



TAX AMNESTY

FINANCE ACT, No. 18 OF 2021

An Act has been passed and certified on 15th September 2021 as Finance Act No 18 of 2021, to provide tax pardon and concession to taxpayers who have not complied with certain laws administered by the Department of Inland Revenue.

This Act focuses on two main areas under Part 1 and Part 2

Part 1 - Enable persons to voluntarily disclose taxable supplies, Income and Assets that have not been disclosed by paying 1% of disclosed amount or value as the case may be and indemnify the person against liability from investigation, prosecution, and penalties under specified Laws.

Part 2 - To write-off tax arrears under certain Laws.

A declarant whose declaration has been accepted by the Commissioner General (CG) and who has paid the tax on voluntary disclosure shall be entitled to enjoy the full immunity from liability to pay any tax, penalty or interest or from any investigation or prosecution under the provision of Inland Revenue Acts and VAT Act in relation to any period before 31st March 2020 on taxable supply, income or asset disclosed under the declaration.

In order to obtain the immunity granted under this Act, the declaration should be filed on or before 31st March 2022 along with the documents to prove the ownership, date of acquisition and cost or market value of the asset subject to the guidelines issued by the CG.

Where any person to whom these provisions apply fail to comply with the provisions of this Act, he shall be liable to be dealt with in terms of the provisions of the respective laws administered by the Department of Inland Revenue.



1. Who can apply for “Tax Amnesty”

Provisions of this law applies to **any person** who has not disclosed any amount of taxable supply, income or asset which was required to be disclosed under the provisions of following Acts,

- a) Inland Revenue Act No. 28 of 1979
- b) Inland Revenue Act No. 38 of 2000
- c) Inland Revenue Act No. 10 of 2006
- d) Inland Revenue Act No. 24 of 2017
- e) Value Added Tax No. 14 of 2002

However, following persons **will not be eligible to claim tax amnesty** provided under this Act,

- a) Any person in relation to whom investigation or legal proceedings under the provisions of any law given below,
 - Prevention of Money Laundering Act No. 5 of 2006
 - Convention on the Suppression of Terrorist Financing Act No.25 of 2005
 - Bribery Act (Chapter 26)
 - Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act No. 1 of 2008.
- b) Any person who has been convicted of an offence under the provisions of any law specified under (a) above.
- c) Any amount of undisclosed taxable supply, income or asset held by any person, in respect of which an assessment under the following laws have been made,
 - Inland Revenue Acts
 - VAT Act
 - Betting and Gaming Levy Act
 - Finance Act No. 11 of 2002
 - Stamp Duty Act, No. 43 of 1982
 - Stamp Duty (Special Provisions) Act No. 12 of 2006

However, a person can still declare any taxable supply, income or asset which has not been taken into in making the assessment under above Acts.

2. Undisclosed Taxable Supplies, Income or Assets to be invested or Deposited

A person to whom Part 1 applies, shall invest or deposit an amount equivalent to the undisclosed taxable supply, income or asset. If a person who intends to invest, he shall,

- a) Where he is able to immediately invest such amount, purchase following on or after the date of commencement of this Act but on or before 31st March 2022.
 - Shares issued by a resident company.
 - Treasury bills or treasury bonds issued by Central Bank
 - Any quoted debt securities issued by a resident company
 - Any movable or immovable property in Sri Lanka
- b) Where he is unable to immediately invest such amount available in cash whether in Sri Lankan rupees or in foreign currency, he shall deposit such amount in a bank account, on or after the date of commencement of this Act but on or before 31st March 2022.

A person who has already utilized such undisclosed taxable supply, income or asset to purchase assets described under 2(a) above or has already deposited such amount in a Bank account can also be eligible to make a declaration on or before 31st March 2022.

3. Tax on Voluntary Disclosure

Any person who intent to make a voluntary disclosure should pay a tax called “tax on voluntary disclosure” before making the declaration,

- On taxable supply, income or assets other than immovable or movable property : 1% of such amount, income or the cost of the asset invested.
- Any immovable or movable property : 1% on the market value of such property on the date of declaration.

4. Declaration of Undisclosed Taxable Supply, Income or Assets

The declaration should be made on or before 31st March 2022 as per the guidelines issued by the CG along with the documents to prove the ownership, date of acquisition and cost or market value of the asset.

Upon receipt of the declaration, CG shall verify such declaration and if it is in accordance with this Act, he accepts the declaration and inform such acceptance to the tax payer in writing within 30 days from the date of receipt of such declaration.

If the declaration is not in accordance with the provisions of this Act, CG shall reject the declaration and inform the declarant in writing the reasons for his rejection within 30 days. Any declarant whose declaration is rejected, shall be entitled to submit a fresh declaration remedying the defects specified in the CG's decision within 30 days from date of receipt of CG's decision.

If the CG fails to inform the declarant within 30 days the declaration shall be deemed to have been accepted.

5. Secrecy of the Declaration

The CG or any officer of the Department of Inland Revenue, shall preserve and aid in preserving official secrecy in respect of the identity of a declarant and any matter or thing contained in a declaration made under this Act.



6. Tax Arrears to be written off in respect of certain Individuals

The CG shall write off any income tax in arrears payable as at 31st December 2020, in relation to any year of assessment up to 2019/2020, by any individual whose assessable income calculated in terms of the provisions of the Inland Revenue Act, No. 24 of 2017, does not exceed Rs. 3Mn.

However, individuals **will not qualify** for this concession under following circumstances,

- Where the assessable income exceeds Rs.3Mn without deducting any loss including and unrelieved loss.
- Where the assessable income exceeds Rs. 3Mn in aggregate with the income from final withholding payments, gains and profits exempted from income tax in terms of Inland Revenue Act No.24 of 2017
- Where the annual gross turnover for the year of assessment 2019/2020 of a sole proprietorship or partnership of which the relevant individual is a partner is not less than Rs.500Mn.
- Where the assessable income of a relevant individual includes an income earned from conducting a business of betting and gaming or any business of liquor excluding such income which is merely incidental to another business.

7. Tax Arrears to be written off in respect of certain taxes

The CG shall write off any tax arrears of a taxpayer under following Laws, in respect of any period ending on or prior to 31st December 2020.

- Wealth Tax and Gifts Tax imposed under Inland Revenue Act, No. 28 of 1979
- Turnover Tax Act, No. 69 of 1981
- Surcharge on Wealth Tax Act, No. 25 of 1982
- Surcharge on Wealth Tax Act, No. 8 of 1989
- Surcharge on Income Tax Act, No. 26 of 1982
- Surcharge on Income Tax Act, No. 12 of 1984
- Surcharge on Income Tax Act, 7 of 1989
- National Security Levy Act, No. 52 of 1991
- Save the Nation Contribution Act, No. 5 of 1996
- Goods and Service Tax Act, No. 34 of 1996

- Surcharge on Income Tax Act, No. 6 of 2001
- Debits Tax Act, No 16 of 2002
- Social Responsibility Levy imposed under Finance Act, No. 5 of 2005
- Economic Service Charge Act, No. 13 of 2006
- Nation Building Tax Act, No.9 of 2009
- Economic Service Charge imposed under Finance Act, No. 11 of 2004
- Optional VAT imposed under section 25H of the Value Added Tax Act, No. 14 of 2002
- VAT Advance Payment deducted under section 26A of the Value Added Tax Act, No. 14 of 2002

However, where there any dispute in relation to any tax arrears in respect of which a decision is pending before or has been made by the Tax Appeal Commission or any Court of Law before the commencement of this Act will not be written off.

Any tax refunds on the date of commencement of this Act duly claimed by a taxpayer will be set of against any tax in arrears. The CG shall communicate in writing, to every taxpayer, the amount of refund to be set off against tax in arrears. If the taxpayer is dissatisfied with the amounts of the refund, the taxpayer should communicate in writing within 14 days from the date of communication from the CG and request not to set off the refunds against the tax arrears and settle them with a suitable payment plan before 31st March 2022. If the taxpayer does not make a written request, the CG shall proceed to write off the refunds against the arrears as specified in his communication.

8. Penalty on Tax in Default to be Written Off

CG shall write off any penalty or interest, calculated in terms of following Acts, in respect of which the payment due date was 31st December or a date prior to 31st December 2020, if the taxpayer pays the full amount of the tax outstanding on or before 31st March 2022.

- Inland Revenue Acts
- VAT Act
- Betting and Gaming Levy Act
- Finance Act No. 11 of 2002
- Stamp Duty Act, No. 43 of 1982
- Stamp Duty (Special Provisions) Act No. 12 of 2006

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