

2020

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வருடாந்த செயலாற்றுகை அறிக்கை
ANNUAL PERFORMANCE REPORT



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உள்நாட்டு இறைவரித் திணைக்களம் - இலங்கை
Inland Revenue Department - Sri Lanka



INLAND REVENUE DEPARTMENT

ANNUAL PERFORMANCE REPORT 2020

EXPENDITURE HEAD NO 246

INLAND REVENUE DEPARTMENT
Sir. Chittampalam A. Gardiner Mawatha,
Colombo 02.

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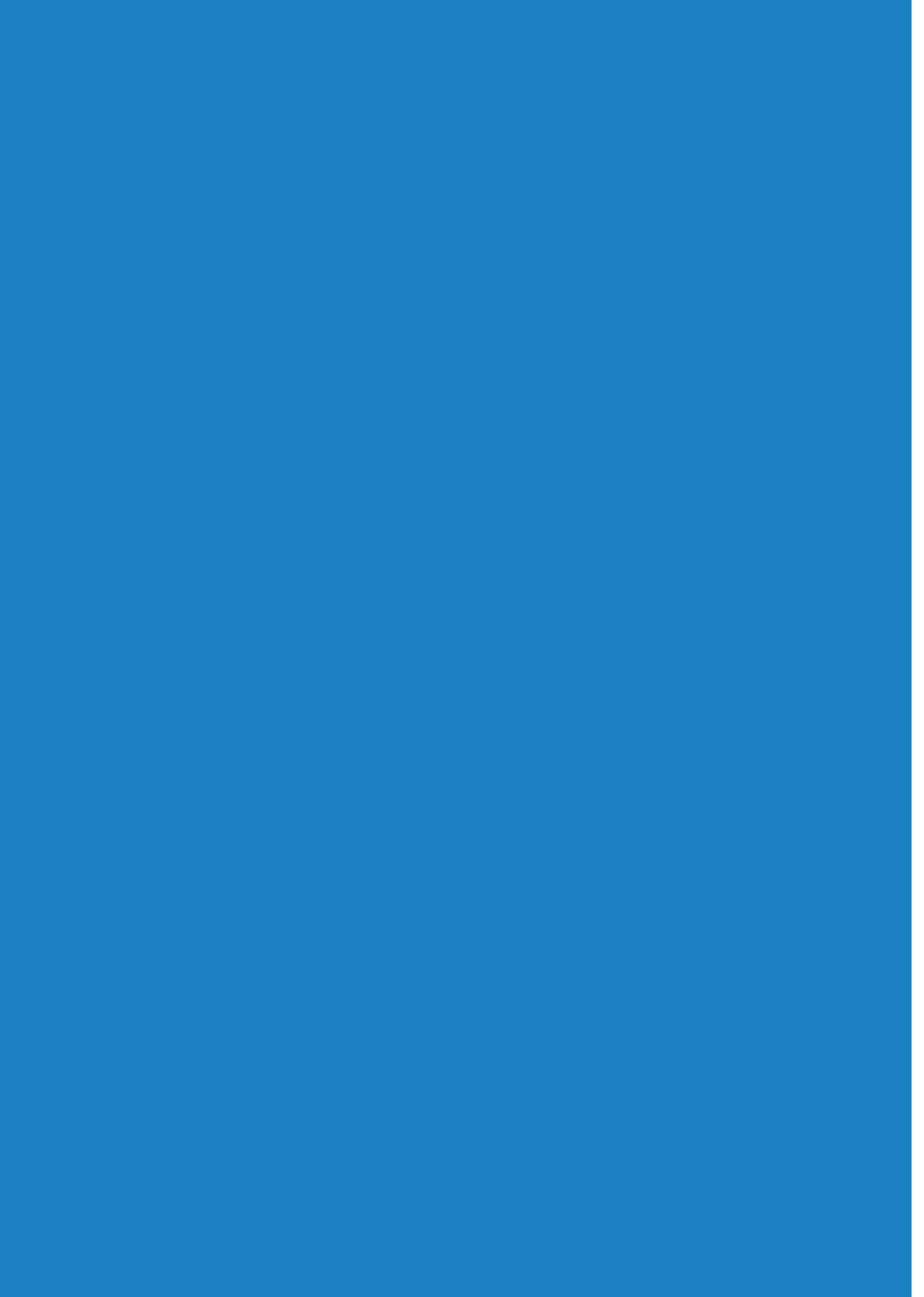
List of Abbreviations

AIT	Advance Income Tax
APIT	Advanced Personal Income Tax
ATPS	Alternative Tax Payment System
BGL	Betting and Gaming Levy
CGIR	Commissioner General of Inland Revenue
CGT	Capital Gain Tax
CIGFL	Construction Industry Guarantee Fund Levy
CIT	Corporate Income Tax
DRL	Debt Repayment Levy
ESC	Economic Service Charge
FR	Financial Regulation
GDP	Gross Domestic Product
GST	Goods and Services Tax
ICT	Information and Communication Technology
IIT	Individual Income Tax
IR	Inland Revenue
IRBM	Inland Revenue Board of Malaysia
IRD	Inland Revenue Department
IT	Income Tax
KPI	Key Performance Indicators
MBA	Master in Business Administration
MBA-T	Master in Business Administration - Taxation
MBus	Master of Business in Accounting/ Finance
MT	Migrating Tax
NBT	Nation Building Tax
NSL	National Security Levy
OECD	Organization for Economic Corporation and Development
OTPP	Online Tax Payment Platform
PAYE	Pay As You Earn
PIT	Partnership Income Tax
PSC	Public Service Commission
RAMIS	Revenue Administration Management Information System
SD	Stamp Duty
SLIDA	Sri Lanka Institute of Development Administration
STL	Share Transaction Levy
TIN	Taxpayer Identification Number
TT	Turnover Tax
TVET	Technical and Vocational Education and Training
VAT	Value Added Tax
VAT on FS	Value Added Tax on Financial Services
VEL	Vehicle Entitlement Levy
WFH	Work From Home





CHAPTER 1
Institutional Profile



1.1 Introduction

Inland Revenue Department which is called as “IRD” plays a remarkable role in generating revenue to the country on behalf of the Sri Lankan Government. The Inland Revenue Department provides its contribution to collect more than 50% of the government revenue. However, there is a decrease in tax revenue collection with relating to the year 2019 due to the COVID 19 pandemic situation.

Mr. Huxham was the first Commissioner or the Commissioner General of Inland Revenue at Inland Revenue Department, where Mr. H.M.W.C. Bandara holds the position of CGIR at the present. He is the 33rd Departmental head of the IRD. Inland Revenue Department was started in 1932 and after amalgamating Estate Duty and Stamps in 1933 called as the “Department of Income Tax, Estate Duty and Stamps”. The department named as Department of Inland Revenue in 1958. At the starting point, there were twenty four officers and seventy seven clerks engaged in duties, however a staff which consist of 1,036 Inland Revenue officers and 1,515 combined service officers were available in IRD by the end of 2020. According to the hierarchy, 01 Commissioner General, 09 Deputy Commissioner Generals, 22 Senior Commissioners, 90 Commissioners and 1,107 Senior Deputy Commissioners, Deputy Commissioners and Assistant Commissioners perform their duties in the Inland Revenue Department.

The Inland Revenue Department is dedicated to achieve the vision of the IRD as to be a taxpayer friendly tax administrator delivering excellent service to the tax- paying public, with well- trained and dedicated staff, the department administers some taxes such as Income Tax, Value Added Tax, Capital Gain Tax, Share Transaction Levy, Migrating Tax, Stamp Duty and Betting and gaming Levy in the year 2020. Head office of the Inland Revenue Department is situated in Sir Chittampalam A Gardiner Mawatha, Colombo 02, and some divisions are located in Nawam Mawatha and Mehewara Piyasa, Narahenpita. This annual performance report has been prepared in accordance with the Section 2.4 of the Public Finance Circular No. 402 dated 12th September 2002.

1.2 Vision, Mission and Strategic Goals

Vision

To be a taxpayer friendly tax administrator delivering excellent service to the taxpaying 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, and

To enhance public confidence in the tax system administered by the Department of Inland Revenue by administering relevant tax and other related laws in a fair, friendly and expeditious manner and thereby facilitate 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.

1.3 Key Functions of the IRD

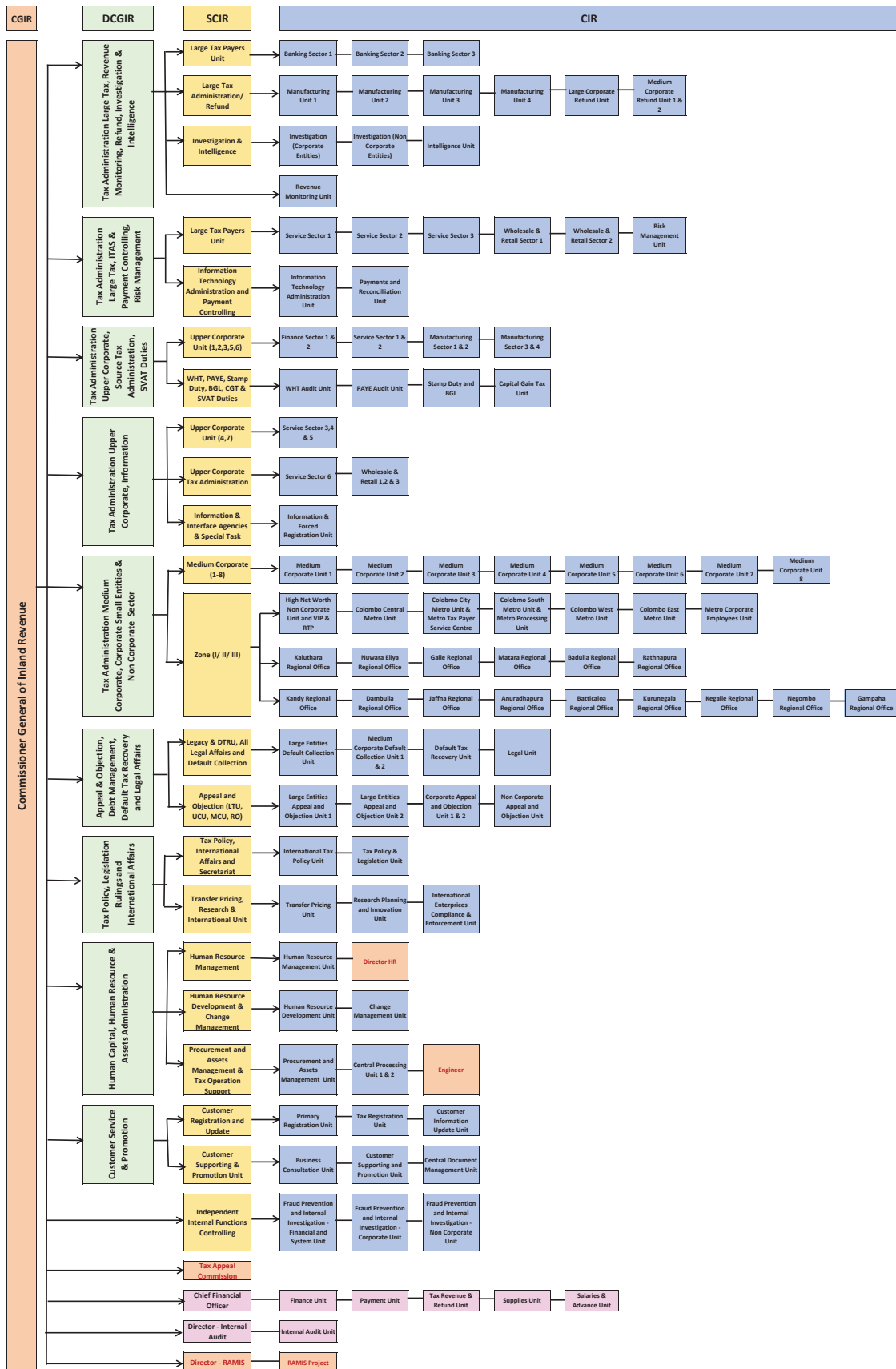
- Administration of all enactments under the purview of the Commissioner General of Inland Revenue (CGIR)
- Collection of government tax revenue
- Providing feedback on implementation of fiscal policies

1.4 Main Divisions of the IRD

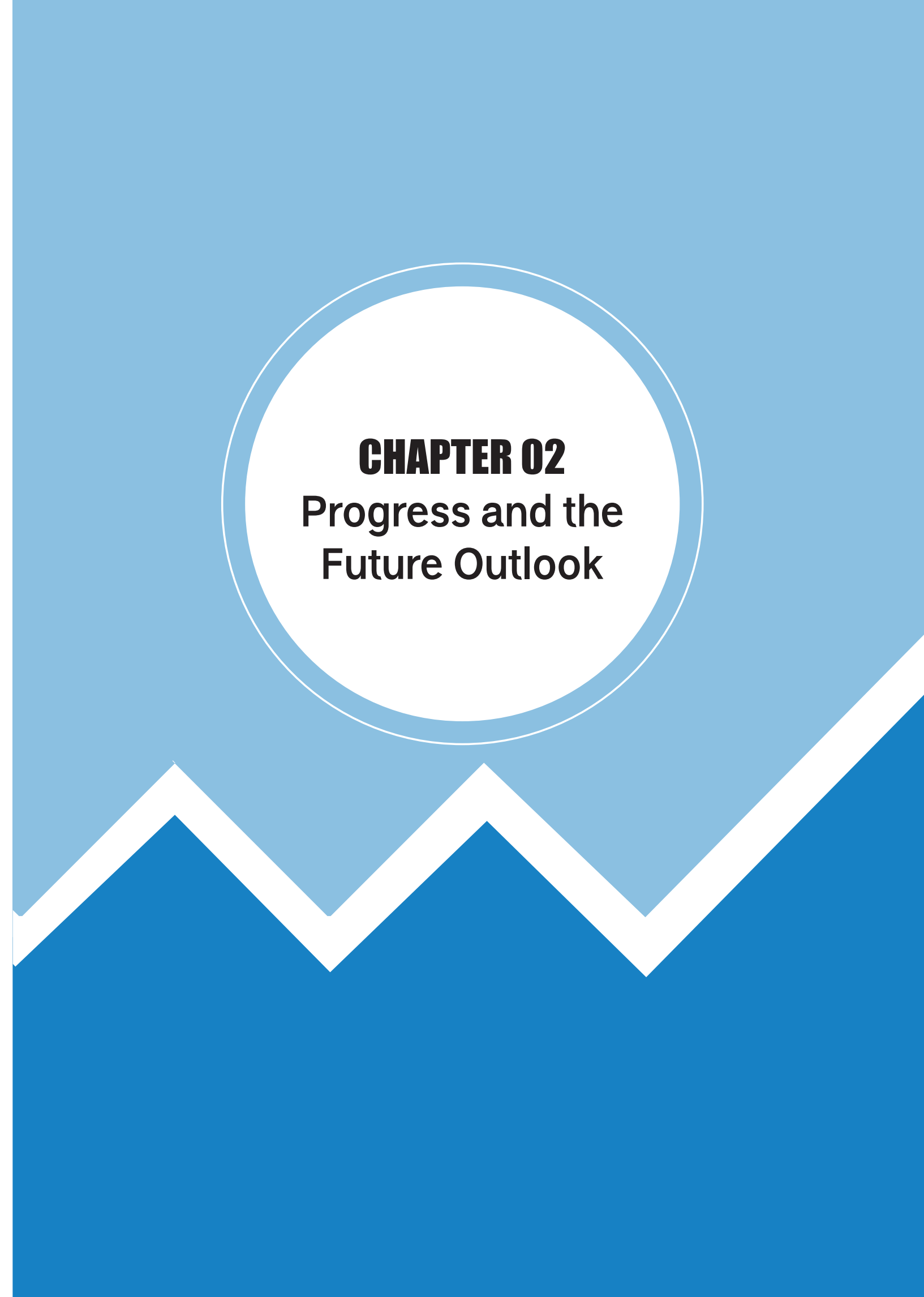
- Customer Services & Promotion Division
- Large Corporate Compliance and Audit Division
- Upper Corporate Compliance and Audit Division
- Medium Corporate Compliance and Audit Division
- Non Corporate Compliance and Audit Division
- Metro and Regional Division
- Appeal Division
- Refund Division
- Default Division
- Secretariat Division
- Source Tax Division
- Information & Communication Technology (ICT) Administration Division
- Fraud Prevention and Investigation Division
- Human Resource and Assets Administration Division
- Accounts Division
- Revenue Administration and Management Information System (RAMIS) Project Division

1.5 Organization Chart

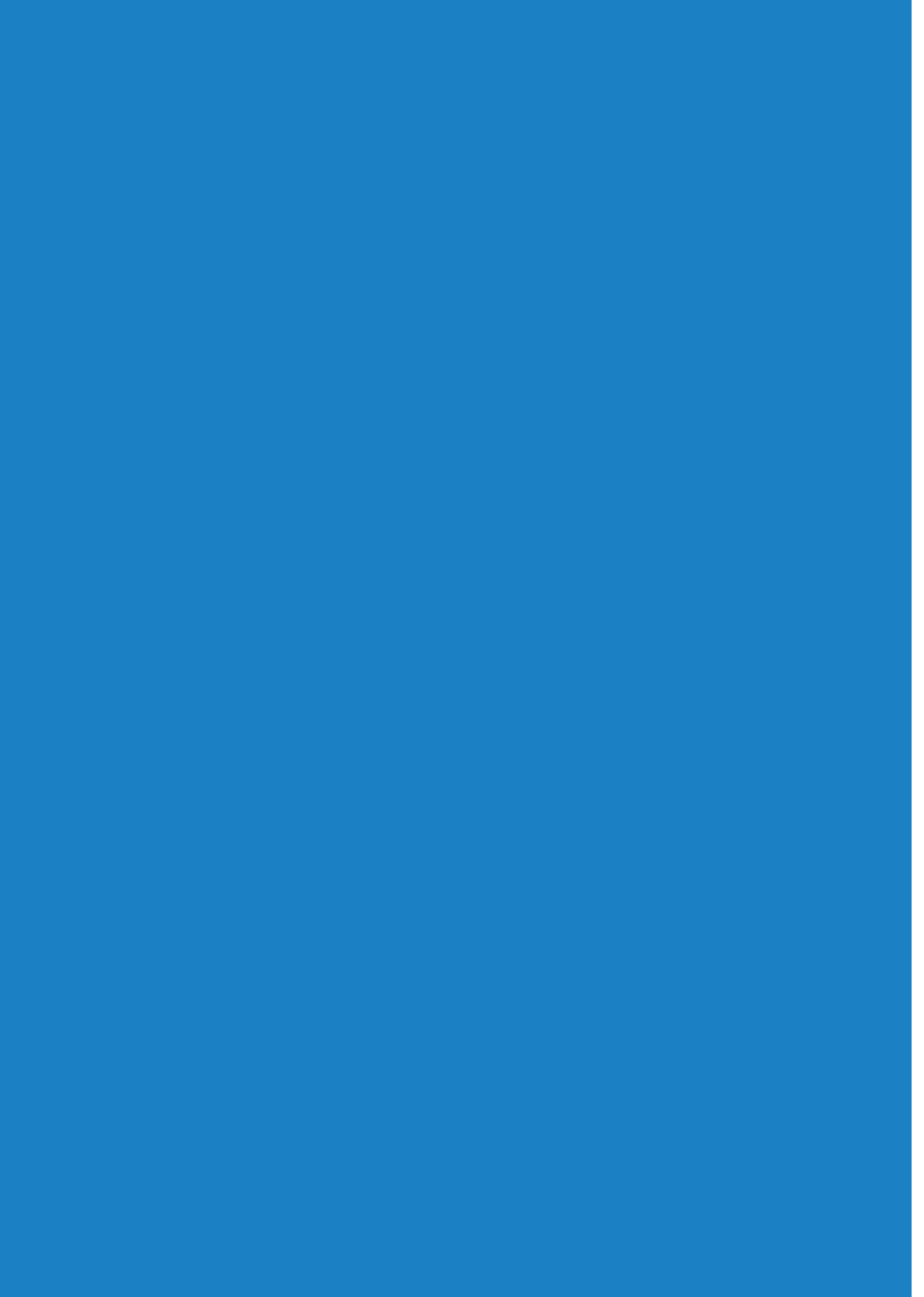
Organization Chart of Inland Revenue Department as at 31.12.2020



Some branches/ posts have been divided into two or more units for ease of administration.
Legacy branch is not included in this chart since it is a temporary branch.



CHAPTER 02
Progress and the
Future Outlook



2.1 Special Achievements of the IRD in the year 2020

2.1.1. Taxes Administered by IRD during the year

Taxes imposed under enactments administered by IRD during the year are shown in Table 2.1.

Table 2.1: Taxes Administrated by IRD

Tax	Enactments
Income Tax (IT)	Inland Revenue Act, No. 24 of 2017
Value Added Tax (VAT) (including Value Added Tax on Financial Services (VAT on FS))	Value Added Tax Act, No. 14 of 2002 as amended by Act, No. 7 of 2003, 13 of 2004, 6 of 2005 & 08 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, 25 of 2018 and 19 of 2019
Betting and Gaming Levy (BGL)	Betting and Gaming Levy Act, No. 40 of 1988 as amended by Act No. 14 of 2015
Stamp Duty (SD)	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 (STL)	Finance Act, No. 5 of 2005 and Finance Act, No. 13 of 2007
Migrating Tax (MT)	Finance Act, No. 10 of 2015

Source: Inland Revenue Department

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

Table 2.2: Taxes Abolished and Repealed but Collection Made during the Year 2020

Tax	Relevant Enactment
National Security Levy (NSL)	National Security Levy Act, No. 52 of 1991 as amended
Goods and Services Tax (GST)	Goods and Services Tax Act, No. 34 of 1996 as amended
Turnover Tax (TT) (Northern Province)	Turnover Tax Act, No. 69 of 1981 as amended
Vehicle Entitlement Levy (VEL)	Finance Act, No. 10 of 2015
Construction Industry Guarantee Fund Levy (CIGFL)	Finance Act, No. 5 of 2005 as amended
Economic Service Charge (ESC)	Economic Service Charge Act, No. 13 of 2006 as amended
Nation Building Tax (NBT)	Nation Building Tax Act, No. 9 of 2009 as amended
Debt Repayment Levy (DRL)	Finance Act, No. 35 of 2018

Source: Inland Revenue Department

2.1.2. Total Revenue Collection

Inland Revenue Department collected net revenue of Rs. 523,933,624,905/- (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 2020.

The total revenue collection for the year, amounting to Rs. 523,934 million shows a decrease of Rs. 501,385 million comparing the previous year. Changes of tax policies and COVID 19 pandemic are the main reasons for the decrease of revenue collection during the year. However, wide array of measures undertaken by IRD for facilitating and enforcement of compliance including the implementation of RAMIS system.

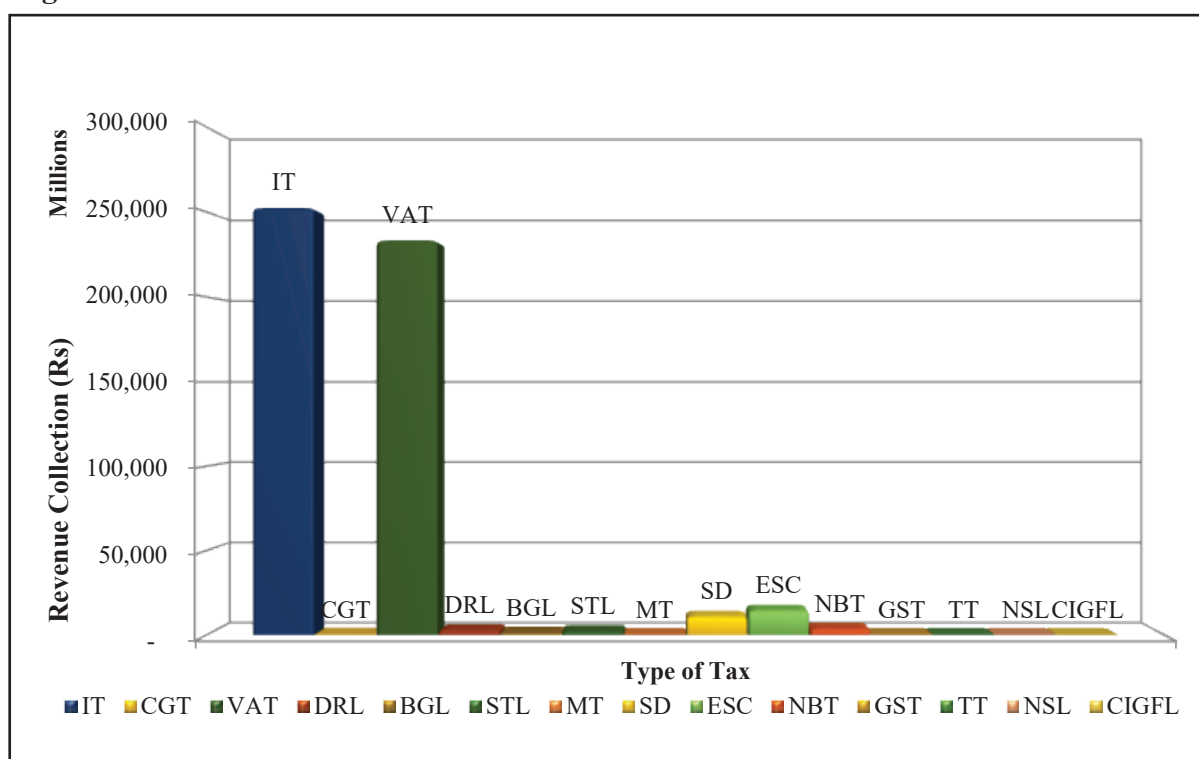
The ratio of the total revenue contribution by the IRD to the Government revenue in the year was 38.30%. Total collection of revenue indicates 91.06% achievement when compared to the revenue under each type of taxes with the corresponding estimates while net revenue collection (excluding Stamp Duty which 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 88.84% from the estimate for the year.

Table 2.3: Total Revenue Collection - 2020

Type of Tax	Revenue Estimate (Rs:)	Revenue collection (Rs:)	Collection as a % of Estimate	Collection as a % of Total Revenue
Income Tax	307,000,000,000	252,941,572,901	82.39%	48.28%
Capital Gain Tax	1,000,000,000	357,594,125	35.76%	0.07%
Value Added Tax	241,000,000,000	233,786,120,184	97.01%	44.62%
Debt Repayment Levy	3,400,000,000	3,002,271,834	88.30%	0.57%
Betting & Gaming Levy	2,500,000,000	1,428,071,291	57.12%	0.27%
Share Transaction Levy	1,500,000,000	2,347,277,681	156.49%	0.45%
Migrating Tax	2,000,000	5,853,185	292.66%	0.00%
Stamp Duty	-	11,354,837,819	-	2.17%
Economic Service Charge	16,000,000,000	14,950,042,437	93.44%	2.85%
Nation Building Tax	3,000,000,000	3,740,463,661	124.68%	0.71%
Goods & Services Tax	-	226,221	-	0.00%
Turnover Tax	-	16,257,541	-	0.00%
National Security Levy	-	2,399,368	-	0.00%
Construction Industry Guarantee Fund Levy	-	636,657	-	0.00%
Remittance Fee	1,000,000	-	-	0.00%
Total Revenue Collection	575,403,000,000	523,933,624,905	91.06%	100.00%

Source: Inland Revenue Department

Figure 2.1: Total Revenue Collection - 2020



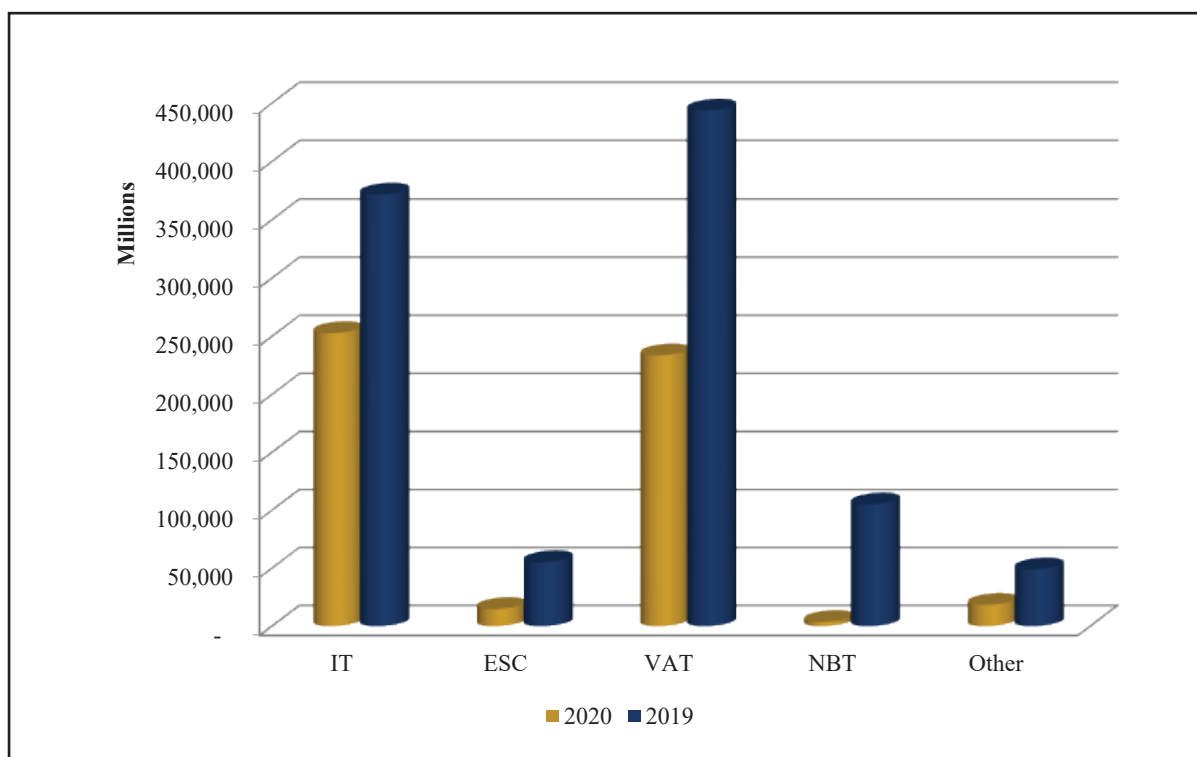
Source: Inland Revenue Department

Table 2.4: Revenue Comparison of Year 2020 with 2019

Type of Tax	2020 Revenue Collection Rs.	2019 Revenue Collection Rs.	Increase/ Decrease of Collection as a %
Income Tax	252,941,572,901	371,795,681,316	-31.97%
Capital Gain Tax	357,594,125	602,439,115	-40.64%
Value Added Tax	233,786,120,184	443,877,131,612	-47.33%
Debt Repayment Levy	3,002,271,834	28,673,572,980	-89.53%
Betting & Gaming Levy	1,428,071,291	2,435,982,807	-41.38%
Share Transaction Levy	2,347,277,681	1,023,443,599	129.35%
Migrating Tax	5,853,185	5,008,044	16.88%
Stamp Duty	11,354,837,819	14,863,016,823	-23.60%
Economic Service Charge	14,950,042,437	55,301,397,165	-72.97%
Nation Building Tax	3,740,463,661	105,185,802,597	-96.44%
Goods & Services Tax	226,221	17,036,964	-98.67%
Turnover Tax	16,257,541	29,626,965	-45.13%
National Security Levy	2,399,368	9,045,921	-73.48%
Construction Industry Guarantee Fund Levy	636,657	1,219,286	-47.78%
Vehicle Entitlement Levy	-	1,498,601,586	-100.00%
Remittance Fee	-	-	-
Total Revenue Collection	523,933,624,905	1,025,319,006,780	-48.90%

Source: Inland Revenue Department

Figure 2.2: Revenue Comparison of Year 2020 with 2019



Source: Inland Revenue Department

2.1.3. Contribution of the Inland Revenue Department to the Government Revenue

Table 2.5 shows the contribution of the Inland Revenue Department to the Government Revenue and to the Gross Domestic Production (GDP) in 2020 and its trends in last consecutive four years. Figure 2.3 illustrates these contributions. Total Government Revenue in 2020 was Rs. 1,367,960 million and IRD recorded 38.30% from the total Government revenue.

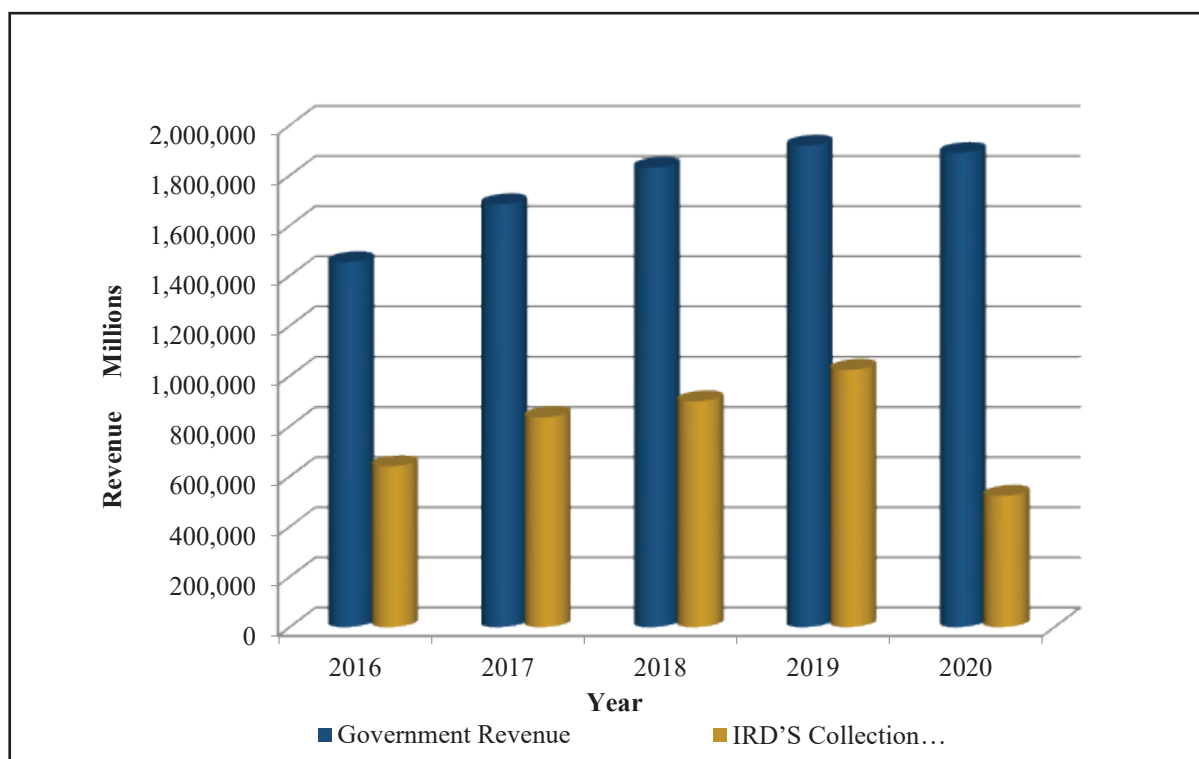
Revenue collection of IRD as a percentage of GDP at current price was 3.50 in 2020.

Table 2.5: Contribution of Inland Revenue Department to the Government Revenue and GDP (at Current Prices)

Year	Government Revenue (Rs. Mn)	IRD'S Collection (Rs. Mn)	% of IRD's Collection to Gov. Revenue	GDP at Current Prices of Major Economic Activities (Rs. Mn)	% of IRD's Collection to GDP
2016	1,686,062	641,547	38.05%	11,996,083	5.35%
2017	1,831,531	836,518	45.67%	13,328,103	6.28%
2018	1,919,973	900,348	46.89%	14,290,907	6.30%
2019	1,890,899	1,025,319	54.22%	15,012,953	6.83%
2020	1,367,960	523,934	38.30%	14,972,995	3.50%

Source:- Central Bank of Sri Lanka

Figure 2.3: IRD Contribution to the Government Revenue



Source: Inland Revenue Department

2.1.4. Transfer the 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 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 2.6 shows the total revenue collection and the amount transferred to the Provincial Councils of respective taxes.

Table 2.6: Transfer of Tax Revenue to the Provincial Councils - 2020

	Total Revenue Collection (Rs.)	Amount Transferred to Provincial Councils (Rs.)	%
Nation Building Tax	3,740,463,661	1,389,286,496	33.33%
Stamp Duty	11,354,837,819	11,354,837,819	100%

Source: Inland Revenue Department

2.1.5. Details of Taxpayer Registration

The number of persons registered with the IRD for different taxation purposes, as at the end of the year 2020 is shown in Table 2.7.

Table 2.7: Number of Taxpayers Registered as at 31.12.2020

Income Tax		
<i>Corporate</i>		
Resident Companies / Non - Resident Companies	60,721	
<i>Non – Corporate</i>		
Individuals	292,712	
Partnerships	16,949	
Bodies of Persons	804	
Employees paying Income Tax under Pay-As-You Earn (PAYE)/Advanced Personal Income Tax (APIT) Scheme	664,828	
Total Income Taxpayers		1,036,014
Other Taxpayers		
Persons registered for Value Added Tax (VAT)	8,152	
Persons registered for Value Added Tax on Financial Services	239	
Persons registered for Betting & Gaming Levy Taxpayers	637	
Persons registered for Gaming Levy Taxpayers		
Total Other Taxpayers		9,028
Employers Registered under PAYE/APIT Scheme	34,991	
Withholding/Advanced Income Tax (AIT) agents registered for Withholding Tax/ AIT on Interest	615	
Withholding Tax/ AIT on Specified Fees (Regular Monthly Schedule Senders)	43,188	
Stamp Duty (Regular Monthly Schedule Senders)	9,609	
		88,403
Total Number of Registered Taxpayers as at 31.12.2020		1,133,445

Source: Inland Revenue Department

2.1.6. Productivity Ratio

The total expenditure of the IRD in the year 2020 was Rs. 4,489.72 million and the revenue collected was Rs. 523,933.62 million. Therefore, the productivity ratio (i.e. the revenue collected for every rupee of expenditure) is 117:1. In other words, the cost of collection for 100/- rupees was 86 cents. The cost of collection for the 100/- rupees excluding VAT, NBT and ESC on imports, accounted Rs. 1.03. (In year 2019 the corresponding amounts were 44 cents and 54 cents respectively). Table 2.8 provides a classification of revenue collection, total expenditure and the cost of collection for the year 2018 to 2020.

Table 2.8: Revenue Collection, Total Expenditure and Cost of Collection (Rs. Millions)

Description	2018	2019	2020
Revenue collection			
Income tax	257,366.66	371,795.68	252,941.57
Capital Gain Tax	104.14	602.44	357.59
Value Added Tax	461,650.62	443,877.13	233,786.12
Debt Repayment Levy	4,501.17	28,673.57	3,002.27
Betting and Gaming Levy	2,469.58	2,435.98	1,428.07
Share Transaction Levy	1,196.35	1,023.44	2,347.28
Migrating Tax	16.68	5.01	5.85
Stamp Duty	12,026.43	14,863.02	11,354.84
Economic Service Charge	52,978.51	55,301.40	14,950.04
Nation Building Tax	105,690.53	105,185.80	3,740.46
Goods & Services Tax	-	17.04	0.23
Turnover Tax	88.93	29.63	16.26
National Security Levy	40.99	9.05	2.40
Construction Industry Guarantee Fund Levy	26.20	1.22	0.64
Vehicle Entitlement Levy	2,191.68	1,498.60	-
Remittance Fee	-	-	-
Total Collection	900,348.47	1,025,319.01	523,933.62
Expenditure			
Recurrent Expenditure			
Emoluments	2,433.27	2,712.91	2,736.63
Travelling	37.82	22.55	7.09
Supplies and Equipment	116.24	170.84	121.00
Maintenance and repairs	72.65	142.41	158.78
Contracted Services	737.22	720.17	593.20
Transfers	42.96	43.85	44.76
Others (Loses & Write off)	-	-	0.22
Capital Expenditure			
Rehabilitation & Improvements	52.67	114.85	139.77
Acquisitions	38.9	144.55	65.01
Capacity building	180.92	42.80	19.74
Investment (RAMIS Project)	288.84	364.27	227.60
Investment (New IR Act)	132.81	55.93	375.92
Total Expenditure	4,134.30	4,535.13	4,489.72
Cost of Collection per 100/-	0.46	0.44	0.86
Cost of Collection per 100/- , excluding VAT, NBT & ESC on imports	0.58	0.54	1.03

Source: Inland Revenue Department

2.1.7. Awareness Programs for Tax Paying Public and Tax Professionals

Inland Revenue Department organized awareness programs for taxpayers and tax professionals during the year 2020. These programs mainly focused on delivering knowledge about changes of tax law and return filling through e-Service.

Table 2.9: Awareness Programs for General Public in Year 2020

	Subject	Institute/Audience	No. of Persons attend
1	APIT (Advanced Personal Income Tax)	All Stake Holders (Taxpayers/ Consultants/ etc)	500*
2	PAYE (Pay As You Earn)	All Stake Holders (Taxpayers/ Consultants/ etc)	500*
3	CIT (Corporate Income Tax)	All Stake Holders (Taxpayers/ Consultants/ etc)	Above 1200 views
4	IIT (Individual Income Tax)	All Stake Holders (Taxpayers/ Consultants/ etc)	Above 6700 views
5	PIT (Partnership Income Tax)	All Stake Holders (Taxpayers/ Consultants/ etc)	Above 1200 views
6	CIT (Corporate Income Tax)	All Stake Holders (Taxpayers/ Consultants/ etc)	Above 575 views
7	e-filing-IIT (Individual Income Tax)	All Stake Holders (Taxpayers/ Consultants/ etc)	Above 900 views
8	e-filing-PIT (Partnership Income Tax)	All Stake Holders (Taxpayers/ Consultants/ etc)	Above 200 views

*Approximate Numbers

Source: Inland Revenue Department

2.1.8 Return Compliance

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

Table 2.10: Income Tax Return Compliance 2015/2016 - 2019/2020

Year of assessment	Sector	Compliance on due date	Compliance within one month from the due date	Compliance on 28.02.2021	
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%		
2018/2019	Corporate	47%	50%		
	Non-Corporate	32%	38%		
2019/2020	Corporate	6%	8%		46%
	Non-Corporate	3%	6%		30%

Source: Inland Revenue Department

Table 2.11: Return Compliance on VAT

Year	Compliance
Year 2018	31%
Year 2019	47%
Year 2020	36%

Source: Inland Revenue Department

Due to the COVID 19 pandemic situation, return submission due dates has been extended up to February 28, 2021 for CIT, IIT and PIT. Since the compliance rates of CIT, IIT and PIT to the due dates are showing a prominent decrease. However it was showing 46% and 30% compliance rates after the grace period for the corporate sector and non - corporate sectors respectively.

2.1.9 Main Policy Changes Relating to Income Tax in the Year 2020

1. Removal of Withholding Tax (dividend, interest, discount, charge, natural resource payment, rent, royalty, premium or similar periodic payment and etc and Pay As You Earn (PAYE) and introduction of Advance Income Tax (AIT) and Advance Personal Income Tax (APIT) with effect from April 1, 2020.

2. On or after January 1, 2020, Tax slabs and tax rates were revised for residents or non-resident individuals as follows;

Table 2.12: Tax Slabs and Rates

Taxable Income for a Year of Assessment	Tax Rate
First Rs. 3 million	6%
Next Rs. 3 million	12%
Balance	18%

Source: Inland Revenue Department

3. On or after January 1, 2020, tax slabs in taxation of terminal benefits (commutation of a pension, a retiring gratuity, compensation received for loss of office or employment and amount received from Employees' Trust Fund) was increased and income tax rates applicable are revised as follows:

Table 2.13: Tax Slabs and Rates for Terminal Benefits

Total Employment Income	Tax Payable
First Rs. 10,000,000	0%
Next Rs.10,000,000	6%
Balance	12%

Source: Inland Revenue Department

4. On or after January 1, 2020, the taxable income of a partnership is taxed at the following rates.

Table 2.14: Tax Slabs and Rates for the Income of a Partnership

Taxable Income for a Year of Assessment	Tax Payable
First Rs. 1,000,000	0%
Balance	6%

Source: Inland Revenue Department

5. With effect from January 1, 2020, such part of the gains and profits of a company for a year of assessment shall be taxed at the following rates

- (a) gains and profits from the business of a Small and Medium Enterprise, excluding such gains and profits from a business of betting and gaming or from sale of liquor other than those gains and profits are merely incidental to another business - 14%;
- (b) gains and profits from conducting a business of sale of goods or merchandise, where the payment for such sale is received in foreign currency and remitted through a bank to Sri Lanka -14%
- (c) gains and profits of a specified undertaking – 14%
- (d) gains and profits from providing educational services - 14%
- (e) gains and profits of an undertaking for the promotion of tourism - 14%
- (f) gains and profits from providing construction services - 14%
- (g) gains and profits from agro processing - 14%
- (h) gains and profits from providing health care services - 14%;
- (i) gains and profits from dividends received from a resident company - 14%
- (j) gains and profits derived by any export company which registered with the Board of Investment of Sri Lanka established by the Board of Investment of Sri Lanka Law, No. 4 of 1978 from the consideration received in respect of health protective equipment and similar products supplied to the Ministry of Health, Department of Health Services, Sri Lanka Army, Sri Lanka Navy, Sri Lanka Air force, Sri Lanka Police and COVID Centre - 14%
- (l) subject to items (a), (b), (c) and (j) of this sub-paragraph, gains and profits from manufacturing - 18%
- (m) gains and profits from conducting betting and gaming - 40%
- (n) gains and profits from the manufacture and sale or import and sale of any liquor or tobacco product - 40%

6. Tax Exemptions

- a) On or after January 1, 2020, interest accruing to or derived by any person on moneys lying to his credit in foreign currency in any foreign currency account opened by him or on his behalf, in any commercial bank or in any specialized bank, with the approval of the Central Bank of Sri Lanka.
- b) On or after April 08, 2020, interest accruing to or derived by any person from the term deposit account titled as “Special Deposit Account” opened and maintained with authorized dealer in Sri Lanka as prescribed in relevant regulations issued by the Minister under Section 29 read with Section 7 of the Foreign Exchange Act, No. 12 of 2017 (excluding the subsequently renewed accounts), either in any designated foreign currency or in Sri Lanka Rupees.
- c) On or after January 1, 2020, dividends received by a person from a resident company, if such dividend has been paid by such resident company out of dividends received from another resident company;
 - i. to a member who is a non-resident person;
 - ii. which is engaged in any one or more of the following businesses in accordance with the provisions of Part IV of the Finance Act, No. 12 of 2012 and which has entered into an agreement with the Board of Investment of Sri Lanka established under the Board of Investment of Sri Lanka Law No. 4 of 1978: -
 - (iia) entrepot trade involving import, minor processing and re-export;
 - (iib) offshore business where goods can be procured from one country or manufactured in one country and shipped to another country without bringing the same into Sri Lanka;
 - (iic) providing front-end services to clients abroad;
 - (iid) headquarters operations of leading buyers for management of financial supply chain and billing operations;
 - (iie) logistics services such as bonded warehouse or multi- country consolidation in Sri Lanka.
- d) On or after January 1, 2020, gains and profits earned or derived by any person providing information technology and enabled services as may be prescribed.
- e) On or after January 1, 2020, gains and profits earned or derived by any person from any service rendered in or outside Sri Lanka to any person to be utilized outside Sri Lanka, where the payment for such services is received in foreign currency and remitted through a bank to Sri Lanka.
- f) On or after January 1, 2020, gains and profits earned or derived by any person from any foreign source [other than gains and profits referred to in subparagraph (iii)] where such gains and profits are earned or derived in foreign currency and remitted through a bank to Sri Lanka.

g) On or after January 1, 2020, gains and profits earned or derived by any Vocational Education Institution which is standardized under TVET concept (Technical and Vocational Education and Training) and regulated by the Tertiary and Vocational Education Commission, -

(a) if such institution has doubled their student intake for such year of assessment compared to the student intake in the year of assessment immediately preceding that year of assessment; and maintained the same student intake of the first year for next four years shall be deemed as an institution which fulfilled the requirement in such years.

h) on or after January 1, 2020 any amount derived by-

- i. any non-resident person from laboratory services or standards certification services;
- ii. any religious institution which is registered with the Ministry in charge of the subject of religious affairs, by way of grants or donations.

7. Qualifying Relief

a) On or after January 1, 2020, personal relief for each year of assessment for a resident or citizen in Sri Lanka was increased from Rs.500, 000 up to Rs.3, 000,000.

b) A resident individual can claim following expenditure up to a total sum of Rs. 1,200,000, incurred for a year of assessment on or after January 1,2020: -

- i. health expenditure including contributions to medical insurance;
- ii. educational expenditure incurred locally, for such individual or on behalf of such individual's children;
- iii. interest paid on housing loans;
- iv. contributions made to an approved pension scheme;
- v. expenditure incurred for the purchase of shares or any other financial instrument listed in Colombo Stock Exchange and licensed by the Security Exchange Commission of Sri Lanka or treasury bond under the Registered Stocks and Securities Ordinance (Chapter 420) or Treasury Bill under the Local Treasury Bills Ordinance (Chapter 417)

8. Other Relief

a) Notwithstanding anything to the contrary in any tax act administered by the Commissioner General, no assessment shall be made or imposed any penalty or initiated any action on penal provisions under any tax act administered by the Commissioner General to any person who-

- i. earned money from the sources that such person has not declared or not paid the due taxes to the Commissioner General as required by such enactments; and
- ii. subject to the payment of one per-cent of final tax to the Commissioner General on the gross investment amount

9. Tax Reliefs to facilitate post COVID-19 Economic Recovery

- a) Commissioner General shall write off any income tax arrears payable by any Small and Medium Enterprise if such arrears arise due to any assessment made (other than the assessments made for tax payments as per the returns) up to the year of assessment ending March 31, 2019 which is outstanding as at June 26, 2020, in the records of the Commissioner General -
 - i. if such assessment was made as per the provisions of this Act or the provisions of the Inland Revenue Act, No. 10 of 2006, or the provisions of the Inland Revenue Act No. 38 of 2000 or the provisions of the Inland Revenue Act, No. 28 of 1979; and
- b) No assessment will be issued for the Year of Assessment 2019/2020, where the Assistant Commissioner satisfies that there is no fraud or wilful neglect involved in the disclosure of income or any deduction or relief by such Small and Medium Enterprise and paid the tax declared in the return.
- c) The Commissioner-General may grant a grace period to settle the taxes in defaulted or tax arrears which is outstanding and payable as at June 26, 2020 by any Small and Medium Enterprise.
- d) Where the person who has not performed the payment or filed a return or any statement as provided in any tax act administered by the Commissioner- General which is due to be performed during the period from March 1, 2020 to June 30, 2020, it shall be considered timely if such action is performed on or before the December 31, 2020.

2.1.10 Main policy Changes Relating to VAT in 2020

1. Increase of threshold for registration of Value Added Tax (VAT) from 3 million per quarter or 12 million per annum to 75 million per quarter or 300 million per annum with effect from 01.01.2020.
2. Granting permission for Voluntary registration for VAT upon a written request from a person who carries on or carries out a taxable activity, even if such person is not within the registration threshold with effect from 01.01.2020.
3. Exemption of the information technology and enabling services from VAT with effect from 01.01.2020.
4. Exemption of supply of services in respect of inbound tours, by a travel agent registered with the Sri Lanka Tourism Development Authority with effect from 01.04.2020.
5. Reduction of piece-based VAT rate applicable on domestic sale of certain garments by the export-oriented Board of investment companies from Rs.100 to Rs.25 in line with the removal of Nation Building Tax and reduction of VAT rate with effect from 01.01.2020.

6. Removal of the provision permitting to treat the supplies made by the suppliers who are not registered for VAT as VAT inclusive suppliers, introduced in respect of the wholesale and retail trades, in line with the increase of threshold for registration for VAT and introduction of voluntary registration with effect from the date the proposed Act is enacted.

7. Tax Reliefs to facilitate post COVID-19 Economic Recovery

- a) Exemption of quantities supplied/donated of health protective equipment and similar products by export oriented BOI companies to the Ministry of Health and indigenous Medical Services, Department of Health Services, Tri Forces, Sri Lanka police and COVID Centre on their request.
- b) Exemption of importation or importation and supply or importation and donation of machinery and equipment including medical, surgical, surgical and dental instruments, apparatus, accessories and parts thereof, hospital/medical furniture and drugs, chemical and similar items required for the provision of health services to address the COVID 19 pandemic from May 20, 2020 to December 31.12.2020.

2.1.11 Removal of Taxes

- Economic Service Charge was removed with effect from 01.01.2020
- Debt Repayment Levy was removed with effect from 01.01.2020

2.1.12. Legislations Enacted During the Year

New amendment was introduced within the year in relation to the NBT.

- Nation Building Tax (Amendment) Act, No. 03 of 2020
- Economic Service Charge (Amendment) Act, No. 04 of 2020
- Finance (Amendment) Act, No. 02 of 2020

2.1.13. Gazette Notices Issued During the Year

Following Gazette notice was issued during the year under the Inland Revenue Act, No. 24 of 2017 administrated by the IRD.

Table 2.15: Gazette Notice Published During the Year 2020

	Gazette No.	Date	Description
I	2194/50	23.09.2020	Inland Revenue Act, No. 24 – Notice under Section 195(I)

Source: Inland Revenue Department

2.2 Challenges and Future Goals of IRD

2.2.1. Challenges

2.2.1.1. IRD contribution as a percentage of GDP

Increasing share of tax revenue in GDP is an instrumental objective of economic development policy, Sri Lanka has not been successful in raising adequate tax revenue to meet its public expenditure on general public services, social services, economic services, etc. Tax revenue is the income that is gained by governments through taxation. Taxation is the primary source of government revenue. As a main tax revenue collector, IRD contributes considerable percentage to GDP ratio over the years. Sri Lanka's tax revenue percentage of GDP shows 11.6 percent in 2019 and 8.1 percent in 2020. But it is a lower percentage as the International Monetary Fund requirement of tax to GDP ratio. It should be at least 15% to achieve the sustainable economic growth. Achievement of 15% is a challenge of the IRD as the external factors and constant policy changes.

2.2.1.2. Direct and indirect tax ratio

In a good tax system there should be a proper balance between direct and indirect taxes for the stabilization of the government. While direct and indirect tax ratio requirement of policy makers and the government recommendation is 60:40 but IRD ratio is 45:55 at present. It has been realized that this proportion of direct to indirect taxes of 60:40 is too unrealistic if Sri Lanka is to achieve a developed country status.

2.2.1.3. New income tax legislation

Simple and clearly-worded tax laws, moderate rates of taxes, low compliance costs, a non-adversarial tax administration, and a fair and impartial dispute resolution mechanism will enlarge the tax base and boost revenue collection. For the purpose of simplifying the tax system in the country, IRD introduced new Inland Revenue Act, No.24 of 2017 with effect from 01.04.2018. Although, IRD expected to conduct many awareness programs for tax people to aware the new legislation, only eight programs were conducted because of the COVID-19 pandemic situation in the country.

2.2.1.4. Tax administration in the locked-down periods

Tax revenues are likely to be significantly reduced for a number of years, due to the direct effects of the COVID crisis as well as tax policy actions during the crisis. The best way to boost tax revenue will be to support solid growth, including through sufficiently strong and sustained stimulus. Amidst the COVID-19 Pandemic situation in the country, Inland Revenue Department has played a remarkable role facilitating taxpayers to meet their obligations. Especially during the locked-down period, by introducing Alternative Tax Payment System (ATPS) via online payment platforms of respective commercial banks, IRD could ensure continuous revenue flow to the Treasury. General tax services such as Taxpayer Registration, Tax Type Registration, issuing temporary VAT certificates for importers and exporters, tax clearances for outward remittances etc. were continuously performed via online/ emails during the Work From Home (WFH).

2.2.2. Future Goals

2.2.2.1. Simplifying the tax system

Much has been said, debated and discussed about the idea of replacing existing tax regime of multiple tax points – Income Tax, Value Added Tax, Capital gain Tax, Stamp Duty and Share Transaction Levy etc. with just one tax point system. Several existing tax holidays, partial tax holidays, and other concessions, are to be removed while introducing a simplified three tier corporate tax structure, taxation of capital gains, and expanding the coverage of withholding taxes.

2.2.2.2. Increasing the tax revenue

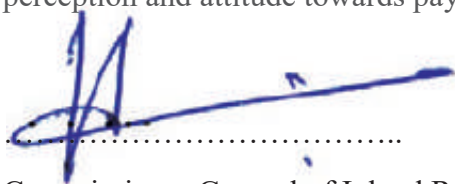
The government had set a target in its medium-term economic plan to increase income tax contribution to total tax revenue to at least 40 per cent from 20 per cent in the budget revenue proposals. Tax revenue will be aimed at providing immediate benefits to the people and priority will be given to projects which provide immediate public relief such as empowerment of low income families and upliftment of the rural economy. The subject of taxation and the tax laws are complicated in any country. Carrying out ad hoc surgeries is not the answer to improve reform and bring stability to the tax system. There has to be a long term plan for the tax system in Sri Lanka which must be complemented with short term action plans. Sri Lankan tax system requires certainty, stability, equity and fairness, simplification and the rationalization of the laws and the processes

2.2.2.3. Automating the tax system


Revenue Administration Management Information System (RAMIS) helps to experience various types of e-services such as taxpayer registration, tax type registration, filing of tax returns, requesting refunds, lodging appeals and objections and requesting clearance certificates etc. During the year 2020, Online Tax Payment Platform (OTPP) has been implemented in the COVID period and taxpayer are able to make the online tax payments with collaboration of commercial banks in the country. This helps to overcome the drawbacks with the previous system.

2.2.2.4. Changing the tax morale/ taxpayer satisfaction

Tax morale, defined as the intrinsic motivation to pay taxes, is a vital aspect of the tax system, as most tax systems rely on the voluntary compliance of taxpayers for the bulk of their revenues. Improving tax morale therefore holds the potential to increase revenues with little effort. Taxpayer educational programs are conducting to increase the return and payment compliance. It helps to change the taxpayer attitude in a positive manner and finally taxpayer perception and attitude towards paying taxes can increase.



Commissioner General of Inland Revenue



CHAPTER 03
Financial
Performance for the
Year



3.1 Statement of Financial Performance

ACA -F

Statement of Financial Performance
for the period ended 31st December 2020

		Rs.		
Budget 2020	Note	Actual 2020	2019	
Revenue Receipts				
324,000,000,000	Income Tax	1	268,249,209,463	427,699,517,596
303,710,000,000	Taxes on Domestic Goods & Services	2	242,940,291,128	548,243,099,377
-	Taxes on International Trade	3	-	-
-	Non Tax Revenue & Others	4	-	-
627,710,000,000.00	Total Revenue Receipts (A)		511,189,500,590	975,942,616,973
Non-Revenue Receipts				
-	Treasury Imprests		9,197,707,273	17,931,655,060
-	Deposits		10,204,093,014	35,453,634,850
-	Advance Accounts		108,549,754	119,299,613
-	Other Receipts		119,871,581	120,655,621
-	Total Non-Revenue Receipts (B)		19,630,221,622	53,625,245,143
-	Total Revenue Receipts & Non Revenue Receipts C = (A)+(B)		530,819,722,212	1,029,567,862,116
Less:				
Expenditure				
Recurrent Expenditure				
3,420,900,000.00	Wages, Salaries & Other Employment Benefits	5	2,736,627,225	2,712,911,188

ACA-1

ACA-3

ACA-4

ACA-5

ACA-2(ii)

977,625,000.00	Other Goods & Services	6	880,073,961	1,055,973,084	
46,500,000.00	Subsidies, Grants and Transfers	7	44,759,905	43,849,827	
-	Interest Payments	8	-	-	
225,000.00	Other Recurrent Expenditure	9	221,898	-	
4,445,250,000.00	Total Recurrent Expenditure (D)		3,661,682,989	3,812,734,099	
	Capital Expenditure Rehabilitation & Improvement of Capital Assets				
141,400,000.00	Acquisition of Capital Assets	10	139,771,299	114,849,704	
103,700,000.00	Acquisition of Capital Assets	11	292,604,766	144,550,552	
-	Capital Transfers	12	-	-	ACA-2(ii)
-	Acquisition of Financial Assets	13	-	-	
38,000,000.00	Capacity Building	14	19,744,234	42,800,427	
606,700,000.00	Other Capital Expenditure	15	375,918,921	420,200,893	
889,800,000.00	Total Capital Expenditure (E)		828,039,220	722,401,576	
	Main Ledger Expenditure (F)		8,836,641,211	37,509,116,981	
	Deposit Payments		8,767,542,467	37,367,788,137	ACA-4
	Advance Payments		69,098,744	141,328,845	ACA-5
	Total Expenditure G = (D+E+F)		13,326,363,419	42,044,252,656	
	Imprest Balance as at 31st December 2020		517,493,358,793	987,523,609,460	
	H = (C-G)				


3.2 Statement of Financial Position

ACA-P

Statement of Financial Position As at 31st December 2020

	Note	Actual	
		2020 Rs	2019 Rs
<u>Non-Financial Assets</u>			
Property, Plant & Equipment	ACA-6	5,971,059,959	5,635,976,225
<u>Financial Assets</u>			
Advance Accounts	ACA-5/5(a)	335,131,311	374,582,321
Cash & Cash Equivalents	ACA-3	-	20,557,301
Total Assets		6,306,191,271	6,031,115,847
<u>Net Assets / Equity</u>			
Net Worth to Treasury		(2,102,747,571)	(627,171,007)
Property, Plant & Equipment Reserve		5,971,059,959	5,635,976,225
Rent and Work Advance Reserve	ACA-5(b)	-	-
<u>Current Liabilities</u>			
Deposits Accounts	ACA-4	2,437,878,882	1,001,753,328
Imprest Balance	ACA-3	-	20,557,301
Total Liabilities		6,306,191,271	6,031,115,847

Detail Accounting Statements in ACA format Nos. 1 to 6 prepared in pages from 1 to 31 and Notes to accounts presented in pages from 32 to 42 form and integral parts of these Financial Statements. The Financial Statements have been prepared in compliance with the Generally Accepted Accounting Principles whereas most appropriate Accounting Policies are used as disclosed in the Notes to the Financial Statements and hereby certify the figures in these Financial Statements. Notes to accounts and other relevant accounts were reconciled with the Treasury Books of Accounts and found to be in agreement.


S. R. Attygalle
Secretary to the Treasury, Ministry of Finance
Chief Accounting Officer
Date: 24/2/21

S. R. Attygalle
Secretary to the Treasury and
Secretary to the Ministry of Finance
The Secretariat
Colombo 02


H.M.W.C. Bandula
Commissioner General
Accounting Officer
Department of Inland Revenue
Date: 23 Jan 2021

H.M.W.C. Bandula
Commissioner General
Department of Inland Revenue
Sri Uththarapala Subaramaniya
Colombo 02


N. Wijeweera
Chief Financial Officer
Department of Inland Revenue
Date: 22/02/2021

N. Wijeweera
Chief Financial Officer (Actg.)
Department of Inland Revenue
Colombo 02

3.3 Statement of Cash Flows

ACA-C

Statement of Cash Flows for the Period Ended 31st December 2020

	Actual	
	2020	2019
	Rs.	Rs.
<u>Cash Flows from Operating Activities</u>		
Total Tax Receipts	247,825	-
Fees, Fines, Penalties and Licenses	-	48,194
Profit	-	-
Non-Revenue Receipts	-	88,637,941
Revenue Collected from the Other Heads	119,871,581	31,567,380
Imprest Received	9,197,707,273	17,931,655,060
Total Cash generated from Operations (a)	9,317,826,679	18,051,908,575
<u>Less - Cash Disbursed for:</u>		
Personal Emoluments & Operating Payments	3,616,701,186	3,768,884,272
(-) Direct debit	(2,696,070)	(4,194,505)
Subsidies & Transfer Payments	44,759,905	43,849,827
Expenditure on Other Heads	21,715,705	5,427,362
Other Expenditure	221,898	-
Tax Refund by Cash	913,014,829	1,162,560,994
Tax Refund by Treasury	2,177,821,690	774,118,508
Other Refund	137,035	3,750
Imprest Settlement to Treasury	3,276,304,266	9,656,000,000
Total Cash disbursed for Operations (b)	10,047,980,444	15,406,650,207
NET CASH FLOW FROM OPERATING ACTIVITIES(C)=(a)-(b)	(730,153,765)	2,645,258,368
<u>Cash Flows from Investing Activities</u>		
Interest	-	-
Dividends	-	-
Divestiture Proceeds & Sale of Physical Assets	-	450,300
Recoveries from On Lending	-	-
Recoveries from Advance	74,004,236	96,497,969
Total Cash generated from Investing Activities (d)	74,004,236	96,948,269
<u>Less - Cash Disbursed for:</u>		
Purchase or Construction of Physical Assets & Acquisition of Other Investment	828,039,220	722,401,576
(-) Direct debit	(76,899,719)	(19,434,522)
Advance Payments	29,261,518	104,528,994

Total Cash disbursed for Investing Activities (e)	780,401,018	807,496,048
NET CASH FLOW FROM INVESTING ACTIVITIES (F)=(d)-(e)	(706,396,783)	(710,547,779)
NET CASH FLOWS FROM OPERATING & INVESTMENT ACTIVITIES (g)=(c) + (f)	(1,436,550,548)	1,934,710,589
<u>Cash Flows from Financing Activities</u>		
Local Borrowings	-	-
Foreign Borrowings	-	-
Grants Received	-	-
Deposit Received	10,204,093,014	35,453,634,850
Total Cash generated from Financing Activities (h)	10,204,093,014	35,453,634,850
<u>Less - Cash Disbursed for:</u>		
Repayment of Local Borrowings	-	-
Repayment of Foreign Borrowings	-	-
Deposit Payments	8,767,542,467	37,367,788,137
Total Cash Disbursed for Financing Activities (i)	8,767,542,467	37,367,788,137
NET CASH FLOW FROM FINANCING ACTIVITIES (J)=(h)-(i)	1,436,550,548	(1,914,153,287)
Net Movement in Cash (k) = (g) -(j)	(0)	20,557,302
Opening Cash Balance as at 01st January	-	-
Closing Cash Balance as at 31st December	-	-

3.4 Notes to the Financial Statements

Statement of Losses and Waivers

(Losses under F.R. 106 and F.R. 113)

Ministry / Department / District Secretariat : Department of Inland Revenue

Expenditure Head No : 246

Program No. & Title : 01 Operational Program

(i) Statement of Losses Recovered/Written Off/Waived Off During the Year.

	<u>Value</u>	<u>No. of Cases</u>	<u>Total Amount (Rs.)</u>
Below	Rs. 25,000.00	8	129,380.00
Over	Rs. 25,000.01	3	92,518.00
Total		11	221,898.00

Classification of the Cases by Nature of Losses.

	<u>No. of Cases</u>	<u>Value (Rs.)</u>
1 Loan balances which cannot be charged	11	221,898.00
2		
3		
4		
Total	11	221,898.00

(ii) Statement of Losses Being Held to be Written Off/Waived Off or Recoverable So Far

	<u>Value</u>	<u>No. of Cases</u>	<u>Total Amount (Rs.)</u>
Below	Rs. 25,000.00		
Over	Rs. 25,000.01	1	2,399,142.45
Total		1	2,399,142.45

Age Analysis per (ii)

<u>Less than five years</u>	<u>No. of Cases</u>	
	<u>Amount</u>	<u>1</u>
	Rs. 2,399,142.45	
<u>5-10 years</u>	<u>No. of Cases</u>	
	<u>Amount</u>	<u>Rs.</u>
<u>Over 10 years</u>	<u>No. of Cases</u>	
	<u>Amount</u>	<u>Rs.</u>

<u>Classification of the Cases by Nature of Losses</u>		
	<u>No. of Cases</u>	<u>Value (Rs.)</u>
1 Fire at the Ratnapura Regional Office	1	2,399,142.45
2		
3		
4		
Total	<u>1</u>	<u>2,399,142.45</u>

Note- Details on losses under F.R.106 and waives under F.R. 113 accounted under object code no 1701 and such losses and waivers expected to be accounted in coming years should be included.

Statement of write off from books

Ministry / Department / District Secretariat : Department of Inland Revenue

Expenditure Head No : 246

Program No. & Title : 01 Operational Program

1 Statement of losses and waivers under F.R. 109 during the year

	Value	No. of Cases	Value (Rs.)
(i) Below Rs. 25,000.00	2		34,450.00
(ii) Over Rs. 25,000.01	11		3,185,183.70
	13		3,219,633.70

2 Statement of write off from the book and recoveries under F.R. 107 during the year

Nature of Loss	Opening balance which was not written off		Value of loss	Recoveries	Value written off from the book		Balance carried forward which was not written off	Reference No. of Approval for write off from the book
	Rs.	Rs.			Rs.	Rs.		
Recoveries in the year 2019, for the Losses during the year 2018								
1 KR-2237	-		21,677.50	18,125.00	-		-	None of losses incurred by the Government, as the losses have been settled through the total recovery. Therefore it is not required to write-off from the book
2 KS-2628	-		421,762.50	411,671.25	-		-	None of losses incurred by the Government, as the losses have been settled through the total recovery. Therefore it is not required to write-off from the book
3 KR-2237	-		22,425.00	19,100.00	-		-	None of losses incurred by the Government, as the losses have been settled through the total recovery. Therefore it is not required to write-off from the book
4 NC-4991	-		37,226.78	37,226.78	-		-	
Total	-		503,091.78	486,123.03	-		-	

1	CAC-9954	-	3,100.00	Final bill has not been forwarded by the respective institution until now.				
Recoveries in the year 2020, for the Losses during the year 2019								
1	CAD-0164	-	94,880.64	92,432.34	-	-	-	None of losses incurred by the Government, as the losses have been settled through the total recovery. Therefore it is not required to write-off from the book
2	CAC-9946	-	90,515.09	83,725.77	-	-	-	None of losses incurred by the Government, as the losses have been settled through the total recovery. Therefore it is not required to write-off from the book
3	CAC-9946	-	194,050.74	177,143.64	-	-	-	None of losses incurred by the Government, as the losses have been settled through the total recovery. Therefore it is not required to write-off from the book
4	300-4557	-	26,000.00	22,500.00	-	-	-	None of losses incurred by the Government, as the losses have been settled through the total recovery. Therefore it is not required to write-off from the book
5	CAD-0045	-	110,637.80	110,637.80	-	-	-	Necessary actions have been taken to write-off from the book.
7	CAD-0159	-	14,566.39	12,890.23	-	-	1,676.16	None of losses incurred by the Government, as the losses have been settled through the total recovery. Therefore it is not required to write-off from the book
8	NA-9125	-	101,050.81	85,255.37	-	-	-	Necessary actions have been taken to write-off from the book.
9	CAD-0046	-	211,898.16	200,172.60	-	-	11,725.56	None of losses incurred by the Government, as the losses have been settled through the total recovery. Therefore it is not required to write-off from the book
10	NC-4992	-	1,293,171.59	1,293,171.59	-	-	-	Necessary actions have been taken to write-off from the book.
11	JO-8478	-	40,250.00	Final bill has not been forwarded by the respective institution until now.				
12	CAC-9954	-	23,612.04	22,773.96	-	-	838.08	Necessary actions have been taken to write-off from the book.
13	CAD-0165	-	183,310.81	167,674.57	-	-	15,636.24	Necessary actions have been taken to write-off from the book.
	Total	-	2,383,944.07	2,268,377.87	-	-	29,876.04	
1	250-9361	-	-	Due to be forwarded for the repair				
Recoveries in the year 2020, for the Losses during the year 2020								

1	CAC-9937	-	28,550.00	-	28,550.00	-	-	-	
2	NB-3366	-	587,309.57	-	587,309.57	-	-	-	
3	NA-9123	-	103,841.08	-	103,841.08	-	-	-	
4	CBI-0493	-	45,468.00	-	45,468.00	-	-	-	
5	PG-0430	-	50,600.00	-	50,600.00	-	-	-	
6	CAC-9941	-	425,004.60	-	279,313.92	-	34,690.68	-	Necessary actions have been taken to write-off from the book. (In fact, the loss to the Government was Rs. 314,004.60)
7	CAD-0159	-	49,738.95	-	49,738.95	-	-	-	
8	KR-2238	-	148,497.62	-	148,497.62	-	-	-	
9	CBI-0492	-	112,313.13	-	112,313.13	-	-	-	
10	KR-4311	-	20,250.00	-	20,250.00	-	-	-	
	Total	-	1,571,572.95	-	1,425,882.27	-	34,690.68	-	
11	PB-6852	-	811,600.00	-	Final bill has not been forwarded by the respective institution until now.				
12	NA-5667	-	14,200.00	-	Final bill has not been forwarded by the respective institution until now.				
13	CAC-9936	-	822,260.22	-	Forwarded for the repair				
14	CAD-0046	-	-	-	Due to be forwarded for the repair				
15	CAD-0047	-	-	-	Due to be forwarded for the repair				
16	JO-8478	-	-	-	Due to be forwarded for the repair				

Note - Excluding losses and waivers to be accounted in Note (i), only any other losses and waivers under F.R.109 should be included in this format.

Statement of Liabilities and Commitments

Ministry / Department / District Secretariat : Department of Inland Revenue

Expenditure Head No: 246

Program No. & Title : 01 Operational Program

Name of the Person/Institution	Commitment No	Month	Date	Head	Program	Project	Sub Project	Object Code	Finance Code	Details of Item	Commitment	Commitment Balance	Liability Date	Liability Amount	Revised Liability	Paid Liability	Liability Balance	
1. Ministries/Government Department																		
Nil																		
2. State Corporations/Statutory Boards																		
National Insurance Trust Fund			12/31/2020	246	1	1	0	1301	11		1,697,996.37	1,697,996.37		-		-	-	
Sri Lanka State Trading (General) Corporation Ltd.			12/31/2020	246	1	1	0	1301	11		19,207.00	19,207.00		-		-	-	
Sri Lanka State Trading (General) Corporation Ltd.			12/31/2020	246	1	1	0	1301	11		19,585.00	19,585.00		-		-	-	
										Sub Total	1,736,788.37	1,736,788.37						
Sri Lanka Telecom PLC			12/31/2020	246	1	1	0	1402	11		992,606.87	992,606.87		-		-	-	
Sri Lanka Telecom PLC			12/31/2020	246	1	1	0	1402	11		4,500,000.00	4,500,000.00		-		-	-	
Sri Lanka Telecom PLC			12/31/2020	246	1	1	0	1402	11		28,811.38	28,811.38		-		-	-	
										Sub Total	5,521,418.25	5,521,418.25						
National Water Supply and Drainage Board			12/31/2020	246	1	1	0	1403	11		37,000.00	37,000.00		-		-	-	
Ceylon Electricity Board			12/31/2020	246	1	1	0	1403	11		1,400,000.00	1,400,000.00		-		-	-	
Ceylon Electricity Board			12/31/2020	246	1	1	0	1403	11		493,000.00	493,000.00		-		-	-	

Ceylon Electricity Board				12/31/2020	246	1	1	0	1403	11	200,000.00	200,000.00	-	-	-	
Ceylon Electricity Board				12/31/2020	246	1	1	0	1403	11	160,000.00	160,000.00	-	-	-	
Ceylon Electricity Board				12/31/2020	246	1	1	0	1403	11	180,000.00	180,000.00	-	-	-	
National Water Supply and Drainage Board				12/31/2020	246	1	1	0	1403	11	11,000.00	11,000.00	-	-	-	
National Water Supply and Drainage Board				12/31/2020	246	1	1	0	1403	11	7,000.00	7,000.00	-	-	-	
National Water Supply and Drainage Board				12/31/2020	246	1	1	0	1403	11	3,000.00	3,000.00	-	-	-	
National Water Supply and Drainage Board				12/31/2020	246	1	1	0	1403	11	6,500.00	6,500.00	-	-	-	
National Water Supply and Drainage Board				12/31/2020	246	1	1	0	1403	11	6,500.00	6,500.00	-	-	-	
National Water Supply and Drainage Board				12/31/2020	246	1	1	0	1403	11	3,000.00	3,000.00	-	-	-	
National Water Supply and Drainage Board				12/31/2020	246	1	1	0	1403	11	6,000.00	6,000.00	-	-	-	
National Water Supply and Drainage Board				12/31/2020	246	1	1	0	1403	11	9,000.00	9,000.00	-	-	-	
National Water Supply and Drainage Board				12/31/2020	246	1	1	0	1403	11	6,500.00	6,500.00	-	-	-	
National Water Supply and Drainage Board				12/31/2020	246	1	1	0	1403	11	4,500.00	4,500.00	-	-	-	
Sub Total												2,533,000.00				
Total												9,791,206.62				

2. Others (Private Parties)

Sishan Auto repairs (Pvt) Ltd				12/31/2020	246	1	1	0	1301	11	35,790.00	35,790.00	-	-	-
Associated Motorways (Private) Limited				12/31/2020	246	1	1	0	1301	11	14,340.02	14,340.02	-	-	-
Associated Motorways (Private) Limited				12/31/2020	246	1	1	0	1301	11	20,667.10	20,667.10	-	-	-
U and H Wheel Service (Pvt) Ltd				12/31/2020	246	1	1	0	1301	11	51,620.00	51,620.00	-	-	-
U and H Wheel Service (Pvt) Ltd				12/31/2020	246	1	1	0	1301	11	2,050.00	2,050.00	-	-	-
Toyota Lanka (Pvt) Ltd.				12/31/2020	246	1	1	0	1301	11	90,523.35	90,523.35	-	-	-
Jaffna Automobile (Pvt) Ltd				12/31/2020	246	1	1	0	1301	11	28,000.00	28,000.00	-	-	-
St. Anthonys Service Station and motor Garage				12/31/2020	246	1	1	0	1301	11	11,655.00	11,655.00	-	-	-
Matara Garage (Pvt) Ltd.				12/31/2020	246	1	1	0	1301	11	25,700.00	25,700.00	-	-	-
Matara Garage (Pvt) Ltd.				12/31/2020	246	1	1	0	1301	11	17,850.00	17,850.00	-	-	-
Associated Motorways (Private) Limited				12/31/2020	246	1	1	0	1301	11	53,268.84	53,268.84	-	-	-
Associated Motorways (Private) Limited				12/31/2020	246	1	1	0	1301	11	12,975.12	12,975.12	-	-	-

United Motors Lanka PLC					12/31/2020	246	1	1	0	1301	11		16,992.44			-	-							
United Motors Lanka PLC					12/31/2020	246	1	1	0	1301	11		4,575.20			-	-							
													Sub Total											
Apogee International (Pvt) Ltd					12/31/2020	246	1	1	0	1302	11		37,275.00			-	-							
Apogee International (Pvt) Ltd					12/31/2020	246	1	1	0	1302	11		42,600.00			-	-							
Base HP (Pvt) Ltd					12/31/2020	246	1	1	0	1302	11		2,500,000.00			-	-							
Civimech (Pvt) Ltd					12/31/2020	246	1	1	0	1302	11		400,000.00			-	-							
Jayarathna Construction And Suppliers					12/31/2020	246	1	1	0	1302	11		230,000.00			-	-							
Master Works (Pvt) Ltd					12/31/2020	246	1	1	0	1302	11		70,900.00			-	-							
Trade Promoters (Pvt) Ltd					12/31/2020	246	1	1	0	1302	11		29,441.23			-	-							
Metropolitan Office (Pvt) Ltd.					12/31/2020	246	1	1	0	1302	11		33,750.00			-	-							
Civimech (Pvt) Ltd					12/31/2020	246	1	1	0	1302	11		178,416.00			-	-							
Civimech (Pvt) Ltd					12/31/2020	246	1	1	0	1302	11		10,000.00			-	-							
													Sub Total											
Jayarathna Construction And Suppliers					12/31/2020	246	1	1	0	1303	11		500,000.00			-	-							
													Sub Total											
Mobitel (Pvt) Ltd.					12/31/2020	246	1	1	0	1402	11		2,843.24			-	-							
Dialog Axiata PLC					12/31/2020	246	1	1	0	1402	11		1,421.63			-	-							
Dialog Broadband Networks (Pvt)L Ltd					12/31/2020	246	1	1	0	1402	11		39,232.00			-	-							
Dialog Broadband Networks (Pvt)L Ltd					12/31/2020	246	1	1	0	1402	11		39,845.00			-	-							
Dialog Broadband Networks (Pvt)L Ltd					12/31/2020	246	1	1	0	1402	11		169,076.00			-	-							
Dialog Broadband Networks (Pvt)L Ltd					12/31/2020	246	1	1	0	1402	11		661.20			-	-							
													Sub Total											
Rakna Arakshaka Lanka Limited					12/31/2020	246	1	1	0	1409	11		1,450,000.00			-	-							
Rakna Arakshaka Lanka Limited					12/31/2020	246	1	1	0	1409	11		1,700,000.00			-	-							
Smart Janitors (Pvt) Ltd					12/31/2020	246	1	1	0	1409	11		255,250.00			-	-							
Facility Management					12/31/2020	246	1	1	0	1409	11		975,600.00			-	-							
Prasad Electricals					12/31/2020	246	1	1	0	1409	11		12,500.00			-	-							
													Sub Total											
													4,393,350.00											

Techno e Solutions (Pvt) Ltd			12/31/2020	246	1	1	0	2001	11		1,179,446.38		-	-	-
JN Interior			12/31/2020	246	1	1	0	2001	11		643,535.92		-	-	-
P.K. Paranamana			12/31/2020	246	1	1	0	2001	11		12,000.00		-	-	-
Commissioner Inland Revenue Regional Office Matara			12/31/2020	246	1	1	0	2001	11		30,619.50		-	-	-
Britex Safty			12/31/2020	246	1	1	0	2001	11		8,550.00		-	-	-
Jayani Iron Works			12/31/2020	246	1	1	0	2001	11		7,000.00		-	-	-
									Sub Total		1,881,151.80				
SishanAuto Repair (Pvt) Ltd			12/31/2020	246	1	1	0	2003	11		65,800.00		-	-	-
									Sub Total		65,800.00				
									Total		11,011,770.17		-	-	-
									Grand Total		20,802,976.79		-	-	-

Nature of payments/Liabilities should be recognized separately as follows.

1. Ministries/Government Departments
2. State Corporations/Statutory Boards
3. Private Parties

Liabilities are transactions of which payments have not been made to the relevant parties, although goods, services or assets and services pertaining to construction contracts have been received during the respective accounting year.

Commitments are contracts or written agreements which have been entered in to with the external parties in order to obtain goods and services during the respective accounting year, although the relevant assets or services have not been received.

Statement of Liabilities - (i)

Statement of Commitments in terms of FR 94 (2) and (3)

Ministry / Department / District Secretariat : Department of Inland Revenue

Expenditure Head No. : 246

Program No. & Title : 01 Operational Program

Name of the Person/Institution	Description of Commitments	Project	Sub Project	Object Code	Financing Code	Maximum Commitment Ceiling In terms of FR 94(2) Provisions (Rs.)	Total Cost Estimate In terms of FR 94(3) (Rs.)	Commitment & Liability Amount (Rs.)
1. Ministries/Government Department	Nil							
.....								
.....								
Total								
2. State Corporations/Statutory Boards	Nil							
.....								
.....								
Total								
3. Others (Private Parties)	Nil							
.....								
.....								
Total								
Grand Total								

Statement of Liabilities - (ii)

Provision Transferred to the Deposit Account in terms of FR 215 (3) (b) & (c)

Ministry / Department / District Secretariat : Department of Inland Revenue

Expenditure Code : 246

Program No. & Title : 01 Operational Program

Name of the Person/Institution (To be identified at the time of Transferring the Provision to Deposit Accounts.) *	Description of Liability	L/C No.	Particular of Vote details from which Provisions were Transferred				Deposit Account No.	Amount Transferred (Rs.)
			Project	Sub Project	Object Code	Financing Code		
1. Ministries/Government Department	Nil							
Total								
2. State Corporations/Statutory Boards	Nil							
Total								
3. Others (Private Parties)	Nil							
Total								
Grand Total								

Statement of Claims Under Reimbursable Foreign Aid

Ministry / Department / District Secretariat : Department of Inland Revenue
 Program No. & Title : 01 Operational Program

Rs.

(1)	Provision in Estimates - 2020 under Reimbursable Foreign Aid including Supplementary provisions	
(2)	Total Expenditure disbursed during the year 2020, against (I) above	Nil
(3)	Total of Reimbursement Claims outstanding as at 01 st January 2020	.....
(4)	Total of Reimbursement Claims made during the year 2020, in respect of years 2019 & prior years (if any)	.....
(5)	Total of Reimbursement Claims made during the year 2020, in respect of year 2020	.....
(6)	Total of Claims disallowed by the Donor, during 2020 (if any), in respect of Claims 2019 or prior years (if any)	.....
(7)	Total of Claims disallowed by the Donor, during 2020 (if any), in respect of Claims 2020	.....
(8)	Total of Reimbursements received during the year 2020, in respect of years 2019 or prior years	.....
(9)	Total of Reimbursements received during the year 2020, in respect of years 2020	.....
(10)	Total of reimbursement Claims outstanding as at 31 st December 2020	.....
	[(3+4+5) - (6+7)] - (8+9)	.....
(11)	Total of Reimbursement Claims made after 31/12/2020 in respect of 2020 up to the finalization of the Financial Statements	.....
(12)	Total of Reimbursement received after 31/12/2020 up to the finalization of the Financial Statements	.....
(13)	Total of Reimbursement Claims outstanding as at the date of presenting the Financial Statements	.....
	(10 + 11 - 12)	.....

Statement of Missing Vouchers

Ministry / Department / District Secretariat : Department of Inland Revenue
 Expenditure Head No : 246
 Program No. & Title : 01 Operational Program

Date	Voucher No.	Name of Payee	Nature of Payment	Amount (Rs.)
-		Nil	-	
-			-	
-			-	

**The Status Report as at 31/12/2020 on Bank Accounts opened
in terms of Treasury Operation Circular No. 3/2015 of 23.10.2015**

Ministry / Department / District Secretariat : Department of Inland Revenue
Expenditure Head No. : 246

Serial No.	Name of Bank	Account No.	Balance as per Bank Statement as at 31/12/2020 (Rs.)	Balance as Per Cash Book as at 31/12/2020 (Rs.)	Total Value of Cheque not yet Presented to Bank as at 31/12/2020 (if exceeds 6 months)	Month of Last Bank Reconciliation Prepared
1	Bank of Ceylon	7041552	230,287,927.61	-	1,341,303.12	December
2	Bank of Ceylon	7041554	279,964,134.33	-	-	December
3	Bank of Ceylon	7041561	206,375.00	-	-	December
4	Central Bank	50526	541,559,032.21	-	2,321,928.00	December
5	Central Bank	50504	125,982.00	-	-	December
6	*People's Bank	204-1-1001-1-9026618	-	-	-	December

* Relevant Units had informed not to close this Account as the matters on default tax are still due to be continued. Therefore it is informed that the respective Account is in active mode, even though it was inactive.

3.5 Performance of the Revenue Collection

Rs. ,000

Revenue Code	Description of the Revenue Code	Revenue Estimate		Collected Revenue	
		Original	Final	Amount (Rs.)	as a % of Final Revenue Estimate
-	<u>INCOME TAX</u>				
1004.01.01	Income Tax	304,000,000	241,000,000	206,816,226	86%
1004.01.02	Dividend Tax	27,000,000	18,000,000	4,311,235	24%
1004.01.03	Remittance Tax	13,000,000	12,000,000	3,333,737	28%
1004.02.01	PAYE	10,000,000	15,000,000	14,973,454	100%
1004.02.99	Other	65,000,000	8,000,000	13,517,490	169%
1004.03.00	Withholding Tax				
1004.03.01	On Interest	0	0	2,712,018	
1004.03.99	On Fees & Other	0	13,000,000	7,277,413	56%
1004.04.00	Economic Service Charge				
1004.04.01	Domestic	0	15,900,000	14,905,114	94%
1004.04.02	Imports	0	100,000	44,929	45%
1004.05.00	Capital Gain Tax	1,000,000	1,000,000	357,594	36%
-	<u>TAXES ON DOMESTIC GOODS & SERVICES</u>				
1002.01.00	Value Added Tax				
1002.01.01	Financial Services	60,000,000	48,000,000	42,451,851	88%
1002.01.02	Other Services	80,600,000	71,000,000	63,100,659	89%
1002.01.03	Manufacturing	49,400,000	42,000,000	42,508,496	101%
1002.01.04	Imports	110,000,000	80,000,000	85,725,114	107%
1002.02.00	Goods and Services Tax				
1002.02.01	Services	-	-	113	
1002.02.02	Manufacturing	-	-	113	
1002.02.03	Imports	-	-	-	
1002.03.00	National Security Levy				
1002.03.01	Services	-	-	2,399	
1002.03.02	Manufacturing	-	-	-	
1002.03.03	Imports	-	-	-	
1002.07.00	Stamp Duty	-	-	-	
1002.08.00	Debits Tax	-	-	-	
1002.09.00	Turnover Tax	-	-	16,258	
1002.12.00	Nation Building Tax				
1002.12.01	Services	0	2,100,000	1,293,158	62%
1002.12.02	Manufacturing	0	700,000	742,928	106%
1002.12.03	Imports	0	200,000	315,091	158%
1003	License Taxes and other				
1003.03.00	Betting & Gaming Levy	2,500,000	2,500,000	1,428,071	57%
1003.04.00	Share Transaction Levy	1,200,000	1,500,000	2,347,278	156%

1003.05.00	Construction Industry Guarantee Fund Levy	-	-	637	
1003.07.00	Other Licenses				
1003.07.10	Vehicle Entitlement Levy	0	-	0	
1003.07.11	Debt Repayment Levy	0	3,400,000	3,002,272	88%
1003.09.00	Taxes on Lands leased out to Foreigners	-	-	-	
1003.10.00	Migrating Tax	9,000	2,000	5,853	293%
1003.11.00	Remittance Fee	1,000	1,000	-	
	Total Revenue	723,710,000	575,403,000	511,189,501	89%

* 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

Source: Inland Revenue Department

3.6 Performance of the Utilization of Allocation

Rs. ,000

Type of Allocation	Allocation		Actual Expenditure	Allocation Utilization as a % of Final Allocation
	Original	Final		
Recurrent	4,571,550	4,445,250	3,661,683	82%
Capital	763,500	889,800	828,039	93%

Source: Inland Revenue Department

3.7 In terms of F.R. 208 grant of allocations for expenditure to Inland Revenue Department as an agent of other Ministries/ Department

Rs. ,000

Serial No.	Allocation Received from Which Ministry/ Department	Purpose of the Allocation	Allocation		Actual Expenditure	Allocation Utilization as a % of Final Allocation
			Original	Final		
Not Applicable						

Source: Inland Revenue Department

3.8 Performance of the Reporting of Non – Financial Assets

Rs. ,000

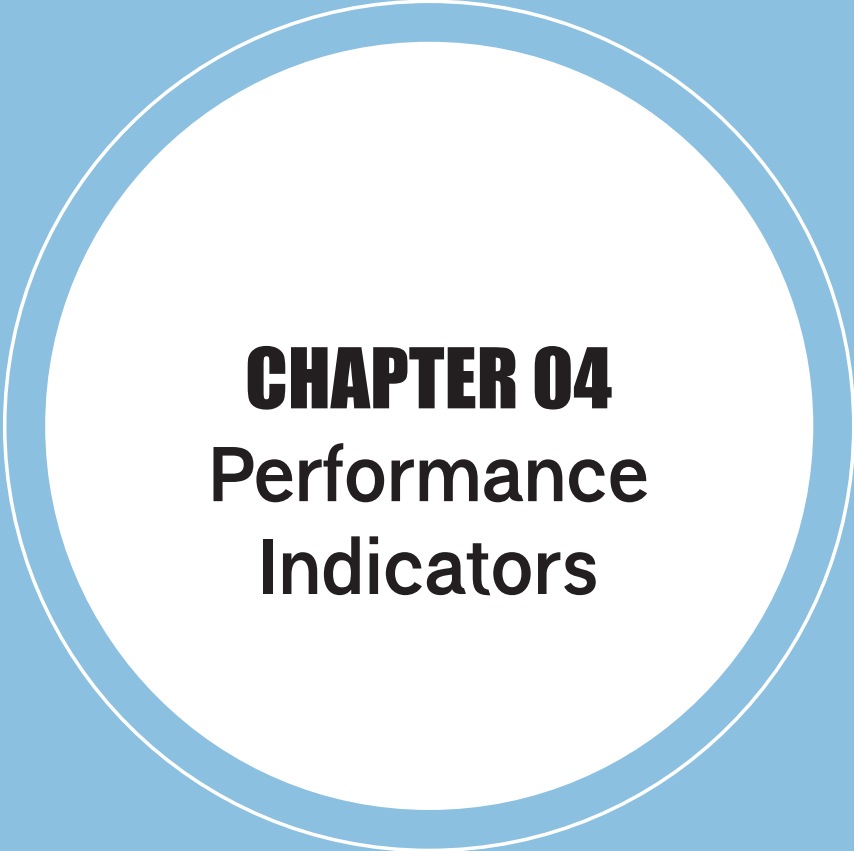
Assets Code	Code Description	Balance as per Board of Survey Report as at 31.12.2020	Balance as per Financial Position Report as at 31.12.2020	Yet to be Accounted	Reporting Progress as a %
9151	Building and Structures	2,672,475	2,672,475	-	100%
9152	Machinery and Equipment	711,812	711,812	-	
9153	Land	2,081,300	2,081,300	-	
9154	Intangible Assets	489,951	489,951	-	
9155	Biological Assets	-	-	-	
9160	Work in Progress	-	-	-	
9180	Lease Assets	15,522	15,522	-	

Source: Inland Revenue Department

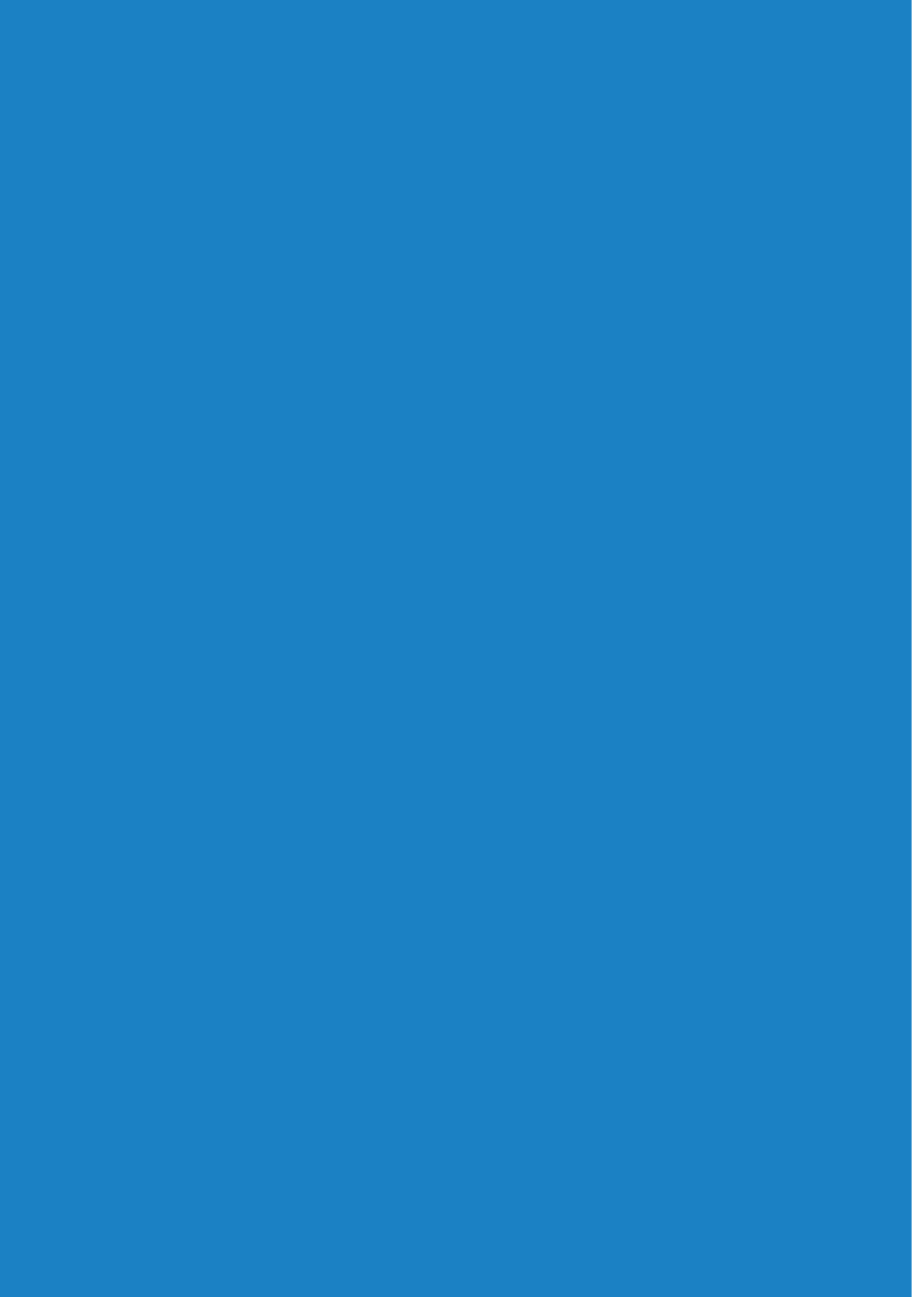
3.9 Auditor General’s Report

Annexure



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CHAPTER 04
Performance
Indicators



4.1 Performance Indicators of the IRD

Key Performance Indicator (KPI) is a type of performance measurement which evaluate the success of an organization in which it engages or periodic achievement of some levels of operational goals. Accordingly, choosing the right KPIs relies upon a good understanding of what is important to the organization.

Inland Revenue Department is a service organization and engages with the collection of specified taxes where four unique indicators can be identified as Key Performance indicators such as collection of revenue, conducting awareness programs, tax file opening and cost of collection.

a) Collection of Revenue

Tax revenue is defined as the revenue collected from taxes on income and profits, social security contributions, taxes levied on goods and services, payroll taxes, taxes on the ownership and transfer of property, and other taxes. Ministry of Finance decide the tax revenue target for each year for the Inland Revenue Department and the IRD decide the unit revenue targets accordingly. In 2020, target achievement of the IRD was 91%.

b) Conducting Awareness Programs

The role of taxpayer awareness is very important to improve self- compliances and to collect the tax revenue. Understanding and awareness of the people to obediently pay the taxes are still relatively low in the country. This is due to non-optimal tax understanding obtained by the community. Therefore, the people need to be given the understanding of taxes so that awareness can be developed. Inland Revenue Department could conduct few awareness programs via online during 2020 as COVID-19 situation in the country.

c) Tax File Opening

Newly revised Inland Revenue Act in Sri Lanka aims to widen the net tax revenue and to increase the direct tax component in coming 2-3 years by reducing the indirect tax payers with parallel to that Inland Revenue Department was able to open 11,792 income tax files which exceed the target given for the tax file opening.

d) Cost of Collection


A collection cost is the cost incurred to collect taxes, through the process called tax collection. This could include expenditures for human resource, cost of fixed assets and current assets etc. Tax collection cost of the Inland Revenue Department is very low and nearly 86 cents for a hundred rupee.

Output as a percentage of the identified Key Performance Indicators shows in Table 4.1.

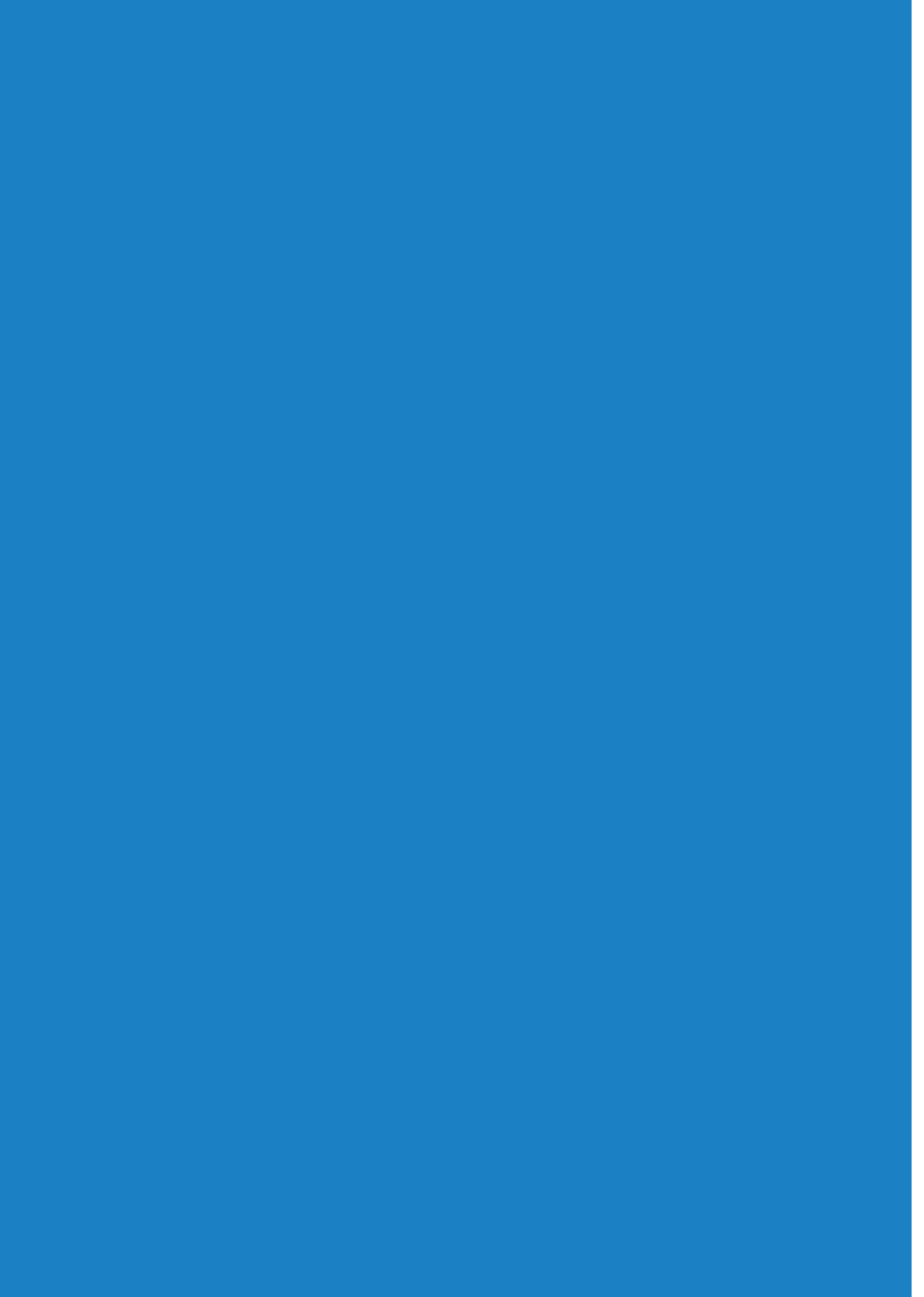
Table 4.1: Performance Indicators of the Year 2020

Specific Indicators	Actual output as a percentage (%) of the expected output		
	100%-90%	75%-89%	50%-74%
Collection of Revenue	91.06%		
Conducting Awareness Programs		80%	
Tax File Opening	100%		
Cost of Collection		86%	

Source: Inland Revenue Department



CHAPTER 05
Performance of
Achieving Sustainable
Development Goals



5.1 Sustainable Development Goals

The Sustainable Development Goals also known as the Global Goals, were adopted by all United Nations Member States in 2015 to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030 and must balance social, economic and environmental sustainability. The creativity, knowhow, technology and financial resources from all of society is necessary to achieve the Sustainable Development Goals in every context.

According to the Sustainable Development Goals Act. No. 19 of 2017, all government administrative entities should maintain the 17 Sustainable Development Goals. And attention has been given for those goals when preparing the action plan of Inland Revenue Department for the year 2020.

Targeted Sustainable Development Goals for the year can be shown as the Table 5.1.

Table 5.1: Activities of the Inland Revenue Department based on the Sustainable Development Goals

Goal/ Objective	Targets	Indicators of the achievement	Progress of the achievement to date (%)		
			0-49	50-74	75-100
End poverty in all its forms every where	<ul style="list-style-type: none"> Increasing personal tax relief from Rs. 500,000 to Rs. 3,000,000. Introducing tax allowances for medium and small sector enterprises. Removing Withholding Tax, Economic Service Charge and Debt Repayment Levy. Increasing the threshold for VAT registration from Rs. 3 million per quarter to Rs. 75 million per quarter. 	<ul style="list-style-type: none"> Changes of tax law 			
End hunger, achieve food security and improved nutrition and promote sustainable agriculture	<ul style="list-style-type: none"> Granting exemption under Income Tax for the gains and profits earned or derived by any person from the sale of produce of an undertaking for agro farming of such person without subjecting such produce to any process of production or manufacture 	<ul style="list-style-type: none"> Changes of tax law 			

<p>Ensure healthy lives and promote well-being for all at all ages</p>	<ul style="list-style-type: none"> • Granting exemption of supplied/ donated of health protective equipment and similar products under VAT • Granting VAT exemption on machinery and equipment including medical, surgical and dental instruments, apparatus, accessories and parts thereof, hospital/medical furniture and drugs, chemical and similar items required for the provision of health services to address the COVID 19 pandemic from May 20, 2020 to 31 December, 2020. • Applying higher tax rates for tobacco and liquor for discouraging the consumption. 	<ul style="list-style-type: none"> • Changes of tax law 			
<p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	<ul style="list-style-type: none"> • Conducting awareness programs for tax payers, tax consultants and the general public • Conducting foreign and local training programs for human resource development of the officers of Inland Revenue Department 	<ul style="list-style-type: none"> • Return and payment compliance • Target achievements 			
<p>Achieve gender equality and empower all women and girls</p>	<ul style="list-style-type: none"> • No gender discrimination in the Inland Revenue Department when recruiting, promoting, training and working. 	<ul style="list-style-type: none"> • Carder, recruitment, promotion and training details 			
<p>Ensure availability and sustainable management of water and sanitation for all</p>	<ul style="list-style-type: none"> • Not applicable 				
<p>Ensure access to affordable, reliable, sustainable and modern energy for all</p>	<ul style="list-style-type: none"> • Granting exemptions on any “renewable energy project” established with a capacity to produce not less than one hundred Mega Watts solar or wind power and supplied such 				

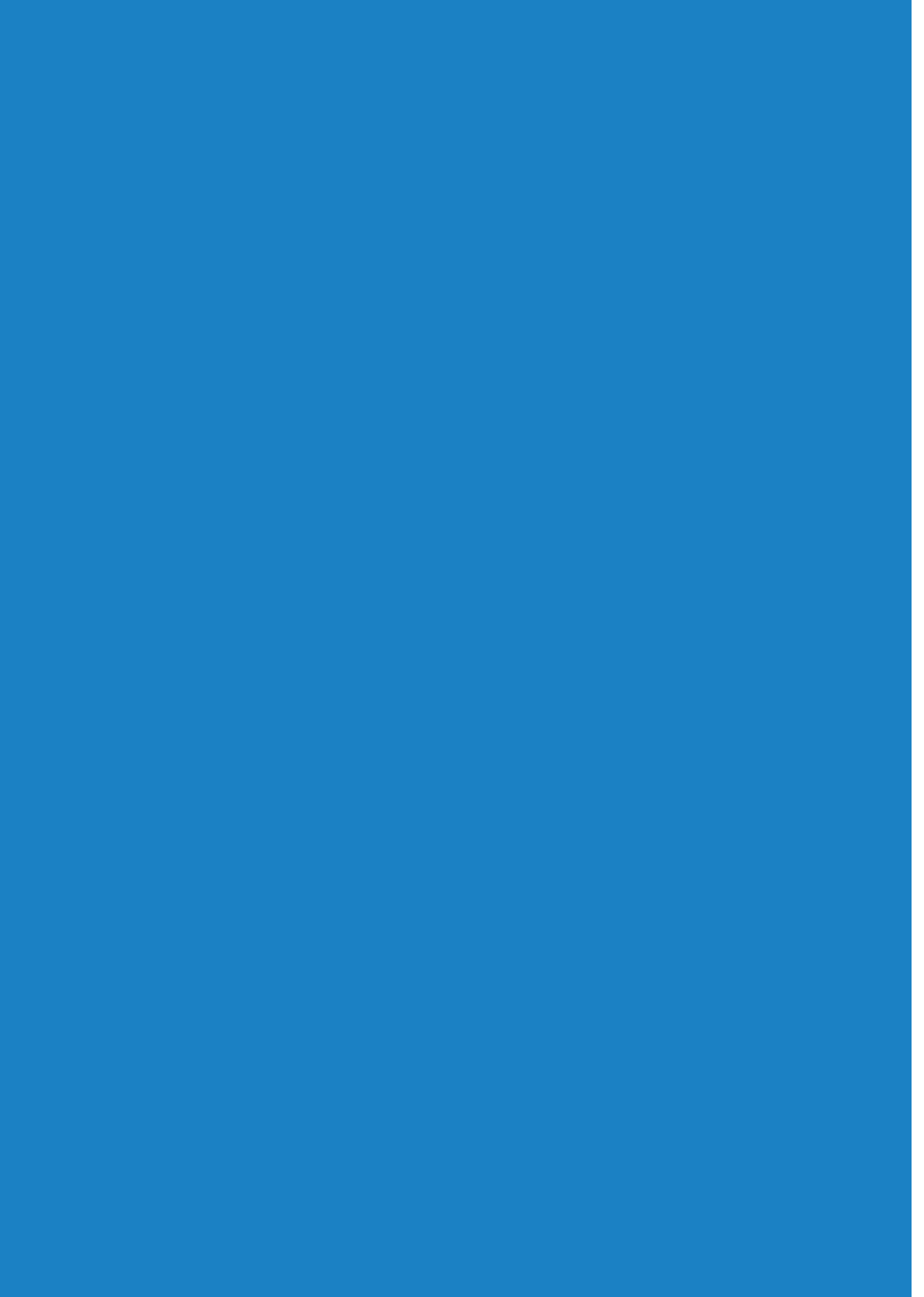
	power to national grid for a period of seven years.				
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	<ul style="list-style-type: none"> • Empowering the Sustainable Economic Development by sustaining the steady flow of government revenue • As the main revenue collector of the country, Inland Revenue Department has provided the decent working conditions, fair income with the incentive, opportunities for career development and equal opportunities for all grades of the officers 	<ul style="list-style-type: none"> • Revenue Collection • Revenue Estimate 			
Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	<ul style="list-style-type: none"> • Granting exemption on the information technology and enabling services from VAT, IT with effect from 01.01.2020 	<ul style="list-style-type: none"> • Needs to issue new regulations 			
Reduce inequality within and among countries	<ul style="list-style-type: none"> • Providing foreign training opportunities for the staff • Networking the international tax agencies with and without double tax treaties 	<ul style="list-style-type: none"> • Provided foreign training opportunities • Double Tax Agreements 			
Make cities and human settlements inclusive, safe, resilient and sustainable	<ul style="list-style-type: none"> • In order to equalize the income distribution taxes are being imposed. 	<ul style="list-style-type: none"> • Details of administrate d taxes 			
Ensure sustainable consumption and production patterns	<ul style="list-style-type: none"> • In order to ensure the sustainable consumption and production patterns indirect taxes such as Value Added Tax can impose certain commodities. 	<ul style="list-style-type: none"> • Applications of VAT 			
Take urgent action to combat climate change and its impacts	<ul style="list-style-type: none"> • Giving grace periods for paying taxes and submission of returns during the urgent situations 	<ul style="list-style-type: none"> • Granted extensions for payment periods and return submission dates 			

Conserve and sustainably use the oceans, seas and marine resources for sustainable development	• Not applicable				
Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	• Not applicable				
Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and inclusive institutions at all levels	• Not applicable				
Strengthen the means of implementation and revitalize the global partnership for sustainable development	• Maintaining relations with international organizations (eg. OECD, IMF)	• Relations with international organizations			

Source: Inland Revenue Department

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CHAPTER 06
Human Resource
Profile



6.1 Cadre Management

Table 6.1: Cadre as at 31.12.2020

	Approved Cadre	Existing Cadre	Vacancies
Senior	1,257	1,051	206
Tertiary	63	32	31
Secondary	1,055	1,011	44
Primary	496	457	39

Source: Inland Revenue Department

Approved cadre of the Inland Revenue Department consists of four levels as the Table 6.1. Senior level officers include Commissioner General, 09 Deputy Commissioner Generals, 22 Senior Commissioners, 90 Commissioners, Senior Deputy Commissioners, Deputy Commissioners, Assistant Commissioners, Engineer and Deputy Directors of Information Technology and they are directly involving the tax administration functions. 206 vacancies have been generated as the most senior officers are involving acting positions and the Public Service Commission (PSC) has not issued confirmation letters for them. 72 Assistant Commissioner vacancies are on 31.12.2020 and the examination will be held in June 2021.

31 vacancies had been generated in the tertiary level which consists of Senior Tax officers and Information Technology officers. 44 secondary level vacancies as at 31.12.2020 for Technical officers, Information technology assistants and Public Management assistants. Requirements made to the Public Administration to fill the vacancies.

6.2 Human Resource Development

Table 6.2: Human Resource Development Programs Conducted in Year 2020

No	Name of the Program	No. of Staff Trained	Duration of the Program		Total Investment		Nature of the Program (Abroad/ Local)	Output
			From	To	Local	Foreign		
1	Master of Arts (Economics) - University of Kelaniya	1	January 2016		Rs.42,500/- (1 st installment reimbursement)	-	Local	This program consist of theoretical background of economics with the applications. It helps to improve the working capacity of officers as IRD officers have to coordinate taxpayers with the knowledge of economic affairs.

2	Master of Combined Studies in International Trade and Commerce Law/ International Relations – Macquarie University	1	05.01.2020	02.01.2022	-	US \$ 1200 £ 75	Abroad	This program helped to gain knowledge in relation to International Trade and Commerce Law/ International Relations. It was helpful to increase the tax revenue from international transactions by administering the international tax law.
3	Negotiations for Proposed Double Taxation Avoidance Agreement between Sri Lanka and Turkey	4	20.01.2020	26.01.2020	-	Rs.902,000/- US \$ 11400	Abroad	Double Tax Agreements helpful to avoid double taxation between two territories and officers can gain knowledge regarding international taxation.
4	Maintain Personal Files	2	20.01.2020	21.01.2020	Rs.17,000/-	-	Local	It was helpful to gain knowledge and skills in relation to maintain the personal files and ultimately it was affected to maintain the proper filing system.
5	Current Developments in International Corporate Taxation Policy, Legislation and Administration	5	02.02.2020	05.02.2020	-	US \$ 600	Abroad	Knowledge of current developments in international corporate taxation helped to officers to administer the files which relates to international transactions.
6	IRBM-OECD: Transfer Pricing and Auditing: Insurance	1	01.03.2020	07.03.2020	-	US \$ 280	Abroad	This program was helpful to gain knowledge regarding the Transfer Pricing and Auditing in

	and Banking (BL)						relation to Insurance and Banking fields. Finally it was affected to increase the revenue from Insurance & Banking sector.
7	Master of Public Management -SLIDA	3	March 2020	Rs.60,000/- (1 st installment)	-	Local	Master of Public Management program consists of theoretical background of managing the public organization with the applications. It helps to improve the management capability of the officers since the IRD is a government organization.
8	Master of Arts (Economics)- University of Kelaniya	16	March 2020	Rs. 1,320,000/- (1 st and 2 nd installment)	-	Local	This program consist of theoretical background of economics with the applications. It helps to improve the working capacity of officers as IRD officers have to coordinate taxpayers with the knowledge of economic affairs.
9	Master of Financial Economics -University of Colombo	1	June 2020	Rs. 196,000/-	-	Local	This program mainly consists of financial background of economics with the applications. IRD officers are coordinating taxes within the financial economic background and the program

							helped to increase the tax revenue collection.	
10	Master in Business Administration in Taxation (MBA-T) - Postgraduate institute of Management	39	05.10.2019	30.09.2021	Rs. 14,625,000/- (2 nd Installment)	-	Local	Since the main focus of this MBA-T program is taxation and officers who followed this are involving collect taxes, this program helped to increase tax revenue.
11	Master of Business in Accounting /Finance (MBus)- University of Kelaniya	1	July 2020		Rs. 297,000/-	-	Local	This program was helpful to improve the knowledge of officers in accounting. Finally officers were able to increase the tax revenue by auditing tax files.
12	MBA (Banking and Finance)- College of Information Management and Science	1	2016	2018	Rs. 485,000/-	-	Local	The MBA Banking and Finance course provides a coherent analytical framework for the study of banking and financial developments from a management perspectives. Since the department is handling banking and financial files, the gained knowledge helped to increase the revenue from them.

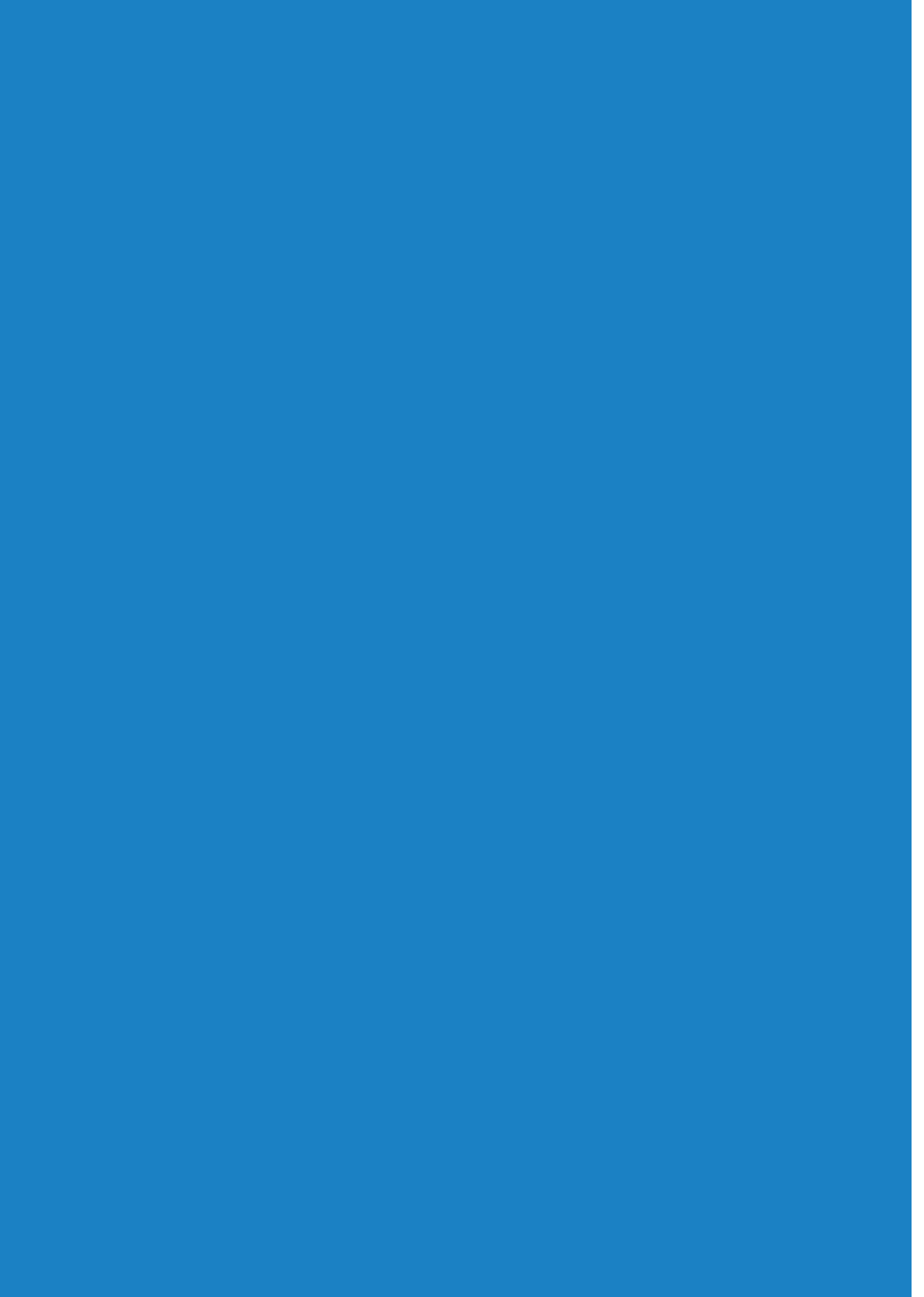
13	Certified Tax Advisor Course - The Institute of Chartered Accountants of Sri Lanka	1	Oct. 2020	April 2021	Rs. 105,000/-	-	Local	This course aimed to enrich students' knowledge in taxation and professional competence to appreciate established taxation practices
14	Diploma in Internal Audit-SLIDA	2	2021		Rs. 200,000/-	-	Local	This course helped to add value and improve the IRD's operations. Also it helped to improve the control governance process.

Source: Inland Revenue Department





CHAPTER 07
Compliance
Report



No.	Applicable Requirement	Compliance Status (Complied /Not Complied)	Brief explanation for Non-Compliance	Corrective actions proposed to avoid non-compliance in future
1	The following Financial statements/ accounts have been submitted on due date			
1.1	Annual Financial statements	Complied		
1.2	Advance to public officers account	Complied		
1.3	Trading and Manufacturing Advance Accounts (Commercial Advance Accounts)	Not Applicable		
1.4	Stores Advance Accounts	Not Applicable		
1.5	Special Advance Accounts	Not Applicable		
1.6	Others	Complied		
2	Maintenance of books and registers (FR445)			
2.1	Fixed assets register has been maintained and update in terms of Public Administration circular 267/2018	Complied		
2.2	Personal emoluments register/ Personal emoluments cards has been maintained and update	Complied		
2.3	Register of Audit Queries has been maintained and update	Complied		
2.4	Register of Internal Audit reports has been maintained and update	Complied		
2.5	All the monthly account summaries (CIHAS) are prepared and submitted to the Treasury on due date	Complied		
2.6	Register for cheques and money orders has been maintained and update	Complied		
2.7	Inventory register has been maintained and update	Complied		
2.8	Stocks Register has been maintained and update	Complied		
2.9	Register of Losses has been maintained and update	Complied		
2.10	Commitment Register has been maintained and update	Complied		

2.11	Register of Counterfoil Books (GA-N20) has been maintained and update	Complied		
3	Delegation of functions for financial control (FR 135)			
3.1	The Financial authority has been delegated within the institute	Complied		
3.2	The delegation of Financial authority has been communicated within the institute	Complied		
3.3	The authority has been delegated in such manner so as to pass each transaction through two or more officers	Complied		
3.4	The controls has been adhered to by the Accountants in terms of State Account Circular 171/2004 dated 11.05.2014 in using the Government Payroll Software Package	Complied		
4	Preparation of Annual Plans			
4.1	The annual action plan has been prepared	Complied		
4.2	The annual procurement plan has been prepared	Complied		
4.3	The annual Internal Audit plan has been prepared	Complied		
4.4	The annual estimate has been prepared and submitted to the NDB on due date	Complied		
4.5	The annual cash flow has been submitted to the Treasury Operations Department on time	Complied		
5	Audit Quires			
5.1	All the audit queries has been replied within the specified time by the Auditor General	Complied		
6	Internal Audit			
6.1	The internal audit plan has been prepared at the beginning of the year after consulting the Auditor General in terms of Financial Regulation 134(2) DMA/ 1-2019	Complied		
6.2	All the internal audit reports has been replied within one month	Complied		

6.3	Copies of the internal audit reports has been submitted to the Management Audit Department in terms of Sub-section 40(4) of the National Audit Act No. 19 of 2018	Complied		
6.4	All the copies of internal audit reports has been submitted to the Auditor General in terms of Financial Registration 134(3)	Complied		
7	Audit and Management Committee			
7.1	Minimum 04 meetings of the Audit and Management Committee has been held during the year as per the DMA Circular 1-2019	Complied		
8	Asset Management			
8.1	The information about purchases of assets and disposals was submitted to the Comptroller General's Office in terms of Paragraph 07 of the Asset Management Circular No. 01/2017	Complied		
8.2	A suitable liaison officer was appointed to coordinate the implementation of the provisions of the circular and details of the nominated officer was sent to the Comptroller General's Office in terms of paragraph 13 of the aforesaid circular	Complied		
8.3	The board of survey was conducted and the relevant reports submitted to the Auditor General on due date in terms of Public Finance circular No. 05/2016	Complied		
8.4	The excesses and deficits that were disclosed through the board of survey and other relating recommendations, actions were carried out during the period specified in the circular	Complied		
8.5	The disposal of condemn articles had been carried out in terms of FR 772	Complied		
9	Vehicle Management			

9.1	The daily running charts and monthly summaries of the pool vehicles had been prepared and submitted to the Auditor General on due date	Complied		
9.2	The condemned vehicles had been disposed of within a period of less than 6 months after condemning	Complied		
9.3	The vehicle logbooks had been maintained an updated	Complied		
9.4	The action has been taken in terms of FR. 103,104 109 and 110 with regard to every vehicle accident	Complied		
9.5	The fuel consumption of vehicles has been re-tested in terms of the provisions of paragraph 3.1 of the Public Administration Circular No. 30/2016 of 29.12.2016	Complied		
9.6	The absolute ownership of the leased vehicle log books has been transferred after the lease term	Complied		
10	Management of Bank Accounts			
10.1	The bank reconciliation statements had been prepared, got certified and made ready for audit by the due date	Complied		
10.2	The dormant accounts that had existed in the year under review or since previous year settled	Not Applicable		
10.3	The action had been taken in terms of Financial Regulations regarding balances that had been disclosed through bank reconciliation statements and for which adjustments had to be made, and had those balances been settled within one month	Complied		
11	Utilization of Provisions			
11.1	The Provisions allocated had been spent without exceeding the limit	Complied		
11.2	The liabilities not exceeding the provisions that remained at the end of the year as per F.R. 94(1)	Complied		
12	Advance to public officers account			

12.1	The limits had been complied with	Complied		
12.2	A time analysis had been carries out on the loans in arrears	Complied		
12.3	The loan balances in arrears for over one year had been settled	Complied		
13	General Deposit Account			
13.1	The action had been taken as per F.R. 571 in relation to disposal of lapsed deposits	Complied		
13.2	The control register for general deposits had been updated and maintained	Complied		
14	Imprest Account			
14.1	The balance in the cash book at the end of year under review remitted to TOD	Complied		
14.2	The ad-hoc sub imprests issued as per F.R. 371 settled within one month from the completion of the task	Complied		
14.3	The ad-hoc sub imprests had been issued exceeding the limit approved as per FR. 371	Complied		
14.4	The balance of the imprest account had been reconciled with the Treasury books monthly	Complied		
15	Revenue Account			
15.1	The refunds from the revenue had been made in terms of the regulations	Complied		
15.2	The revenue collection had been directly credited to the revenue account without credited to the deposit account	Complied		
15.3	Returns of arrears of revenue forward to the Auditor General in terms of FR 176	Complied		
16	Human Resource Management			
16.1	The staff had been paid within the approved cadre	Complied		
16.2	All members of the staff have been issued a duty list in writing	Complied		

16.3	All reports have been submitted to MSD in terms of their circular No. 04/2017 dated 20.09.2017	Complied		
17	Provision of information to the public			
17.1	An information officer has been appointed and a proper register of information is maintained and updated in terms of Right To Information Act and Regulation	Complied		
17.2	Information about the institution to the public have been provided by Website or alternative measures and has it been facilitated o appreciate/ allegation to public against the public authority by this Website or alternative measures	Complied		
17.3	Bi-Annual and Annual reports have been submitted as per section 08 and 10 of the RTI Act	Complied		
18	Implementing citizens charter			
18.1	A citizens charter/ Citizens client's charter has been formulated and implemented by the Institution in terms of the circular number 05/2008 and 05/2018(1) of Ministry of Public Administration and Management	Complied		
18.2	A methodology has been devised by the Institution in order to monitor and assess the formulation and the implementation of Citizens Charter/ Citizens client's charter as per paragraph 2.3 of the circular	Complied		
19	Preparation of the Human Resource Plan			
19.1	A human resource plan has been prepared in terms of the format in Annexure 02 of Public Administration Circular No. 02/2018 dated 24.01.2018.	Complied		
19.2	A minimum training opportunity of not less than 12 hours per year for each member of the staff has been ensured in the aforesaid Human Resource Plan	Complied		

19.3	Annual performance agreements have been signed for the entire staff based on the format in Annexure 01 of the aforesaid Circular	Complied		
19.4	A senior officer was appointed and assigned the responsibility of preparing the human resource development plan, organizing capacity building programs and conducting skill development programs as per paragraph No. 6.5 of the aforesaid Circular	Complied		
20	Responses Audit Paras			
20.1	The shortcomings pointed out in the audit paragraphs issued by the Auditor General for the previous years have been rectified	Complied		

