

2021

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வருடாந்த செயலாற்றுகை அறிக்கை
ANNUAL PERFORMANCE REPORT



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உள்ளநாட்டு இறைவரித் திணைக்களம் - இலங்கை
INLAND REVENUE DEPARTMENT - SRI LANKA



INLAND REVENUE DEPARTMENT

ANNUAL PERFORMANCE REPORT 2021

EXPENDITURE HEAD NO 246

(in compliance to the Section 2.4 of the Public Finance Circular
No. 402 dated 12th September, 2002)

H. M. W. C. Bandara

Commissioner General of Inland Revenue

Principal Officials

Mr. H. M. W. C. Bandara **Commissioner General of Inland Revenue**

Deputy Commissioners General

Mr. D. R. S. Hapuarachchi Tax Policy, Legislation, & International Affairs

Mr. M. L. Mohomad Thahir Tax Administration – Upper Corporate, Information

Mr. K. D. M. N. Gunathunga Tax Administration – Large Tax, Revenue
Monitoring, Refund, Investigation & Intelligence

Mr. S. S. D. Weerasekara Customer Service & Promotion

Mr. T. Rajapaksha Appeal & Objection, Debt Management, Default Tax
Recovery and Legal Affairs

Mr. M. S. M. Siyaan Tax Administration – Upper Corporate, Source Tax
Administration

Mr. M. D. J. M. Devapriya Tax Administration – Medium Corporate, Corporate
Small Entities & Non Corporate, Risk Management

Mr. R. A. N. Rajapaksa - Acting Tax Administration – Large Tax, ITAS & Payment
Controlling

Mr. M. Gunaweera – Acting Human Capital, Human Resource & Assets
Administration

Senior Commissioners

Mr. D. U. A. Jayawardhane	Large Tax Administration/ Refund
Mrs. W. A. S. Chandrasekara	Human Resource development and Change Management
Mr. N. M. Mohomad Mifly	Tax Policy, International Affairs and Secretariat
Mr. S. M. Abeykoon Bandara (Acting)	Medium Corporate Units 1 to 8
Mrs. L. M. C. Weerakoon (Acting)	Customer Supporting & Promotion Unit
Mrs. R. K. C. Chithralatha (Acting)	Investigation and Intelligence
Mr. T. M. J. N. Bandara (Acting)	Upper Corporate Units 4 and 7, Transfer Pricing, Research and International Unit
Mrs. H. W. N. Thalaramba (Acting)	Large Taxpayers Unit/ Banking Sector 1,2 and 3
Mrs. H. M. C. M. Herath (Acting)	Human Resource Management
Mr. M. P. S. Abeyratne (Acting)	Upper Corporate Units 3 and 6
Mr. M. Ganesharajah (Acting)	Upper Corporate Units 1,2,5
Mrs. R. P. H. Fernando (Acting)	Appeal and Objection (LTU, UCU, MCU, RO)
Mr. B. K. S. Santha (Acting)	Independent Internal Functions Controlling
Mr. M. D. Anandasiri (Acting)	Information Technology Administration and Payment Controlling
Mrs. S. P. Ranasinghe (Acting)	Information & Interface Agencies & Special Task
Mrs. J. A. D. W. K. Siriwardena (Acting)	Customer Registration and Update
Mr. U. D. N. Jayaweera (Acting)	Zone I, II and III
Mrs. J. D. Ranasinghe (Acting)	Legacy & DTRU, All Legal Affairs and Default Collection
Mrs. N. T. A. Dissanayake (Acting)	Large Tax Payers Units 4,5 and 6
Mr. D. M. N. S. B. Dissanayake (Acting)	WHT, PAYE, Stamp Duty, BGL, CGT & SVAT Duties
Mrs. V. K. A. Thusithanjalee (Acting)	Upper Corporate Units 8 and 9
Mr. T. U. Athukorala (Acting)	Procurement and Asset Management & Tax Operation Support

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Abbreviations

IIT	Individual Income Tax
SD	Stamp Duty
AIT	Advance Income Tax
APIT	Advance Personal Income Tax
BGL	Betting & Gaming Levy
BOI	Board Of Investment
BSC	Business Service Centre
CGIR	Commissioner General Of Inland Revenue
CIGFL	Construction Industry Guarantee Fund Levy
CIT	Corporate Income Tax
DRL	Debt Repayment Levy
ESC	Economic Service Charge
FR	Financial Regulations
GDP	Gross Domestic Production
GST	Goods and Services Tax
ICT	Information & Communication Technology
IRD	Inland Revenue Department
KPI	Key Performance Indicator
MBA –T	Master in Business Administration in Taxation
MT	Migrating Tax
NBT	Nation Building Tax
NSL	National Security Levy
PAYE	Pay - As - You - Earn
PIT	Partnership Income Tax
PSC	Public service Commission
RAMIS	Revenue Administration & Management Information System
STL	Share Transaction Levy
TT	Turnover Tax
TVD	Tax on Voluntary Disclosure
TVET	Technical and Vocational Educational and Training
VAT	Value Added Tax
VAT on FS	Value Added Tax on Finance Service
VEL	Vehicle Entitlement Levy
WFH	Work From Home
WHT	With Holding Tax
Y/A	Year of Assessment

CHAPTER 1

Institutional Profile



1.1 Introduction

Inland Revenue Department was established in 1932 as Income Tax Department (ITD) to implement the income tax which was introduced in the same year. After several policy changes, ITD was renamed as Inland Revenue Department (IRD) in 1958. The first commissioner of the Income Tax Department was Mr. Huxham and the first regional office was established in Jaffna in 1963. Currently, it has gone to fifteen regional offices to administer more than five taxes. Over the years, IRD grew in number, as well as in stature elevating it to one of the leading tax collecting agencies in the country. In 1974, IRD was re - structured and Inland Revenue Service was established as a closed service. Further, first Inland Revenue Act No. 28 of 1979 was enacted adhering to current year tax basis. In 2006, a new titled Inland Revenue Act No. 10 was enacted and ESC was imposed under this Act. Finally, Inland Revenue Act No. 24 of 2017 was introduced in 2018.

Sri Lanka has a self-assessment payment system in which every taxpayer should assess his liability by himself and pay relevant tax in line with tax rules and regulations. There are 1,007 tax administrators along with the staff of 1,474 combined service employees to collect tax revenue relating to Income Tax, Value Added Tax (VAT), Economic Service Charge (ESC), Nation Building Tax (NBT), Betting and Gaming Levy, Stamp Duty, Share Transaction Levy, Remittance Fee and Tax on Voluntary Disclosure etc. First tax amnesty was performed in 1964 with a view to increasing the tax base.

IRD has fortified government revenue by adding 632,831 million rupees in 2021 and it is 20.78% increment with compared to the previous year revenue collection. It was a 43.43% contribution to the total government revenue and 3.76% to the Gross Domestic Production (GDP) of the year. IRD has implemented online services through the RAMIS to deliver an excellent service to the public and other institutions. It was a huge support to supply a continuation service to public, amidst COVID - 19 pandemic prevailed in the country.

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

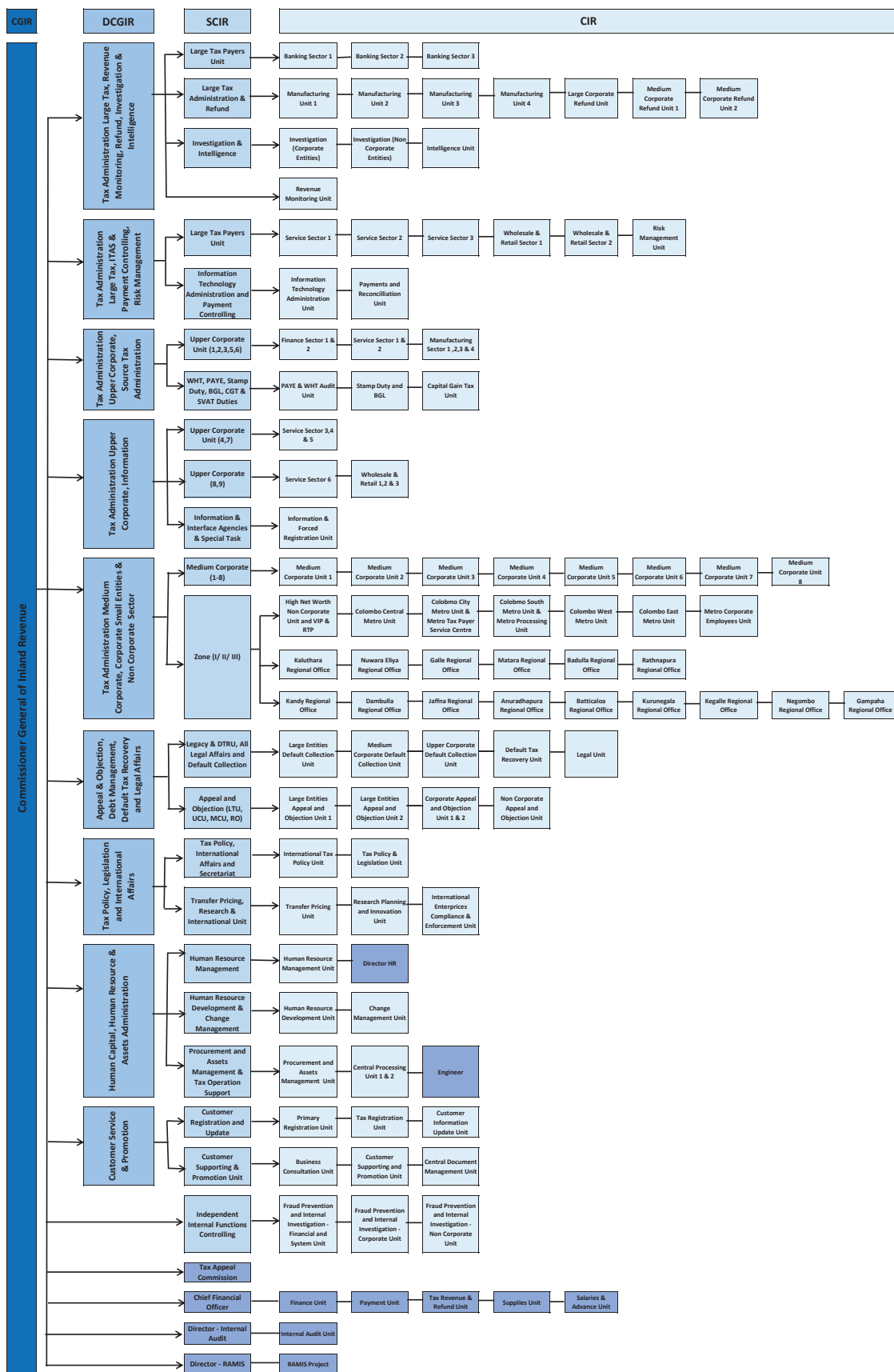
- Administration of all enactments falls under the purview of the Commissioner General of Inland Revenue (CGIR)
- Collection of government tax revenue
- Providing feedback on implementation of fiscal policies

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 Tax Recovery Division
- Secretariat
- Source Tax Division
- Information & Communication Technology (ICT) Administration Division
- Fraud Prevention and Investigation Division
- Human Resource and Assets Administration Division
- Finance Division
- Revenue Administration and Management Information System (RAMIS) Project Division

1.5 Organization Chart

Organization Chart of Inland Revenue Department as at 31.12.2021



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 2
Progress and the
Future Outlook



2.1 Special Achievements of the IRD in the year 2021

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 Administered by IRD

Tax	Enactments
Income Tax (IT)	Inland Revenue Act, No. 24 of 2017 as amended by Act, No.10 of 2021
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, 19 of 2019 and No. 9 of 2021
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
Remittance Fee (RF)	Foreign Exchange Act, No. 12 of 2017
Tax on Voluntary Disclosure (TVD)	Finance Act, No. 18 of 2021

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 2021

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. 632,830,585,186/- (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 2021.

The total revenue collection for the year, amounting to Rs. 632,831 million shows an increase of Rs. 108,897 million comparing the previous year. Whether, the COVID – 19 pandemic emerge time to time during the year, the staff of IRD has dedicated to achieving this success by Work From Home (WFH) by connecting to RAMIS. The wide array of measures undertaken by IRD for facilitating and enforcement of compliance including the implementation of RAMIS system are the factors of success of IRD.

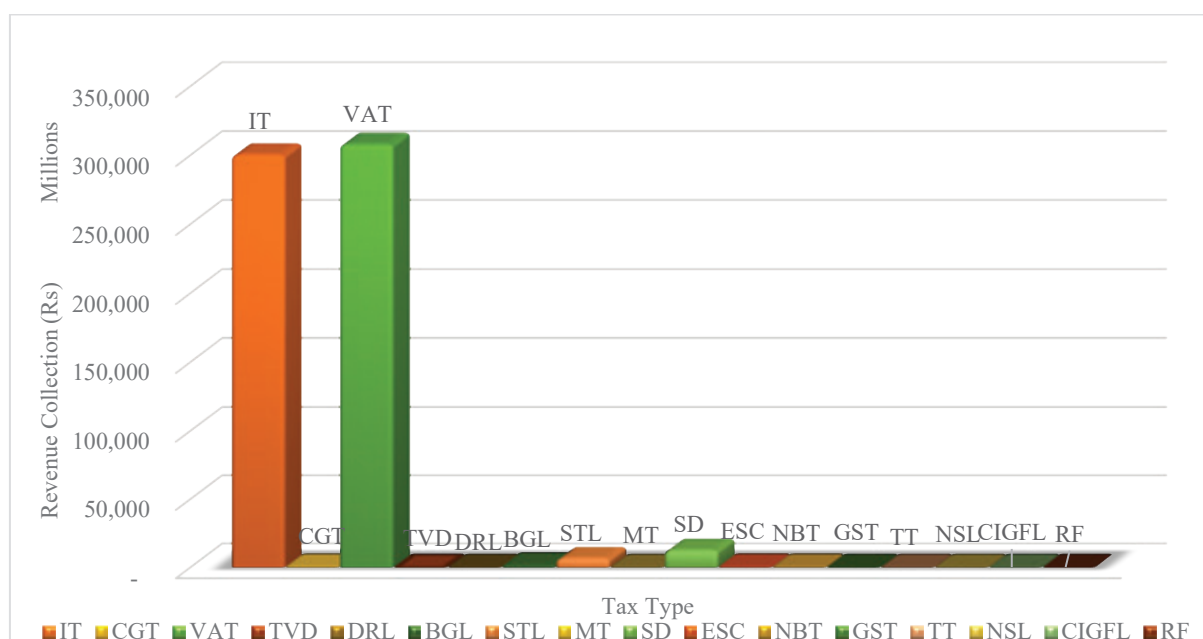
The ratio of the total revenue contribution by the IRD to the Government revenue in the year was 43.43%. Total collection of revenue indicates 103.30% achievement when compared to the revenue under each type of taxes with the corresponding estimates while net revenue collection (excluding Stamp Duty 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 101.16% from the estimate for the year.

Table 2.3: Total Revenue Collection – 2021

Type of Tax	Revenue Estimate (Rs:)	Revenue collection (Rs:)	Collection as a % of Estimate	Collection as a % of Total Revenue
Income Tax	293,000,000,000	300,544,591,273	102.57%	47.49%
Capital Gain Tax	500,000,000	667,876,234	133.58%	0.11%
Value Added Tax	310,000,000,000	308,213,044,594	99.42%	48.70%
Tax on Voluntary Disclosure	500,000,000	174,616,959	34.92%	0.03%
Debt Repayment Levy	-	7,565,402	-	0.00%
Betting & Gaming Levy	2,200,000,000	1,939,352,796	88.15%	0.31%
Share Transaction Levy	5,100,000,000	6,964,477,149	136.56%	1.10%
Migrating Tax	13,500,000	17,032,375	126.17%	0.00%
Stamp Duty	-	12,949,837,858	-	2.05%
Economic Service Charge	1,000,000,000	728,114,581	72.81%	0.12%
Nation Building Tax	300,000,000	599,129,474	199.71%	0.09%
Goods & Services Tax	-	244,534	-	0.00%
Turnover Tax	-	18,742,858	-	0.00%
National Security Levy	-	322,006	-	0.00%
Construction Industry Guarantee Fund Levy	-	422,144	-	0.00%
Remittance Fee	1,000,000	5,214,948	521.49%	0.00%
Total Revenue Collection	612,614,500,000	632,830,585,186	103.30%	100.00%

Source: Inland Revenue Department

Figure 2.1: Total Revenue Collection - 2021



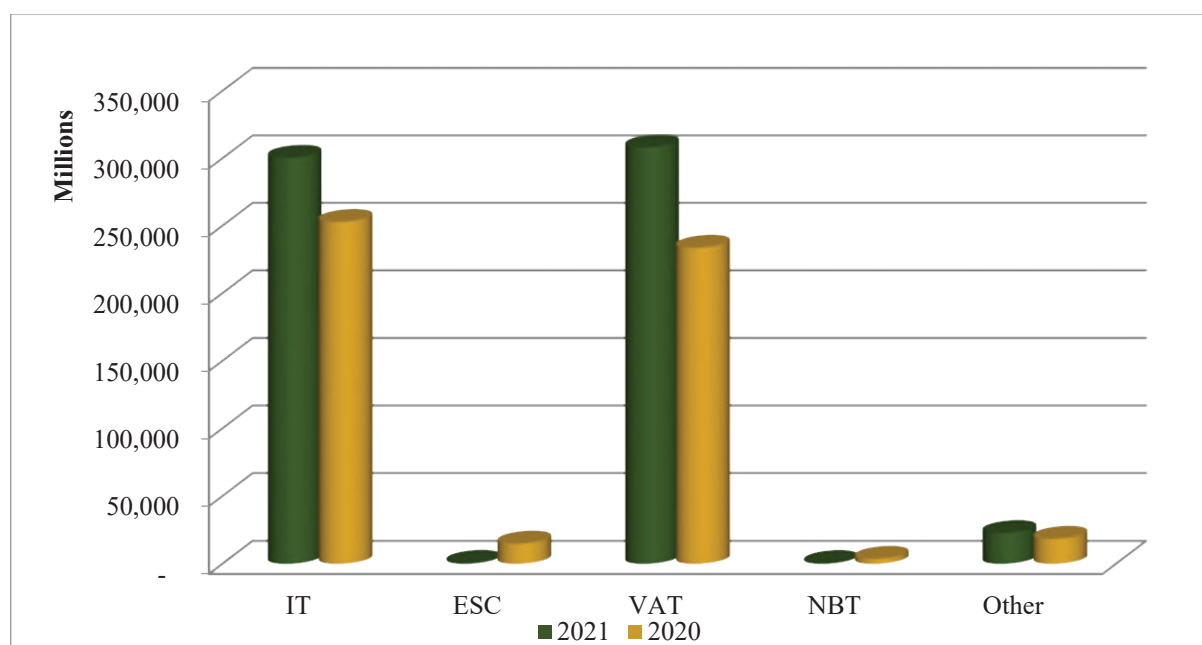
Source: Inland Revenue Department

Table 2.4: Revenue Comparison of Year 2021 and 2020

Type of Tax	2021 Revenue Collection Rs.	2020 Revenue Collection Rs.	Increase/ Decrease of Collection as a %
Income Tax	300,544,591,273	252,941,572,901	18.82%
Capital Gain Tax	667,876,234	357,594,125	86.77%
Value Added Tax	308,213,044,594	233,786,120,184	31.84%
Tax on Voluntary Disclosure	174,616,959	-	-
Debt Repayment Levy	7,565,402	3,002,271,834	-99.75%
Betting & Gaming Levy	1,939,352,796	1,428,071,291	35.80%
Share Transaction Levy	6,964,477,149	2,347,277,681	196.70%
Migrating Tax	17,032,375	5,853,185	190.99%
Stamp Duty	12,949,837,858	11,354,837,819	14.05%
Economic Service Charge	728,114,581	14,950,042,437	-95.13%
Nation Building Tax	599,129,474	3,740,463,661	-83.98%
Goods & Services Tax	244,534	226,221	8.09%
Turnover Tax	18,742,858	16,257,541	15.29%
National Security Levy	322,006	2,399,368	-86.58%
Construction Industry Guarantee Fund Levy	422,144	636,657	-33.69%
Remittance Fee	5,214,948	-	-
Total Revenue Collection	632,830,585,186	523,933,624,905	20.78%

Source: Inland Revenue Department

Figure 2.2: Revenue Comparison of Year 2021 with 2020



Source: Inland Revenue Department

2.1.3 Contribution of the Inland Revenue Department to the Government Revenue

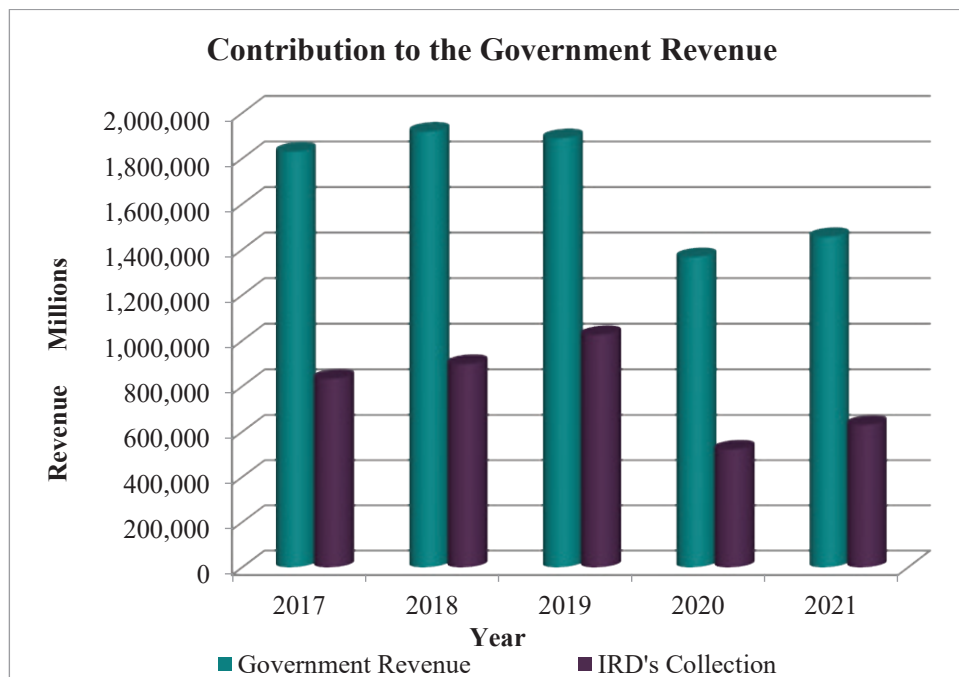
Table 2.5 shows the contribution of the Inland Revenue Department to the Government Revenue and to the Gross Domestic Production (GDP) in 2021 and its trends in last consecutive four years. Figure 2.3 illustrates these contributions. Total Government Revenue in 2021 was Rs. 1,457,071 million and IRD recorded 43.43% from the total Government revenue. Revenue collection of IRD as a percentage of GDP at current price was 3.76 % in 2021.

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
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%	14,997,157	6.84%
2020	1,367,960	523,934	38.30%	15,027,374	3.49%
2021	1,457,071	632,831	43.43%	16,809,309	3.76%

Source: Inland Revenue Department

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 Provincial Councils - 2021

	Total Collection (Rs.)	Amount Transferred to Provincial Councils (Rs.)	%
Nation Building Tax	599,129,474	165,395,220	33.33%
Stamp Duty	12,949,837,858	12,949,837,858	100%

Source: Inland Revenue Department

2.1.5 Income Tax Collection

The contribution from the corporate sector to the total income tax collection amounted to Rs.251,831 million or 84% of the total income tax collected. The non-corporate sector contributed Rs. 48,714 million or 16%.

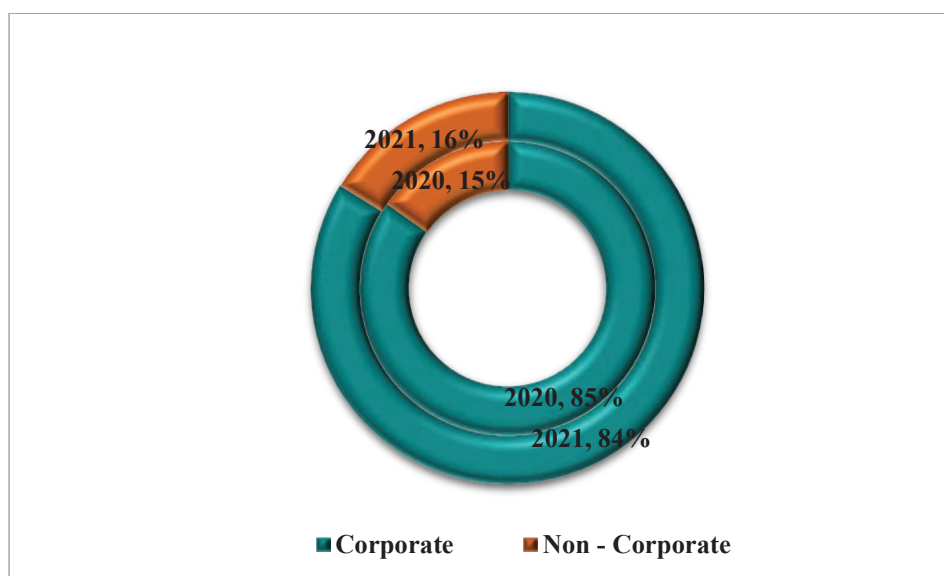
Table 2.7 shows the composition and Figure 2.4 illustrates it.

Table 2.7: Corporate & Non-Corporate Income Tax Collection

	2021		2020	
	Tax Collection (Rs.)	%	Tax Collection (Rs.)	%
Corporate*	251,830,847,280	84%	214,461,197,787	85%
Non- Corporate**	48,713,743,993	16%	38,480,375,114	15%
Total	300,544,591,273	100%	252,941,572,901	100%
* Includes Dividends Tax of Rs. 483 Mn in 2021 & Rs. 4,311 Mn in 2020				
**Includes WHT and Income Tax paid by employees under Pay as You Earn (PAYE) scheme				

Source: Inland Revenue Department

Figure 2.4: Corporate and Non - Corporate Income Tax Collection 2020 & 2021



Source: Inland Revenue Department

2.1.6 Value Added Tax Collection

The Value Added Tax (VAT) collection during the year reflects an increase of Rs. 74,427 million or 31.84% over that of the previous year which was Rs 223,786 million. However, when compared with the estimate of Rs. 310,000 million for the year, the revenue for the year has shown a subtle difference of Rs. 1,787 million. Monitoring returns and payments closely and administration under RAMIS helped to increase in VAT revenue. VAT collected on domestic supplies shows Rs. 63 million increment with compared to VAT on imports. The total domestic VAT collected for the year was Rs. 185,462 million and this amount was an increase of 25.26% over that of the Rs. 37,401 million of the year 2020. While, VAT collected on imports during the year 2021 shown an increase of 43% over the previous year.

Table 2.8 shows the sector wise gross collection of Value Added Tax, refunds and the net collection.

Table 2.8: Value Added Tax Gross Collection and Refunds

Sector	2021			2020	
	Gross Collection (Rs.)	Refunds	Net Collection (Rs.)	Net Collection (Rs.)	
Manufacturing	40,091,354,658	455,962,894	39,635,391,763		42,508,495,632
Non-manufacturing					
Service	78,509,090,905		78,509,090,905	63,100,659,321	

Financial service	67,317,686,840		67,317,686,840	42,451,850,831	105,552,510,152
Imports	122,765,927,289	15,052,205	122,750,875,084		85,725,114,398
Total			308,213,044,594		233,786,120,183

Source: Inland Revenue Department

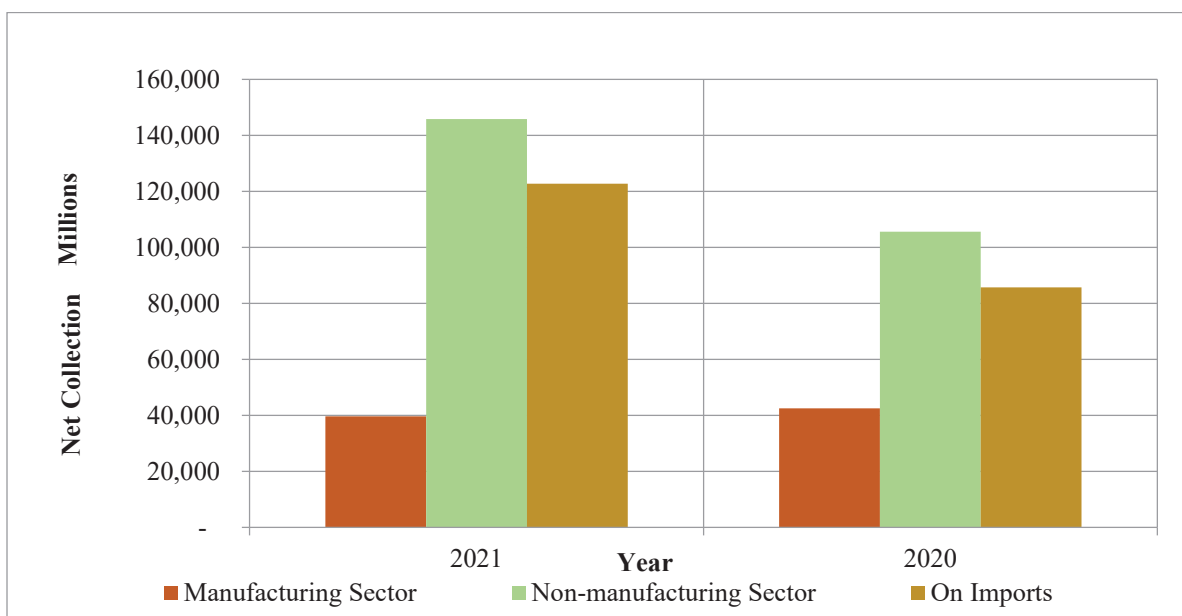
Table 2.9 shows the VAT on sector wise net collection of Value Added Tax and percentage of VAT collection to GDP which is illustrated in Figure 2.5.

Table 2.9: Sector Wise Analysis of VAT Contribution to GDP

Sector	2021		2020		Percentage of VAT collection to GDP	
	Net Collection (Rs)	%	Net Collection (Rs)	%	2021	2020
Manufacturing Sector	39,635,391,764	12.86%	42,508,495,632	18.18%	0.57%	0.55%
Non-manufacturing Sector	145,826,777,746	47.31%	105,552,510,153	45.15%	1.49%	1.40%
On Imports	122,750,875,084	39.83%	85,725,114,398	36.67%	1.25%	1.24%
Total	308,213,044,594	100.00%	233,786,120,184	100.00%	3.31%	3.19%

Source: Inland Revenue Department

Figure 2.5: Sector Wise Analysis of VAT Contribution to GDP



Source: Inland Revenue Department

2.1.7 Audits

Audits and investigations were undertaken during 2021 to a widest possible coverage of the taxpayer population, in terms of business activity, entity type and business size. However, as

the prevailed COVID – 19 pandemic situation in the country, number of audits and revenue collected through assessment shows significant decrease in year 2021. Table 2.10 and Table 2.11 shows the details of audits and revenue collected through audits.

Table 2.10: Details of Audits

Rs. '000

	Income Tax	VAT	ESC	NBT	Total
Total amount of additional tax assessed during the year	1,317,556	20,518,058	26	73	21,835,713
Total amount of additional tax collected during the year	1,214,937	152,124	-	-	1,367,061
Number of audit cases commenced during the year	4,862				
Number of audit cases finalized during the year	1,477				

Source: Inland Revenue Department

Table 2.11: Classification of Additional Taxes by Corporate and Other Units (excluding penalty)

Description	Additional Income/ Turnover Assessed and Agreed (Rs.'000)	Additional Tax Assessed and Agreed (Rs.'000)				Additional Tax Collected (Rs.'000)
		Corporate - LTU	Corporate - Other	Other Units	Total	
Income Tax	14,048,640	433,009	879,984	4,562	1,317,556	1,214,937
VAT	21,065,890	20,476,274	23,517	18,267	20,518,058	152,124*
ESC	2,656	26	-	-	26	-
NBT	3,672	-	73	-	73	-

Source: Inland Revenue Department

*Additional tax collected under VAT includes collected amount up to 31.12.2021

2.1.8 Appeals

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

Table 2.12: Analysis of the Appeals Received and Settled

	Income Tax	VAT	PAYE	ESC	NBT	WHT	Total
Balance as at 01.01.2021	287	342	1	11	265	2	621

Registered (as per APL 2) during the year	224	386	3	3	234	0	836
Settled	143	269	2	0	136	1	739
Balance as at 31.12.2021	211	196	2	1	117	0	213
Submitted for CGIR's hearing	157	263	0	13	246	1	505

Source: Inland Revenue Department

2.1.9 Details of Taxpayer Registration

The number of persons registered with the IRD for different taxation purposes, as at the end of the year 2021 is shown in Table 2.13.

Table 2.13: Number of Taxpayers Registered

	as at 31.12.2021		as at 31.12.2020	
Income Tax				
<i>Corporate</i>				
Resident Companies / Non - Resident Companies/ Bodies of Persons	68,009		60,721	
<i>Non - Corporate</i>				
Individuals	292,305		292,712	
Partnerships	16,798		16,949	
Employees paying Income Tax under Advanced Personal Income Tax (APIT) Scheme	32,702		209,800*	
Total Income Taxpayers		409,814		580,182
Other Taxpayers				
Persons registered for Value Added Tax (VAT)	9,070		8,152	
Persons registered for Value Added Tax on Financial Services	246		239	
Persons registered for Betting & Gaming Levy Taxpayers	660		637	
Total Other Taxpayers		9,976		9,028
Employers Registered under APIT Scheme	34,985		34,991	
Withholding/Advanced Income Tax (AIT) agents registered for Withholding Tax/ AIT on Interest	604		615	
Withholding Tax/ AIT on Specified Fees (Regular Monthly Schedules Senders)	41,862		43,188	
Stamp Duty (Regular Monthly Schedules Senders)	9,854		9,609	
		87,305		88,403
Total Number of Registered Taxpayers		507,095		677,613

* Employees paying Income Tax under Advanced Personal Income Tax (APIT) as at 31.12.2020 has been revised

Source: Inland Revenue Department

2.1.10 Productivity Ratio

The total expenditure of the IRD in the year 2021 was Rs. 4,577 million and the revenue collected was Rs. 632,831 million. Therefore, the productivity ratio (i.e. the revenue collected for every rupee of expenditure) is 138:1. In other words, the cost of collection for 100/- rupees was 72 cents. The cost of collection for the 100/- rupees excluding VAT, NBT and ESC on imports, accounted 90 cents. (In year 2020 the corresponding amounts were 86 cents and Rs. 1.03 respectively). Table 2.14 provides a classification of revenue collection, total expenditure and the cost of collection for the year 2019 to 2021.

Table 2.14: Revenue Collection, Total Expenditure and Cost of Collection (Rs. Millions)

Description	2021	2020	2019
Revenue collection			
Income Tax	300,544.59	252,941.57	371,795.68
Capital Gain Tax	667.88	357.59	602.44
Value Added Tax	308,213.04	233,786.12	443,877.13
Tax on Voluntary Disclosure	174.62	-	-
Debt Repayment Levy	7.57	3,002.27	28,673.57
Betting and Gaming Levy	1,939.35	1,428.07	2,435.98
Share Transaction Levy	6,964.48	2,347.28	1,023.44
Migrating Tax	17.03	5.85	5.01
Stamp Duty	12,949.84	11,354.84	14,863.02
Economic Service Charge	728.11	14,950.04	55,301.40
Nation Building Tax	599.13	3,740.46	105,185.80
Goods & Services Tax	0.24	0.23	17.04
Turnover Tax	18.74	16.26	29.63
National Security Levy	0.32	2.40	9.05
Construction Industry Guarantee Fund Levy	0.42	0.64	1.22
Vehicle Entitlement Levy	-	-	1,498.60
Remittance Fee	5.21	-	-
Total Collection	632,830.59	523,933.62	1,025,319.01
Expenditure			
Recurrent Expenditure			
Emoluments	2,707.27	2,736.63	2,712.91
Travelling	2.62	7.09	22.55
Supplies and Equipment	136.34	121.00	170.84
Maintenance and repairs	183.54	158.78	142.41
Contracted Services	584.13	593.20	720.17
Transfers	33.58	44.76	43.85
Others (Loses & Write off)	-	0.22	
Capital Expenditure			
Rehabilitation & Improvements	38.73	139.77	114.85

Acquisitions	50.62	65.01	144.55
Capacity building	17.01	19.74	42.80
Investment (RAMIS Project)	823.16	227.60	364.27
Investment (New IR Act)	-	375.92	55.93
Total Expenditure	4,577.00	4,489.72	4,535.13
Cost of Collection per 100/-	0.72	0.86	0.44
Cost of Collection per 100/-, excluding VAT, NBT & ESC on imports	0.90	1.03	0.54

Source: Inland Revenue Department

2.1.11 Awareness Programs for Tax Paying Public and Tax Professionals

Inland Revenue Department organized awareness programs for taxpayers and tax professionals during the year 2021. These programs mainly focused on delivering knowledge about changes of tax law and return filling through e-Service.

Table 2.15: Awareness Programs for General Public in Year 2021

No.	Subject	Institute	No. of Persons Attend
1	Individual Income Tax (IIT)	Telecommunication Engineers Union	450
2	APIT / PAYE	Ceylon Electricity Board	800
3	Corporate Income Tax (CIT)	Tax Payers / Audit firms / Tax Consultants and all stakeholders interested in subject	Awareness programs have been conducted via <i>Microsoft teams</i> . Recorded and uploaded to the YouTube <i>Channel</i> of IRD and links have been sent to the customers via <i>email</i> and also published on department <i>face book page</i> and <i>website</i> .
4	WHT/ AIT 20/21		
5	APIT/PAYE 20/21		
6	Statement of Estimated Income Tax Payable - 21/22 (Sinhala Medium)		
7	Statement of Estimated Income Tax Payable - 21/22 (English Medium)		
8	Return of Income/ Corporate Income Tax 20/21 (Sinhala Medium)		
9	Return of Income/ Corporate Income Tax 20/21 (Tamil Medium)		
10	Return of Income/ Individual Income Tax 20/21 (Sinhala Medium)		
11	Return of Income/ Individual Income Tax 20/21 (English Medium)		
12	Return of Income/ Individual Income Tax 20/21 (Tamil Medium)		

13	Return of Income/ Partnership Income Tax 20/21 (Sinhala Medium)		
14	Return of Income/ Partnership Income Tax 20/21 (English Medium)		
15	Return of Income/ Partnership Income Tax 20/21 (Tamil Medium)		
16	Corporate Income Tax 20/21 e-filing (Sinhala Medium)		
17	Corporate Income Tax 20/21 e-filing (English Medium)		
18	Individual Income Tax 20/21 e-filing (Sinhala Medium)		
19	Individual Income Tax 20/21 e-filing (English Medium)		
20	Partnership Income Tax 20/21 e-filing (Sinhala Medium)		
21	Partnership Income Tax 20/21 e-filing (English Medium)		
22	Estimated Income Tax 21/22 e-filing - RAMIS Call Centre	RAMIS Call Centre and IRD	150
23	Basic Income Tax Regulations	BSC Staff Training	600
24	Tax on Voluntary Disclosure (Sinhala Medium)	Tax Payers / Audit firms / Tax Consultants and all stakeholders interested in Subject	Awareness programs have been conducted via Microsoft teams . Recorded and uploaded to the YouTube Channel of IRD and links have been sent to the customers via email and also published on department face book page and website .
25	Tax on Voluntary Disclosure (English Medium)		

Source: Inland Revenue Department

2.1.12 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 2.16: Income Tax Return Compliance 2016/2017 - 2020/2021

Year of assessment	Sector	Compliance on due date	Compliance within one month from the due date
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%
	Non-Corporate	3%	6%
2020/2021	Corporate	12%	26%
	Non-Corporate	6%	20%

Source: Inland Revenue Department

Table 2.17: Return Compliance on VAT

Year	Compliance
Year 2019	47%
Year 2020	36%
Year 2021	47%

Source: Inland Revenue Department

Due to the COVID 19 pandemic situation, return submission due date has been extended up to December 31, 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 26% and 20% compliance rates after the grace period for the corporate sector and non - corporate sectors respectively.

2.1.13 Main Policy Changes Relating to Income Tax in the Year 2021

2.1.13.1 Policy changes made on Income Tax

1. Marketing and communication expenses

If a person incurred marketing and communication expenses related to production of income in calculating income from the business shall be deducted irrespectively whether they are

capital or not and additional deduction of 100% for three years of assessment with effect from April 1, 2021.

2. Application of electronic tax system

E-filing of tax returns are compulsory to companies and public corporations with effect from April 1, 2021.

3. Accounts and records

As different corporate tax rate has been introduced, separate financial statements shall be maintained to identify separately the taxable income from gains and profits in applying each income tax rate to each part of the taxable income or to identify the exempted gains and profits with effect from April 1, 2021.

4. Tax returns

It is mandatory to submit the certificate with the return of income if the return is prepared for a payment by any person, including an approved accountant specifying the documents examined by him with effect from April 1, 2021.

5. Punitive provision for fraudulently prepared or certified documents

If any person fraudulently prepares any document of information or certifies a document, conviction after summary trial before a Magistrate be liable to a fine not exceeding one million rupees or to imprisonment for a term not exceeding six months with effect from April 1, 2021.

6. Tax rates

- i. The progressive rate of 18%, reduced to maximum rate of 14% for consideration received in respect of gems and jewellery and amounts received on the supply of electricity to national grid generated by using renewable energy resources, by any individual with effect from April 1, 2021.
- ii. Aggregate Income Tax shall be reduced by 50% other than the gains from the realization of investment assets, with effect of April 1, 2021, for any company including BOI companies which lists its shares on or after January, 1 2021, but prior to December 31, 2021 in the Colombo Stock Exchange.
- iii. Income Tax payable on the gains and profits from the dividends by any multinational companies shall be reduced by 25% for the Y/A commencing from April 1, 2021 and 50%

for the two years of assessment immediately succeeding that year of assessment, subject to the condition that there shall be

- a) An increase in exports (other than specified undertaking) by 30% in the Y/A commencing from April 1, 2021 compare to immediately preceding Y/A or
- b) An increase in exports (other than specified undertaking) by 50% in the Y/A commencing from April 1, 2022.

iv. Income Tax payable by any persons who engage in agro farming together with agro processing or manufacturing shall be reduced by 25% from the total tax payable, for that year of assessment, for five years of assessment with effect from April 1, 2021.

7. Investment incentives-

- i. **Improvements on Leasehold Lands**
Any building, structure, similar work of a permanent nature constructed or made in a leasehold land by the person who made the investment shall not be deemed as an intangible asset but deemed as a depreciable asset with effect from April 1, 2021.
- ii. **Exempt of Employment Income**
The rate of tax to be applied on employment income of an expatriate employee shall be zero, if a company making the payment of more than USD 250 on depreciable asset (other than intangible asset) in Sri Lanka, for the period in which that payment is made out of profits sheltered by enhanced capital allowances under investment incentives, or for five years from the number of expatriate employees at any time during that period does not exceed twenty.

8. Exempt Amounts

- i. Any welfare society which has been set up or formed for the welfare of its members or their respective families and contributions are made by its members including benevolent funds, is exempt from income tax with effect from April 1, 2021.
- ii. Any multinational company which is part of a group of associated companies, with business establishments in two or more countries, is exempt from income tax on any deposit opened and maintained in foreign currency in any domestic bank, if such deposits is maintained to cover its import expenditure for that year of assessment, with effect from April 1, 2021.

- iii. A gain from the realization of Sri Lanka international sovereign bonds issued by or on behalf of the Government of Sri Lanka and received or derived by a commercial bank or authorized dealer who made an aggregate investment not less than USD 100 million in such bonds are exempt on or after April 1, 2021.
- iv. Interest or discount accrued or derived on or after April 1, 2021 by any Samurdhi community- based banks established under the Department of Samurdhi Development from security or treasury bonds under the Registered Stock and Securities Ordinance (Chapter 420) or treasury bills under the Local Treasury Bills Ordinance (Chapter 417) is exempt from income tax with effect from April 1, 2021.
- v. Dividends and gains on the realization of units or amounts derived as gains from the realization of capital assets of a business or investment by a unit holder, from real estate investment trust listed in the Colombo Stock Exchange and licensed by the Securities and Exchange Commission of Sri Lanka are exempt from income tax with effect from April 1, 2021.
- vi. The gains and profits earned or derived by any person from any vocational education programs of any Vocational Educational Institution which is standardized under Technical and Vocational Educational and Training concept (TVET concept) and regulated by the Tertiary and Vocational Education Commission –
 - a. If such institution has double its student intake of the vocational education programs for such year of assessment compared to the student intake of such programs in the year of assessment immediately preceding that year of assessment exempt from income tax with effect from April 1, 2021.
 - b. If any institute which doubled the student intake of the vocational education programs as provided for in the first year and maintained the same student intake of such programs of the first year for the next four years shall be deemed as an institution which fulfilled the requirement in such years exempt from income tax with effect from April 1, 2021
- vii. Any business of export of gold, gems or jewelry or from the business of cutting and polishing of gems which are brought to Sri Lanka and exported after such cutting

and polishing, where such gains and profits earned in foreign currency are remitted through a bank to Sri Lanka, are exempt from income tax with effect from April 1, 2021.

- viii. Income Tax exempt from gains and profits received or derived from business (other than any gains from the realization of capital assets and liabilities of the business as calculated under Chapter IV of IR Act.) by a person from following any new undertaking (which is not formed by splitting up or re-construction of an existing undertaking) commenced on or after April 1, 2021, for that period, subject to the conditions contained herein: -
- a. an undertaking which is involved in the sale of construction materials recycled in a selected separate site established in Sri Lanka to recycle the materials which were already used in the construction industry, (a person who is involved in the provision of construction services using construction materials recycled by him from a site with the same conditions, in the provision of such services provided by him shall be deemed to have sold such materials for the construction service at a market price prevailing at the time of such deemed sale), for a period of ten years;
 - b. any business commenced on or after April 1, 2021 by an individual after successful completion of vocational education from any Vocational Education Institution which is standardized under Technical and Vocational Education and Training concept (TVET concept) and regulated by the Tertiary and Vocational Education Commission, for a period of five years;
 - c. an undertaking commenced by a resident person for the purpose of manufacturing of boats or ships in Sri Lanka and received or derived any gains and profits from the supply of such boats or ships, for a period of seven years;
 - d. any renewable energy project established with a capacity to produce not less than one hundred Mega Watts of solar or wind power and supplied such power to the national grid, for a period of seven years;
 - e. an undertaking commenced on or after January 1, 2021 by any resident person who constructs and installs communication towers and related appliances using

local labor and local raw materials in Sri Lanka or provides required technical services for such construction or installation, for a period of five years;

Tax exemption periods provided in the above subparagraphs (other than in subparagraph (vi)) shall be reckoned from the year of assessment in which the undertaking commences to make profits (assessable income from such business) from transactions entered into in that year of assessment or from the commencement of the year of assessment immediately succeeding the year of assessment in which the undertaking completes a period of two years reckoned from the date on which the undertaking commences to carry on commercial operations, whichever occurs earlier.

9. Qualifying Payments and Relief

Following qualifying payments shall be deducted in arriving at the taxable income of an individual or entity with effect from April 1, 2021;

- i. contribution made by a resident individual in money or otherwise to establish a shop for a female individual who is from a Samurdhi beneficiary family as recommended and confirmed by the Department of Samurdhi Development;
- ii. expenditure incurred by any financial institution by way of cost of acquisition or merger of any other financial institution where such cost is ascertained by considering all the facts on case-by-case basis and as confirmed by the Central Bank of Sri Lanka. Such deductible expenditure shall be apportioned in equal amounts over a period of three years of assessment and be deductible from the assessable income of that financial institution in each such year of assessment commencing from the year of assessment where the expenditure is incurred:

Provided however, any amount which was not deducted during the three years period, by reason of the total assessable income in a year has not exceeded the above permitted deduction, shall be deducted in the year of assessment immediately after the three years period and so on;

- iii. expenditure incurred on or after April 1, 2021, by any person-
 - a. in the production of a film at a cost of (including promotional expenditure of such film) not less than five million rupees;
 - b. in the construction and equipping of a new cinema at a cost of not exceeding twenty-five million rupees;
 - c. in the upgrading of a cinema at a cost of not exceeding ten million rupees:

Provided that, the deduction under this subparagraph shall be restricted to one third of the taxable income of the year of assessment, and any amount which is not deducted in current year may be carried forward and deducted in the next succeeding year and so on, subject to the same restriction.

- iv. in the case of a resident individual who has acquired solar panels to fix on his premises and connected to the national grid, Rs. 600,000 for each year of assessment, up to the total expenditure on such solar panels or up to the amounts paid to a bank in respect of any loan obtained to acquire such solar panels.

10. Administrative review

A taxpayer who is aggrieved by the decision on administrative review of an assessment may appeal to the Tax Appeals Commission within thirty days from the date of receipts of the decision of the Commissioner General or within next thirty days from the date lapsed the seven months since the request for administrative review was made under administrative review.

2.1.13.2 Policy changes made on Value Added Tax

Removal of the provisions permitting deemed input credit facility granted to persons engaged in whole sale and retail trade and have registered for VAT on or after May 02, 2016 on purchases from non-registered persons with effect from May 13, 2021. Since the registration threshold has been increased up to 75 M per quarter or 300M per annum for all persons.

2.1.13.3 Finance Act, No 18 of 2021

1. In order to enable persons to voluntarily disclose undisclosed taxable supplies, Income and Assets required to be disclosed under the Inland Revenue Acts and VAT Act by making 1% Tax on Voluntary Disclosure.
2. In order to write off tax arrases and waive off penalty on Income Tax, VAT and terminated taxes including ESC, NBT for any year of assessment commencing prior to April 1, 2020 and any taxable period commencing prior to December 31, 2020.

2.1.14 Legislations Enacted During the Year

New amendment was introduced within the year as following.

- Inland Revenue (Amendment) Act, No. 10 of 2021
- Value Added Tax (Amendment) Act, No. 9 of 2021

➤ Finance Act, No. 18 of 2021

2.1.15 Gazette Notices Issued During the Year

Following Gazette notices were issued during the year under the Inland Revenue Act, No. 24 of 2017 and the Value Added Tax Act, No.14 of 2002.

Table 2.18: Gazette Notices Published During the Year 2021

	Gazette No.	Date	Description
I	2217/07	02.03.2021	Regulations on Transfer Pricing
II	2232/06	14.06.2021	Notice under Section 5,10, First Schedule and Third Schedule
III	2234/06	29.06.2021	Information technology and enabled services prescribe for the purpose of Subparagraph (ii) of Paragraph (u) of Third Schedule of the Inland Revenue Act, No. 24 of 2017 as amended by the Inland Revenue (Amendment) Act, No. 10 of 2021,
IV	2234/07	29.06.2021	Information technology and enabled services prescribe for the purpose of item (Liv) of paragraph (b) of PART II of the First Schedule of the Value Added Tax Act, No. 14 of 2002 as amended by the Value Added Tax (Amendment) Act, No. 9 of 2021
V	2258/18	14.12.2021	Notice under Paragraph 10 of Sixth Schedule

Source: Inland Revenue Department

2.2 Challenges and Future Goals of IRD

2.2.1 Challenges

2.2.1.1. Tax administration during the COVID – 19 pandemic

Tax collection in the COVID – 19 period was a challenge as the change of tax policies and the difficulties to call the officers to the duties. IRD introduced circulars and regulations time to time. Therefore 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 (WHF).

2.2.1.2. Sri Lanka's low tax to GDP ratio

As per the reports, Sri Lanka's tax-to-GDP of 7.7 % in 2021 is one of the lowest in the World. Further to mention that, this percentage may be considered as the lowest reported from the country's independence.

In view of the foregoing, the system within the country fails to gather sufficient tax revenue to the State Coffers. There is a lot of room for addressing the 'tax compliance gap'. However, it continues to be a challenge at this juncture where the reliance on foreign debt is very high. It is significant that domestic tax collection plays a great role in coming out of the debt trap. However, this process must be carried out with appropriate skills and competency to have better results.

2.2.1.3. Direct to indirect ratio of tax collection

In the discussion of taxes imposed by the Government of Sri Lanka mainly there are two types of taxes as direct taxes and indirect taxes. As per the reports of the Central Bank of Sri Lanka, taxes are the most important revenue source for the Government which contributes a considerable portion of the revenue.

Whilst the policymakers have appreciated this inequity, over the years it has not reached the desired ratios or even reversed the ratio. This exercise also requires skills and the discipline of the policymakers and tax administrator. Broadening the Income Tax base plays a major role in this exercise while gradually cutting down the indirect taxes.

2.2.2 Future Goals

2.2.2.1. To streamline the tax appeal process

If the tax appellate procedure of the IRD will be improved in a reliable manner, it will result in the development of the IRD. In this process, first two stages are administrative in nature and in respect of a question of law, appellant could approach the Court of Appeal and the Supreme Court.

2.2.2.2. To improve awareness on tax

Inland Revenue Department is making endeavors to create awareness in relation to taxes among the taxpayers and the parties concerned by conducting seminars and trainings. Awareness on taxes will expedite tax collection process minimizing evasion of paying tax.

2.2.2.3. Write – off tax in arrears

Default tax amount as at 31.12.2021 as the percentage of the revenue estimate given by the finance ministry was 17.6% it was granted a facility of write of tax in arrear to the CGIR according to the Section 58 (1) of the Inland Revenue (Amendment) Act, No. 10 of 2021 and part 2 of the Finance Act No. 10 of 2021. One of the future goals of the Inland Revenue Department is to minimize the taxes in default which cannot be collected accordingly.



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Commissioner General of Inland Revenue

CHAPTER 3
Financial
Performance
for the Year



3.1 Statement of Financial Performance

ACA -F

Statement of Financial Performance for the period ended 31st December 2021

Budget 2021		Note	Actual	
Rs.			2021 Rs.	Restated 2020 Rs.
-	Revenue Receipts			-
295,000,000,000	Income Tax	1	302,115,199,047	268,249,209,463
317,614,500,000	Taxes on Domestic Goods & Services	2	317,600,153,060	242,940,291,128
-	Taxes on International Trade	3	-	-
-	Non - Tax Revenue & Others	4	-	-
612,614,500,000	Total Revenue Receipts (A)		619,715,352,107	511,189,500,591
-	Non - Revenue Receipts		-	-
-	Treasury Imprests		14,028,178,350	9,197,707,273
-	Deposits		9,567,919,307	10,204,093,014
-	Advance Accounts		129,575,000	108,549,754
-	Other Main Ledger Receipts		-	119,871,581
-	Total Non - Revenue Receipts (B)		23,725,672,656	19,630,221,622
-	Total Revenue Receipts & Non - Revenue Receipts C = (A)+(B)		643,441,024,763	530,819,722,213
-	Remittance to the Treasury (D)		8,046,782,572	3,276,304,266
-	Net Revenue Receipts & Non - Revenue Receipts E = (C)-(D)		635,394,242,191	527,543,417,947
-	Less: Expenditure			
-	Recurrent Expenditure			
3,334,000,000	Wages, Salaries & Other Employment Benefits	5	2,707,274,006	2,736,627,225
1,177,117,500	Other Goods & Services	6	906,628,915	880,073,961
50,500,000	Subsidies, Grants and Transfers	7	33,581,025	44,759,905
-	Interest Payments	8	-	-
190,000	Other Recurrent Expenditure	9	-	221,898
4,561,807,500	Total Recurrent Expenditure (F)		3,647,483,946	3,661,682,989
	Capital Expenditure			

257,400,000	Rehabilitation & Improvement of Capital Assets	10	38,726,693	139,771,299
1,335,782,500	Acquisition of Capital Assets	11	873,776,860	292,604,766
-	Capital Transfers	12	-	-
-	Acquisition of Financial Assets	13	-	-
200,000,000	Capacity Building	14	17,011,907	19,744,234
-	Other Capital Expenditure	15	-	375,918,921
1,793,182,500	Total Capital Expenditure (G)		929,515,460	828,039,220
	Deposit Payments		10,947,718,434	8,767,542,467
	Advance Payments		142,351,298	69,098,744
	Other Main Ledger Payments		-	-
	Total Main Ledger Expenditure (H)		11,090,069,732	8,836,641,211
	Total Expenditure I = (F+G+H)		15,667,069,139	13,326,363,420
-	Balance as at 31st December J = (E-I)		619,727,173,052	514,217,054,527
	Balance as per the Imprest Reconciliation Statement		619,727,173,052	514,217,054,527
	Imprest Balance as at 31st December		-	-
			619,727,173,052	514,217,054,527

3.2 Statement of Financial Position

ACA-4

Statement of Financial Position
As at 31st December 2021

	Note	Actual	
		2021	2020
		Rs	Rs
Non Financial Assets			
Property, Plant & Equipment	ACA-6	6,953,525,804	5,971,059,959
Financial Assets			
Advance Accounts	ACA-5/5(a)	347,907,610	335,131,311
Cash & Cash Equivalents	ACA-3	-	-
Total Assets		7,301,433,414	6,306,191,271
Net Assets / Equity			
Net Worth to Treasury		(710,172,145)	(2,102,747,571)
Property, Plant & Equipment Reserve		6,953,525,804	5,971,059,959
Rent and Work Advance Reserve	ACA-5(b)	-	-
Current Liabilities			
Deposits Accounts	ACA-4	1,058,079,755	2,437,878,882
Unsettled Imprest Balance	ACA-3	-	-
Total Liabilities		7,301,433,414	6,306,191,271

Detail Accounting Statements in ACA format Nos. 1 to 7 presented in pages from 7 to 43 and Notes to accounts presented in pages from 44, to 56 form an integral part of these Financial Statements. The Financial Statements have been prepared in complying 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 that figures in these Financial Statements, Notes to accounts and other relevant accounts were reconciled with the Treasury Books of Accounts and found in agreement.

We hereby certify that an effective internal control system for the financial control exists in the Reporting Entity and carried out periodic reviews to monitor the effectiveness of internal control system for the financial control and accordingly make alterations as required for such systems to be effectively carried out.

.....
S.R. Attygalle
Secretary to the Treasury, Ministry of Finance/
Chief Accounting Officer
Date: 25/1/22

.....
H.M.W.C. Bandara
Commissioner General
Accounting Officer
Department of Inland Revenue
Date: 24/02/2022

.....
N. Wijeweera
Chief Financial Officer
Department of Inland Revenue
Date: 24/02/2022

S. R. Attygalle
Secretary to the Treasury
Secretary to the Ministry of
The Secretariat
Colombo 01

H. M. W. C. Bandara
Commissioner General
Inland Revenue Department
Sir Chittampalam A. Gardiner Maw
Colombo 02

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 2021

	Actual	
	2021 Rs.	Restated 2020 Rs.
<u>Cash Flows from Operating Activities</u>		
Total Tax Receipts	497,995,981,909	430,694,440,966
Fees, Fines, Penalties and Licenses	-	-
Profit	-	-
Non - Revenue Receipts	-	-
Revenue Collected on behalf of Other Revenue Heads	141,018,036	119,734,545
Imprest Received	14,028,178,350	9,214,232,549
Recoveries from Advance	133,653,882	113,693,063
Deposit Received	8,760,068,280	8,026,271,324
Total Cash generated from Operations (A)	521,058,900,457	448,168,372,446
<u>Less - Cash disbursed for:</u>		
Personal Emoluments & Operating Payments	3,612,667,491	3,614,227,014
Subsidies & Transfer Payment	33,581,025	44,759,905
Total Tax Refund	497,366,667,619	431,607,207,970
Expenditure incurred on behalf of Other Heads	4,965,863	38,240,980
Imprest Settlement to Treasury	8,046,782,572	3,276,304,266
Advance Payments	141,539,181	68,950,345
Deposit Payments	10,947,718,434	8,767,542,467
Total Cash disbursed for Operations (B)	520,153,922,185	447,417,232,946
NET CASH FLOW FROM OPERATING ACTIVITIES (C)=(A)-(B)		
<u>Cash Flows from Investing Activities</u>		
Interest	-	-
Dividends	-	-
Divestiture Proceeds & Sale of Physical Assets	-	-
Recoveries from On Lending	-	-
Total Cash generated from Investing Activities (D)	-	-
<u>Less - Cash disbursed for:</u>		

Purchase or Construction of Physical Assets & Acquisition of Other Investment	904,978,272	751,139,500
Total Cash disbursed for Investing Activities (E)	904,978,272	751,139,500
NET CASH FLOW FROM INVESTING ACTIVITIES (F)=(D)-(E)	(904,978,272)	(751,139,500)
NET CASH FLOWS FROM OPERATING & INVESTMENT ACTIVITIES (G)=(C) + (F)	(904,978,272)	(751,139,500)
<u>Cash Flows from Financing Activities</u>		
Local Borrowings	-	-
Foreign Borrowings	-	-
Grants Received	-	-
Total Cash generated from Financing Activities (H)		
<u>Less - Cash disbursed for:</u>		
Repayment of Local Borrowings	-	-
Repayment of Foreign Borrowings	-	-
Total Cash disbursed for Financing Activities (I)		
NET CASH FLOW FROM FINANCING ACTIVITIES (J)=(H)-(I)		
Net Movement in Cash (K) = (G) + (J)		
Opening Cash Balance as at 01st January		
Closing Cash Balance as at 31st December		

3.4 Notes to the Financial Statements

Note-(i)

Statement of Losses and Waivers (Losses under F.R. 106 and F.R. 113)

Expenditure Head No: 246

Programme No. & Title: 01 Operational Programmes

Ministry / Department / District Secretariat: Department of Inland Revenue

(i) Statement of Losses Recovered/Written off/Waived off during the year.

	Value	No. of Cases	Total Amount (Rs.)
Below	Rs. 25,000.00	-	-
Over	Rs. 25,000.01	-	-
Total	-	-	-

Classification of the cases by nature of Losses.

	No. of Cases	Value (Rs.)
1		
2		Nil
3		
4		
Total		

(ii) Statement of Losses being held to be Written off/Waived off or recoverable so far

	No. of Cases	Total Amount (Rs.)	Age Analysis per (ii)	
			Less than five years	
			Amount	Rs.
Below		Rs. 25,000.00	No. of Cases	
Over		Rs. 25,000.01	Amount	Rs.

Over 10 years	No. of Cases	
	Amount	Rs.

Classification of the cases by Nature of Losses

	<u>No. of Cases</u>	<u>Value</u>	<u>(Rs.)</u>
1			
2			
3			
4			
Total			

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

Expenditure Head No: 246

Program No. & Title: 01 Operational Program

Ministry / Department / District Secretariat: Department of Inland Revenue

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

Value	No. of Cases	Value (Rs.)
Below Rs.		
(i) 25,000.00	2	36,400
(ii) Over Rs. 25,000.01	5	357,063
Total	7	393,463

2 **Statement of write off from the book and recoveries under F.R. 109 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.	Rs.	
Losses during the year 2019						
Getting fire of Divisional Office, Ratnapura	0	3,237,053	-		327,053	Still didn't get the approval for write-off from the book.
CAD -159	1,676				1,676	Necessary action has been taking to write-off from the book.
CAD -0046	11,726				11,726	Necessary action has been taking to write-off from the book.

CAC -9954	838					838	Necessary action has been taking to write-off from the book.
CAC -0165	15,636					15,636	Necessary action has been taking to write-off from the book.
Total	29,876	-	-	3,237,053	-	356,929	
Losses during the year 2020							
CAC -9941	34,691					34,691	Necessary action has been taking to write-off from the book.
PB -6852	811,600					811,600	Final bill not receive yet from the relevant institution.
NA-5667	14,200					14,200	Necessary action has been taking to write-off from the book.
Total	860,491	-	-	-	-	860,491	
Recoveries in the year 2021, for the Losses during the year 2020							
1	NA - 5667 Motor Van	-	23,500	23,500	-	-	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 - 9936 Motor Car	822,260	410,623	410,623	-	-	For Repair purposes estimate received Rs 822,260.22 from relevant institution but made repair equal amount of Rs.410,623.20. Amount of Rs.374,526.94 received from Insurance

				36,096	36,096	36,096	-	-	and balance Rs.36, 096.26 recovered from Driver. Therefore, None of Losses incurred by the Government, as the losses have been settled through the total recovery
3	CAD-0047 - Motor Car	-	65,700	65,700	65,700	-	-	-	None of Losses incurred to the Government, as the losses have been settled through the total recovery. Therefore, it is not required to write-off from the book.
4	JO - 8478 Motor Car	-	226,700	226,700	226,700	-	-	-	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.
	Total	822,260	882,468	882,468	882,468	0	0	0	
Recoveries in the year 2021, for the Losses during the year 2021									
	CAC- 9944	-	35,300	35,300	35,300	-	-	-	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.
	NA-5664	-	12,500	12,500	12,500	-	-	-	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.

KC - 4896	-	57,250	57,250	57,250	-	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.
CBI - 0486 Motor Car	-	176,388	176,388	176,388	-	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.
NA - 9123	-	23,900	23,900	23,900	-	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.
KC - 4895 Motor Car	-	30,875	30,875	30,875	-	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.
KC - 4896 Motor Car	-	57,250	57,250	57,250	-	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.
Total	-	393,463	393,463	393,463	-	
Grand Total	1,712,627	4,512,984	1,275,931	1,217,420	-	

Statement of Commitments and Liabilities as at 31st December

Ministry / Department / District Secretariat: Department of Inland Revenue

Expenditure Head No: 246

Programme No. & Title: 01 Operational Programs

Name of the Person/Institution	Commitment No.	Date	Head	Programme	Project	Sub Project	Object Code	Item Code	Finance Code	Commitment (Rs.)	(2) = (1)-(3)	Liability Date	Liability Amount (Rs.)	(4)	Revised Liability (Rs.)	(5)	Paid Liability (Rs.)	(6) = (4)-(5)	
1. Ministries/Government Department																			
Mr.M.T.M.Indrawansha & 5 persons - Acting Allowances		12/31/2021	246	1	1	0	1001		11	438,490	438,490								
Mr.S.N.Ljyanapathirana - Arrears		12/31/2021	246	1	1	0	1001		11	79,801	79,801								
Sub Total										518,291	518,291								
L.Yanage & Others - Over Time & Holiday Pay		12/31/2021	246	1	1	0	1002		11	1,753,333	1,753,333								
Commissioner Inland Revenue Regional Office Kalutara - Over Time & Holiday Pay		12/31/2021	246	1	1	0	1002		11	8,674	8,674								
Commissioner Inland Revenue Regional Office Kandy - Over Time & Holiday Pay		12/31/2021	246	1	1	0	1002		11	31,503	31,503								
Commissioner Inland Revenue Regional Office Kurunegala - Over Time & Holiday Pay		12/31/2021	246	1	1	0	1002		11	5,580	5,580								
Sub Total										1,799,090	1,799,090								

Mr.B.L.K.Balasooriya & Others - Travelling Claim		12/31/2021	246	1	1	0	1101	11	178,051	178,051		
Sub Total									178,051	178,051		
Commissioner Inland Revenue Regional Office Badulla, Rathnapura, Galle - Stationery		12/31/2021	246	1	1	0	1201	11	11,290	11,290		
Sub Total									11,290	11,290		
Commissioner Inland Revenue Regional Office Kegalle, Jaffna, Colombo South, Batticaloa, Rathnapura, Colombo Central - Fuel Payment		12/31/2021	246	1	1	0	1202	11	82,757	82,757		
Sub Total									82,757	82,757		
Mrs.B.A.T.Priyangani - Uniform Allowance		12/31/2021	246	1	1	0	1203	11	4,000	4,000		
Sub Total									4,000	4,000		
Commissioner Inland Revenue Regional Office Rathnapura - Emission Test		12/31/2021	246	1	1	0	1301	11	1,045	1,045		
Mr.S.S.D.Gamage - Eye Test		12/31/2021	246	1	1	0	1301	11	800	800		
Sub Total									1,845	1,845		
Commissioner Inland Revenue Regional Office Maharagama East, Jaffna, Kaluthara, Anuradhapura, Badulla - Telephone Bill, Postal		12/31/2021	246	1	1	0	1402	11	17,815	17,815		
Post Master General - Postal		12/31/2021	246	1	1	0	1402	11	2,950	2,950		
Sub Total									20,765	20,765		
Municipal Commissioner - Municipal Council- Nuwara Eliya, Kurunegala - Water Bills		12/31/2021	246	1	1	0	1403	11	15,339	15,339		
Commissioner General of Labour - Electricity Bill		12/31/2021	246	1	1	0	1403	11	14,908	14,908		
Sub Total									30,246	30,246		

Municipal Commissioner - Municipal Council- Matara - Rent	12/31/2021	246	1	1	0	1404	11	36,329	36,329				
Sub Total								36,329	36,329				
Commissioner Inland Revenue Regional Office -Jaffna, Nuwara Eliya,Badulla & Matara - Other	12/31/2021	246	1	1	0	1409	11	10,085	10,085				
Commissioner Inland Revenue Regional Office -Kalutara -Paper Bills	12/31/2021	246	1	1	0	1409	11	2,760	2,760				
Commissioner -Nuwara Eliya- News Paper	12/31/2021	246	1	1	0	1409	11	6,210	6,210				
Sub Total								19,055	19,055				
Commissioner General of Labour-Rehabilitation Building	12/31/2021	246	1	1	0	2001	11	320,000	320,000				
Sub Total								320,000	320,000				
Total								3,021,719	3,021,719				
2. State Corporations/Statutory Boards													
National Water Supply & Drainage Board - Travelling Claim	12/31/2021	246	1	1	0	1101	11	1,200	1,200				
Sub Total								1,200	1,200				
District Manager National Housing Development Authority Galle - Vehicle Repair	12/31/2021	246	1	1	0	1301	11	1,045	1,045				
Sub Total								1,045	1,045				
Ceylon Electricity Board - Electricity Bills	12/31/2021	246	1	1	0	1403	11	7,498,367	7,498,367				
National Water Supply & Drainage Board - Water Bill & Electricity Bills	12/31/2021	246	1	1	0	1403	11	38,124	38,124				
Sub Total								7,536,491	7,536,491				
Institute of Ruhunupure	12/31/2021	246	1	1	0	1409	11	83,520	83,520				
Sub Total								83,520	83,520				
Sri Lanka State Trading (General) Corporation Ltd	12/31/2021	246	1	1	0	2102	11	45,000	45,000				
Sub Total								45,000	45,000				
Total								7,667,256	7,667,256				

3. Others (Private Parties)												
K.K.I.Kannangara - Stationery												4,800
Sub Total												4,800
C.F.De Mel & Sons (Pvt) Ltd.												114,363
Sub Total												114,363
Reliable Motor Trades (Pvt) Ltd.												99,200
Sub Total												99,200
Master Works (Pvt) Ltd.- Maintenance												131,220
Ceylon Business Appliances (Pvt) Ltd.- Stamp Machine Repair, Photocopy Repair												91,677
N Able (Pvt) Ltd.- Maintenance												9,137,880
Jefco Centi (Pvt) Ltd.- Maintenance												140,243
Civimech (Pvt) Ltd.- Maintenance												424,391
Dulma Air Conditioning (Pvt) Ltd.- Maintenance												18,849
Trade Promoters (Pvt) Ltd.- Maintenance												394,903
Britex Sefty House- Maintenance												1,250
Sky Elevators- Maintenance												75,000
Apogee International (Pvt) Ltd- Maintenance												5,402,465
SAT (Pvt) Ltd- Contingency Plan												20,744,895
Technical Fire Protection & Engineering Services (Pvt) Ltd- Fire Suppression System Repair												124,200
Metropolitan Technologies (Pvt) Ltd- Printer Repair												33,750
T F P & Engineering Services (Pvt) Ltd - Fire Suppression & Water Leakage Detecting												124,200
Sub Total												36,844,924
Jayarathna Construction & Suppliers - Maintenance Expenditure												817,298
Sub Total												817,298

Mobitel (Pvt) Ltd - Telephone Bill	12/31/2021	246	1	1	0	1402	11	8,107	8,107	
Sri Lanka Telecom PLC - Telephone Bill, Internet Charges, Telephone	12/31/2021	246	1	1	0	1402	11	6,711,842	6,711,842	
Dialog Broadband Networks (Pvt) Ltd - Internet Charges	12/31/2021	246	1	1	0	1402	11	213,586	213,586	
People's Bank - Posts	12/31/2021	246	1	1	0	1402	11	1,727,630	1,727,630	
S.S.D.Gamage - Telephone Bills	12/31/2021	246	1	1	0	1402	11	1,613	1,613	
Sub Total								8,662,779	8,661,166	
Lanka Electricity Company (Pvt) Ltd - Electricity	12/31/2021	246	1	1	0	1403	11	91,823	91,823	
Express Water System (Pvt) Ltd-Water Bottle	12/31/2021	246	1	1	0	1403	11	11,700	11,700	
Orient Finance PLC-Water Bill & Electricity Bill	12/31/2021	246	1	1	0	1403	11	139,956	139,956	
Mr.M.Jayasena- Water	12/31/2021	246	1	1	0	1403	11	133,592	133,592	
Sub Total								377,072	377,072	
Fairway Development Limited - Building Rent	12/31/2021	246	1	1	0	1404	11	4,765,150	4,765,150	
Sub Total								4,765,150	4,765,150	
Ms.Sadumika Dilshami & Others - Training Allowance	12/31/2021	246	1	1	0	1409	11	203,000	203,000	
M.Umar & Other - other	12/31/2021	246	1	1	0	1409	11	11,060	11,060	
U.L.P.K.Leelananda - Newspaper	12/31/2021	246	1	1	0	1409	11	15,950	15,950	
S.W.P.Y.Silva & 6 Other - Paper Marking	12/31/2021	246	1	1	0	1409	11	3,220	3,220	
Sub Total								233,230	233,230	
Top Wash Enterprises (Pvt) Ltd - Cleaning	12/31/2021	246	1	1	0	1409	11	2,626,680	2,626,680	
Traget Environment Service Co. Pvt Ltd - Cleaning Service	12/31/2021	246	1	1	0	1409	11	210,134	210,134	
Sub Total								2,836,815	2,836,815	
Rakna Arakshaka Lanka Limited - Security	12/31/2021	246	1	1	0	1409	11	4,312,143	4,312,143	
Sub Total								4,312,143	4,312,143	

Association Of Public Finance & Accounts of Sri Lanka - Membership Fee	12/31/2021	246	1	1	0	1505	11	10,000	10,000	
Sub Total								10,000	10,000	
Aluvi Glass Pvt Ltd - Rehabilitation Building	12/31/2021	246	1	1	0	2001	11	168,087	168,087	
Techno e Solutions Pvt Ltd - Rehabilitation Building	12/31/2021	246	1	1	0	2001	11	1,179,446	1,179,446	
Kotuwegoda North Rural Development Society - For Construction of Inland Revenue Building	12/31/2021	246	1	1	0	2001	11	393,153	393,153	
S.P.Athula Senarath	12/31/2021	246	1	1	0	2001	11	235,350	235,350	
Sub Total								1,976,037	1,976,037	
Laya Leisure Kukulegala- Capacity Development	12/31/2021	246	1	1	0	2401	11	253,646	253,646	
Sub Total								253,646	253,646	
Total								61,307,456	61,307,456	
Grand Total								71,996,431	71,996,431	

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

Programme No. & Title: 01 Operational Programs

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 Head No.: 246

Programme No. & Title: 01 Operational Programs

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 Total	Nil							
2. State Corporations/Statutory Boards Total	Nil							
3. Others (Private Parties) Total	Nil							
Grand Total								

Statement of Claims under Reimbursable Foreign Aid

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

Rs.

(1)	Provision in Estimates - 2021 under Reimbursable Foreign Aid including Supplementary provisions	Nil
(2)	Total Expenditure disbursed during the year 2021, against (I) above	.....
(3)	Total of Reimbursement Claims outstanding as at 01st January 2021	.....
(4)	Total of Reimbursement Claims made during the year 2021, in respect of years 2020 & prior years (if any)	.....
(5)	Total of Reimbursement Claims made during the year 2021, in respect of year 2021	.....
(6)	Total of Claims disallowed by the Donor, during 2021 (if any), in respect of Claims 2020 or prior years (if any)	.....
(7)	Total of Claims disallowed by the Donor, during 2021 (if any), in respect of Claims 2021	.....
(8)	Total of Reimbursements received during the year 2021, in respect of years 2020 or prior years	.....
(9)	Total of Reimbursements received during the year 2021, in respect of years 2021	.....
(10)	Total of reimbursement Claims outstanding as at 31st December 2021	.....
(11)	[(3+4+5) - (6+7)] - (8+9)	.....
(12)	Total of Reimbursement Claims made after 31/12/2021 in respect of 2021 up to the finalization of the Financial Statements	.....
(13)	Total of Reimbursement received after 31/12/2021 up to the finalization of the Financial Statements	.....
	Total of Reimbursement Claims outstanding as at the date of presenting the Financial Statements	.....
	(10 + 11 - 12)	.....

Note-(vii)

Statement of Missing Vouchers

Ministry / Department / District Secretariat: Department of Inland Revenue

Expenditure Head No.: 246

Programme No. & Title: 01 Operational Programs

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

Note-(viii)

**The Status Report as at 31/12/2021 on Bank Accounts opened
in terms of Treasury Operation Circular No. 3/2015 of 23/10/2015**

Expenditure Head No.: 246

Ministry / Department / District Secretariat: Department of Inland Revenue

Serial No.	Name of Bank	Account No.	Balance as per Bank Statement as at 31/12/2021 (Rs.)	Balance as Per Cash Book as at 31/12/2021 (Rs.)	Total Value of Cheques not yet Presented to Bank as at 31/12/2021 (if exceeds 6 months)	Month of Last Bank Reconciliation Prepared
1	Bank of Ceylon	7041552	123,993,106.81	-	0	December 2021
2	Bank of Ceylon	7041554	6,086,276.76	-	0	December 2021
3	Bank of Ceylon	7041561	8,422,952.77	-	0	December 2021
4	Central Bank	50526	29,569,332.00	-	0	December 2021
5	Central Bank	50504	552,994.00	-	0	December 2021

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>				
10.04.01.01	Income Tax	285,000,000	243,000,000	249,836,958	103%
10.04.01.02	Dividend Tax	21,000,000	5,000,000	483,447	10%
10.04.01.03	Remittance Tax	13,000,000	4,000,000	1,510,442	38%
10.04.02.01	PAYE	20,000,000	15,000,000	15,352,751	102%
10.04.02.99	Other	15,000,000	15,000,000	20,950,496	140%
10.04.03.00	Withholding Tax				
10.04.03.01	On Interest	0	2,750,000	355,770	13%
10.04.03.99	On Fees & Other	16,000,000	8,250,000	12,054,728	146%
10.04.04.00	Economic Service Charge				
10.04.04.01	Domestic	0	980,000	685,452	70%
10.04.04.02	Imports	0	20,000	42,662	213%
10.04.05.00	Capital Gain Tax	1,000,000	500,000	667,876	134%
10.04.06.00	Tax on Voluntary Disclosure	0	500,000	174,617	35%
-	<u>TAXES ON DOMESTIC GOODS & SERVICES</u>				
10.02.01.00	Value Added Tax				
10.02.01.01	Financial Services	57,000,000	55,000,000	67,317,687	122%
10.02.01.02	Other Services	93,000,000	78,000,000	78,509,091	101%
10.02.01.03	Manufacturing	50,000,000	52,000,000	39,635,392	76%
10.02.01.04	Imports	110,000,000	125,000,000	122,750,875	98%
10.02.02.00	Goods and Services Tax				
10.02.02.01	Services	-	-	227	
10.02.02.02	Manufacturing	-	-	18	
10.02.02.03	Imports	-	-	-	
10.02.03.00	National Security Levy				
10.02.03.01	Services	-	-	322	
10.02.03.02	Manufacturing	-	-	-	
10.02.03.03	Imports	-	-	-	
10.02.07.00	Stamp Duty	-	-	-	
10.02.08.00	Debits Tax	-	-	-	
10.02.09.00	Turnover Tax	-	-	18,743	
10.02.12.00	Nation Building Tax				
10.02.12.01	Services	0	178,000	273,031	153%
10.02.12.02	Manufacturing	0	102,000	81,591	80%
10.02.12.03	Imports	0	20,000	79,113	396%
10.03	License Taxes and other				
10.03.03.00	Betting & Gaming Levy	2,700,000	2,200,000	1,939,353	88%
10.03.04.00	Share Transaction Levy	1,800,000	5,100,000	6,964,477	137%

10.03.05.00	Construction Industry Guarantee Fund Levy	-	-	422	
10.03.07.00	Other Licenses				
10.03.07.11	Debt Repayment Levy	0	0	7,565	
10.03.09.00	Taxes on Lands leased out to Foreigners	-	-	-	
10.03.10.00	Migrating Tax	2,000	13,500	17,032	126%
10.03.11.00	Remittance Fee	1,000	1,000	5,215	521%
	Total Revenue	685,503,000	612,614,500	619,715,352	101%

* 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	4,643,190	4,561,808	3,647,484	80%
Capital	1,711,800	1,793,182	929,515	52%

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 31.12.2021	Balance as per Financial Position Report as at 31.12.2021	Yet to be Accounted	Reporting Progress as a %
9151	Building and Structures	2,672,475	2,672,475	-	100%
9152	Machinery and Equipment	810,430	810,430	-	
9153	Land	2,081,300	2,081,300	-	
9154	Intangible Assets	1,315,801	1,315,801	-	
9155	Biological Assets	-	-	-	
9160	Work in Progress	-	-	-	
9180	Lease Assets	73,520	73,520	-	

Source: Inland Revenue Department

3.9 Auditor General's Report

Annexure

CHAPTER 4
Performance
Indicators



4.1 Performance Indicators of the IRD

Key Performance Indicator (KPI) is a form of performance measurement which evaluate the success of an organization in which assist to evaluate the progress of an organization, as it paves the way to determine the periodic achievement of some levels of operational goals of the respective organization. As a result of that selecting the appropriate KPIs relies upon a proper understanding of what is essential to the organization.

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

a) Collection of Revenue

Tax revenue is identified 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. Tax revenue targets of each year for the Inland Revenue Department are decided by the Ministry of Finance, where the unit revenue targets are decided by the IRD accordingly. Revenue Collection target achievement of the Inland Revenue Department during the year 2021 was 103.30%

b) Conducting Awareness Programs

Taxpayer awareness is very essential to improve the self – compliance as well as to collect the tax revenue. Understanding and awareness among the people to obediently pay the taxes are comparatively low in the country. As a result of that the people are required to be provided the understanding of taxes in order to develop the accountability on taxes. Inland Revenue Department was able to conduct awareness programs via online during the year 2021 amidst the COVID – 19 pandemics.

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 taxpayers. In terms of the above the Inland Revenue Department has exceeded the given target by opening 3,096 tax files.

d) Cost of Collection

The cost which incurred on collecting the taxes through the process called the tax collection is known as the cost of collection. The expenditure incurred on human resources, cost of fixed assets and current assets are included to this. The objective of Inland Revenue Department is to reduce the cost of revenue collection through increasing the tax revenue. The cost of tax collection at the Inland Revenue Department is very low, as approximately low as 72 cents for a hundred rupee for the year 2021. (The decided benchmark for the cost of collection of IRD is Rs. 1/- per Rs. 100/-)

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

Table 4.1: Performance Indicators of the Year 2021

Specific Indicators	Actual output as a percentage (%) of the expected output		
	100%-90%	75%-89%	50%-74%
Collection of Revenue	103.30%		
Conducting Awareness Programs	100%		
Tax File Opening	155%		
Cost of Collection	100%		

Source: Inland Revenue Department

CHAPTER 5
**Sustainable
Development
Goals**



5.1 Performance of Achieving Sustainable Development Goals

As introduced by the United Nations at the year 2015, the Sustainable Development Goals also known as the Global Goals were adopted by all the United Nations States in 2015 in order to eradicate the poverty, protect the planet as well as ensure that all the people enjoy peace and prosperity by 2030 through a balanced social, economic and environmental sustainability. In order to achieve the Sustainable Development Goals in every context, the creativity, knowhow, technology and financial resources are very essential.

In terms of the Sustainable Development Goals Act, No. 19 of 2017, all the administrative entities of the government should maintain the Sustainable Development Goals. In case of preparing the Action Plan of the IRD, these Sustainable Development Goals were considered.

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

Table 5.1: Activities of the IRD 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
Ensure healthy lives and promote well-being for all at all ages	<ul style="list-style-type: none"> • Giving all three COVID vaccines to the all officers of the Department by the end of the year 	Percentage of vaccinated officers from all the officers of IRD			
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	<ul style="list-style-type: none"> • Holding three attempts of the Departmental examination 	<ul style="list-style-type: none"> • No. of examinations held • Passed percentage of the examination held 			
	<ul style="list-style-type: none"> • Organizing capacity building programs (90 officers in three groups) 	<ul style="list-style-type: none"> • Positive feedback of the participants • No. of programs held 			
	<ul style="list-style-type: none"> • Directing all the officers of the Department for Post Graduate Degrees 	<ul style="list-style-type: none"> • Percentage of the officers with Post Graduate degrees from all the officers of the Department 			

Achieve gender equality and empower all woman and girls	<ul style="list-style-type: none"> • Considering gender equality in the recruitments and promotions 	<ul style="list-style-type: none"> • Percentage of women in the new recruitments 			
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	<ul style="list-style-type: none"> • Recruiting for the vacancies of the IRD service 	No. of officers recruited			
	<ul style="list-style-type: none"> • Recruiting for the vacancies for other services 				
Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	<ul style="list-style-type: none"> • Repairing and maintaining the buildings as required 	<ul style="list-style-type: none"> • No. of buildings repaired and maintained • Repairing and maintenance expenses 			
	<ul style="list-style-type: none"> • Constructing new buildings 	<ul style="list-style-type: none"> • No. of new buildings constructed 			
	<ul style="list-style-type: none"> • Update RAMIS according to the Inland Revenue Act, No. 24 of 2017 	<ul style="list-style-type: none"> • RAMIS 2.0 			
Reduce inequality within and among countries	<ul style="list-style-type: none"> • Entering in to agreements of preventing double taxation 	<ul style="list-style-type: none"> • No. of agreements that prevent double taxation 			

Source: Inland Revenue Department

CHAPTER 6
Human Resource
Profile



6.1 Cadre Management

The following table shows the approved cadre of the Department, the number in post and the vacancies, as at December 31, 2021.

Table 6.1: Cadre as at 31.12.2021

Position	Approved Cadre	Numbers in Post	Vacancies
<u>Inland Revenue Service</u>	<u>1229</u>	<u>1007</u>	<u>222</u>
Commissioner General	1	1	0
Deputy Commissioner General	9	7	2
Senior Commissioner	22	3	19
Commissioner	90	45	45
Senior Deputy Commissioner / Deputy Commissioner / Assistant Commissioner	1107	951	156
<u>Other Services</u>	<u>1,639</u>	<u>1,474</u>	<u>165</u>
<u>Combined Services</u>	<u>1,449</u>	<u>1,333</u>	<u>116</u>
Chief Finance Officer	1	1	0
Chief Accountant	1	1	0
Internal Auditor	1	1	0
Director (Administration)	1	1	0
Accountant	5	4	1
Administrative Officer	3	3	0
Translator	9	9	0
Development Officer	7	7	0
Librarian	1	1	0
Assistant Librarian	1	1	0
Public Management Assistant	925	862	63
Transport Officer	1	1	0
Driver	96	84	12
OAS	397	357	40
<u>ICT Service</u>	<u>170</u>	<u>128</u>	<u>42</u>
Director (ICT)	2	2	0
Deputy Director / Assistant Director (ICT)	16	4	12
Officer (ICT)	47	19	28
Assistant (ICT)	105	103	2
<u>Other</u>	<u>20</u>	<u>13</u>	<u>7</u>
Engineer	1	0	1
Technical Officer	2	0	2
Building Supervisor	1	0	1
Research Associate	10	9	1
Receptionist	4	3	1
Carpenter	1	1	0

Circuit Bungalow Keeper	1	0	1
Total	2,868	2,481	387

Source: Inland Revenue Department

Table 6.2: Cadre Summary as at 31.12.2021

	Approved Cadre	Existing Cadre	Vacancies
Senior	1,257	1,021	236
Tertiary	60	32	28
Secondary	1,055	986	69
Primary	496	442	54

Source: Inland Revenue Department

Approved cadre of the Inland Revenue Department consists of four levels as the Table 6.2. Senior level officers include Commissioner General, 09 Deputy Commissioner Generals, 22 Senior Commissioners, 90 Commissioners, Senior Deputy Commissioners, Deputy Commissioners and Assistant Commissioners and they are directly involving the tax administration functions. 236 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. 165 Assistant Commissioner vacancies are on 31.12.2021 and the recruitment examination was held in March 2022.

28 vacancies had been generated in the tertiary level which consists of ICT Officers. 69 secondary level vacancies as at 31.12.2021 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 6.3: Human Resource Development Programs Conducted in Year 2021

S. No.	Name of the Program	No. of Staff Trained	Duration of the Program		Total Investment		Nature of the Program	Output
			From	To	Local	Foreign		
	Master of Public Management	2	Mar-2020				Local	Master of Public Management program consists of theoretical

					Rs.700,000/-		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.
2	Master of Arts (Economics) - University of Kelaniya	2	Jan-2021		Rs.245,000/-	Local	This program consists 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.
3	Master of Arts (Mass Communication) University of Kelaniya	27	Jan-21		Rs.2,767,500/-	Local	This program was helpful to develop research skills through producing practical and theoretical knowledge expansion, create media and communication practitioners who can take contemporary challenges, provide productive communication strategies.
4	Effective Handling of Personal Files	1	24.11.2021		Rs.5,000/-	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	Seminar on Awareness	1	29.12.2021		Rs. 2,000/-	Local	Database management is an important skill that

	Program on MS Access Metropolitan Campus/ Miloda						staff should master. This course helps to introduce important user-friendly MS Access tools that one can use for data base management.
6	Master in Business Administration in Taxation (MBA-T)- Postgraduate institute of Management	56	Jan-22		Rs. 56,000,000/- (1st Installment)	Local	Since the main focus of this MBA-T program is taxation and officers who follow this are involving collect taxes, this program helped to increase tax revenue.
7	Diploma in English for Professionals Metropolitan Campus/ Miloda	57	Jan-22		Rs.4,275,000/-	Local	This helped to improve both oral and written competency of staff grade officers and those who have acquired basic language skills and officer can deliver his service confidently and efficiently.

Source: Inland Revenue Department

CHAPTER 7

Compliance Report



7.1 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 have 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 (CIGAS) 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 have 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 have 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 have 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 have 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 citizen's 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		



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உள்ளநாட்டு இறைவரித் திணைக்களம் - இலங்கை
INLAND REVENUE DEPARTMENT - SRI LANKA

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