revenue was 5.88% while it was 89% of the estimate for the year.

Year	2018	2017
Estimated Revenue (Rs.)	59,200,000,000	48,000,000,000
Revenue Collection (Rs.)	52,978,509,494	44,719,757,960
%	89%	93%



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. 41,385 million.

2.14 Withholding Taxes (on interest and specified fees)

Collection of revenue from withholding tax on interest recorded Rs. 35,991,293,842 during the year. It has recorded decrease of Rs. 15,360 million due to the exemption of treasury bills under new IR Act, No. 24 of 2017. However, the collection of withholding tax on fees has shown Rs. 10,422 million due to the reliability of special fees under withholding tax.

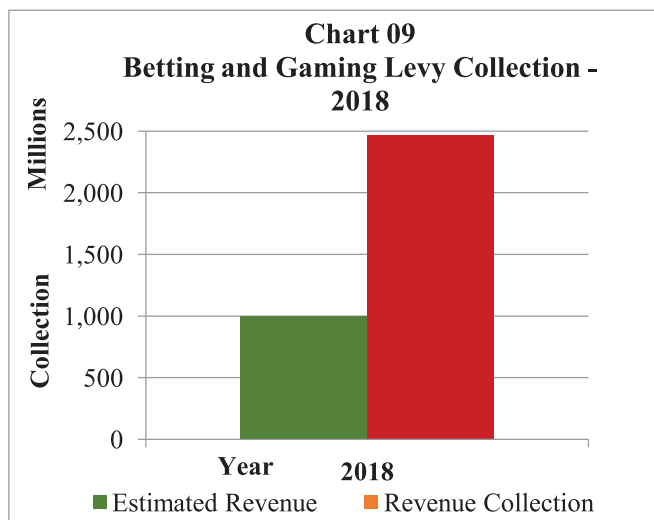
2.15 Capital Gain Tax

As per the enactment of new IR Act, No. 24 of 2017, the Capital Gain Tax has introduced and recorded Rs. 104,148,162 revenue during the year. It has shown 5.79% of rate when compared with the estimated value.

2.16 Betting and Gaming Levy

Collection of Betting and Gaming Levy during the year was Rs. 2,470 million and reflects an increase of 28.02% when compared to the previous year. And also it was an excess of Rs. 1,470 million over the estimated amount for the year concern.

Year	2018	2017
Estimated Revenue (Rs.)	1,000,000,000	1,800,000,000
Revenue Collection (Rs.)	2,469,578,624	1,929,034,608
%	247%	107%



2.17 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. 2,192 million and it was an excess of Rs. 542 million over the estimate for the year.

2.18 Stamp Duty

Revenue of Rs. 12,026 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.

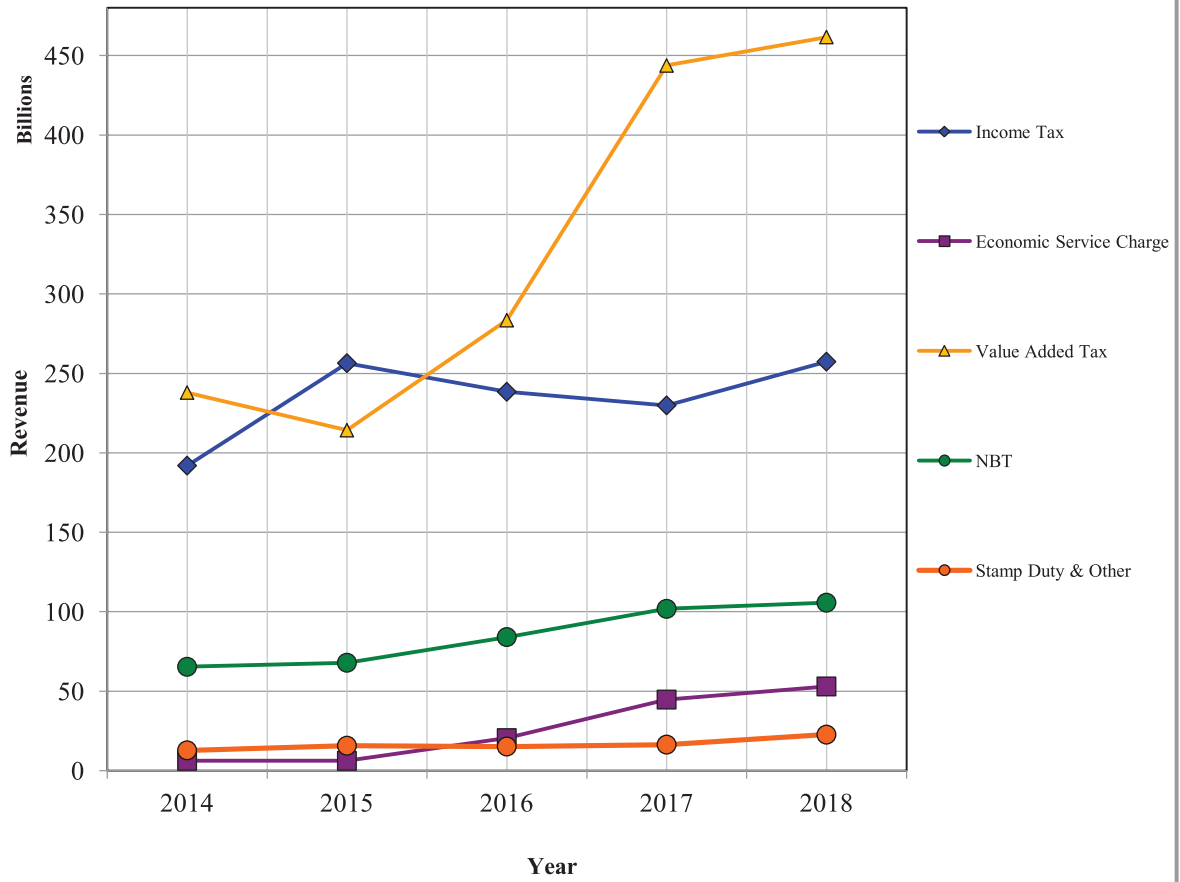
2.19 Debt Repayment Levy

Debt Repayment Levy (DRL) was introduced under Finance Act, No. 35 of 2018 and enacted on October 31, 2018. The collection under the Debt Repayment Levy is Rs. 4,501,166,919 while the estimated is Rs. 15,000,000,000 in the year. It has shown 30.01% when compared with the estimated value due to the late implementation of the law.

2.20 Inland Revenue Collection 2014 to 2018 (Tax wise)

Type of Tax	2014		2015		2016		2017		2018	
	Colln.	%	Colln.	%	Colln.	%	Colln.	%	Colln.	%
	(Rs. Mn)		(Rs.Mn)		(Rs.Mn)		(Rs.Mn)		(Rs.Mn)	
Income Tax	191,960	37.33	256,435	45.76	238,399	37.16	229,842	27.48	257,367	28.59
Economic Service Charge	6,155	1.2	6,148	1.1	20,458	3.19	44,720	5.35	52,978	5.88
Value Added Tax	237,915	46.27	214,237	38.23	283,451	44.18	443,739	53.05	461,651	51.27
Betting & Gaming Levy	815	0.16	832	0.15	1,884	0.29	1,929	0.23	2,470	0.27
Share Transaction Levy	2,048	0.4	1,395	0.25	738	0.12	1,334	0.16	1,196	0.13
Stamp Duty	7,918	1.54	11,596	2.07	10,651	1.66	11,377	1.36	12,026	1.34
Nation Building Tax	65,354	12.71	67,911	12.12	84,066	13.1	101,825	12.17	105,690	11.74
Vehicle Entitlement Levy	-	-	-	-	1,579	0.25	1,651	0.2	2,192	0.24
Capital Gain Tax	-	-	-	-	-	-	-	-	104	0.01
Debt Repayment Levy	-	-	-	-	-	-	-	-	4,501	0.5
Construction Industry Guarantee Fund Levy	842	0.16	753	0.13	259	0.04	53	0.01	26	0
Social Responsibility Levy	85	0.02	20	0	1	0	-	-	-	-
Goods & Services Tax	3	0	1	0	2	0	0	0	-	-
National Security Levy	14	0	12	0	8	0	16	0	41	0
Turnover tax	472	0.09	16	0	17	0	20	0	89	0.01
Migrating Tax	-	-	-	-	11	0	4	0	17	0
Tax on the Lands Leased out to Foreigners	579	0.11	1,066	0.19	23	0	7	0	-	-
Total Collection	514,160	100	560,422	100	641,547	100	836,517	100	900,348	100

Chart 10
Inland Revenue Collection 2014 to 2018 - Tax Wise Analysis



Chapter 3

Expenditure and Productivity Ratio

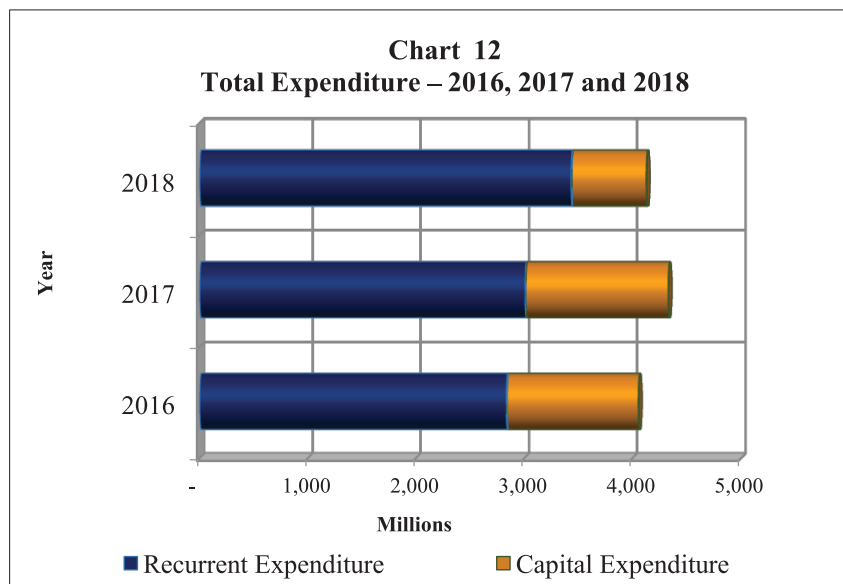
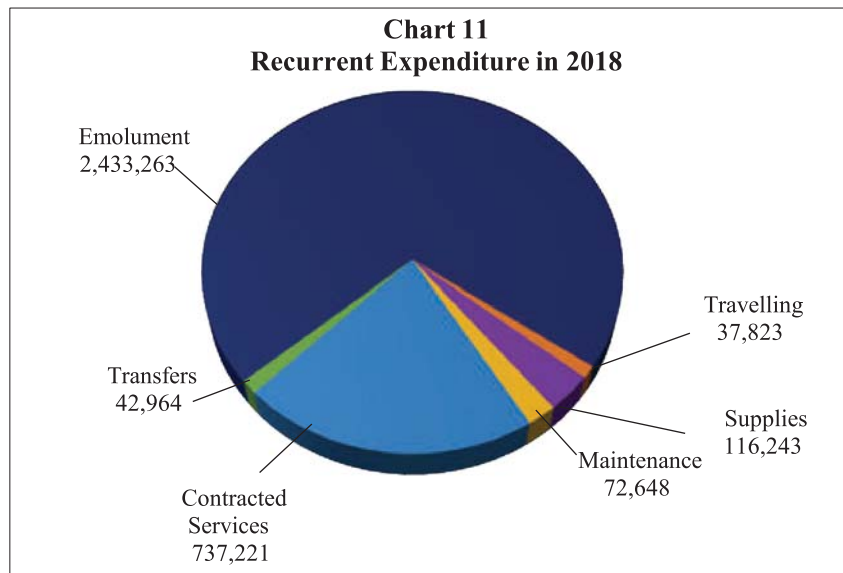
Total expenditure of the IRD in the year was Rs. 4,134 million which recorded a 4.68% decrease when compared with the previous year's figure of Rs. 4,337 million. Out of the total expenditure, 83.21% or Rs. 3,440 million was spent for recurrent expenditure. In 2017, the corresponding amount was Rs. 3,014 million. In the year 2018, expenditure on emoluments increased by 15.7% as against that of 2017 which was Rs. 2,103 million. This was the largest single expenditure item that accounted for 58.86% of the total expenditure and 70.73% of the recurrent expenditure.

The capital expenditure during the year recorded a decrease of 47.51% when compared to 2017 and was Rs. 694 million. That was Rs. 1,322 million in 2017. Out of the total expenditure of the IRD, 16.79% represents capital expenditure.

Investment made for Revenue Administration Management Information System (RAMIS) during the year concerned was Rs. 289 million and has shown a decrease of RAMIS expenditure by 73% because of the acquiring the capital assets for RAMIS project was limited in 2018. During the year, expenditure made on implementation of new Inland Revenue Act was Rs. 133 million due to the conducted awareness programs for Inland Revenue official's and people who were out of the IRD.

3.1 Comparison of the Total Expenditure incurred during the years – 2016, 2017 and 2018

Description	2016		2017		2018	
	(Rs.'000)	%	(Rs.'000)	%	(Rs.'000)	%
<u>Recurrent Expenditure</u>						
Emolument	1,984,484	48.87%	2,103,065	48.49%	2,433,263	58.86%
Travelling	33,172	0.82%	122,367	2.82%	37,823	0.91%
Supplies	107,990	2.66%	108,890	2.51%	116,243	2.81%
Maintenance	52,562	1.29%	60,722	1.40%	72,648	1.76%
Contracted Services	624,199	15.37%	579,474	13.36%	737,221	17.83%
Transfers	38,752	0.95%	40,088	0.92%	42,964	1.04%
Sub Total	2,841,159	69.96%	3,014,606	69.51%	3,440,162	83.21%
<u>Capital Expenditure</u>						
Rehabilitation and Improvements	29,425	0.72%	61,083	1.41%	52,668	1.27%
Acquisitions of capital Assets	27,130	0.67%	53,439	1.23%	38,900	0.94%
Capacity Building	55,031	1.36%	127,817	2.95%	180,923	4.38%
Investment (RAMIS Project)	1,108,385	27.29%	1,067,931	24.62%	288,834	6.99%
Investment (New IR Act)	-	-	12,290	0.28%	132,813	3.21%
Sub Total	1,219,971	30.04%	1,322,560	30.49%	694,138	16.79%
Total	4,061,130	100.00%	4,337,166	100.00%	4,134,300	100.00%



3.2 Productivity Ratio

The total expenditure of the IRD in the year 2018 was Rs. 4,134.3 million and the revenue collected was Rs. 900,348.47 million. The productivity ratio (i.e. the revenue collected for every rupee of expenditure) therefore, works out to 217:1. In other words, the cost of collection for Rs. 100/- was 46 cents. The cost of collection for the Rs. 100/- excluding VAT, NBT and ESC on imports, accounted 58 cents. (In previous year the corresponding amounts were 52 cents and 67 cents respectively).

Table 3.2 provides a classification of revenue collection, total expenditures and the cost of collections for the year 2016 to 2018.

Table 3.2 - Revenue Collection, Total Expenditure and Cost of Collection (Rs. Millions)			
Description	2016	2017	2018
Revenue collection			
Income tax	238,398.61	229,841.81	257,366.66
Economic Service Charge	20,458.17	44,719.76	52,978.51
Value Added Tax	283,451.51	443,739.47	461,650.62
Nation Building Tax	84,066.53	101,824.56	105,690.53
Betting and Gaming Levy	1,884.50	1,929.03	2,469.58
Share Transaction Levy	737.66	1,333.90	1,196.35
Vehicle Entitlement Levy	1,579.13	1,650.96	2,191.68
Debt Repayment Levy	0	0	4,501.17
Migrating Tax	11.05	4.10	16.68
Capital Gain Tax	0	0	104.14
Social Responsibility Levy	0.84	-	-
Turnover Tax	16.64	20.75	88.93
Stamp Duty	10,650.97	11,377.13	12,026.43
Goods and Services Tax	1.59	0.12	-
National Security Levy	8.09	15.95	40.99
Construction Industry Guarantee Fund Levy	258.80	52.77	26.20
Land Tax	22.66	7.38	-
Total Collection	641,546.75	836,517.69	900,348.47
Expenditure			
Recurrent Expenditure			
Emoluments	1,984.48	2,103.06	2,433.27
Travelling	33.17	122.37	37.82
Supplies and Equipment	107.99	108.89	116.24
Maintenance and repairs	52.56	60.72	72.65
Contracted Services	624.20	579.47	737.22
Transfers	38.75	40.09	42.96
Capital Expenditure			
Rehabilitation & Improvements	29.42	61.08	52.67
Acquisitions	27.13	53.44	38.90
Capacity building	55.03	127.82	180.92
Investment (RAMIS Project)	1,108.39	1,067.93	288.84
Investment (New IR Act)	-	12.29	132.81
Total Expenditure	4,061.12	4,337.16	4,134.30
Cost of Collection per 100/-	0.63	0.52	0.46
Cost of Collection per 100/- , excluding VAT, NBT & ESC on imports	0.80	0.67	0.58

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 and Bank of Ceylon. 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 sub imprest registers, inspecting regional offices were the other main tasks performed by the Internal Audit Branch.

Chapter 4

Taxes in Default

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.

Table 22 - Analysis of the Default Taxes - as at 31.12.2017						
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	119,540,104,679	72,939,998,624	112,000,816,315	66,915,465,836	7,539,288,364	6,024,532,788
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	56,966,946,611	41,619,931,025	42,597,804,741	32,783,899,407	14,369,141,870	8,836,031,618
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	11,404,952,534	8,063,787,790	5,297,328,168	4,419,749,404	6,107,624,366	3,644,038,386
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	207,731,584,281	133,809,717,214	177,635,735,669	114,026,324,700	30,095,848,612	19,783,392,514

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.
- iv. Collection actions have been taken to collect the collectible tax.

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. 30,095,848,612
<u>less</u>	
Net tax in default as at 31.12.2016	-Rs. 18,808,903,073
Increase of Default Tax in 2017	-Rs. 11,286,944,832

Net tax in default as at 31.12.2017 includes both RAMIS and Legacy.

Total collection of taxes in the year ended 31.12.2016	- Rs. 604,252,568,053
3% of the total tax collection in 2017	-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

5.1 Audits

Audits and investigations were undertaken during 2018 to a widest possible coverage of the taxpayer population, in terms of business activity, entity type and business size. The number of audits and revenue collected through assessment shows significant increase compared to previous years. Table 5.1.1 and Table 5.1.2 show 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	20,004,677	4,018,666	2,213,293	42,312	1,095,902	27,374,850
Total amount of additional tax collected during the year	14,485,147	1,605,158	1,189,411	41,567	443,317	17,764,600
Number of Audit cases commenced during the year 2018	5,722					
Number of Audit cases finalized during the year 2018	5,685					

Description	Additional Income / Turnover Assessed and 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	69,098,264	17,871,756	828,675	1,304,246	20,004,677	14,485,147
VAT	25,119,270	1,982,787	1,075,779	960,100	4,018,666	1,605,158
ESC	173,712,957	1,999,609	87,213	126,471	2,213,293	1,189,411
PAYE	172,723	27,915	11,927	2,470	42,312	41,567
NBT	62,403,023	291,279	212,292	592,331	1,095,902	443,317
Total	330,506,237	22,173,346	2,215,886	2,985,618	27,374,850	17,764,600

5.2 Appeals

During the year, the IRD has settled 739 appeals received against the assessments issued, and the analysis of appeal position is as follows:

	Income Tax	VAT	PAYE	ESC	NBT	WHT	Total
Balance as at 01.01.2018	300	166	0	15	135	5	621
Registered (as per APL 2) during the year	350	202	12	7	265	0	836
Settled	331	202	3	7	191	5	739
Balance as at 31.12.2018	79	67	3	1	63	0	213

Submitted for CGIR's hearing	240	99	6	14	146	0	505
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5.3 Recovery Actions

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

	No. of cases	No. of Notices	Collected Amount
Issue seizure Notices	340	519	71,153,018.25
Prosecution Action	801	443	50,299,858
3 rd Party Collection	78	78	1,963,776
Other Action (P2 issued)	382	-	350,749,753.15

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	2017		2018	
	Amount of Refund (Rs.)	% to Net Revenue Collection of each tax	Amount of Refund (Rs.)	% to Net Revenue Collection of each tax
VAT	719,684,181	0.16%	831,241,038	0.18%
Co – operate Income tax	15,918,082	0.01%	16,518,304	0.01%
Other non Co – operate Income tax	3,928,822	0.04%	24,932,441	0.24%
PAYE	24,786,377	0.08%	34,479,493	0.08%
Total	764,317,462	0.09%	907,171,276	0.10%

Chapter 6

International Relations

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 entered into Double Tax Avoidance Agreements with 43 countries and a multilateral treaty (SAARC) as at December 31, 2018 as referred to in the table 6.1.

Table 6.1 The countries with which double tax treaties are in force as at 31.12.2018					
	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	8/4/1991	1992/93
2	Bangladesh	24-07-8196	448/13	7/4/1987	1989/90
3	Bahrain	24-06-2011	1847/51	31-01-2014	2015/16
4	Belarus	26-08-2013	1837/13	20-11-2013	2015/16
5	Belgium	3/2/1983	292/6	9/4/1984	1984/85
6	Canada	23-06-1982	253/8	13-07-1983	1986/87
7	China	11/8/2003	1374/20	6/1/2005	2006/07
8	Czechoslovakia (Czech Republic)	23-02-1979	24/19	23-02-1979	1979/80
9	Denmark (Rev.)	22-12-1981	228/15	20-01-1983	1980/81
10	France	17-09-1981	210/17	17-09-1982	1982/83
11	Finland	18-05-1982	253/8	13-07-1983	1981/82
12	Germany	13-09-1979	113	31-10-1980	1982/83
13	Hong Kong (Limited)	26-03-2004	1374/21	6/1/2005	2005/06
14	India (Rev.)	22-01-2013	1828/9	17-09-2013	2014/15
15	Indonesia	03-02-1993	789/10	21-10-1993	1995/96
16	Iran	25-07-2000	1187/16	6/6/2001	2002/03
17	Italy	28-03-1984	322/4	5/11/1984	1978/79
18	Japan	12/12/1967	14803/5	29-05-1968	1969/70
19	Korea	28-05-1984	342/11	29-03-1985	1980/81
20	Kuwait	5/2/2002	1245/19	18-07-2002	2002/03
21	Luxembourg	31-01-2013	1838/9	26-11-2013	2015/16
22	Malaysia (Rev.)	16-09-1997	1028/21	22-05-1998	99/2000
23	Mauritius	12/3/1996	958/10	15-01-1997	1998/99
24	Nepal	6/7/1999	1116/6	26-01-2000	2001/02
25	Netherlands	17-11-1982	281/13	26-01-1984	1979/80

26	Norway (Rev.)	1/12/1986	464/4	27-07-1987	1989/90
27	Oman (Limited)	26-07-1994	881/7	26-07-1995	1979/80
28	Pakistan (Rev.)	15-10-1981	210/17	17-09-1982	1983/84
29	Palestine	16-04-2012	1838/8	26-11-2013	2015/16
30	Poland	25-04-1980	130	27-02-1981	1984/85
31	Qatar	7/11/2004	1422/10	5/12/2005	2008/09
32	Romania	19-10-1984	371/9	15-10-1985	1986/87
33	Russia	2/3/1999	1101/22	15-10-1999	2003/04
34	Saudi Arabia (Limited)	16-12-1999	1101/23	15-10-1999	1983/84
35	Seychelles	23-09-2011	1837/14	20-11-2013	2015/16
36	Singapore	3/4/2014	1993/11	16-11-2016	2018/19
37	Sweden	23-02-1983	297/28	18-05-1984	1985/86
38	Switzerland	11/1/1983	292/6	9/4/1984	1981/82
39	Thailand	14-12-1988	571/16	18-08-1989	1990/91
40	U.A.E. (Limited)	7/7/1992	824/13	23-06-1994	1979/80
	U.A.E. (Comprehensive)	24-09-2003	1346/1	21-06-2004	2004/05
41	U.K.	21-06-1979	60/23	2/11/1979	1977/78
42	U.S.A. Protocol	20-09-2002	1298/8	21-07-2003	2004/05
	U.S.A	14-03-1985	398/4	22-04-1986	
43	Vietnam	26-10-2005	1455/9	24-07-2006	2007/08
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 Agreements during the Year 2018

Revised Agreement with Denmark

First round negotiations were held in Copenhagen, Denmark during 12 - 16 February, 2018 and agreed draft was initiated at official level on February 15, 2018.

Revised Agreement with Netherland

First round negotiations were held in Hague, Netherland during 16 - 19 July, 2018 and agreed draft was initiated at official level on July 19, 2018.

Revised Agreement with Oman

Constitutional procedure has been completed up to cabinet approval and pending for parliamentary approval.

New Agreement with Latvia

First round negotiations were held in Riga, Latvia during 15 – 19 October, 2018 and agreed draft was initiated at official level on October 19, 2018.

New Agreement with Hungary

First round negotiations were held in Colombo, Sri Lanka during 20 – 23 March, 2018 and agreed draft was initialed at official's level on March 23, 2018.

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 & Destination	Programme	Country	Duration
				From
1	Mr. Ivan Dissanayake Commissioner General	Negotiation for the Revision of the Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income between Sri Lanka and Denmark	Denmark	11.02.2018 - 17.02.2018
2	Mr. Ivan Dissanayake Commissioner General	Management Committee Meeting	London	30.04.2018 - 05.05.2018
3	Mr. Ivan Dissanayake Commissioner General	Negotiations for the Revision of the Agreement for Avoidance of Double Taxation between Sri Lanka and Netherlands	Netherlands	13.07.2018 - 21.07.2018
4	Mr. A N Guruge Deputy Commissioner General	30 th Annual ATTA Conference	Australia	15.01.2018 - 20.01.2018
5	Mrs. P Rohini Deputy Commissioner General	72 nd Congress of the International Fiscal Association (IFA-2018)	Korea	31.08.2018 - 08.09.2018
6	Mrs. R M P S K Rajapakshe Deputy Commissioner General	72 nd Congress of the International Fiscal Association (IFA-2018)	Korea	31.08.2018 - 08.09.2018
7	Mr. A A D U Abeysinghe Deputy Commissioner General	OECD – Implementing BEPS2: Hybrids, Interests, CFCS (BL) [MTC Event]	Mexico City	24.11.2018 - 02.12.2018
8	Mr. M G Somachandra Deputy Commissioner General	OECD – Implementing BEPS2: Hybrids, Interests, CFCS (BL) [MTC Event]	Mexico City	24.11.2018 - 02.12.2018
9	Mrs. K S B R D S Karunaratne Deputy Commissioner General	Negotiations for a Double Taxation Avoidance Agreement between Sri Lanka and Latvia	Latvia	13.10.2018 - 21.10.2018
10	Mr. H M W C Bandara Senior Commissioner	6 th OECD World Forum	Korea	25.11.2018 - 30.11.2018
11	Mr. D R S Hapuarachchi Senior Commissioner	4 th Meeting of the Inclusive Framework on BEPS	Paris	23.01.2018 - 27.01.2018

12	Mr. D R S Hapuarachchi Senior Commissioner	Negotiation for the Revision of the Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income between Sri Lanka and Denmark	Denmark	11.02.2018 - 17.02.2018
13	Mr. D R S Hapuarachchi Senior Commissioner	Negotiations for the Revision of the Agreement for Avoidance of Double Taxation between Sri Lanka and Netherlands	Netherlands	13.07.2018 - 21.07.2018
14	Mr. D R S Hapuarachchi Senior Commissioner	Negotiations for a Double Taxation Avoidance Agreement between Sri Lanka and Latvia	Latvia	13.10.2018 - 21.10.2018
15	Mr. D Rangalle Senior Commissioner	The Belt and Road Initiative Tax Cooperation Conference	Kazakhstan	12.05.2018 - 18.05.2018
16	Mr. D Rangalla Senior Commissioner	OECD – Exchange of Information as a Tool to Combat Offshore Tax Evasion	China	30.06.2018 - 07.07.2018
17	Mr. R M Jayasinghe Senior Commissioner	OECD-The Revised Transfer Pricing Guidelines [MTC Event]	Mexico City	17.02.2018 - 24.02.2018
18	Mr. R M Jayasinghe Senior Commissioner	OECD – Implementing BEPS2: Hybrids, Interests, CFCS (BL) [MTC Event]	Mexico City	24.11.2018 - 02.12.2018
19	Mr. M H Densil Senior Commissioner	6 th OECD World Forum	Korea	25.11.2018 - 30.11.2018
20	Mr. U B Wakkumbura Senior Commissioner	6 th OECD World Forum	Korea	25.11.2018 - 30.11.2018
21	Mr. M L M Thahir Senior Commissioner	OECD – Exchange of Information as a Tool to Combat Offshore Tax Evasion	China	30.06.2018 - 07.07.2018
22	Mr. M L M Thahir Senior Commissioner	IRBM - OECD : The Revised Transfer Pricing Guidelines	Malaysia	02.12.2018 - 08.12.2018
23	Mr. M S M Siyaan Senior Commissioner	CATA 39 th Technical Conference	Fiji	10.11.2018 - 17.11.2018
24	Mr. U P S A Jayalath Senior Commissioner	OECD-The Revised Transfer Pricing Guidelines [MTC Event]	Mexico City	17.02.2018 - 24.02.2018
25	Mr. M D J M Devapriya Senior Commissioner	OECD-The Revised Transfer Pricing Guidelines [MTC Event]	Mexico City	17.02.2018 - 24.02.2018
26	Mr. M D J M Devapriya Senior Commissioner	Management Committee Meeting	London	30.04.2018 - 05.05.2018
27	Mr. M D J M Devapriya Senior Commissioner	The Belt and Road Initiative Tax Cooperation Working-level Meeting	China	24.09.2018 - 29.09.2018
28	Mr. M D J M Devapriya Senior Commissioner	CATA 39 th Technical Conference	Fiji	10.11.2018 - 17.11.2018
29	Mr. R A N Rajapakse Commissioner	National Tax Conference (NTC) 2018	Malaysia	15.07.2018 - 18.07.2018
30	Mr. R A N Rajapakse Commissioner	Workshop on 'Advance Tax Treaties'	India	20.10.2018 - 28.10.2018

31	Mr. M Gunaweera Commissioner	IRBM-OECD: Toolkit for Addressing Difficulties in Accessing Comparables Data for Transfer Pricing Analyses (with a focus on mineral pricing)	Malaysia	23.09.2018 - 29.09.2018
32	Mr. G D S Jayarathne Commissioner	CATA 39 th Technical Conference	Fiji	10.11.2018 - 17.11.2018
33	Mr. N M M Mifly Commissioner	Implementing BEPS1: Minimum Standards (BL)	Austria	11.03.2018 - 18.03.2018
34	Mr. N M M Mifly Commissioner	OECD – Exchange of Information as a Tool to Combat Offshore Tax Evasion [MTC Event]	Korea	09.09.2018 - 17.09.2018
35	Mr. S M A Bandara Commissioner	IRBM - OECD : Taxation of the Digital Economy	Malaysia	28.10.2018 - 03.11.2018
36	Mrs. R K C Chithralatha Commissioner	National Tax Conference (NTC) 2018	Malaysia	15.07.2018 - 18.07.2018
37	Mr. M P S Abeyrathna Commissioner	IRBM - OECD : Action 14 – Transfer Pricing Dispute Resolution	Malaysia	12.11.2018 - 16.11.2018
38	Mrs. S Liyanage Commissioner	OECD – Exchange of Information as a Tool to Combat Offshore Tax Evasion [MTC Event]	Korea	09.09.2018 - 17.09.2018
39	Mrs. D R K Pannilawithana Commissioner	OECD –Toolkit on Indirect Transfer or Assets [MTC Event]	Korea	21.10.2018 - 29.10.2018
40	Ms. J K M Pathiraja Commissioner	Two day Conference – Cooperative & International Compliance Assurance Programs	Vienna	02.07.2018 - 06.07.2018
41	Ms. J K M Pathiraja Commissioner	OECD – Toolkit on Tax Incentives for Foreign Investment [MTC Event]	Turkey	24.11.2018 - 02.12.2018
42	Mrs. W P C S Ranaweera Commissioner	OECD – Exchange of Information as a Tool to Combat Offshore Tax Evasion [MTC Event]	Korea	09.09.2018 - 17.09.2018
43	Mrs. R P H Fernando Commissioner	Negotiation for the Revision of the Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income between Sri Lanka and Denmark	Denmark	11.02.2018 - 17.02.2018
44	Mrs. R P H Fernando Commissioner	Negotiations for the Revision of the Agreement for Avoidance of Double Taxation between Sri Lanka and Netherlands	Netherlands	13.07.2018 - 21.07.2018
45	Ms. R P H Fernando Commissioner	Negotiations for a Double Taxation Avoidance Agreement between Sri Lanka and Latvia	Latvia	13.10.2018 - 21.10.2018
46	Mr. Bandula Haputhanthrige Commissioner	TOIT – Treaty Workshop	Malaysia	26.08.2018 - 31.08.2018
47	Ms. W A J Indrakanthi Commissioner	Two day Conference – Cooperative & International Compliance Assurance Programs	Vienna	02.07.2018 - 06.07.2018

48	Ms. V K A Thusithanjalee Commissioner	16 th IAOS Conference, Better Statistics for Better Lives	Paris	18.09.2018 - 23.09.2018
49	Mr. H K I Paronavitharana Commissioner	Tax Treaties, MLI and BEPS (Preventing Treaty Abuse)	China	09.06.2018 - 16.06.2018
50	Mr. L K Ratnayake Commissioner	Tax Treaties, MLI and BEPS (Preventing Treaty Abuse)	China	09.06.2018 - 16.06.2018
51	Mr. H S Samantha Kumara Commissioner	30 th Annual ATTA Conference	Australia	15.01.2018 - 20.01.2018
52	Mr. H S J Ranasinghe Commissioner	13 th International Conference on Tax Administration	Sydney	03.04.2018 - 07.04.2018
53	Mr. H S J Ranasinghe Commissioner	CATA 39 th Technical Conference	Fiji	10.11.2018 - 17.11.2018
54	Ms. J N Rajapakse Commissioner	Two day Conference – Cooperative & International Compliance Assurance Programs	Vienna	02.07.2018 - 06.07.2018
55	Mr. W D A A Walimini Commissioner	CATA 39 th Technical Conference	Fiji	10.11.2018 - 17.11.2018
56	Mr. D J Jayathilaka Senior Deputy Commissioner	Nice Spring Conference 2018	France	15.05.2018 - 19.05.2018
57	Mr. A M Nafeel Senior Deputy Commissioner	Annual Tax Cooperation Forum	Indonesia	24.04.2018 - 28.04.2018
58	Mr. W D A A Walimini Senior Deputy Commissioner	OECD – The Revised Transfer Pricing Guidelines [MTC Event]	China	15.09.2018 - 22.09.2018
59	Mrs. R P D S D Perera Chief Accountant	Second Country Study Visit – Capacity Building Training Program for Class I (Batch 2 & 3) officers of the Sri Lanka Accountants’ Service	India	09.09.2018 - 15.09.2018
60	Ms. R R Pitadeniya Deputy Commissioner	16 th IAOS Conference, Better Statistics for Better Lives	Paris	18.09.2018 - 23.09.2018
61	Mrs. G H Ratnayake Deputy Commissioner	OECD-Toolkit on Transfer Pricing Documentation and CBCR [MTC Event]	China	24.03.2018 - 31.03.2018
62	Mrs. D V K Maussawa Deputy Commissioner	OECD-Toolkit on Transfer Pricing Documentation and CBCR [MTC Event]	China	24.03.2018 - 31.03.2018
63	Mrs. T K Bandara Deputy Commissioner	OECD-Toolkit on Transfer Pricing Documentation and CBCR [MTC Event]	China	24.03.2018 - 31.03.2018
64	Mr. D N K S Pathirana Deputy Commissioner	Transfer Pricing Dispute Resolution	China	06.05.2018 - 11.05.2018
65	Ms. S I Asanthi Deputy Commissioner	Negotiations for the Revision of the Agreement for Avoidance of Double Taxation between Sri Lanka and Netherlands	Netherlands	13.07.2018 - 21.07.2018
66	Ms. W A C S Senanayake Deputy Commissioner	16 th IAOS Conference, Better Statistics for Better Lives	Paris	18.09.2018 - 23.09.2018
67	Ms. P K R Asoka Deputy Commissioner	IRBM-IBFD: Permanent Establishment	Malaysia	18.03.2018 - 24.03.2018

68	Mr. K A E Chinthaka Deputy Commissioner	OECD-IOTA Case Study Workshop – Application of the Arm’s Length Price Principle: Addressing Comparable Data for Transfer Pricing and Mineral Pricing [MTC Event]	Austria	13.05.2018 - 19.05.2018
69	Mr. H P K P Wijerathne Deputy Commissioner	Nice Spring Conference 2018	France	15.05.2018 - 19.05.2018
70	Mr. K K J C Deshapriya Deputy Commissioner	OECD-IOTA Case Study Workshop – Application of the Arm’s Length Price Principle: Addressing Comparable Data for Transfer Pricing and Mineral Pricing [MTC Event]	Austria	13.05.2018 - 19.05.2018
71	Mrs. H D R P Siriwardana Deputy Commissioner	TOIT – Transfer Pricing Workshop	Malaysia	02.09.2018 - 08.09.2018
72	Mrs. H Ilayperuma Deputy Commissioner	Transfer Pricing Dispute Resolution	China	06.05.2018 - 11.05.2018
73	Ms. A G A G Jayamanthi Deputy Commissioner	Workshop on Implementing BEPS1: Minimum Standards	Mexico City	02.06.2018 - 10.06.2018
74	Mrs. K P R Gunathunga Deputy Commissioner	OECD-Toolkit on Transfer Pricing Documentation and CBCR [MTC Event]	China	24.03.2018 - 31.03.2018
75	Ms. A P P M Gunathilake Deputy Commissioner	Workshop on Implementing BEPS1: Minimum Standards	Mexico City	02.06.2018 - 10.06.2018
76	Ms. H S K Munasinghe Deputy Commissioner	5 th Asian Tax Authorities Symposium (ATAS)	Korea	02.07.2018 - 06.07.2018
77	Ms. S B M Bisomanike Deputy Commissioner	TOIT – Treaty Workshop	Malaysia	26.08.2018 - 31.08.2018
78	Ms. B M T K Balasuriya Deputy Commissioner	TOIT – Treaty Workshop	Malaysia	26.08.2018 - 31.08.2018
79	Ms. H M K Pushpalatha Deputy Commissioner	Implementing BEPS1: Minimum Standards (BL)	Austria	11.03.2018 - 18.03.2018
80	Mrs. H M K Pushpalatha Deputy Commissioner	TOIT – Transfer Pricing Workshop	Malaysia	02.09.2018 - 08.09.2018
81	Ms. S K J Jayawardena Deputy Commissioner	TOIT – Treaty Workshop	Malaysia	26.08.2018 - 31.08.2018
82	Ms. R M N C Ranathunga Deputy Commissioner	OECD – The Revised Transfer Pricing Guidelines [MTC Event]	China	15.09.2018 - 22.09.2018
83	Ms. A C Sirisoma Deputy Commissioner	Transfer Pricing Dispute Resolution	China	06.05.2018 - 11.05.2018
84	Ms. S S W P D Rajapakse Deputy Commissioner	IRBM-OECD: Negotiation of Tax Treaties	Malaysia	11.03.2018 - 17.03.2018
85	Mr. M K H Karunaratne Deputy Commissioner	Implementing BEPS1: Minimum Standards (BL)	Austria	11.03.2018 - 18.03.2018
86	Ms. T M Wanigathunga Deputy Commissioner	OECD – The Revised Transfer Pricing Guidelines [MTC Event]	China	15.09.2018 - 22.09.2018
87	Mrs. D M M D Dehideniya Deputy Commissioner	4 th Meeting of the Inclusive Framework on BEPS	Paris	23.01.2018 - 26.01.2018

88	Ms. M W P Sandamali Deputy Commissioner	4 th Meeting of the Inclusive Framework on BEPS	Paris	23.01.2018 - 26.01.2018
89	Ms. M A C D Chandrasiri Deputy Commissioner	International Taxation for Asian Countries	Japan	06.05.2018 - 30.05.2018
90	Ms. J A I Shyamali Deputy Commissioner	Implementing BEPS1: Minimum Standards (BL)	Austria	11.03.2018 - 18.03.2018
91	Mr. P K D G Jayananda Deputy Commissioner	CATA 39 th Technical Conference	Fiji	10.11.2018 - 17.11.2018
92	Mr. K L P Danapala Deputy Commissioner	Negotiation for the Revision of the Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income between Sri Lanka and Denmark	Denmark	11.02.2018 - 17.02.2018
93	Ms. S Vijitha Assistant Commissioner	IRBM-OECD: Introduction to the Application & Negotiation of Tax Treaties	Malaysia	12.08.2018 - 17.08.2018

Chapter 7

Legislation

7.1 Legislation enacted during the year

- i. Value Added Tax (Amendment) Act, No. 25 of 2018
- ii. Economic Service Charge (Amendment) Act, No. 33 of 2018
- iii. Nation Building Tax (Amendment) Act, No. 20 of 2018

7.2 Approved Charities

There was one approval granted during the year

Charitable Institute	Gazette Number / Date of Registration
Canadapura Lama Niwasaya	2094/8 – 23.10.2018

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	2064/50	01.04.2018	Deduction of Income Tax from Interest Payment to a Senior citizen on money deposite in Banks or Financial Institutions, From 01.04.2018
II	2064/51	01.04.2018	Order under Sec. 85 of Inland Revenue Act, No 24 of 2017, as being the Service's rendered with a Source in Sri Lanka and Pays to a resident Individual being
III	2064/52	01.04.2018	Order under Inland Revenue Act, No 24 of 2017, (e) III of 3rd Schedule that the official emoluments of any individual who is employed by the Asian Development Bank.
IV	2064/53	01.04.2018	Order under Sec. 194 of Inland Revenue Act, no 24 of 2017, that the Regulations of Transitional Provisions
V	2064/54	01.04.2018	Notification specify the taxes or other levies which the deductions shall not be made in calculating a person's income
VI	2064/55	01.04.2018	Notice in relation to the circumstances in which losses on financial instruments
VII	2064/56	01.04.2018	Notice in relation to the any period for which interest on a blended loan
VIII	2064/57	01.04.2018	Notice in relation to specific provision for a debt claim made by a person conducting a banking business
IX	2064/58	01.04.2018	Notice specify the circumstances under which a tax payer may designate an authorized representative
X	2064/59	01.04.2018	Notice specify the Capital gain tax return and schedules to be furnished

XI	2064/60	01.04.2018	Notice specify the withhold tax from payments where the payments made to any employee and rates of tax to be withheld from such payments.
XII	2064/63	01.04.2018	Notify the requirements to registered as Authorized Representative
XIII	2064/64	01.04.2018	Notify the fee to be charged in relation to an application for a private ruling requested by a tax payer.
XIV	2078/06	02.07.2018	Notify the Regulations for healthcare services for the purpose of Value Added Tax, w.e.f. 02.07.2018
XV	2088/02	10.09.2018	Notify the operational date on section 58A of Value Added Tax Act
XVI	2088/25	11.09.2018	Notify the Operation of Tourist Value Added Tax Refund Scheme (TVRS)

7.4 Interpretation Committee

7.4.1 Committee for Public Rulings

To achieve consistency in the administration of Inland Revenue Act, No. 24 of 2017 and to provide guidance to the general public and officers of the IRD, the Commissioner General of Inland Revenue may issue Public Rulings setting out the Commissioner General's interpretation of the application of the afore said Inland Revenue Act.

The table 7.2 shows the details of rulings given by the Commissioner General during the year 2018.

Area	Number of Rulings
Guidance to the general public and officers of IRD	1
Explanation about WHT	1

7.4.2 Interpretation Committee for Private Rulings

With the enactment of Inland Revenue Act, No.24 of 2017, the Interpretation Committee was appointed in June 16, 2018 by the Commissioner General of Inland Revenue Department under the section 107 which consists of senior officers of the Inland Revenue Department. It is chaired by Mr. Somachandra – DCGIR who is responsible for the setting out the Commissioner General's position regarding the applications requesting rulings submitted by the taxpayers.

Any person, who finds any ambiguity in any provision of the Inland Revenue Act, No.24 of 2017, can request for Private Ruling thereon to the committee. (Secretary of Committee, Secretariat, IRD)

In 2018, there are five Private Rulings were issued by the Interpretation Committee and the table 7.3 shows the details of issued Private Rulings.

Table 7.3 Details of private rulings given during the year 2018	
Area	Number of Rulings
Capital Gain Tax	1
Withholding Tax	3
Tax Rate	1

Before appointing the Interpretation Committee, the Committee for Interpretation of Tax Laws (CITL), which appointed under IR Act, No. 10 of 2006, was liable to issue interpretations and carried out their activities until 15.06.2018. Following table shows the details of interpretations issued by CITL.

Table 7.4 Details of Interpretations given by the CITL during the year 2018		
Area	Number of Interpretations	Related taxes
Tax Liability	1	Income Tax, VAT, NBT, ESC
Exemptions	1	Income Tax

Chapter 8

Other Work

8.1 Taxpayer Services

8.1.1 Primary Registration Unit

Primary Registration Unit facilitates 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	657	7,175	661
PIN Registration	3,351		
Tax Agent Registration	17		

8.1.2 Tax Registration Unit

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
1,338	462	19,051	2,222	2,329	1,204	2,378	3,010	1,580	5,397

In addition, the Business Consultation Unit has provided tax consultancy services to the taxpayers by replying all queries through mails & e – mails forwarded by the call center and assisting to the walk – in taxpayers to upload documents (e - filing).

The Customer Supporting and Promotion Unit has conducted 70 awareness programs to improve knowledge about taxes, achieve high compliance and promote e – service for different sectors in government and private.

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

Description	2017	2018
<i>Directions issued</i>		
To Banks for WHT on interest	123	-
To Employers for PAYE	-	4756
<i>Clearance Certificates issued</i>		
In relation to persons leaving Island	456	513
<i>Privilege Cards Issued</i>		
Gold Cards	47	22
Silver Cards	24	32

8.3 Transfer Pricing Regulation Unit

During the year Transfer Pricing Unit has organized two residential workshops for a group of officers who were selected representing different units of the IRD to improve the knowledge on transfer pricing and related international rules. This was a continuation of two workshops held in last year with the assistance of Organization for Economic Corporation and Development (OECD).

In addition to that, two training programs were conducted to introduce TIWB mission and improve the knowledge about handling practical issues on Transfer Pricing Audits.

Transfer Pricing Unit has built 22 audit cases as per Section 104 and 104A of Inland Revenue Act, No. 10 of 2006 during the year.

8.4 Tourist VAT Refund Scheme (TVRS)

Tourist VAT Refund Scheme (TVRS) is introduced by Inland Revenue Department, Sri Lanka, to refund VAT which is charged when purchasing goods by tourists who visit Sri Lanka.

The TVRS is implemented with effect from September 11, 2018, in terms under Section 58A of the Value Added Tax Act, No. 14 of 2002 (Amended Act) by Gazette Notification of the commissioner general of Inland Revenue and Minister of Finance accordingly.

The TVRS Counter is located at the departure lounge, Bandaranaike International Airport, Katunayake.

As at 31.12.2018, the number of registered person under TVRS is 31 and 470 refund vouchers are issued for tourists.

Chapter 9

Revenue Administration Management Information System (RAMIS)

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 implement 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).

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.

Progress of the RAMIS project in 2018 as follows

- During the year 2018, VAT on Financial Services was taken into the RAMIS.
- RAMIS workshops were conducted by all the regional offices to enhance the taxpayers knowledge towards e - filing.

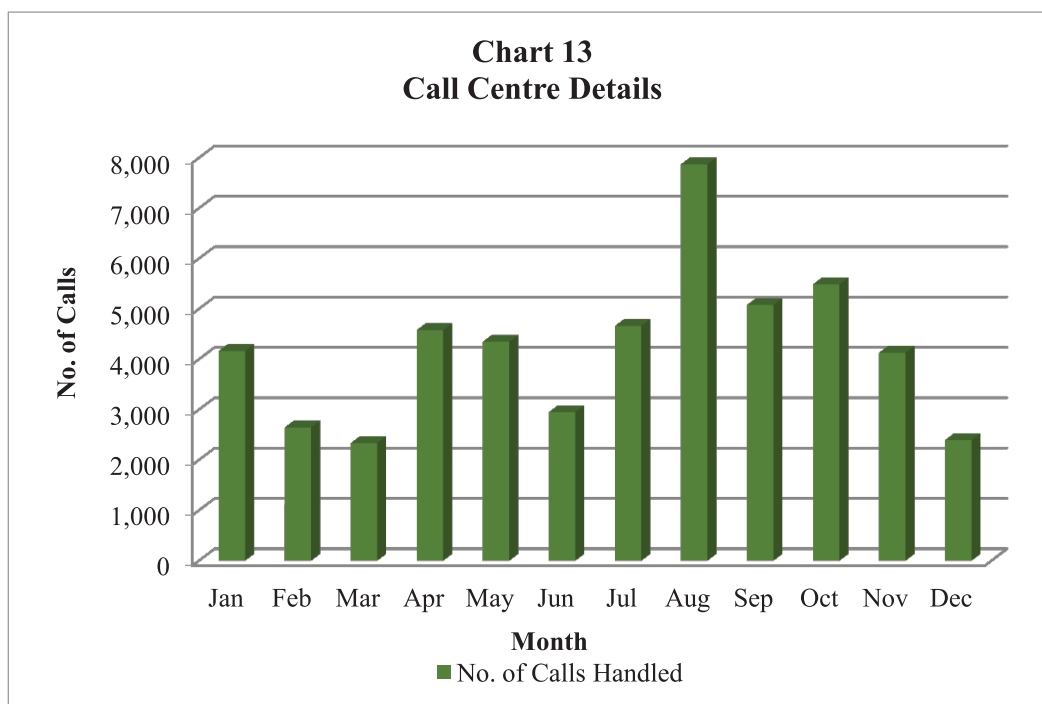
As the result of conducting workshops, e – filing rate has been increased as follows.

Tax type	Period (Y/A)	Total e - filled	Total manual filled	Total compliance	e - filing rate
CIT	2015/2016	1,220	30,879	32,099	3.80%
	2016/2017	2,561	30,047	32,608	7.85%
	2017/2018	4,029	21,673	25,702	15.68%
IIT	2016/2017	860	99,742	100,602	0.85%
	2017/2018	7,197	81,405	88,602	8.12%
PIT	2016/2017	60	9,025	9,085	0.66%
	2017/2018	354	7,062	7,416	4.77%

- The IRD has taken forced compliance actions to enhance the tax compliance through RAMIS.
- Call Centre was successfully operating in 2018 by handling the calls received from taxpayers. Number of calls offered to call centre has increased in August due to the introduction of estimated returns according to the new IR Act, No. 24 of 2017.

Details of calls handled by the call centre are included in Table 9.2 and Chart 13.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
No. of Calls Handled	4,164	2,646	2,335	4,580	4,348	2,950	4,661	7,872	5,079	5,489	4,131	2,395



- During the year, 780,952 Work Items (WI) have been created through the RAMIS. 64% of created Work Items have been completed and actions are being taken in progress on others.

	Total WI Created	Total WI Completed
Y 2016	235,078	224,946
Y2017	1,207,425	876,897
Y2018	780,952	502,519

