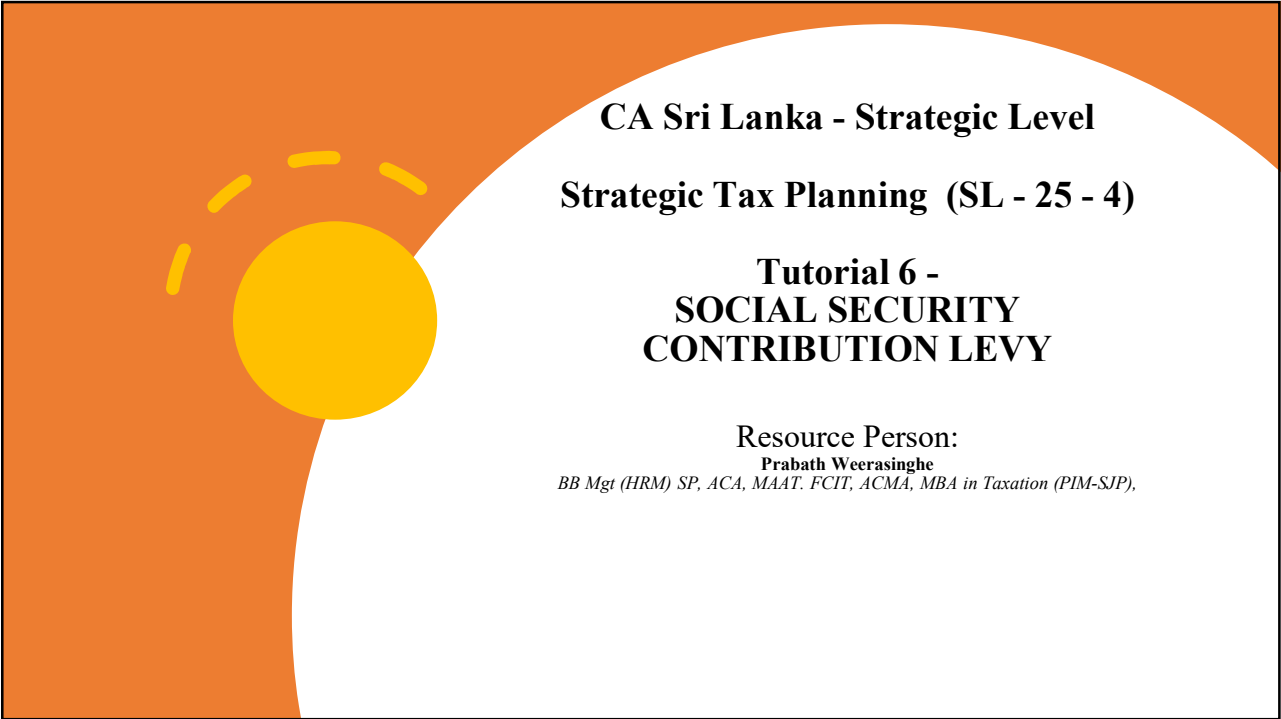




CA Sri Lanka - Strategic Level

Strategic Tax Planning (SL - 25 - 4)

Tutorial 6 - SOCIAL SECURITY CONTRIBUTION LEVY

Resource Person:

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Social Security contribution levy

Person who :

1. imports any article
2. carries on the business of manufacture of any article
3. carries on the business of providing a service of any description
4. carries on the business of wholesale or retail sale of any article including importation and sale of such article other than a sale by the manufacturer of that article being a manufacturer

Charged from every taxable person for every quarter in respect of the liable turnover, at the rate of 2.5 per centum.

“turnover”

- Importer - the value of that article ascertained for the purpose of the Value Added Tax (but does not include the value of any exempted article)
- Manufacture of any article - the sum receivable whether received or not, in that quarter, of any article manufactured and sold in Sri Lanka by such person other than any exempted article

Social Security contribution levy

“turnover”

- Providing a service of any description
 - i. the sum receivable whether received or not, from the supply in Sri Lanka of any financial services by any person carrying on the business of supplying any financial services in Sri Lanka
 - ii. the value of any service arising from the business of real estate and improvement
 - iii. the sum receivable, whether received or not, from the provision of any service in Sri Lanka other than the above services
- Carries on the business of wholesale or retail sale of any article - sum receivable, whether received or not, from the wholesale or retail sale of any article in Sri Lanka

Amount from any exempted article or services does not consider for the account of liable turnover

Social Security contribution levy

“turnover”

- Importation of any article - 100% of the turnover
- Manufacture of any article - 85% of the turnover
- Providing a service
 - (a) Supply of Financial services - 100% of the Value addition attributable to financial services
 - (b) Land and improvements - 100% of the turnover
 - (c) Services other than - 100% of the turnover
- Wholesale and retail sale
 - (a) Sale of any article by a registered distributor in relation to any manufacturer or producer of any goods in Sri Lanka; - 25% of the turnover
 - and
 - (b) Wholesale or retail sale other than item (a) above including importation and sale - 50% of the turnover

Social Security contribution levy

Turnover specified above for the relevant quarter of any taxable person shall not include;

- any bad debt incurred by such person in that quarter (however, any bad debt recovered in any relevant quarter, shall be included in the turnover of that relevant quarter)
- any Value Added Tax under the Value Added Tax Act, No. 14 of 2002 paid for that relevant quarter
- any rebate paid under the Export Development Rebate in relation to any international event as approved by the Minister

Social Security contribution levy

Registration

on or after January 1, 2024

Every taxable person, other than a person who imports any article, who carries on or carries out any taxable activity shall be required to be registered;

- for any period commencing on or after January 1, 2024, not later than fifteen days from the date on which the aggregate of the turnover for a quarter exceeds or likely to exceed fifteen million rupees or from the date on which the aggregate of the turnover for a period of consecutive four quarters exceeds or likely to exceed sixty million rupees:
- Where the Commissioner-General is of the opinion that the turnover of any person relates to a single isolated transaction, such turnover may be excluded in calculating the total turnover of such person for the purpose of registration.

Social Security contribution levy

Registration

- upon receipt of an application by any person or
- where an application has not been received, but the Commissioner-General is of the opinion

Commissioner-General register such person with effect from such date as the he may determine

Cancellation of registration - any registered person may make an application in the specified form to the Commissioner-General to have his registration canceled, at any time after the lapse of a period of twelve months following the date of registration, where,

- such registered person has ceased to carry on or carry out a taxable activity, or
- the aggregate turnover of such registered person during each immediately preceding four quarters of the relevant quarter does not exceed sixty million rupees

Social Security contribution levy

Cancellation of registration

The Commissioner-General-

(a) shall, on receipt of an application under subsection; or

(b) may at any time,

and upon being satisfied the aggregate turnover of such registered person during each immediately preceding four quarters of the relevant quarter does not exceed sixty million rupees, cancel such registration.

Where the Commissioner-General cancels the registration of a taxable person, he shall inform such person

The Commissioner-General may refuse to cancel the registration of any person

Social Security contribution levy

Registered taxable person to notify certain changes

- Every registered person shall notify the Commissioner- General in writing or by electronic means of any change –

(a) of the name, address and place at which any taxable activity is carried on or carried out by such person;

(b) of the nature of the taxable activity carried on or carried out by such person;

(c) of the person authorized to sign returns and other documents in respect of any activity carried on or carried out by such person; and

(d) of ownership of the taxable activity carried on or carried out by such person, not later than fourteen days after the occurrence of such change

Social Security contribution levy

Returns and information to be furnished

- Every registered person shall furnish to the Commissioner-General a return either in writing or by electronic means for every quarter on or before the twentieth day of the month after the end of each relevant quarter.
- The Assistant Commissioner shall issue a notice to a person requiring such person to furnish a return. Within fourteen days of receipt of such notice return shall be furnished.
- The Assistant Commissioner shall acknowledge receipt of the return (only upon receipt of a proper return)
- Where any registered person fail to file a return or fails to comply with the requirements of a notice given to such person, the Commissioner-General may impose on such person a penalty of a sum not exceeding fifty thousand rupees;

Social Security contribution levy

- Every registered person shall account for levy on an accrual basis.
- Every registered person shall, notwithstanding that no assessment has been made on such person for the relevant quarter, pay—
 - (a) the levy payable for the first month of that quarter on or before the twentieth day of the second month of that quarter;
 - (b) the levy payable for the second month of that quarter on or before the twentieth day of the third month of that quarter;
 - (c) the levy payable for the third month of that quarter on or before the twentieth day of the month immediately succeeding the end of the relevant quarter,
- to the Commissioner-General, in such manner as may be specified by him.

Social Security contribution levy

EXEMPTED ARTICLES

Any article exported by the manufacturer;

Any article not being a plant, machinery or fixture imported by any person exclusively for the use in, or for, the manufacture of any article for export

Any article sold by a taxable person to any exporter, if the Commissioner-General is satisfied on the production of any documentary evidence that such article or any other article manufactured, of which such article is a constituent part, has in fact been exported from Sri Lanka by such exporter directly or through a trading house established for export purposes

Social Security contribution levy

EXEMPTED ARTICLES – Importer manufacture

Any article which is imported, is proved to the satisfaction of the Commissioner- General, that such article is imported to Sri Lanka for–

- (a) the display at an exhibition;
- (b) the temporary use in Sri Lanka in any project approved by the Minister;
- (c) the purposes of repairs to that article to be carried out in Sri Lanka;
- (d) any other similar purpose, and is to be re-shipped, within a period of one year from the date of importation of such article to Sri Lanka or within a period of ninety days after the completion of such project; or
- (e) producing any cinematographic film or teledrama in Sri Lanka and taking out of Sri Lanka for further processing or printing with the approval of the National Film Corporation;

Social Security contribution levy

EXEMPTED ARTICLES

- Any article imported, if proved to the satisfaction of the Director-General of Customs, that such article was, prior to its importation, taken out of Sri Lanka for repairs
- Any spare part imported by any airline or shipping company, if proved to the satisfaction of the Commissioner-General, that such spare part is to be used for the maintenance of any aircraft or ship, used in international traffic and owned or chartered by such airline or shipping company
- Any article sold, to the United Nations Organization or to any specialized agency of such organization or to the diplomatic mission of any foreign Government or to any member of the diplomatic staff of such mission or to any other person approved by the Minister on the recommendation of the Minister of Foreign Affairs as being of the status of a diplomatic mission
- Any article imported if such article is subject to the Special Commodity Levy charged under the Special Commodity Levy Act, No. 48 of 2007;
- Fertilizer;
- Petroleum and petroleum products other than lubricants classified under Harmonized Commodity Description and Coding Numbers for Customs purpose;

Social Security contribution levy

EXEMPTED ARTICLES

- L.P. Gas;
- Pharmaceuticals identified under Harmonized Commodity Description and Coding Numbers for Customs purpose;
- Tea supplied by the Manufacturer being a manufacturer registered with the Sri Lanka Tea Board established by the Sri Lanka Tea Board Law, No. 14 of 1975, to any registered broker for sale at the Colombo Tea Auctions;
- Any article for the use in any project approved by the relevant Minister and by the Minister in charge of the subject of Finance taking into consideration the economic benefit to the country and where the tax in respect of such project is borne by the Government;
- Bitumen classified under HS Code No. 2714
- Raw materials or packing materials imported for the manufacture of pharmaceuticals subject to the approval of the relevant authority;
- Pure-bred breeding animals

Social Security contribution levy

EXEMPTED ARTICLES

- Solar panel modules, accessories or solar home systems for the generation of solar power energy classified under Harmonized Commodity Description and Coding Numbers for Customs purposes at the point of importation;
- Coal;
- Any motor vehicle (liable to excise duty – under special provision act)
- Rough unprocessed Gem stones imported for re export after processing (Cut- Polish. Income shall be remitted to Sri Lanka in foreign curacy
- Article sold by Duty free shop
- Rice manufactured out of locally produced paddy.

Social Security contribution levy

EXEMPTED ARTICLES - carries on the business of wholesale or retail sale

- Pharmaceuticals;
- Any article which is subject to the Special Commodity Levy under the provisions of the Special Commodity Levy Act, No. 48 of 2007, where such article is sold by the importer of such article without any processing except for adaption for sale;
- any article exported;
- petrol, diesel or kerosene sold in a filling station;
- L.P. Gas; and
- fresh milk, green leaf, cinnamon or rubber (latex, crepe or sheet rubber) purchased from any local manufacturer or local producer.

Social Security contribution levy

EXEMPTED SERVICES

- Generation of electricity and supply of electricity other than the supply of electricity by Ceylon Electricity Board established under the Ceylon Electricity Board Act, No. 17 of 1969; and who hold a distribution license
- Medical services;
- Supply of water;
- Transportation of goods and passengers;
- Services provided to any exporter of any article, being services directly related to improving the quality and character of such article;
- Services of sewing garments provided to any exporter of such garments;
- Services of a freight forwarder and a shipping agent licensed under the Licensing of Shipping Agents, Freight Forwarders, Non Vessel Operating Common Carriers, and Container Operators Act, No. 10 of 1972 or courier services in so far as such services are in respect of the exporter of any article from Sri Lanka;
- Services provided by a public corporation, in so far as such services are in respect of the exportation of any article from Sri Lanka;

Social Security contribution levy

EXEMPTED SERVICES

- Services of an auctioneer, broker, insurance agent or commission agent of any local product to the extent of the brokerage receivable by such auctioneer or broker, or commission receivable by such insurance agent or commission agent, as the case may be
- Services of—
 - (a) a travel agent in respect of inbound tours operated; or
 - (b) a hotel, guest house, restaurant or other similar businesses, where the payment for such services is received in foreign currency through a bank and such agent, hotel, guest house, restaurant or other similar business is registered with the Sri Lanka Tourism Development Authority
- Client support services provided over the internet, telephone or by an enterprise, exclusively for the provision of such services, to one or more identified clients outside Sri Lanka, for payment in foreign currency;

Social Security contribution levy

EXEMPTED SERVICES

- The business of life insurance;
- Distribution, production and supply of any cinematographic films primarily for exhibition in cinemas;
- Exhibiting films in a cinema
- Any service provided to the United Nations Organization or to any specialized agency of such organization or to the diplomatic mission of any foreign Government or to any member of the diplomatic staff of such mission or to any other person approved by the Minister on the recommendation of the Minister of Foreign Affairs as being of the status of a diplomatic mission;
- Any service rendered in or outside Sri Lanka to any person or partnership outside Sri Lanka for the utilization out of Sri Lanka for payment in foreign currency, if such foreign currency is remitted to Sri Lanka through a bank;
- Services provided to any specific project carried on, out of foreign funds or donations received by the Government, as approved by the Minister considering the economic benefit to the country;

Social Security contribution levy

EXEMPTED SERVICES

- Any service provided by the Central Bank of Sri Lanka established under the Monetary Law Act
- Any service provided free of charge by any public corporation out of the funds voted by Parliament from the Consolidated Fund or out of any loan arranged through the Government, on behalf of the Government
- Services provided by any Government Department, Ministry or any Local Authority;
- Services provided by foreign consultancies for the large-scale infrastructure development projects being projects which have been approved by the Minister of Finance, as beneficial for the economic development of Sri Lanka;
- Services provided in relation to ship building for the international market for payments made in foreign currency; and
- Any service provided by the Employee's Trust Fund, Provident Fund, Pension Fund, Pension Trust Fund and Gratuity Fund.
- Service provided by General Sales agent who hold an Air Transport Service license