



2015

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PERFORMANCE REPORT
செயலாற்றுகை அறிக்கை



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இலங்கை உள்ளாட்டு இறைவரி
SRI LANKA INLAND REVENUE

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

2015

KALYANI DAHANAYAKE

INLAND REVENUE DEPARTMENT

The Summary of the Performance during the Year 2015

The total Revenue collected by the IRD during the year 2015 was Rs. 560,422 million and it shows an increase of 9% over that of the previous year. It was a 38.52% contribution to the total Government Revenue and 5.01% to the Gross Domestic Production of the year.

The IRD engaged in an integrated mechanism consisting of both facilitation and infrastructure measures for the enhancement of tax compliance.

The process of issuing privilege cards to taxpayers to recognize their contribution to the Government Revenue is continued during the year for the commendation of taxpayer.

On the other hand during the year, by regulating tax audits, undisclosed income and turnover amounting to Rs.225,424 million could be taxed. Additional taxes imposed during the year based on that were Rs.17,023 million.

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

The Committee for interpretation of Tax Laws issued interpretations on 38 cases during the year, in addition to necessary guidelines and instructions on certain provisions of the legislation.

A considerable number of new tax files had been opened with the initiatives taken by the Information Branch and Taxpayer Service Unit and other units and Regional offices.

During the year Taxpayer Service Unit had been equipped with officers to assist every person seeking help or information. A number of seminars and lectures were organized with a view to educating taxpayers as well as the staff of the Department.

Under the RAMIS project the new web portal of IRD was officially launched for the public on June 03, 2015 after completing the user acceptance testing. The call center was established under 1944, enabling the general public called the Department through a general number. User acceptance testing under tax payer registration, assessment (CIT, NBT, VAT, PAYE, WHT), payments, refunds and appeals & objections were commenced on August 17, 2015. Taxpayer registration using improved software under RAMIS project has been commenced on December 07, 2015 after the user acceptance testing. Awareness programmes for taxpayers and tax consultants have been commenced during the year concerned.

Vision

To be a taxpayers friendly tax administrator delivering excellent service to the tax paying public, with well trained and dedicated staff.

Mission

To collect taxes in-terms of relevant tax and other related laws, by encouraging voluntary compliance while deterring tax evasion and tax avoidance,

To enhance public confidence in the tax system by administering relevant tax and other related legislation fairly, friendly and expeditiously and thereby facilitate and foster a beneficial tax culture.

Strategic Goals

To improve voluntary compliance by taxpayers with the tax laws through programs, which encourage and assist in that and detect those who do not comply and, where necessary, take appropriate corrective action.

To improve the effectiveness of the Department by the application of efficient work methods, technology and better utilization of available resources.

To enhance the productivity and professionalism of the staff through management and technical training, work experience, and thereby to enable them to contribute more effectively towards the fulfillment, by the Department, of its mission.

Principal Officials

Mrs. K. Dahanayake **Commissioner General of Inland Revenue**

Deputy Commissioner Generals

Mr. K.A.G. Abhayarathne Investigation, Regional Offices and Information

Mr. D.M.L.I. Dissanayake Human Resources and Human Resources Development

Mr. A.N. Guruge Large Tax Payers Unit, Corporate Tax I & II, Betting & Gaming Levy

Mrs. P. Rohini Procurement & Supplies, Unit 1 & 2 and PAYE

Mrs. R.M.P.S.K Rajapaksha Collection and Clearance, Default Tax Recovery and Legal

Mr. A.A.D.U. Abesinghe Indirect Tax Administration and new Corporate Units

Ms. D.G.P.W. Gunathilake Tax Policy, Planning & Development, Legislation, Rulings and International Affairs, BOI Enterprises

Mr. J.P.D.R. Jayasekara Information and Communication Technology

Senior Commissioners

Mr. M.G. Somachandra	Human Resources Development
Mrs. C.H. Weerasingha	Corporate Tax II
Mrs. H.M.D. Munasingha	LTU (Unit 6 C, Unit 10, LTU Special Audit)
Mrs. S. Karunarithna	Secretariat Branch
Mr. O.P.P.K. Sirisena	Procurement and Supplies
Mr. K. Dharmasena	Investigation
Mrs. B. A. D. D. Herath	Transfer Pricing Regulations and Research
Mr. D. B. Dissanayake	NBT, Betting and Gaming Levy, ESC, WHT (on Interest), Zone II
Mr. D.D.N.P Koralearachchi	Human Resources
Mr. W.S.K. De Costa	VAT and SVAT
Mr. M.S.M. Fuward	Corporate Tax III
Mr. P.L.S. Liyanage	Legal, Assessment control and Stamp Duty
Mr. A.A. Dayarathne	Zone III, PAYE, Unit 1, 2 & 3
Mr. J Rathnayake	Zone I
Mr. E.S. De Soyza	Taxpayer Service
Mr. H.M.W.C. Bandara	ICT and Appeal
Mr. D.R.S. Hapuarachchi	International Affairs
Mr. W.M.P.N.B. Wanigasekara	LTU I
Mr. M.J. Gunasiri	VAT Refund and VAT Special Audit
Mr. D. Ranagalla	Information
Mr. R.M. Jayasinghe	Corporate Tax I

Taxes Administered by the IRD during the year

Taxes imposed under enactments administered by the IRD during the year are as follows.

Tax	Enactments
Income Tax	Inland Revenue Act. No. 10 of 2006 as amended by Act No.10 of 2007, 9 of 2008 , 19 of 2009, 22 of 2011, 8 of 2012, 18 of 2013, 8 of 2014 and 9 of 2015
Value Added Tax (including VAT on Financial services, Advance Tax on VAT and Optional VAT)	Value Added Tax Act. No. 14 of 2002 as amended by Act No. 7 of 2003, 13 of 2004, 6 of 2005,8 & 49 of 2006, 14 of 2007, 15 of 2008, 15 of 2009 , 9 of 2011, 7 of 2012, 17 of 2013, 7 of 2014 and 11 of 2015
Economic Service Charge	Economic Service Charge Act. No. 13 of 2006 as amended by Act No. 15 of 2007, 11 of 2008, 16 of 2009, 11 of 2011, 11 of 2012, 6 of 2013, 9 of 2014 and 13 of 2015
Nation Building Tax	Nation Building Tax Act. No. 9 of 2009 as amended by Act No.32 of 2009 , 10 of 2011 , 9 of 2012, 11 of 2013, 10 of 2014 and 12 of 2015
Betting and Gaming Levy	The Betting and Gaming Levy Act. No. 40 of 1988 and 14 of 2015
Stamp Duty	Stamp Duty Act. No. 43 of 1982 and the Stamp Duty (Special Provisions) Act. No. 12 of 2006 as amended by Act No 10 of 2008 and 13 of 2011
Share Transaction Levy	Finance Act. No. 5 of 2005 and Finance Act. No. 13 of 2007
Construction Industry Guarantee Fund Levy	
Social Responsibility Levy	Finance Act. No. 5 of 2005, Finance Act No. 11 of 2006 and Finance Act. No. 8 of 2008
Transfer Tax on Land	Land (Restrictions on Alienation) Act No. 38 of 2014

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

Tax	Relevant Enactment
National Security Levy	The National Security Levy Act. No. 52 of 1991 as amended
Goods and Services Tax	The Goods and Services Tax Act. No. 34 of 1996 as amended
Save the Nation Contribution	The Save the Nation Contribution Act. No. 5 of 1996 as amended
Surcharge on Wealth Tax	The Surcharge on Wealth Tax Act. No. 25 of 1982 and Act No. 8 of 1989
Surcharge on Income Tax	The Surcharge on Income Tax Act. No. 26 of 1982, Act No. 12 of 1984, Act No. 7 of 1989 as amended
Debits Tax	Debits Tax Act. No. 16 of 2002 as amended by Act No 05 of 2003, 12 of 2007, 17 of 2009 and 14 of 2011
Estate Duty	The Estate Duty Act. No. 13 of 1980 as amended
Turnover Tax (Northern Province)	The Turnover Tax Act. No. 69 of 1981 as amended

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PART I

HUMAN RESOURCE MANAGEMENT AND DEVELOPMENT

Chapter 1

Human Resources

1.1 Approved cadre, the number in post and vacancies

of the Department, the number in post and the vacancies, as at 31, December 2015.

The following table shows the approved cadre

Cadre as at 31.12.2015			
Position	Approved Cadre	Number in Post	Vacancies
<u>Inland Revenue Service</u>	<u>1232</u>	<u>1211</u>	<u>26</u>
Commissioner General	1	1	-
Deputy Commissioner General	9	8	1
Senior Commissioner	22	21	1
Commissioner	90	87	3
Senior Deputy Commissioner / Deputy Commissioner/ Assistant Commissioner	1110	1089	21
Senior Tax Officer/ Tax Officer	-	5	-
<u>Other Services</u>	<u>1514</u>	<u>1321</u>	<u>193</u>
<u>Combined Services</u>	<u>1361</u>	<u>1259</u>	<u>102</u>
Chief Finance Officer	1	1	-
Chief Accountant	1	1	-
Internal Auditor	1	1	-
Director (Administration)	1	1	-
Accountant	5	5	-
Administrative Officer	3	3	-
Translator	9	9	-
Development Officer	7	7	-
Librarian	2	1	1
Public Management Assistant	925	843	82
Transport Officer	1	-	1
Driver	86	86	-
KKS	319	301	18
<u>ICT Service</u>	<u>130</u>	<u>48</u>	<u>82</u>
Director (ICT)	1	-	1
Deputy Director/ Assistant Director (ICT)	5	4	1
System Analyst	1	1	-
Officer (ICT)	18	12	6
Assistant (ICT)	105	31	74
<u>Other</u>	<u>23</u>	<u>14</u>	<u>9</u>
Engineer	1	1	-
Technical Officer	2	-	2
Building Supervisor	1	-	1
Research Associate	10	10	-
Supply Assistant	2	-	2
Receptionist	4	3	1
Store man	2	-	2
Carpenter	1	-	1
Total	2746	2525	226

1.2 Promotions

- Mrs. Kalyani Dahanayake, Deputy Commissioner General was appointed as Commissioner General of Inland Revenue effective from March 19, 2015.
- Ms. Dhammika Gunatilake was promoted to the rank of Deputy Commissioner General with effect from November 08, 2015.
- Seven Commissioners were promoted to the rank of Senior Commissioners.
- Nine Senior Deputy Commissioners were promoted to the rank of Commissioners.
- Five Deputy Commissioners were promoted to the rank of Senior Deputy Commissioners.
- Ninety nine Senior Tax Officers were promoted to the rank of Assistant Commissioners.

1.3 Retirements

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

- Mrs. L. Ramanayake
Deputy Commissioner General
- Mrs. W. Anulawathi
Deputy Commissioner General
- Mr. D.M.S. Disanayake
Senior Commissioner
- Mr. P.G.K. Samarathunga
Senior Commissioner
- Mr. T.M. Dayananda
Senior Commissioner
- Mr. P.M. Dissanayake
Senior Commissioner
- Mr. J.A.A. Parakrama
Senior Commissioner
- Mr. M.I.M. Musammil
Commissioner
- Mr. B.M. Premaratne
Commissioner

Other Retirements

- Deputy Commissioner 01
- Assistant Commissioner 08
- Public Management Assistant 12
- Research Associate 01
- Driver 01
- KKS 10
- Carpenter 01

Mrs. Ramanayake

Mrs. L. Ramanayake joined the Department in 1980 as an assessor. At the time of her retirement which took place on 02.07.2015, she was functioning as the Deputy Commissioner General. Mrs. Ramanayake counted 35 years of dedicated service in the IRD serving in respective capacities in Inland Revenue Service. During her tenure of office, he participated in several overseas taxation programs including program on tax Policy and Administration held in Singapore in 2003, training course on National Management in Pakistan in 2011/2012. She represented the Department at the International Seminar on Taxation held in Japan in 2010 and Seminar on Automation & System Management in India in 2011.

Mrs. W. Anulawathi

Mrs. W. Anulawathi who joined the IRD in 1981 reached the rank of Deputy Commissioner General on January 01, 2014. She retired from the service on December 17, 2015. Mrs. Anulawathi during the tenure of her office, underwent training in and participated at several overseas taxation programs including program on Tax Analysis and Revenue Forecasting in United Kingdom in 2003, training program on Practical issues of Tax Policy held in India in 2006, specialized training program on Audit and Investigation in India in 2007, training program on E-Governance and Change Management held in Singapore in 2013 and Workshop on Tax Administration for Higher level officials held in

Netherland in 2015. She represented the Department at the 3rd Annual Meeting of the Global Forum of Transfer Pricing held in France in 2014 and 6th International Tax Dialogue Conference in France in 2015.

1.4 Training

1.4.1 In House Training

Training Branch of the IRD conducted training courses and examinations for Assistant

Commissioners, regularly with the aim of enhancing their knowledge and improving their analytical skills, particularly in taxation and accountancy. These courses are designed as to provide the training on subjects, required to fulfill various service requirements of officers for confirmation in the respective grades and to acquire knowledge for discharging duties.

Details of personnel trained and the examinations conducted during the year were as follows.

▪ For Assistant Commissioners

Training class / Course / Examination	Number of Trainees	
First Efficiency Bar Examination - Assistant Commissioners in Grade III	424	
Second Departmental Examination - Assistant Commissioners in Grade III	60	
Second Departmental Examination - Assistant Commissioners in Grade III	1 st Attempt	52

▪ Seminars, Work Shops etc

Subject	No. of seminars/ workshops held during the year	No. of officers attended
Awareness Programme on Auditing Director's files - Staff of Unit 1&2	1	32
Seminar on Withholding Tax	6	272
Workshop for newly recruited Management Assistants	6	548

1.4.2 Overseas Training

As usual arrangements were made for officials of the Department to participate in training programmes, seminars or workshops held abroad with a view to expose them to the advancement of administration of tax legislation and best practices of the other

countries in order to maintain a high level of professionalism as tax administrators. Details of such officers who were sent abroad for seminars and workshops and the programmes they participated are as follows.

No.	Name	Programme	Country	Duration
1	Mrs. K. Dahanayake Commissioner General	6 th International Tax Dialogue Conference	Paris	29.06.2015-05.07.2015
2	Mrs. K. Dahanayake Commissioner General	Visit to Inland Revenue Board of Malaysia (IRBM) and Closing Ceremony for Training Programme on "e – Governance"	Malaysia	17.09.2015-19.09.2015
3	Mr. K.A.G. Abhayaratne Deputy Commissioner General	Visit a Processing Centre Already in Operation	Malaysia	17.03.2015-19.03.2015
4	Mr. K.A.G. Abhayaratne Deputy Commissioner General	Workshop on Subnational Taxation	Pakistan	03.10.2015-09.10.2015
5	Mrs. W. Anulawathi Deputy Commissioner General	6 th International Tax Dialogue Conference	Paris	29.06.2015-05.07.2015
6	Mr. D.M.L.I. Dissanayake Deputy Commissioner General	6 th International Tax Dialogue Conference	Paris	29.06.2015-05.07.2015

7	Mr. J.P.D.R. Jayasekara Deputy Commissioner General	Ministerial Workshop on Marine Management and Blue Economic Development for Maritime Silk Road Countries	China	30.10.2015-11.11.2015
8	Mr. D.M.S. Dissanayake Senior Commissioner	VAT Workshop	Austria	13.04.2015-17.04.2015
9	Mr. M.G. Somachandra Senior Commissioner	VAT Workshop	Austria	13.04.2015-17.04.2015
10	Mrs. C.H. Weerasinghe Senior Commissioner	Seminar on Tax administration and Tax Payer Service for Developing Countries	China	13.10.2015-06.11.2015
11	Mr. P.G.K. Samarathunga Senior Commissioner	6 th International Tax Dialogue Conference	Paris	29.06.2015-05.07.2015
12	Mr. O.P.P.K. Sirisena Senior Commissioner	Visit a Processing Centre Already in Operation	Malaysia	17.03.2015-19.03.2015
13	Mr. A.A. Dayaratne Senior Commissioner	SAARC Seminar on Taxation Issues in Digital Economy	India	16.03.2015-21.03.2015
14	Mr. H.M.W.C. Bandara Senior Commissioner	36 th CATA Annual Technical Conference & 13 th General Meeting	Malaysia	15.11.2015-21.11.2015
15	Mr. D.R.S. Hapuarachchi Commissioner	36 th CATA Annual Technical Conference & 13 th General Meeting	Malaysia	15.11.2015-21.11.2015
16	Mr. M.J. Gunasiri Commissioner	6 th International Tax Dialogue Conference	Paris	29.06.2015-05.07.2015
17	Mr. D. Rangalle Commissioner	6 th International Tax Dialogue Conference	Paris	29.06.2015-05.07.2015
18	Mr. R.M. Jayasinghe Commissioner	VAT Workshop	Austria	13.04.2015-17.04.2015
19	Mr. R.S. Samaranyake Commissioner	IPSAS and IFRS: The Standards, Implementation and Benefits Realization	UK	29.11.2015-11.12.2015
20	Mr. S.S.D. Weerasekara Commissioner	VAT Workshop	Austria	13.04.2015-17.04.2015
21	Mr. M.S.M. Siyaan Commissioner	Visit a Processing Centre Already in Operation	Malaysia	17.03.2015-19.03.2015
22	Mrs. T.G.D.S. Jayawardana Commissioner	IRBM- IBFD: Anti Money Laundering and Tax Evasion Course	Malaysia	12.04.2015-18.04.2015
23	Mr. G.D.S. Jayaratne Commissioner	Capacity Building for Tax Administration	Japan	07.12.2015-09.12.2015
24	Mr. N.M.M. Mifly Commissioner	IRBM- IBFD: Anti Money Laundering and Tax Evasion Course	Malaysia	12.04.2015-18.04.2015
25	Mrs. L.M.C. Weerakoon Commissioner	LHDNM – OECD : Compliance by Design Instruments to strengthen Tax Compliance	Malaysia	11.01.2015-17.01.2015
26	Mrs. H.W.N.K. Thalaramba Commissioner	LHDNM – OECD : Compliance by Design Instruments to strengthen Tax Compliance	Malaysia	11.01.2015-17.01.2015
27	Mrs. H.M.C.M. Herath Commissioner	Ministerial Workshop on Marine Management and Blue Economic Development for Maritime Silk Road Countries	China	30.10.2015-11.11.2015
28	Mr. P.G.J. Gamage Commissioner	SAARC Seminar on Taxation Issues in Digital Economy	India	16.03.2015-21.03.2015
29	Mr. P.G.J. Gamage Commissioner	Ministerial Workshop on Marine Management and Blue Economic Development for Maritime Silk Road Countries	China	30.10.2015-11.11.2015
30	Mrs. K.G.S. Rajini Commissioner	Visit a Processing Centre Already in Operation	Malaysia	17.03.2015-19.03.2015
31	Mrs. A. Pathirana Commissioner	SAARC Seminar on Taxation Issues in Digital Economy	India	16.03.2015-21.03.2015
32	Mr. S.C. Athukorala Commissioner	SAARC Seminar on Taxation Issues in Digital Economy	India	16.03.2015-21.03.2015

33	Mrs. S. Liyanage Commissioner	Seminar on Tax administration and Tax Payer Service for Developing Countries	China	13.10.2015-06.11.2015
34	Mrs. D.R..K. Pannilawithana Commissioner	Ministerial Workshop on Marine Management and Blue Economic Development for Maritime Silk Road Countries	China	30.10.2015-11.11.2015
35	Mr. L.R. Perera Commissioner	SAARC Seminar on Taxation Issues in Digital Economy	India	16.03.2015-21.03.2015
36	Mr. B. Haputhantri Commissioner	Workshop on Subnational Taxation	Pakistan	03.10.2015-09.10.2015
37	Mr. U.D.N. Jayaweera Commissioner	Seminar on Tax administration and Tax Payer Service for Developing Countries	China	13.10.2015-06.11.2015
38	Mrs. R.A.S. Rajapakshe Senior Deputy Commissioner	Ministerial Workshop on Marine Management and Blue Economic Development for Maritime Silk Road Countries	China	30.10.2015-11.11.2015
39	Ms. S.M. Wickramarachchi Senior Deputy Commissioner	SAARC Training Seminar on “Audit and Investigation of Multinational Enterprise”	Pakistan	03.05.2015-09.05.2015
40	Ms. M.N. Pushpalatha Deputy Commissioner	Transfer Pricing Policy and Practice	USA	29.05.2015-07.06.2015
41	Ms. T.M.S.M. Tennakoon Deputy Commissioner	Transfer Pricing Policy and Practice	USA	29.05.2015-07.06.2015
42	Ms. H.H.T. Priyanthi Deputy Commissioner	Transfer Pricing Policy and Practice	USA	29.05.2015-07.06.2015
43	Mrs. D.M.N.D. Dassanayake Senior Deputy Commissioner	Seminar on Tax administration and Tax Payer Service for Developing Countries	China	13.10.2015-06.11.2015
44	Mr. H.S. Samantha Kumara Senior Deputy Commissioner	IRBM –IBFD: Taxation of Financial Markets	Malaysia	25.10.2015-31.10.2015
45	Mr. R.M.N.K. Rathnayake Deputy Commissioner	Seminar on Tax administration and Tax Payer Service for Developing Countries	China	13.10.2015-06.11.2015
46	Mr. K.G.J.N. Deshapriya Deputy Commissioner	The Commonwealth Association of Tax Administrators Training Programme	UK	24.07.2015-06.09.2015
47	Mrs. R. Kahawala Deputy Commissioner	Seminar on Tax administration and Tax Payer Service for Developing Countries	China	13.10.2015-06.11.2015
48	Mr. A.A.R. De Zoysa Deputy Commissioner	LHDNM – OECD: Taxation of High Net – Worth Individuals	Malaysia	01.11.2015-07.11.2015
49	Ms. M.P.S. Damayanthi Deputy Commissioner	LHDNM – OECD: Taxation of High Net – Worth Individuals	Malaysia	01.11.2015-07.11.2015
50	Mrs. D.A.C. Dissanayake Deputy Commissioner	Ministerial Workshop on Marine Management and Blue Economic Development for Maritime Silk Road Countries	China	30.10.2015-11.11.2015
51	Mrs. R.R. Pitadeniya Assistant Commissioner	Seminar on Tax administration and Tax Payer Service for Developing Countries	China	13.10.2015-06.11.2015
52	Mrs. H.B.A. Chandrani Assistant Commissioner	Ministerial Workshop on Marine Management and Blue Economic Development for Maritime Silk Road Countries	China	30.10.2015-11.11.2015
53	Mrs. J.H.S.K. Jayatilake Assistant Commissioner	Seminar on Tax administration and Tax Payer Service for Developing Countries	China	13.10.2015-06.11.2015
54	Mr. M.A.V. Jayasiri Assistant Commissioner	The Commonwealth Association of Tax Administrators Training Programme	UK	24.07.2015-06.09.2015
55	Mr. S.W.P.Y. Silva Assistant Commissioner	IRBM –IBFD: Taxation of Financial Markets	Malaysia	25.10.2015-31.10.2015
56	Ms. H.D.R.P. Siriwardana Assistant Commissioner	SAARC Training Seminar on “Audit and Investigation of Multinational Enterprise”	Pakistan	03.05.2015-09.05.2015
57	Ms. M.I.U.D.S Dharmawardena Assistant Commissioner	SAARC Training Seminar on “Audit and Investigation of Multinational Enterprise”	Pakistan	03.05.2015-09.05.2015

58	Mrs. T. Indrawansha Engineer	Visit a Processing Centre Already in Operation	Malaysia	17.03.2015- 19.03.2015
59	Mr. A.W.G. Guruge Chief Financial Officer	Foreign Study Pogramme for Sri Lankan Finance Manager	UK	03.11.2015- 13.11.2015
60	Mrs. A.P. Kodikara Chief Accountant	Foreign Study Pogramme for Sri Lankan Finance Manager	UK	03.11.2015- 13.11.2015

1.4.3 Overseas Training provided under normal scheme

The workshop on Tax Administration was held in Netherland during the year and higher officials of the Department were participated in this Programme.

1.4.4 Overseas Training Provided through the FMRP

The training programme on “E-governance & Change Management” conducted in Singapore under the auspices of FMRP was carried out during this year. Accordingly, 291 officers participated in the specialized training programme on Revenue Administration Management Information System (RAMIS).

PART II

TAX ADMINISTRATION

Chapter 2

Collection of Revenue

Inland Revenue Department collected net revenue of Rs.560,422,362,100/-(including Social Responsibility Levy which is accounted under Fiscal Policy Department, Stamp Duty which is transferred in full to Provincial Councils and the 1/3 of collection under Nation Building Tax which is transferred to Provincial Councils) during the year 2015. The aggregate number of files maintained by the IRD for the

collection of different taxes stood at 690,405 as at 31.12.2015.

2.1 Number of Taxpayers and Tax Files

The number of persons registered with the Department for the payment of tax, as at the end of the year, is given in table 01.

Table 01 - Number of Taxpayers and Tax Files as at 31.12.2015

Income Tax		
<u>Corporate</u>		
Resident Companies	45,295	
Non Resident Companies	1,778	
State Corporations, Statutory Boards and State owned institutions	81	47,154
<u>Non Corporate</u>		
Individuals	135,170	
Partnerships	11,439	
Bodies of persons etc.	1,730	
Employees paying income tax under Pay-As-You-Earn (PAYE) Scheme (as at 31.03.2015)*	426,496	574,835
Total Income Taxpayers		621,989
<u>Other Taxpayers</u>		
Persons and Partnerships registered for Economic Service Charges (ESC)	4,024	
Persons registered for Value Added Tax (VAT)	15,696	
Persons registered for Value Added Tax on Financial Services	229	
Persons registered for Nation Building Tax (NBT)	21,627	
Persons registered for Nation Building Tax on Financial Services	229	
Betting Levy Files	622	
Gaming Levy Files	5	
Total other Taxpayers		42,432
Employers registered under PAYE Scheme**	13,749	
Withholding Tax on Interest (Withholding Agents)***	3,424	
Withholding Tax on Specified fees (Regular Monthly Schedules Senders)	84	
Construction Industry Guarantee Fund Levy	334	
Stamp Duty (Regular Monthly Schedules Senders)	8,393	25,984
Total Number of Tax Files/ Taxpayers as at 31.12.2015		690,405

* Include 143,178 Government Employees

** Include 1,337 Government Institutions

2.2 Total Revenue Collection

The total revenue collection for the year, amounting to Rs.560,422 million shows an increase of Rs.46,261 million or 9% over that of the previous year. This achievement was possible mainly due to wide array of measures undertaken by tax administration for facilitating and enforcement of compliance. The identification of taxpayer's assessment of the

liabilities and collection of taxes were intensified paving the way for the said increase.

The ratio of the total revenue contribution by the IRD to the Government revenue in the year was 38.52%. Total collection of revenue indicates 104.35% achievement when compared to the revenue under each type of taxes with the corresponding estimates.

Collection of income tax as a percentage of total revenue increased to 45.76% in 2015 from 37.33% in 2014, while in nominal terms it increased by 25.14% to Rs. 256,435 million in 2015 from Rs. 191,960 million in the previous year. When compared with previous year, revenue from corporate & non-corporate income tax and PAYE tax has increased while withholding tax on interest has decreased during 2015. Revenue from corporate income tax has increased by 70.74% in nominal terms to Rs.139,395 million from 81,644 million in 2014. This is mainly due to the super gain tax

which was introduced by the interim budget 2015 as a one off tax.

The collection of VAT declined over that of the previous year by Rs. 23,678 million. The possible reason for the decrease could be the expansion of quarterly turnover to 3.75 million from 3 million and reduction of VAT rate to 11%.

A comparison of revenue under each type of tax with the corresponding estimates is revealed in table 02 and illustrated in chart 01. The cash flow during the year is shown in the table 03 and is illustrated by chart 02.

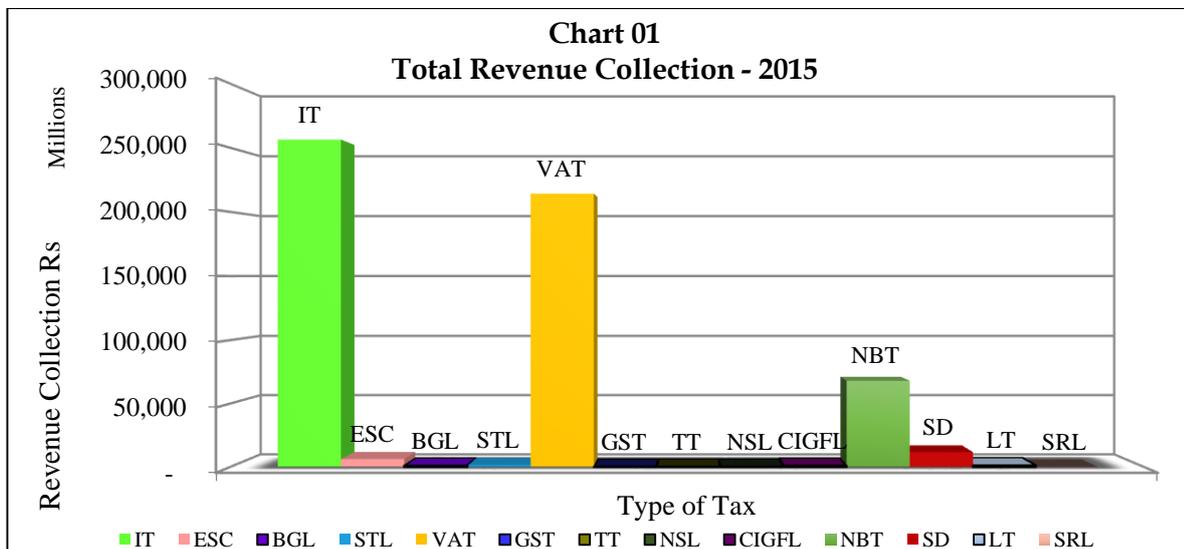
Table 02 - Total Revenue Collection - 2015

Type of Tax	Revenue Estimate (Revised) Rs.	Revenue Collection Rs.	Collection as a % of Estimate	Collection as a % of Total Revenue
Income Tax	246,100,000,000	256,434,940,539	104.20%	45.76%
Economic Service Charge	6,500,000,000	6,148,447,689	94.59%	1.10%
Betting & Gaming Levy	2,200,000,000	831,922,843	37.81%	0.15%
Share Transaction Levy	2,300,000,000	1,394,916,707	60.65%	0.25%
Value Added Tax	230,000,000,000	214,236,985,484	93.15%	38.23%
Goods & Services Tax	-	881,931	-	0.00%
Turnover Tax	-	15,770,891	-	0.00%
National Security Levy	-	11,633,297	-	0.00%
Construction Industry Guarantee Fund Levy	1,200,000,000	753,314,770	62.78%	0.13%
Nation Building Tax	48,000,000,000	67,911,062,200		12.12%
Stamp Duty	-	11,595,885,325		2.07%
Land Tax	750,000,000	1,066,637,564	142.22%	0.19%
Social Responsibility Levy	-	19,962,860		0.00%
Total Revenue Collection	537,050,000,000	560,422,362,100	104.35%	100.00%

*Transferred amount of NBT collection to Provincial – Rs. 23,972,290,236.

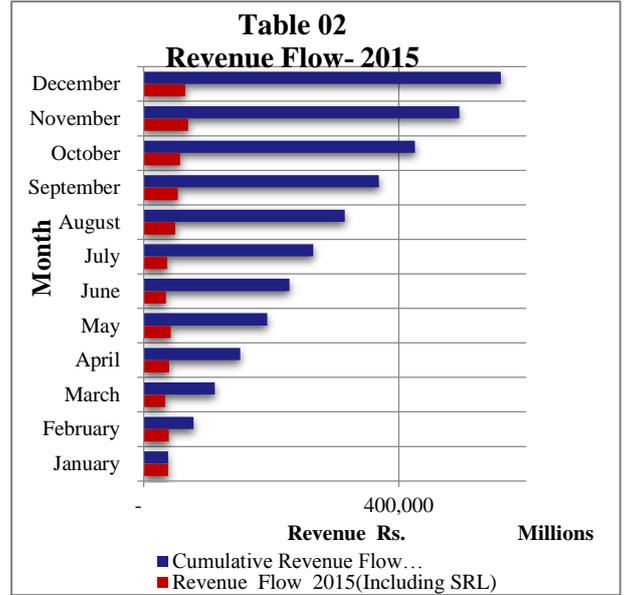
**Transferred amount of Stamp Duty collection to Provincial – Rs. 11,595,885,325.

*** Transferred amount of SRL collection to Department of fiscal Policy – Rs. 19,962,860.



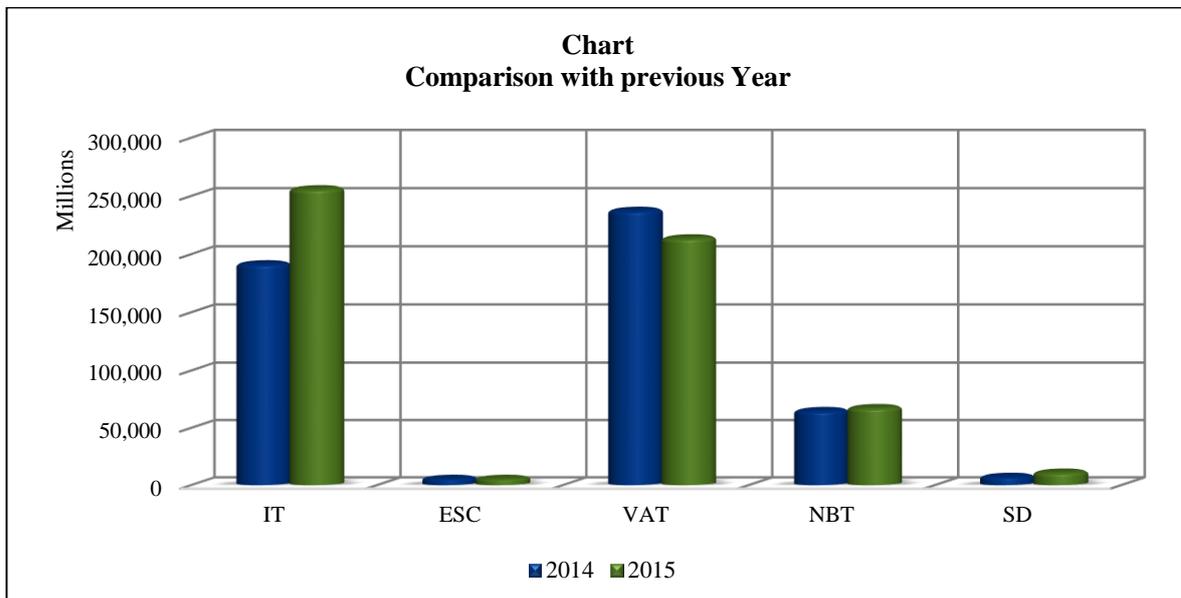
2.3 Total Revenue Flow

Month	Revenue Collection (Including SRL) Rs.	Cumulative Revenue Collection Rs.
January	38,524,148,133.85	38,524,148,133.85
February	39,500,951,838.77	78,025,099,972.62
March	33,664,965,480.99	111,690,065,453.61
April	39,692,767,353.51	151,382,832,807.12
May	42,533,728,948.32	193,916,561,755.44
June	34,831,656,539.84	228,748,218,295.28
July	37,023,510,467.02	265,771,728,762.30
August	49,536,447,199.71	315,308,175,962.01
September	53,465,491,384.23	368,773,667,346.24
October	56,870,721,795.72	425,644,389,141.96
November	69,649,375,880.31	495,293,765,022.27
December	65,128,597,078.06	560,422,362,100.33



2.4 Revenue Comparison with previous Year

Type of Tax	2015 Revenue collection Rs:	2014 Revenue collection Rs:	Increase/ Decrease of Collection as a %
Income Tax	256,434,940,539	191,960,050,670	25.14%
Economic Service Charge	6,148,447,689	6,154,508,746	-0.10%
Betting & Gaming Levy	831,922,843	815,175,141	2.01%
Share Transaction Levy	1,394,916,707	2,048,048,604	-46.82%
Value Added Tax	214,236,985,484	237,915,432,907	-11.05%
Goods & Services Tax	881,931	3,459,764	-292.29%
Turnover Tax	15,770,891	472,185,201	-2894.03%
National Security Levy	11,633,297	13,772,420	-18.39%
Construction Industry Guarantee Fund Levy	753,314,770	841,828,584	-11.75%
Nation Building Tax	67,911,062,200	65,353,982,522	3.91%
Stamp Duty	11,595,885,325	7,918,141,767	46.45%
Land Tax	1,066,637,564	579,471,620	45.67%
Social Responsibility Levy	19,962,860	84,655,276	-76.42%
Total Revenue Collection	560,422,362,100	514,160,713,222	9.00%



2.5 Transfer of Revenue of Stamp Duty and Nation Building Tax to Provincial Councils

In terms of the amendments made to respective legislative provisions in pursuant to the Budget proposals of 2011 the following categories of revenue collected by the Commissioner

General of Inland Revenue have been transferred to the Provincial Councils.

Nation Building Tax	33.33%
Stamp Duty	100%

Table 04 shows the total collection and the amount of tax revenue transferred to Provincial Councils of respective taxes.

	Total Collection Rs.	Amount transferred to Provincial Councils Rs.	%
Nation Building Tax	67,911,062,200	23,972,290,236	33.33%
Stamp Duty	11,595,885,325	11,595,885,325	100%

2.6 Collection of Revenue – Self-Assessment and Other

Out of the total revenue collection during the year (excluding VAT & NBT on imports) payments under self-assessment contributed almost wholly the total whereas collection by way of official assessments was only 3% of the aggregate. Revenue collection through

assessments in 2014 was 4%. This shows the success of the efforts taken to encourage voluntary compliance as the prime part of the IRDs mission to collect the revenue under self-assessment basis. Necessary actions taken in this regard and facilities were continually contributed for this success. Table 05 shows the comparison of figures.

	2013 (Rs'000)		2014 (Rs'000)		2015 (Rs'000)	
	Self Assessment	Other	Self Assessment	Other	Self Assessment	Other
Income Tax	189,657,462	9,412,569	181,977,746	9,982,305	256,434,940	11,539,082
VAT (Excluding VAT on Imports)	117,622,485	3,474,351	129,744,521	5,890,227	130,510,553	4,688,017
NBT (Excluding NBT on Imports)	35,840,240	1,113,648	39,800,767	1,791,628	41,419,548	1,445,941
Others	15,849,578	535,568	143,486,800	1,486,719	113,907,066	477,215
Total	358,969,765	14,536,136	495,009,834	19,150,879	542,272,107	18,150,255
% to the Total Revenue (Excluding VAT and NBT on Imports)	96%	4%	96%	4%	97%	3%

2.7 Inland Revenue Contribution to the Government Revenue

Table 06 shows the contribution of the Inland Revenue Department to the Government Revenue and to the GDP in 2014 and its trends in last four years. Chart 04 illustrates these contributions. Total Government Revenue in 2015 has increased to Rs.1,454,878 million (Annual Report of Ministry of Finance and Planning – 2015) recording a 38.52%

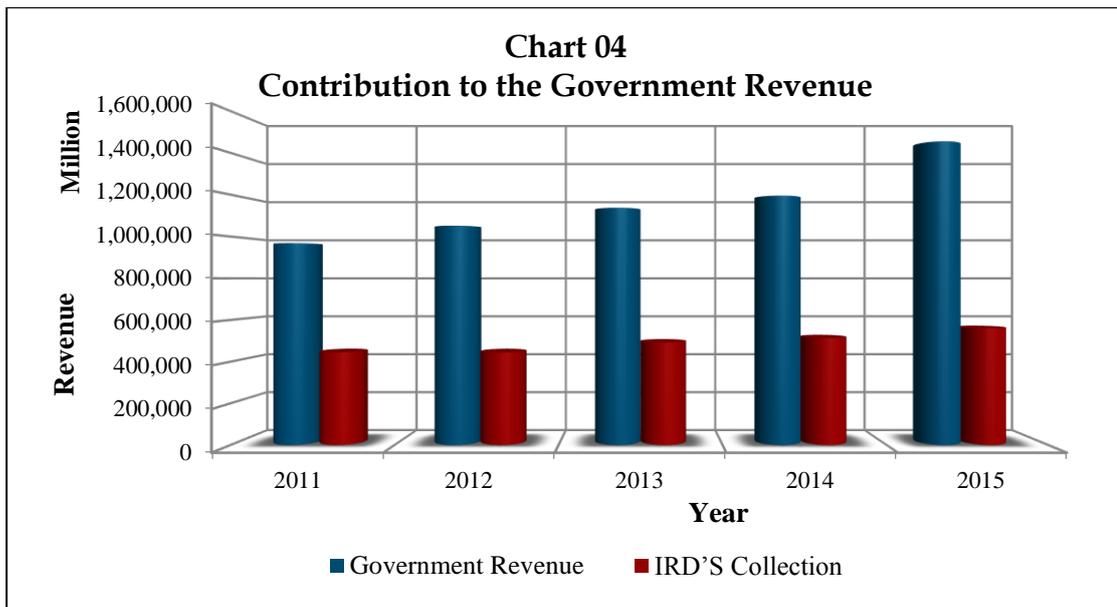
contribution from the IRD to the total Government revenue.

Revenue collection by Inland Revenue Department as a percentage of GDP continued to decline and accounted for 5.01% in 2015. Introduction of tax incentives, holidays, exemptions and concessionary tax rates during the recent past may be the reason for the decreasing trend of percentages.

Table 06 - Contribution of Inland Revenue to the Government Revenue and GDP at Current Prices of Major Economic Activities

Year	Government Revenue Rs. Mn*	IRD's Collection Rs. Mn	% of IRD's Collection to Govt. Revenue	GDP at current Prices of major Economic Activities Rs. Mn**	Percentage of IRD'S Collection to GDP
2011	967,862	443,830	45.86%	6,544,009	6.78%
2012	1,051,461	443,456	42.18%	7,582,376	5.85%
2013	1,137,447	492,539	43.30%	8,674,230	5.68%
2014	1,195,206	514,161	43.02%	9,784,672	5.25%
2015	1,454,878	560,422	38.52%	11,183,220	5.01%

Source: - * Ministry of finance & Planning (Annual Report) ** Central Bank of Sri Lanka (Annual Report)



2.8 Return Compliance

The settled programme for enhancing taxpayer compliance in timely filing of tax returns and paying taxes on self-assessment basis continued during the year. Providing benefits to individual taxpayers to enhance voluntary compliance towards the tax laws, such as awarding Privilege Cards (Gold & Silver), granting tax concessions on importation of motor vehicles, discounts on early tax payments were effectively continued.

Accordingly, during the year of assessment 2014/2015, the percentage of filing non-corporate income tax returns on the due date was 47% and within one month from the due date, it had increased to 62%. The compliance

rate after two months from the due date was 72% in corporate sector.

In the case of corporate sector, it was 52% on the due date and 58% within one month from the due date. The compliance rate within two months from the due date was 62% in this sector.

The return compliance rate of all the taxes has been almost consistent even though it is not the expected level in a self-assessment tax system. However, IRD continued to take actions for achieving the return compliance.

Table 07 shows the income tax return compliance rate on due date, and within one month from the due date of the years 2010/2011 to 2014/2015. Table 08 shows the rates of return compliance on other taxes

Table 07 - Income Tax Return Compliance 2010/2011 to 2014/2015			
Year of assessment	Sector	Compliance on due date	Compliance within one month from the due date
2010/2011	Corporate	56%	68%
	Non-Corporate	42%	59%
2011/2012	Corporate	56%	60%
	Non-Corporate	39%	48%
2012/2013	Corporate	56%	70%
	Non-Corporate	41%	54%
2013/2014	Corporate	53%	61%
	Non-Corporate	42%	57%
2014/2015	Corporate	52%	58%
	Non-Corporate	47%	62%

Table 08 - Return Compliance on other Taxes					
Year	VAT	ESC	NBT	PAYE	
Year 2013	78%	93%	77%	Year of Assessment 2012/2013	53%
Year 2014	49%	71%	84%	Year of Assessment 2013/2014	55%
Year 2015	65%	68%	86%	Year of Assessment 2014/2015	63%

2.9 Income Tax Collection

Revenue generation from income tax; the aggregate revenue of corporate income tax including super gain tax, personal (individual) income tax, dividend tax and withholding tax on interest increased to Rs.256,435 million in 2015. This is an upturn of 25.14% when compared to Rs.191,960 million collected in 2014. The total income tax collection indicates an excess of Rs. 10,435 million over the estimate of Rs. 246,100 million for the year and it accounts for 45.76% of total revenue of the IRD for the year which was 37.33% in year 2014.

2.9.1 Income Tax Collection – Sector-wise Clarification

The contribution from the corporate sector to the total income tax collection (Rs. 256,435

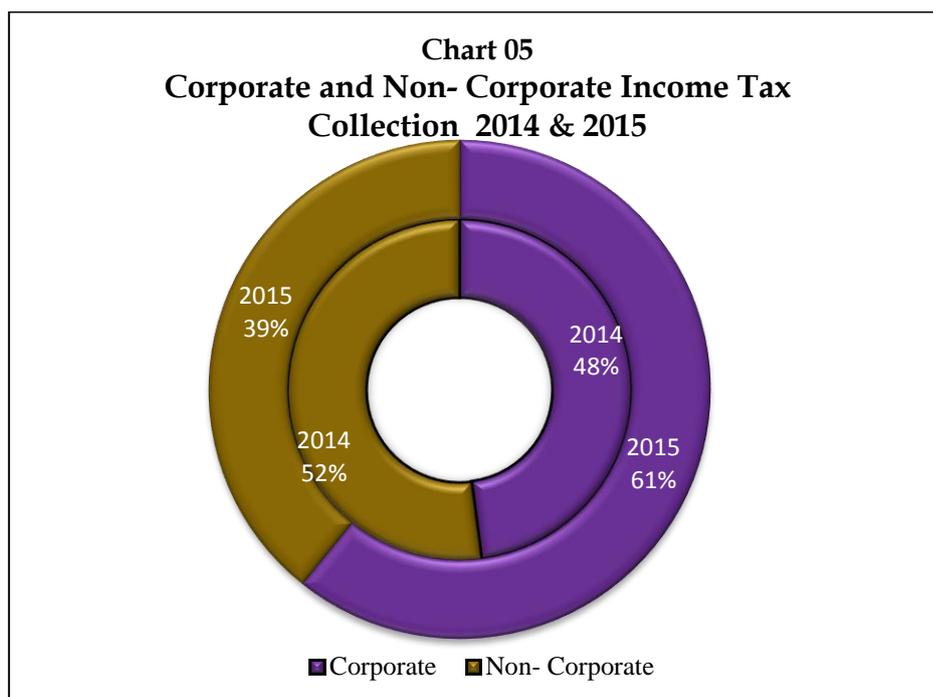
million) amounted to Rs.155,871 million representing 61% of the total income tax collected. The non-corporate sector contributed Rs.100,564 million, that is of the total 39%. Collection of income tax from corporate sector in 2015 shows an increase of Rs. 63,843 million or 69.37% over that of the previous year. This is mainly due to the super gain tax which amounts to Rs. 49 Million. Super gain tax was introduced by the interim budget 2015 as a one off tax. This was imposed on any company or any individual whose book profit (before income tax) of the year of assessment 2013/2014 exceeds Rs. two thousand million and every company of a group of companies, of aggregate book profit (before income tax) of all subsidiaries and holding companies for the year of assessment 2013/2014 exceeds Rs. two thousand million.

Table 09 shows the composition and chart 05 illustrates the same.

Table 09 Corporate and Non Corporate Income Tax Collection - 2014 & 2015				
	2015		2014	
	Tax Collection	%	Tax Collection	%
Corporate*	155,870,960,759	61%	92,028,323,420	48%
Non Corporate**	100,563,979,780	39%	99,931,727,250	52%
Total	256,434,940,539	100%	191,960,050,670	100%

* Includes Dividends Tax of 10,365 Mn in 2014 & 12,340 Mn in 2015

**Includes WHT deducted and remitted on interest income services rendered by corporate sector and income tax paid by employees under Pay as You Earn (PAYE) scheme



2.9.2 Source-wise Analysis of Income Tax Collection

(Employment and others) of income tax collected during the year.

Table 10 shows the source wise composition

Table 10 - Income Tax Collection – 2015		
Source	Collection(Rs.Mn)	
Employment		
PAYE Scheme	26,019.87	
Assessments with penalties with tax in default	211.45	26,231.32
Others		
Self-Assessment and Assessments with penalties	150,887.98	
Withholding tax on interest, rent and specified fees	62,911.84	
Other deductions at source	16,475.49	
Gross Collection		256,506.63
Less: Refund		-71.69
Net Collection		256,434.94

The amount of Rs.150,888 million by way of self-assessments and assessments with penalties consist of taxes on trade business, profession, vocation and other service which do not fall within WHT mechanism.

2.9.3 Main Policy Changes relating to Income Tax

During the year concerned the following changes to Inland Revenue Act to accommodate the taxation proposals as

announced in the budget 2015 have been facilitated.

Exemptions

- i. Profits and income arising or accruing to any Unit Trust from investments made on or after January 1, 2015, in US Dollar deposits or US Dollar denominated securities listed in any foreign Stock Exchange

- ii. Profits and income arising or accruing to any company, partnership or body of persons outside Sri Lanka from any payment made by way of royalty as a specific requirement of any IT/BPO Company in Sri Lanka for a period of 2 years from the commencement of such IT/BPO Company
- iii. The interest or discount accruing or arising to any person from any investment made on or after January 1, 2015 in any Corporate Debt Security, issued by the Urban Development Authority

Concessionary Rates

- i. A deduction of 10% of income tax payable by any local manufacturer who has commenced the business of manufacturing during 1970's and sustained competitiveness with imports, on the profits and income from the sale of such manufactured products in the local market
- ii. The maximum 16% tax rate applicable for certain categories of employees (Professionals) was expanded to cover all other employment categories as well
- iii. 12% tax rate applicable for agricultural sector was extended to the local sugar industry
- iv. The annual turnover limit of Rs. 500 Mn referred to in section 59B was increased to Rs. 750 Mn
- v. One half of the profits and income from the production of films or dramas of any individual who produces an award winning cinema or a drama at an international film/drama festival was exempt for a period of 5 years from the year in which such award is received

Tax concessions for new investments

- i. The time limit to complete investments and to commence the commercial operations by new undertakings which have been approved under Section 17A of the Act, prior to 01.04.2014 and which

would not be able to complete their investments prior to 01.04.2015 and commence commercial operations prior to 01.04.2016, was extended to 01.04.2017

- ii. Any new undertaking with an investment of not less than US\$ 2 Mn was granted a frontloaded depreciation allowance, on the acquisition of any fixed asset on which depreciation allowance is claimable within the provisions of section 25, where such undertaking engaged in manufacture of products for export and the exemption was granted on the dividend distributed out of such profits or from deemed dividend tax, for a period of 5 years from the commencement of commercial operations of the new undertaking
- iii. The applicable tax rate on the profits and income of an existing enterprise carrying on a business of manufacture of products (other than liquor or tobacco), was reduced by 50% up to a maximum not exceeding Rs.500 Mn for a period of 5 years, if such enterprise is liable for income tax at the rate of 28% and expands such enterprise in any province other than the Western Province by investing not less than Rs.300 Mn on or after 01.04.2015 but prior to 01.04.2017 by the acquisition of any fixed asset on which depreciation allowance is claimable within the provisions of section 25
- iv. Any company which registers with the Inland Revenue Department for tax purposes on or before December 31, 2015 with a committed investment in excess of Rs.500 Mn, to be made in any manufacturing business (other than liquor or tobacco) within a specified period as approved by the Commissioner General of Inland Revenue was entitled for a reduction of 50% of the applicable tax rate for a period of 7 years from the commencement of commercial operations

Deductibility of expenses

A triple deduction was granted, to any person registered with the Tertiary Vocational Education Commission (TVEC) on expenditure incurred on standard skill development training (eg. NVQ Level) provided to trainees

Withholding Tax on Interest Income from Deposits

- i. The withholding tax regime applicable to individuals and charitable institutions was revised by introducing a single Withholding tax rate of 2.5%
- ii. Exemption on interest income of senior citizens was expanded by removing the exempt threshold presently applicable on interest income

2.10 Value Added Tax Collection

The Value Added Tax (VAT) collection of Rs.214,237 million during the year indicates a shortfall of Rs.15,763 million over the estimate of Rs.230,000 million for the year. This is a decrease of Rs. 23,678 million or 11.05% over that of the previous year. However the VAT collected on financial services and other services showed an increase over that of the previous year. The total VAT collected on financial services and other services for the year was Rs. 101,616 million and this amount was an increase of Rs.11,423 million over that of the year 2014, which was Rs.90,193 million. The reason for the decrease may be the expansion of liable threshold from 12 million per year to 15 million per year and decrease of the VAT rate from 12% to 11%.

Table 11 shows the sector wise gross collection of Value Added Tax, refunds and the net collection, which is illustrated in chart 06.

Table 11 - Value Added Tax Gross Collection and Refunds						
Sector	2014		2015			
	Net Collection (Rs.Mn)		Gross Collection Rs.(Mn)		Refunds	Net Collection Rs.(Mn)
Manufacturing		45,441.70		29,627.17	732.65	28,894.52
Non-Manufacturing						
-Service	65,752.67		73,916.97		197.46	73,719.51
-Financial Service	24,436.89		27,896.35			27,896.35
-Optional VAT	3.49	90,193.05	0.17	101,813.49		0.17
Imports		102,280.68		83,727.80	1.37	83,726.43
Total		237,915.43		215,168.46	931.48	214,236.98

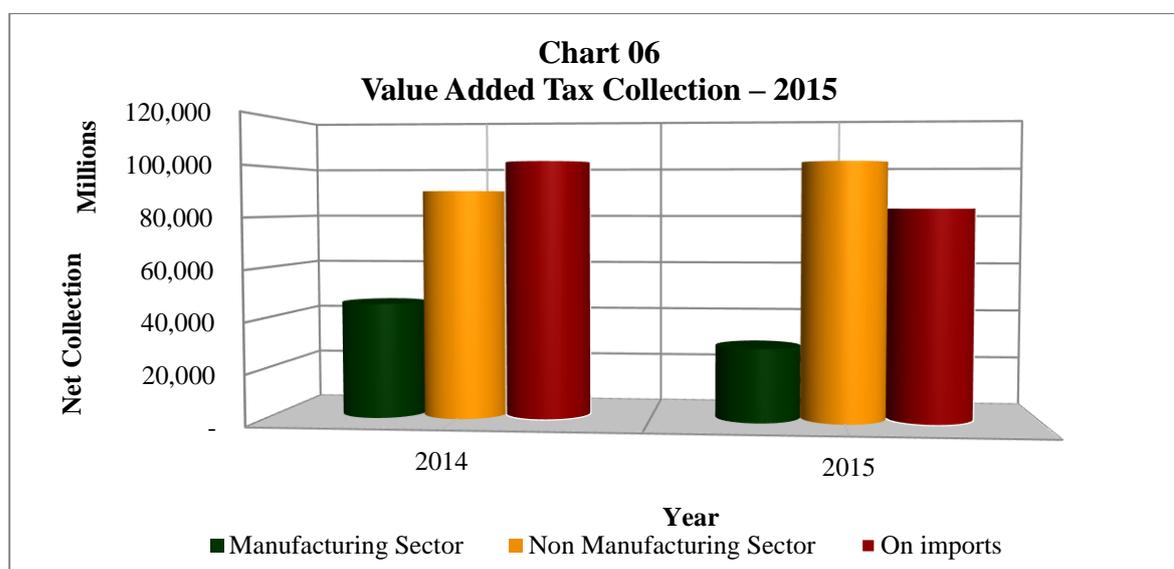


Table 12 - Sector wise Analysis of VAT Contribution to GDP

Sector	2014		2015		Percentage of VAT collection to GDP	
	Net Collection (Rs)	%	Net Collection (Rs)	%	2014	2015
Manufacturing sector	45,441,698,904	19.10%	28,894,521,159	13.49%	0.46%	0.26%
Non-Manufacturing sector	90,193,048,803	37.91%	101,616,031,540	47.43%	0.92%	0.91%
On Imports	102,280,685,200	42.99%	83,726,432,785	39.08%	1.05%	0.75%
Total	237,915,432,907	100.00%	214,236,985,484	100.00%	2.43%	1.92%

2.10.1 Industry wise Contribution of VAT

classified under banking, insurance, hotel and restaurant, construction, electricity and their contribution to the total VAT revenue.

Table 13 shows the VAT on domestic supplies

Table 13 – Gross Domestic VAT – Manufacturing and Services Sectors

Sector	2013 (Rs.Mn)	2014 (Rs.Mn)	% of decrease / increase compared to previous year	2015 (Rs.Mn)	% of decrease / increase compared to previous year
Banking	15,921	18,822	18.22%	23,089	22.67%
Insurance	4,882	4,910	0.57%	5,403	10.04%
Hotel & Restaurant	5,672	6,507	14.72%	7,429	14.17%
Construction	5,293	6,943	31.17%	6,605	-4.87%
Electricity & Gas	502	560	11.55%	501	-10.54%
Imports	9,113	10,389	14.00%	9,880	-4.90%
Financing	11,860	13,982	17.89%	18,487	32.22%
Communication	256	394	53.91%	376	-4.57%
Petroleum Products	344	1,509	338.66%	417	-72.37%
Beverage - Alcoholic	9,747	9,930	1.88%	396	-96.01%
Services not classified	7,916	9,866	24.63%	12,295	24.62%
Manufacturing not classified	9,517	10,280	8.02%	9,173	-10.77%
Others	39,516	42,408	7.32%	36,460	-14.03%
Total	120,538	136,500	13.24%	130,511	-4.39%

2.10.2 Main policy changes relating to VAT

Reduction of Tax Rate

Reduced VAT rate - 11%
(tax fraction is 11/111)

Expansion of the Threshold for liability to VAT

The liable threshold for registration is further expanded from Rs. 3 Mn to Rs. 3.75 Mn for any quarter commencing on or after January 1, 2015

VAT on wholesale and retail trade

Liable threshold of value of supplies for a consecutive period of three months of any calendar year of any person or partnership

carrying on a business of wholesale or retail trade was reduced from Rs. 250 Mn to Rs. 100 Mn with effect from January 1, 2015

Total Supplies for the purpose of paragraph (f) of section 3(1)

With regard to any person or partnership total supplies for the purpose of paragraph (f) of section 3(1) means:

the aggregate value of supplies of-

any person or partnership engaged in the wholesale or retail business while carrying on other business of similar nature in one place or different places under one or more registrations for the purposes of this Act, including any business in which any

director of a company or partner of a partnership is a director or partner of such other business;

New exclusions in the ascertainment of 25% of exempt supply for the liability for deemed VAT

In case of registered person referred to paragraph (f) of section 3(1) any excess of the 25% of the exempt supplies shall be treated as deemed taxable supplies and liable to VAT on inclusive basis.

In the ascertainment of the limitation of 25% of exempt supplies following exempt supplies are excluded (in addition to the exclusion of zero rated articles and goods subject to Special Commodity Levy where the supply is made by the importer himself) -

- locally produced fresh milk (with effect from January 1, 2015),
- locally grown fruits and vegetables or locally produced rice (with effect from November 1, 2015)

During the year the following exemptions have been introduced to the Value Added Tax Act.

Exemptions

(i) The supply or import of –

- i. agricultural tractors or road tractors for semi-trailers
- ii. ethyl alcohol imported or manufactured and supply as a by-product which is liable to Customs Duty and Cess on importation or Excise Duty under the Excise Duty Ordinance on manufacturing of such products

(ii) The supply of –

- i. provision of leasing facilities under any finance lease agreement or operating leasing agreement on any asset other than land or building if such agreement is entered into on or after October 25, 2014, not being an agreement for re-schedule of

any agreement entered into prior to October 25, 2014

- ii. imported-
 - a. unprocessed timber logs, ships or rattans; or
 - b. any article subject to the Special Commodity Levy under the Special Commodity Levy Act, No.48 of 2007 subject to the condition that such articles are sold without any processing except adaptation for sale
- iii. telecommunication services liable to Telecommunication Levy under the Telecommunication Levy Act, No. 21 of 2011, and the services specifically excluded from such liability in the definition of the expression “telecommunication services” in that Act (effective from January 1, 2014)
- iv. locally manufactured coconut milk (with effect from November 1, 2015)

(iii) The import of –

- (i) samples in relation to a business worth not more than rupees-
 - a. twenty five thousand, on such imports made prior to January 1, 2015; and
 - b. fifty thousand on such imports for any period on or after January 1, 2015subject to such terms and conditions as specified by the Director General of Customs;
- (ii) machinery, equipment or spare parts by Sri Lanka Ports Authority to be used exclusively within the ports of the Sri Lanka Ports Authority

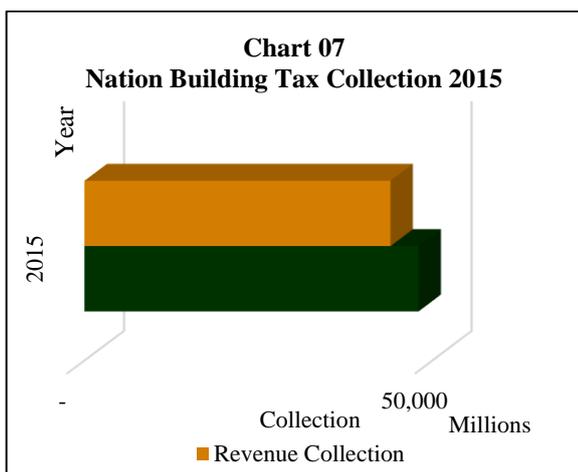
2.11 Nation Building Tax Collection

NBT contributed Rs. 67,911 million to the total Revenue during the year concerned. This is a slight increase when compared to Rs. 65,354 million in 2014. Out of the total NBT revenue an amount of Rs.23,972 million was transferred to Provincial Councils.

Table 14 –Sector wise Collection of NBT		
Sector	Net Collection (Rs)	
	2014	2015
Manufacturing	15,354,329,424	10,163,343,792
Service	26,238,065,267	31,256,204,685
Imports	23,764,587,831	26,491,513,723
Total	65,356,982,522	67,911,064,215

Table 15 compares the revenue estimate of NBT with the revenue collected in the year 2014 and year 2015 after transferring the revenue to Provincial Councils.

Table 15 - Nation Building tax Collection with Estimates			
Year	Estimated Revenue Rs.	Revenue Collection Rs.	%
2015	48,000,000,000	43,938,771,964	92%
2014	45,600,000,000	44,583,121,715	98%



2.11.1 Main policy changes relating to NBT

Expansion of the threshold for liability to NBT

The quarterly turnover liable to NBT was further expanded from Rs. 3 Mn to Rs. 3.75 Mn for any quarter commencing on or after January 1, 2015.

Excepted Articles

- (i) import of samples in relation to business which is worth not more than -
 - a. rupees twenty five thousand, where such samples were imported prior to January 1, 2015; and

- b. rupees fifty thousand where such samples are imported on or after January 1, 2015:

subject to which terms and conditions as prescribed by the Director General of Customs;

- (ii) any machinery, equipment or spare parts imported by Sri Lanka Ports Authority to be used exclusively within its ports;
- (iii) any motor vehicle identified under Harmonized Commodity Description and Coding Numbers for Custom purposes and liable to Excise Duty under the Excise (Special Provisions) Act, No.13 of 1989, on the importation or any motor vehicle liable to the same Duty on manufacture of any such vehicle, including such manufactured motor vehicles remain unsold in the stock which would have been otherwise liable to same Duty if the same is manufactured after October 25, 2014
- (iv) cigarettes identified under Harmonized Commodity Description and Coding Numbers for custom purposes and liable to Excise Duty under the Excise (Special Provisions) Act, No. 13 of 1989 and Cess under Sri Lanka Export Development Act, No. 40 of 1979, on the importation or on the manufacture of the same, as the case may be, including such manufactured cigarettes in the stock remain unsold as at October 25, 2014 which would have been otherwise liable to the same Duty on manufacture, if the same is manufactured after October 25, 2014;
- (v) Liquor identified under the Harmonized Commodity Description and Coding Numbers for custom purposes and liable to Custom Duty under the Revenue Protection Act, No. 19 of 1962 and Cess under the Sri Lanka Export Development Act, No. 40 of 1979 on the importation, or Excise Duty under the Excise Ordinance (Chapter 52) on the manufacturer, as the case may be, including such manufactured liquor in

the stock remain unsold as at October 25, 2014 which would have been otherwise liable to the same Duty, if manufactured after 25th October, 2014.

Excepted Services

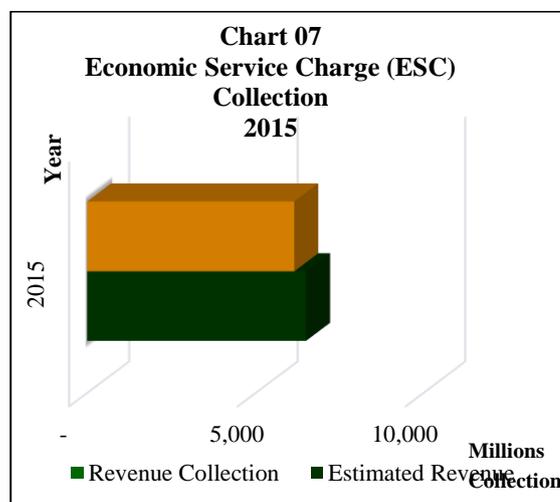
- i. Leasing of movable properties
- ii. Telecommunication services
- iii. The business of real estate and improvement thereon, being construction and sale of residential accommodation, insofar as the value of the construction project relating to the supply of such residential accommodation is less than ten million United States dollars or its equivalent in any other currency.

2.12 Economic Service Charge Collection

The aggregate of the ESC collected during the year amounted to Rs. 6,148 million and its contribution to the total revenue was 1.10%. It is 95% of the estimate for the year.

Table 16 - Economic Service Charge Collection

Year	Estimated Revenue Rs.	Revenue Collection Rs.	%
2015	6,500,000,000	6,148,447,689	95%
2014	8,400,000,000	6,154,508,746	73%



2.13 PAYE Collection

Gross revenue collected during the year under PAYE scheme which is a part of the income tax on employment income was Rs.26,206 million, in comparison to Rs.22,297 million in 2014.

Table 17 - Analysis of Tax under PAYE and level of income

Range of Income Rs.		Total Gross Remuneration Rs.	No of Employees	Tax under PAYE Rs.
Below 600,000	Tax Not Deducted	278,639,706,728	1,179,759	
	Tax Deducted	81,802,331,128	133,149	942,793,330
600,001-1,100,000		129,737,471,313	161,488	1,321,674,263
1,100,001-1,600,000		82,583,656,105	74,353	2,331,761,381
1,600,001-2,100,000		43,827,545,985	25,094	2,179,786,834
2,100,001-2,600,000		23,408,354,398	11,062	1,534,690,181
2,600,001-3,600,000		21,416,665,961	7,374	2,023,828,753
Above 3,600,000		64,797,318,860	8,816	10,937,448,673
		8,390,294,354	5,160	1,245,948,422
Total		734,603,344,831	1,606,255	22,517,931,837

This information is based on records in the completed returns furnished by the employers for the Year of Assessment 2014/2015.

2.14 Withholding Taxes (on interest and specified fees)

WHT on interest recorded a collection of Rs. 62,411,593,160/- during the year, which consists of Rs. 53,397,715,864/- on Government Securities (Rs. 62,704,548,497/- in the year 2014) and the balance on corporate bonds and deposits in financial institutions. Revenue generated from withholding tax on interest decreased by Rs.6.990 million over the previous year collection.

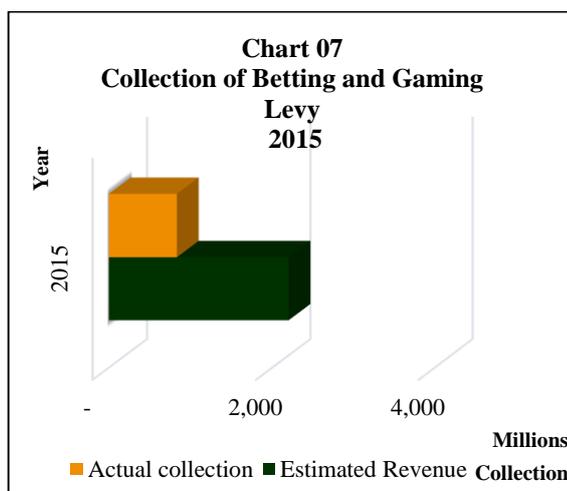
Rs.492,472,221/- was collected as WHT on specified fees (Rs.214,338,440/- in the year 2014).

2.15 Betting and Gaming Levy

During the year, collection of Betting and Gaming Levy was Rs.831,922,843/- This reflects a shortfall of Rs.1,368,077,157/- when compared to the estimate for the year.

Table 18 compares the revenue collected from Betting and Gaming Levy with the revenue estimate for the year 2014 and 2015.

Year	Estimated Revenue Rs.	Revenue Collection Rs.	%
2015	2,200,000,000	831,922,843	38%
2014	1,500,000,000	815,175,141	54%



2.16 Construction Industry Guarantee Fund Levy

Revenue from Construction Industry Guarantee Fund Levy in 2015 was Rs.753,314,770/-. The total registered payers for this Levy amounted to 334.

Table 19 compares the revenue collected from Construction Industry Guarantee Fund Levy with the revenue estimate for the years 2014 and 2015.

Year	Estimated Revenue Rs.	Revenue Collection Rs.	%
2015	1,200,000,000	753,314,770	63%
2014	1,000,000,000	841,828,584	84%

2.17 Stamp Duty Collection

A revenue of Rs. 11,596 million generated from Stamp Duty during the year. In terms of Provincial Councils (transfer of Stamp Duty) Act No. 13 of 2011, the total collection of Stamp Duty was transferred to respective Provincial Councils. The Department conducted advisory and supervisory visits with a view to enhance the compliance of stamp duty and accordingly 95 places were visited in the year 2015. Number of regular registered compounding agents of Stamp Duty was 8,393 (as at 30.09.2015) and out of this 8,227 have furnished Schedules recording 100% compliances.

2.18 Transfer Tax on Land

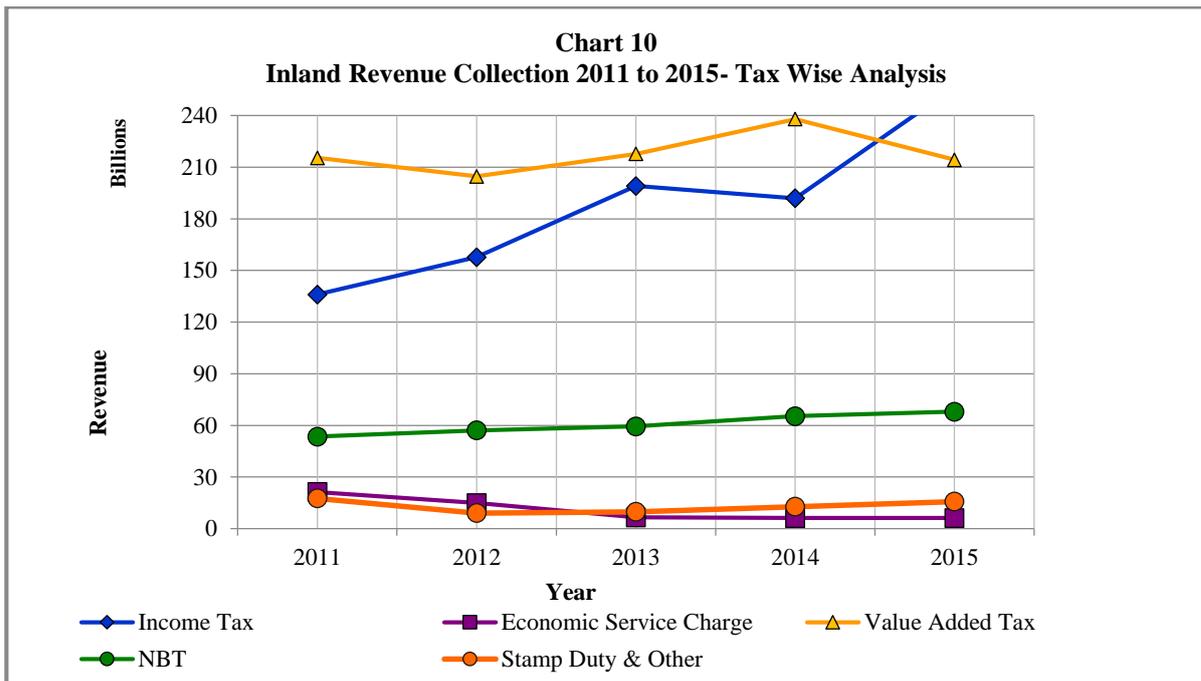
Collection for the year from transfer tax on land which implemented under 2013 budget proposals was Rs.1,067 million and it is 142.22% of the estimate for the year.

2.19 Inland Revenue Collection 2011 to 2015 (Tax wise)

of revenue collection of the IRD, from 2011 to 2015.

Table 20 represents the tax wise classification

Table 20 :- Inland Revenue Collection 2011 to 2015- Tax Wise Analysis										
Type of Tax	2011		2012		2013		2014		2015	
	Colln. (Rs.Mn)	%								
Income Tax	135,974	30.64	157,729	35.57	199,070	40.42	191,960	37.33	256,435	47.56
Economic Service Charge	21,335	4.81	14,864	3.35	6,596	1.34	6,155	1.2	6,148	1.1
Value Added Tax	215,420	48.54	204,656	46.15	217,687	44.2	237,915	46.27	214,237	38.23
Debits Tax	4,232	0.95	-	-	-	-	-	-	-	-
Betting & Gaming Levy	286	0.06	289	0.07	592	0.12	815	0.16	832	0.15
Share Transaction Levy	3,264	0.74	1,285	0.29	1,197	0.24	2,048	0.4	1,395	0.25
Turnover tax	131	0.03	138	0.03	218	0.04	472	0.09	16	0
Stamp Duty	7,217	1.63	6,535	1.47	6,884	1.4	7,918	1.54	11,596	2.07
Goods & Services Tax	25	0.01	12	-	16	-	3	-	0.88	0
National Security Levy	15	-	4	-	2	-	14	-	12	0
Construction Industry Guarantee Fund Levy	1,106	0.25	710	0.16	751	0.15	842	0.16	753	0.13
Nation Building Tax	53,501	12.05	57,106	12.88	59,397	12.06	65,354	12.71	67,911	12.12
Land Tax	-	-	-	-	97	0.02	579	0.11	1,066	0.19
Social Responsibility Levy	1,324	0.3	127	0.03	32	0.01	85	0.02	20	0
Total Collection	443,830	100.00	443,455	100.00	492,539	100.00	514,160	100.00	560,422	100.00



Distribution of Staff, Files and Revenue Among The Assessing Divisions as at 31-12-2015

Assessing Divisions	Staff				Files				Revenue (Rs. M)				TOTAL													
	CR	DCR	ACR	NYD	NYD	TO	Others	Total	FT/MT	NE	VAT/DP/VAT	NT		PAYE	ESC	BACKLOG	NDP	INCOME TAX/SE	PAYE	F.S.C.	VAT/ST/OWAT	NT	TT/RCG/OTHER	DUTY	SOLID TAX	FOH
International Unit	2	-	16	-	21	-	-	1,754	84	39	100	30	114	21	-	186	-	7,152.24	634.37	93.81	491.17	54.62	-	-	-	8,426.21
Unit 1, 2 & 3	2	-	20	-	14	36	-	4,231	4,231	9	-	9	-	20	-	-	-	964.91	-	0.13	-	2.92	-	-	-	967.95
Unit 4	1	1	9	-	11	22	-	989	989	603	754	603	718	91	-	-	-	1,102.75	314.95	110.73	1,572.16	741.05	0.06	-	3,841.71	
Unit 5	1	-	10	1	12	24	-	861	861	705	560	560	701	50	-	-	-	1,432.81	547.15	123.26	1,654.02	582.42	18.64	-	4,388.30	
Unit 12	1	-	15	-	10	26	-	872	872	859	439	439	752	752	-	1	-	1,507.92	448.99	154.75	1,719.11	571.71	0.00	-	4,402.48	
Unit 14	1	-	15	-	15	31	-	2,876	2,876	529	244	244	311	34	-	-	-	378.65	83.56	34.35	912.18	351.86	-	-	1,760.60	
Unit 15	1	1	13	-	13	28	-	1,792	1,792	642	458	458	311	34	-	-	-	473.92	54.19	51.81	665.42	251.27	-	-	1,474.61	
Unit 4A	1	-	13	-	11	25	-	2,201	2,201	616	531	531	459	26	-	-	-	761.81	142.29	49.44	724.34	345.19	0.04	-	2,023.11	
Unit 3C	1	1	14	-	11	27	-	3,469	3,469	862	413	413	862	18	-	-	-	740.33	140.24	56.21	682.23	301.20	0.41	-	1,920.62	
Unit 5D	1	1	13	3	11	29	-	2,960	2,960	657	316	316	952	39	-	-	-	669.04	119.24	36.87	484.14	213.20	4.82	-	1,527.32	
Unit 17	1	1	14	2	13	31	-	6,210	6,210	860	651	651	605	66	-	-	-	701.04	402.50	104.79	3,095.58	888.99	0.00	-	5,142.91	
Unit 4B	1	-	14	-	10	25	-	2,211	2,211	489	306	306	427	98	-	-	-	403.46	118.44	52.15	1,071.91	312.62	-	-	1,958.58	
Unit 13	1	-	19	-	10	30	-	4,357	4,357	1,443	1,769	1,769	906	627	-	-	-	608.59	102.32	59.81	1,283.84	577.93	0.02	-	2,632.49	
Unit 5E	1	-	14	-	11	26	-	3,356	3,356	624	407	407	918	158	-	-	-	518.38	201.50	91.48	638.49	324.23	0.01	-	1,774.10	
Unit 5F	1	-	13	-	9	23	-	2,057	2,057	484	295	295	1,046	275	-	-	-	346.54	183.83	58.53	552.32	251.26	-	-	1,372.28	
Unit 16	1	-	17	-	10	28	-	2,929	2,929	724	781	781	474	324	-	-	-	559.86	95.61	87.11	1,266.54	577.52	6.09	-	2,592.73	
Unit 18	1	-	17	-	8	26	-	5,602	5,602	870	479	479	741	40	-	-	-	1,319.87	549.91	89.31	1,766.75	785.96	-	-	4,511.81	
Unit 6A	2	1	13	-	16	32	-	404	404	399	389	389	338	63	-	-	-	13,427.39	2,040.13	541.82	11,879.40	5,685.74	0.00	-	33,574.47	
Unit 7A	2	2	11	1	18	34	-	470	470	407	396	396	418	295	-	-	-	18,374.90	5,019.27	1,187.55	18,229.18	4,751.26	0.11	-	47,562.26	
Unit 7B	2	2	12	-	15	31	-	438	438	389	358	358	365	43	-	-	-	12,946.82	2,106.23	522.04	10,922.28	2,817.43	0.02	-	29,314.82	
Unit 8	2	-	12	-	15	29	-	431	431	443	352	352	400	431	-	-	-	24,767.71	3,137.44	867.49	9,808.03	2,639.36	0.00	-	41,220.02	
Unit 06 C	2	2	16	-	23	43	-	316	316	377	353	353	198	102	-	-	-	51,494.00	4,472.01	309.08	42,925.09	6,799.68	0.02	-	105,999.87	
Unit 10	2	2	16	-	16	36	-	659	659	428	365	365	463	376	-	-	-	11,202.73	2,867.01	1,020.96	13,901.69	4,285.89	3.82	-	33,282.11	
WHT on Interest	1	-	11	-	7	19	-	3,424	3,424	-	-	-	-	-	-	-	-	63,457.56	-	-	-	-	-	-	63,457.56	
PAYE	1	-	9	-	10	20	-	-	-	-	-	-	1,337	-	-	-	-	2,334.56	90.13	-	-	-	-	-	3,983.56	
Betting & Gaming	1	-	4	-	5	10	-	-	-	-	-	-	-	-	627	-	-	-	-	-	-	-	831.92	-	1,558.87	
VAT	2	-	17	-	18	37	-	-	-	2,696	-	-	-	-	-	-	-	-	-	-	5,260.95	-	-	-	5,260.95	
Stamp Duty	1	1	16	-	13	31	-	-	-	-	-	-	-	-	8,393	-	-	-	-	-	-	-	-	-	12,625.31	
Colombo South	1	1	19	-	17	38	-	8,050	8,050	-	345	345	-	8	-	-	-	1,203.84	-	6.95	-	185.98	-	-	1,396.77	
Colombo Central	1	2	16	-	12	31	-	7,175	7,175	-	895	895	-	-	-	-	-	959.38	-	18.68	-	519.26	0.73	-	1,498.04	
Colombo City	1	1	21	-	20	43	-	7,889	7,889	-	1,222	1,222	-	-	-	-	-	776.58	-	5.83	-	550.59	-	-	1,333.01	
Maharajanga East	1	-	25	-	12	38	-	9,854	9,854	-	797	797	-	-	-	-	-	411.11	-	3.56	-	348.50	-	-	763.16	
Maharajanga West	1	-	22	-	13	36	-	9,818	9,818	-	720	720	-	2	-	-	-	569.31	-	5.85	0.17	252.75	1.89	-	829.96	
Baddala	1	-	13	-	18	32	-	5,198	5,198	-	412	412	-	-	-	-	-	264.87	-	3.72	-	213.56	-	-	482.16	
Galle	1	-	25	-	16	42	-	7,249	7,249	-	531	531	-	4	-	-	-	256.49	-	10.36	-	213.37	-	-	480.23	
Kalutara	1	-	21	-	23	45	-	8,543	8,543	-	493	493	-	-	-	-	-	229.47	-	1.44	-	192.16	-	-	423.07	
Matara	1	-	21	-	25	47	-	8,707	8,707	-	522	522	-	-	-	-	-	292.04	-	7.22	-	250.03	-	-	549.29	
Nuwara Eliya	1	-	16	-	15	32	-	4,078	4,078	-	362	362	-	-	-	9	-	174.73	-	0.62	-	153.75	-	-	329.10	
Rathnapura	1	-	11	-	13	25	-	6,817	6,817	-	572	572	-	4	-	-	-	291.94	-	11.91	-	239.29	-	-	543.13	
Amunshapura	1	-	20	-	18	39	-	4,373	4,373	-	390	390	-	-	-	-	-	314.36	-	5.24	-	188.59	-	-	508.18	
Gampaha	1	-	21	-	13	35	-	11,792	11,792	-	884	884	-	2	-	-	-	508.75	-	12.12	-	514.82	-	-	1,035.69	
Batticaloa	1	-	11	-	15	27	-	4,458	4,458	-	315	315	-	-	-	-	-	140.64	-	2.09	-	125.07	-	-	267.80	
Jaffna	1	-	2	-	17	20	-	2,807	2,807	-	396	396	-	-	-	-	-	99.16	-	1.24	-	140.76	-	-	241.17	
Kandy	1	1	38	-	22	62	-	9,800	9,800	-	578	578	-	1	-	-	-	616.54	-	6.00	-	339.25	-	-	961.79	
Kegalle	1	2	14	-	22	39	-	4,427	4,427	-	246	246	-	-	-	-	-	177.45	-	0.26	-	120.73	-	-	298.44	
Kunnesale	1	-	32	-	20	53	-	9,307	9,307	-	432	432	-	-	-	-	-	406.03	-	8.23	-	306.46	-	-	720.72	
Dambulla	1	1	25	-	15	42	-	4,719	4,719	-	424	424	-	38	-	-	-	206.59	-	0.79	-	197.48	-	-	404.86	
Negombo	1	1	21	-	15	38	-	9,867	9,867	-	679	679	-	-	-	-	-	423.18	-	3.39	-	315.88	-	-	742.45	
Total	57	23	777	7	1	697	1,562	197,027	1,778	15,925	21,856	13,749	4,024	9,020	196	225,970.03	23,871.29	5,818.99	131,505.02	39,391.59	868.68	1,558.87	12,625.22	441,609.69		
VAT (Import)																									83,603.09	
NB (Unimport)																									26,409.27	
Treasury Transfer																									7,853.11	
Refunds																									1,890.37	
Net Collection (Including Stamp Duty & NB 1/3 Transferred to Provincial Councils)																									560,422.36	

Chapter 3

Expenditure and Productivity Ratio

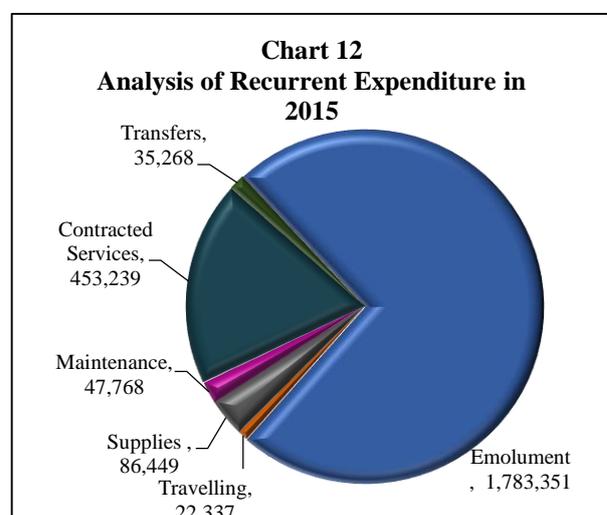
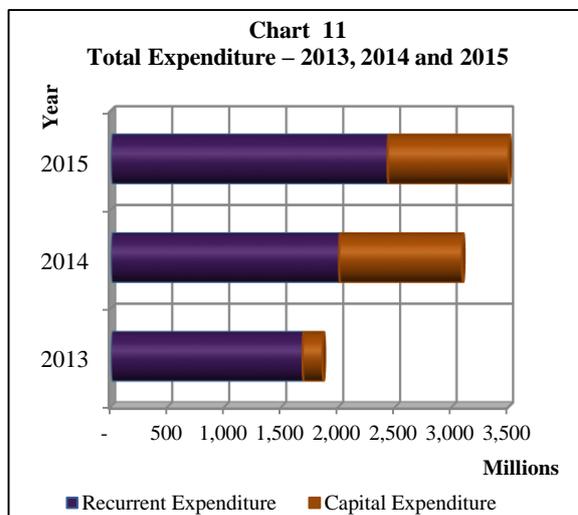
Total expenditure of the Department in the year was Rs.4,437 million which recorded a 43.69% increase when compared with the previous year's figure of Rs.3,088 million. Out of the total expenditure, 54.73% or Rs.2,428 million was spent for recurrent expenditure. In 2014, the corresponding amount was Rs.2,002 million. Expenditure on emoluments increased by 26.14% as against that of 2014 which was Rs.1,413 million. This was the largest single expenditure item that accounted for 40.19% of the total expenditure and 73.44% of the recurrent expenditure.

The capital expenditure during the year recorded an increase of 85.04% when compared to 2014 and reached Rs.2,009 million. That was Rs.1,085 million in 2014. Out of the total expenditure of the Department, 45.27% represents capital expenditure.

As proposed in 2013 budget proposals IRD took preliminary steps to implement the Revenue Administration Management Information System with the view of enhancing the efficiency of the Department and investment made on this project during the year was Rs. 1,518 million.

3.1 Comparison of the Total Expenditure incurred during the years – 2013, 2014 and 2015

Description	2013		2014		2015	
	(Rs.'000)	%	(Rs.'000)	%	(Rs.'000)	%
Recurrent Expenditure						
Emolument	1,272,722	67.85%	1,413,734	45.78%	1,783,351	40.19%
Travelling	19,124	1.02%	17,722	0.57%	22,337	0.50%
Supplies	67,269	3.59%	103,684	3.36%	86,449	1.95%
Maintenance	30,999	1.65%	63,671	2.06%	47,768	1.08%
Contracted Services	265,284	14.14%	372,162	12.05%	453,239	10.21%
Transfers	27,871	1.49%	31,438	1.02%	35,268	0.79%
Sub Total	1,683,269	89.73%	2,002,411	64.85%	2,428,412	54.73%
Capital Expenditure						
Rehabilitation and Improvements	131,414	7.01%	101,614	3.29%	73,624	1.66%
Acquisitions of capital Assets	40,243	2.15%	49,343	1.60%	31,820	0.72%
Capacity Building	20,963	1.12%	127,793	4.14%	385,170	8.68%
Investment (RAMIS Project)			806,802	26.13%	1,518,108	34.21%
Sub Total	192,620	10.27%	1,085,552	35.15%	2,008,722	45.27%
Total	1,875,889	100%	3,087,963	100.00%	4,437,134	100.00%



3.2 Productivity Ratio

The total expenditure of the Department in the year 2015 was Rs. 4,436,933,990/- and the revenue collected was Rs. 560,422,362,100/-. The productivity ratio (i.e. the revenue collected for every rupee of expenditure) therefore, works out to 126:1. In other words, the cost of collection for Rs.100/- was 79 cents. The cost of collection for the Rs.100/-

excluding VAT and NBT on imports, accounted 98 cents. (in previous year the corresponding amounts were 60 cents and 79 cents respectively).

Table 22 provides a classification of revenue collection, total expenditure and the cost of collection for the year 2013 to 2015.

Description	2013	2014	2015
Revenue collection			
Income tax	199,070.03	191,960.05	256,434.94
Economic Service Charge	6,595.60	6,154.51	6,148.45
Value Added Tax	217,686.92	237,915.43	214,236.99
Nation Building Tax	59,397.33	65,353.98	67,911.06
Debit Tax	-0.08	-	-
Betting And Gaming Levy	591.87	815.18	831.92
Share Transaction Levy	1,197.41	2,048.05	1,394.92
Turnover Tax	218.08	472.18	15.77
Stamp Duty	6,884.39	7,918.14	11,595.88
Goods and Services Tax	15.97	3.46	0.89
National Security Levy	2.15	13.77	11.63
Construction Industry Guarantee Fund Levy	750.91	841.83	753.31
Land Tax	96.74	579.47	1,066.64
Social Responsibility Levy	32.11	84.66	19.96
Total Collection	492,539.43	514,160.71	560,422.36
Expenditure			
Recurrent Expenditure			
Emoluments	1,272.72	1,413.73	1,783.35
Travelling	19.12	17.72	22.34
Supplies and Equipment	67.27	103.68	86.45
Maintenance and repairs	31	63.67	47.77
Services	265.28	372.16	453.24
Transfers	27.87	31.44	35.27
Other			
Capital Expenditure			
Rehabilitation & Improvements	131.41	101.61	73.62
Acquisitions	40.24	49.34	31.82
Building capacity	20.96	127.79	385.17
Investment (RAMIS Project)	-	806.8	1,518.11
Total Expenditure	1,875.89	3,087.94	4,437.14
Cost of Collection per 100/-	0.38	0.6	0.79
Cost of Collection per 100/- , excluding VAT & NBT on imports	0.5	0.79	0.98

3.3 The Internal Audit

Audits carried out by the Internal Audit Branch included examining of all payments, daily vehicle running charts (maintained by the Head office and Regional offices), pay sheets, annual board of survey reports and bank reconciliation

of Peoples bank, Bank of Ceylon, Central Bank). In addition to these activities, examining the actions taken to recover the amount due on dishonored cheques, refunds relating to income tax and VAT, checking imprest account and imprest cash account were the other main tasks performed by the Internal Audit Branch

Chapter 4

Taxes in Default

4.1 Taxes in Default

Table 23 shows the default tax amounts,

disputed amounts, penalties and the amount collectible as at 31.12.2015.

Table 23 - Analysis of the Default Taxes - as at 31.12.2015						
Type of tax	Gross Tax in Default Rs.	Penalty Rs.	Disputed Taxes Excluding Penalty Rs.	Penalty related to disputed Taxes Rs.	Collectible Tax Rs.	Collectible Penalty Rs.
Income Tax	85,525,191,768	47,992,967,193	70,724,051,005	43,187,961,891	14,801,140,763	4,805,005,302
Surcharge on Income Tax	330,273,865	266,625,899	328,987,850	265,383,865	1,286,015	1,242,034
Income Tax (WHT on interest)	1,495,289,225	696,636,514	1,472,896,677	651,064,332	22,392,548	45,572,182
Value Added Tax	49,378,761,998	35,248,527,728	44,218,320,939	31,014,577,120	5,160,441,059	4,233,950,608
Value Added Tax (Financial Services)	7,356,520,901	4,394,871,900	7,304,890,192	4,371,304,138	51,630,709	23,567,762
Economic Service Charge	4,629,887,138	4,161,928,938	3,644,746,541	3,540,616,152	985,140,597	621,312,786
Nation Building Tax	3,828,081,529	4,196,471,475	2,332,907,259	2,846,670,584	1,495,174,270	1,349,800,891
Stamp Duty	9,732,724	3,773,302	-	-	9,732,724	3,773,302
Debit tax	2,215,581,368	-	2,215,581,368	-	-	-
Turnover Tax	2,436,857,570	1,205,171,114	2,436,857,570	1,205,171,114	-	-
Good & Services Tax	943,355,822	1,022,819,837	943,355,822	1,022,819,837	-	-
National Security Levy	1,373,143,369	575,787,753	1,373,143,369	575,787,753	-	-
Save the Nation Contribution	16,087,126	4,811,953	16,087,126	4,811,953	-	-
Wealth Tax	851,542	455,551	851,542	455,551	-	-
Gift Tax	2,409	1,204	2,409	1,204	-	-
Social Responsibility Levy	1,980,457	151,434	1,969,992	146,995	10,465	4,439
Compounding Penalty	-	215,435,611	-	103,551,506	-	111,884,105
Total	159,541,598,811	99,986,437,406	137,014,649,661	88,790,323,995	22,526,949,150	11,196,113,411

Note:

- i. Total taxes in default represent remained cumulative balances of respective taxes. However, taxes in default as classified above do not fully remain as arrears per se.
- ii. Arrears or defaults are created when an assessment is issued for whatever reason (non-furnishing a returns, non-payment of taxes on the basis of returns, furnishing incorrect returns or declarations etc. by the taxpayers). Penalty is generally, 10% for

the non-payments on due date and further 2% for each month of default until it reaches 50% of tax in the case of income tax and as much as 100% with regard to VAT.

- iii. Where the tax payers have lodged appeals invoking their rights against assessments and consequently, when such appeals are taken up to higher appellate levels
- iv. (Tax Appeals Commission, Courts of Appeal), related taxes are considered as

default tax. Such of tax amounts are categorized as disputed taxes, penalties or held over taxes. On the settlements of appeals, any excess amount assessed together with the relevant penalty added has to be discharged.

4.2 Plans for reduction of Default Taxes

- a. The respective enactments stipulate actions and steps to be taken for recovery of tax in default. Although, such actions were continuously taken after issuing of assessments, considerable amount of taxes remains in default.
- b. The Default Tax Recovery Unit has prepared relevant reports of default taxes as provided in the Default Taxes (Special Provisions) Act No. 16 of 2010 (An Act to provide for a streamlined and speedier process for the recovery of taxes) and effective recovery actions with an added authority are intended for better results.

4.3 Maintenance of arrears of tax at 3%

In terms of section 12 of Default Taxes (Special Provisions) Act No. 16 of 2010, it shall be the duty of the Commissioner General to ensure that the aggregate of any taxes, not including any penalty accrued thereon or any part of tax held over or deferred, which is in default under any law specified in the schedule to that Act as at the end of any calendar year commencing on or after January 1, 2010, over the aggregate of taxes in default as at the end of the immediately preceding year, shall not exceed three *per centum* of the total amount of the taxes levied and charged under the said laws, in the immediately preceding year.

Accordingly,

Net tax in default as at 31.12.2015	Rs. 22,526,949,150
Less	
Net tax in default as at 31.12.2014	Rs. 17,278,517,597
Increase of Default Tax in 2015	Rs. 5,248,431,553
Total collection of taxes in the year ended 31.12.2014	Rs. 485,387,055,372
3% of the total tax collection in 2014	Rs. 14,561,611,661

Therefore, there is no net addition of taxes in default in 2015, thus it is below 3% of total tax collection in the preceding year, as required under the Default Taxes (Special Provisions) Act No.16 of 2010.

Chapter 5
Audits, Additional Tax
Collection, Refunds,
Recovery Action, and
Appeals



5.1 Audits

Audits and investigations were undertaken during 2015 to a widest possible coverage of the taxpayer population, in terms of business activity, entity type and business size. It has been found that the most productive use of investigation resources has paid dividends in respect of the largest taxpayers. In the year

under review, the selection process focused heavily on this category resulting in a notable increase in back duty. Accordingly, audit functions were carried out to a satisfactory level resulting in collection of additional taxes, which are shown in the Table 24.

Table 24 - Particulars of Audits and Additional Tax collection during the year (Rs. '000)

	Income Tax	VAT	ESC	PAYE	NBT	Other	Total
Total amount of additional tax assessed during the year	13,525,689	5,507,366	347,928	365,003	1,627,740	163,518	21,537,244
Total amount of additional tax collected during the year	11,330,761	4,353,781	275,612	105,558	893,916	63,335	17,022,963
Number of tax auditing commenced during the year 2015	6,577						
Number of tax Audit finalized during the year 2015	6,350						

Table 25 - Classification of Additional Taxes by Corporate and Other Units (including penalty)

Description	Additional income/ Turnover assessed & agreed (Rs.'000)	Additional Tax Assesd & Agreed (Rs.'000)				Additional Tax Collected (Rs.'000) (includes Refund claims setoff)
		Corporate - LTU	Corporate - other	Other units	Total	
Income Tax	71,840,005	10,176,596	1,389,126	1,959,967	13,525,689	11,330,761
VAT	24,292,676	1,293,388	1,389,247	2,824,731	5,507,366	4,353,781
ESC	55,980,053	258,139	82,309	7,480	347,928	275,612
PAYE	5,094,808	55,238	66,204	243,561	365,003	105,558
NBT	66,972,450	621,656	436,090	569,994	1,627,740	893,916
Others	1,244,775	106,124	48,114	9,280	163,518	63,335
Total	225,424,767	12,511,141	3,411,090	5,615,013	21,537,244	17,022,963

5.2 Appeals

During the year, the Department has finalized 660 appeals received against the assessments

issued, and the analysis of appeal position is as follows:

Table 26 - Analysis of the Appeals Received and Settled

		Income Tax	VAT	ESC	NBT	Others	Total
Balance as at 01.01.2015	Units (as per APL 2)	129	9	0	6	0	144
	Appeal Branch (as per APL 2)	130	193	4	127	3	457
	CGIR'S Hearing	66	85	0	34	0	185
Registered (as per APL 2) during the year		454	323	9	285	26	1097
Finalized	Determined (CGIR)	33	46	0	21	0	100
	Units (APL 4)	184	8	0	36	0	225
	Appeal Branch	121	100	5	101	8	335
Submitted for CGIR's hearing		139	2111	1	117	2	470
Balance as at 31.12.2015	Units (as per APL 2)	91	0	0	70	2	163
	*Appeal Branch (as per APL 2)	178	209	7	94	17	505
	CGIR 's Hearing	172	250	1	130	2	555
*Files received to appeal branch during the year		143	189	4	100	11	447

5.3 Post VAT Refund Audits

Special VAT Audit Branch of the Department completed 216 cases (files) as post VAT refund audits during the year, resulting in the collection of Rs.399,505,866/- as additional tax.

5.4 Recovery Actions

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

Table 27 – Recovery Action

	Cases	Notices
Issuing Seizure Notices	3,608	3,663
Prosecution Action	2,939	830
Other Action	7,230	4,451

5.5 Refunds

An analysis of refunds made during the year (excluding refunds, which were set off against outstanding taxes) is as follows.

Table 28 - Refund Analysis

Type of tax	2014		2015	
	Amount of Refund Rs.	% to Net Revenue Collection of each tax	Amount of Refund Rs.	% to Net Revenue Collection of each tax
VAT	1,112,689,379	0.47%	931,478,754	0.43%
Co – operate Income tax	30,901,245	0.04%	18,410,241	0.01%
Other non Co – operate Income tax	31,600,314	0.39%	19,715,447	0.17%
WHT on Specified fees	2,275,268	1.06%	7,019,723	1.43%
WHT on Interest	8,214,435	0.01%	757,209	0.00%
PAYE	13,934,469	0.06%	25,794,549	0.10%
Total	1,199,615,110	0.23%	1,003,175,923	0.18%

During the year and 8927 claims of VAT refunds were finalized by refunding Rs.931.48 million in the year. Out of total amount refunded during the year, a sum of Rs. 102.31 million was transferred or setoff against the total outstanding taxes.

The simplified VAT (SVAT) scheme minimizes the VAT refunds for VAT registered persons who are engaged in exports and special projects by transferring to the system of issuing credit vouchers. Under the SVAT Scheme

monitored by the Commissioner General, more persons were qualified to purchase goods and services from SVAT registered persons, where the supply of goods or services to qualified persons are more than 50% of their taxable activities. Hence, no VAT is collectible in these cases, but previously paid VAT was claimed as input tax.

369 Persons were registered for SVAT scheme during the year.

Table 29 - SVAT Credit Voucher Analysis

	2012	2013	2014	2015
Amount of Refunded VAT Rs.	3,149,577,623	459,692,181	1,112,689,379	931,478,754
% to Net Revenue Collection of the year	1.54%	0.21%	0.47%	0.43%
Value of VAT portion of issued SVAT Credit Voucher Rs. (related to local purchases)	41,991,314,893	45,337,507,743	47,304,211,325	37,458,840,366

Chapter 6

International Relations



6.1 Double Taxation Avoidance Agreement

Sovereign states of the world enter into bilateral and multilateral treaties to eliminate or mitigate the incidence of juridical double taxation and fiscal evasion in the international economic activities and transactions. Since these treaties establish credit mechanisms for avoidance of double taxation, they are particularly important for developing countries to attract foreign investments paving the way to obtain expertise,

modern technology, employment opportunities etc.

In addition double tax avoidance conventions are entered in for having solidarity and cooperation between countries as it happened with several treaty partners of Sri Lanka.

Sri Lanka has as at 31.12.2015, entered into bilateral double tax avoidance agreements with 42 countries and a multilateral treaty with SAARC countries as referred to in the table 30.

Table 30 - The countries with which double tax treaties are in force as at 31.12.2015

	Country	Date of Signing the Agreement	Gazette		Operative in Sri Lanka From the Year of Assessment
			No.	Date	
1	Australia	18-12-1989	657/2	08-04-1991	1992/93
2	Bangladesh	24-07-1966	448/13	07-04-1987	1989/90
3	Belgium	03-02-1983	292/6	09-04-1984	1984/85
4	Canada	23-06-1982	253/8	13-07-1983	1986/87
5	China	11-08-2003	1374/20	6-01-2005	2006/07
6	Denmark (Rev.)	22-12-1981	228/15	20-01-1983	1980/81
7	France	17-09-1981	210/17	17-09-1982	1982/83
8	Finland	18-05-1982	253/8	13-07-1983	1981/82
9	Germany	13-09-1979	113	31-10-1980	1982/83
10	Hong Kong (Limited)	26-03-2004	1374/21	06-01-2005	2005/06
11	India (Rev.)	22-01-2013	1828/9	17-09-2013	2014/15
12	Indonesia	03-02-1993	789/10	21-10-1993	1995/96
13	Iran	25-07-2000	1187/16	06-06-2001	2002/03
14	Italy	28-03-1984	322/4	05-11-1984	1978/79
15	Japan	12-12-1967	14803/5	29-05-1968	1969/70
16	Korea	28-05-1984	342/11	29-03-1985	1980/81
17	Kuwait	05-02-2002	1245/19	18-07-2002	2002/03
18	Malaysia (Rev.)	16-09-1997	1028/21	22-05-1998	99/2000
19	Mauritius	12-03-1996	958/10	15-01-1997	1998/99
20	Nepal	06-07-1999	1116/6	26-01-2000	2001/02
21	Netherlands	17-11-1982	281/13	26-01-1984	1979/80
22	Norway (Rev.)	01-12-1986	464/4	27-07-1987	1989/90
23	Oman (Limited)	26-07-1994	881/7	26-07-1995	1979/80
24	Pakistan (Rev.)	15-10-1981	210/17	17-09-1982	1983/84
25	Philippines	11-10-2000	1237/7	21-05-2002	2010/11
			1256/27	02-10-2002	
26	Poland	25-04-1980	130	27-02-1981	1984/85
27	Qatar	07-11-2004	1422/10	05-12-2005	2008/09
28	Romania	19-10-1984	371/9	15-10-1985	1986/87

29	Russia	02-03-1999	1101/22	15-10-1999	2003/04
30	Saudi Arabia (Limited)	16-12-1999	1101/23	15-10-1999	1983/84
31	Singapore	29-05-1979	57/11	10-10-1979	1977/78
32	Sweden	23-02-1983	297/28	18-05-1984	1985/86
33	Switzerland	11-01-1983	292/6	09-04-1984	1981/82
34	Thailand	14-12-1988	571/16	18-08-1989	1990/91
35	U.A.E. (Limited)	07-07-1992	824/13	23-06-1994	1979/80
36	U.A.E. (Comprehensive)	24-09-2003	1346/1	21-06-2004	2004/05
37	U.K.	21-06-1979	60/23	02-11-1979	1977/78
38	U.S.A. Protocol	20-09-2002	1298/8	21-07-2003	2004/05
39	U.S.A	14-03-1985	398/4	22-04-1986	
40	Vietnam	26-10-2005	1455/9	24-07-2006	2007/08
41	Seychelles	23-09-2011	1837/14	20-11-2013	2015/16
42	Belarus	26-08-2013	1837/13	20-11-2013	2015/16
43	Palestine	16-04-2012	1838/8	26-11-2013	2015/16
44	Luxembourg	31-01-2013	1838/9	26-11-2013	2015/16
Multi National Treaties					
1	SARRC Multilateral Treaty	13-10-2005	1447/3	29-05-2006	2011/2012

6.1.1 Affairs related to Double Tax Avoidance Treaties during the Year 2015

Revised Agreement with Poland

Negotiations were held in Warsaw, Poland during 02-06 December, 2013 and the text of

the Agreement was initialed and finalized at official level. The Cabinet approval was obtained on June 05, 2014 and the agreement was signed at the Government level on October 06, 2015. Presenting for the parliamentary approval is due.

6.2 Participations at International Taxation Matters Abroad

Table 31 - Participations of International Taxation Matters

	Name and Designation of the Officer	Programme	Country	Duration
1	Mrs. K. Dahanayake Commissioner General	4th SAARC Meeting of Competent Authorities on Avoidance of Double Taxation & Mutual Administrative Assistance in Tax Matters	India	23.04.2015- 24.04.2015
2	Mr. A.A.D.U. Abeyasinghe Deputy Commissioner General	4th SAARC Meeting of Competent Authorities on Avoidance of Double Taxation & Mutual Administrative Assistance in Tax Matters	India	23.04.2015- 24.04.2015
3	Mrs. K.S.B.R.D.S. Karunarathne Senior Commissioner	Asia – Pacific Regional Network Meeting on BEPS Project	Korea	11.02.2015- 15.02.2015
4	Mrs. B.A.D.D. Herath Senior Commissioner	Asia – Pacific Regional Network Meeting on BEPS Project	Korea	11.02.2015- 15.02.2015
5	Mr.T.M. Dayananda Senior Commissioner	Annual Meeting of the Global Forum on Transfer Pricing & OECD's Task Force on Tax & Development meeting on Base Erosion & Profit shifting (BEPS) & Developing Countries	France	15.03.2015- 21.03.2015

6	Mr. P.M. Dissanayake Senior Commissioner	4th SAARC Meeting of Competent Authorities on Avoidance of Double Taxation & Mutual Administrative Assistance in Tax Matters	India	23.04.2015-24.04.2015
7	Mr. P.L.S. Liyanage Senior Commissioner	Annual Meeting of the Global Forum on Transfer Pricing & OECD's Task Force on Tax & Development meeting on Base Erosion & Profit shifting (BEPS) & Developing Countries	France	15.03.2015-21.03.2015
8	Mr. J. Ratnayake Senior Commissioner	Annual Meeting of the Global Forum on Transfer Pricing & OECD's Task Force on Tax & Development meeting on Base Erosion & Profit shifting (BEPS) & Developing Countries	France	15.03.2015-21.03.2015
9	Mr. J.A.A. Parakrama Senior Commissioner	4th SAARC Meeting of Competent Authorities on Avoidance of Double Taxation & Mutual Administrative Assistance in Tax Matters	India	23.04.2015-24.04.2015
10	Mr. E.S. De Zoysa Senior Commissioner	Annual Meeting of the Global Forum on Transfer Pricing & OECD's Task Force on Tax & Development meeting on Base Erosion & Profit shifting (BEPS) & Developing Countries	France	15.03.2015-21.03.2015
11	Mr. H.M.W.C. Bandara Senior Commissioner	Annual Meeting of the Global Forum on Transfer Pricing & OECD's Task Force on Tax & Development meeting on Base Erosion & Profit shifting (BEPS) & Developing Countries	France	15.03.2015-21.03.2015
12	Mr. D.R.S. Hapuarachi Commissioner	Asia – Pacific Regional Network Meeting on BEPS Project	Korea	11.02.2015-15.02.2015
13	Mr. D.R.S. Hapuarachi Commissioner	LHDNM –OECD: Transfer Pricing Dispute Resolution and Avoidance	Malaysia	26.07.2015-01.08.2015
14	Mr. M.H. Densil Commissioner	Annual Meeting of the Global Forum on Transfer Pricing & OECD's Task Force on Tax & Development meeting on Base Erosion & Profit shifting (BEPS) & Developing Countries	France	15.03.2015-21.03.2015
15	Mr. U.B. Wakkumbura Commissioner	Annual Meeting of the Global Forum on Transfer Pricing & OECD's Task Force on Tax & Development meeting on Base Erosion & Profit shifting (BEPS) & Developing Countries	France	15.03.2015-21.03.2015
16	Mrs. D.M.P. Ganepola Commissioner	OECD 20 th Annual Tax Treaty Meeting	France	02.11.2015-04.11.2015
17	Mr. M.L.M. Thahir Commissioner	OECD 20 th Annual Tax Treaty Meeting	France	02.11.2015-04.11.2015
18	Mr. T.M.J.N. Bandara Commissioner	LHDNM – OECD: International Tax Avoidance and Countering BEPS	Malaysia	19.04.2015-25.04.2015
19	Mrs. K.G.S. Rajini Commissioner	4th SAARC Meeting of Competent Authorities on Avoidance of Double Taxation & Mutual Administrative Assistance in Tax Matters	India	23.04.2015-24.04.2015
20	Mrs. B. Athukorala Commissioner	LHDNM – OECD : Tax Treaty Seminar on Taking forward The BEPS Tax Treaty Related Issues	Malaysia	15.03.2015-21.03.2015
21	Mrs. D.R.K. Pannilawithana Commissioner	LHDNM – OECD : Tax Treaty Seminar on Taking forward The BEPS Tax Treaty Related Issues	Malaysia	15.03.2015-21.03.2015
22	Mrs. W.P.C.S. Ranaweera Commissioner	4th SAARC Meeting of Competent Authorities on Avoidance of Double Taxation & Mutual Administrative Assistance in Tax Matters	India	23.04.2015-24.04.2015
23	Mrs. R.P.H. Fernando Commissioner	Asia – Pacific Regional Network Meeting on BEPS Project	Korea	11.02.2015-15.02.2015

24	Mrs. R.P.H. Fernando Commissioner	LHDNM –OECD: Transfer Pricing Dispute Resolution and Avoidance	Malaysia	26.07.2015- 01.08.2015
25	Mr. D.J. Jayathilake Deputy Commissioner	LHDNM – OECD: International Tax Avoidance and Countering BEPS	Malaysia	19.04.2015- 25.04.2015
26	Mr. A.M. Nafeel Deputy Commissioner	Workshop on Taxation of International Transaction	Malaysia	10.05.2015- 30.05.2015
27	Mr. M.H.D. Meneripitiya Assistant Commissioner	Workshop on Taxation of International Transaction	Malaysia	10.05.2015- 30.05.2015
28	Ms. P.A.D.A.C. Ponweera Assistant Commissioner	Workshop on Taxation of International Transaction	Malaysia	10.05.2015- 30.05.2015
29	Ms. M.C. Gunathilake Assistant Commissioner	Workshop on Taxation of International Transaction	Malaysia	10.05.2015- 30.05.2015

Chapter 7

Legislation

7.1 Legislation enacted during the year

- i. Inland Revenue (Amendment) Act, No. 9 of 2015
- ii. Economic Service Charge (Amendment) Act, No. 13 of 2015
- iii. Value Added Tax (Amendment) Act, No. 11 of 2015
- iv. Nation Building Tax (NBT) (Amendment) Act, No. 12 of 2015
- v. Betting and Gaming Levy (Amendment) Act, No. 14 of 2015

7.2 Approved Charities

There was one approval granted during the year

Charitable Institute	Ash Shifa
Address	242, Kolonnawa Road, Wellampitiya
Gazette Number	1907/18
Date of Registration	25.03.2015

7.3 Gazette Notices

Following Gazette notices were issued during the year under the respective Acts administered by the IRD.

Table 32 - Gazette Notices Published During the Year 2015			
	Gazette No.	Date	Description
I	1907/26	25.03.2015	Certificate of Approved Accountants under sec.107(2)(a) in relation to transactions with Associated Undertakings
II	1910/02	16.04.2015	The operation of Simplified Value Added Tax (SVAT) Scheme
III	1933/14	21.09.2015	Amend the Item No. 07 in the Schedule of the order published in Gaz. Ex. Ord. No. 1465/19 of 05.10.2006, under Stamp Duty (special) Provisions Act, No.12 of 2006

7.4 Interpretation Committee

The Committee for Interpretation of Tax Laws (CITL) appointed in 2011 by the Commissioner General of Inland Revenue under Section 208A of the Inland Revenue Act comprises of senior officials of Inland Revenue Department and Chaired by the Deputy Commissioner General. This committee is responsible for the issuance of interpretations, clarifications, guidelines etc. under the provisions of Acts administered by the CGIR.

Any person, who finds any ambiguity in any provision of any enactment administered by the Inland Revenue Department may seek the Committee an interpretation thereon. (Secretary of Committee, Secretariat, Inland Revenue Department). The CITL as mandated to issue necessary guidelines and instructions to ensure uniformity with regard to interpretations and procedures dealt with 38 cases during the year concerned. Table 33 shows the details of the interpretations given by the CITL.

Table 33 - Details of Interpretations given by the CITL during the year 2015

Area	Income Tax	VAT	NBT	Stamp Duty	ESC	Land Tax	Total
Tax Liability	1	4	1		1	1	8
Dividends	2						2
Exemptions	2	2	1				5
Deductions allowed in ascertaining profits & income	3						3
Employment Income	5						5
Qualifying Payments	3						3
Definition	4		2	1			7
Computation of Liabile Turnover					1		1
Procedures		1					1
Others	2				1		3
Total	22	7	4	1	3	1	38

Chapter 8

Other Work



8.1 Taxpayer Service Unit

The taxpayer service unit facilitates the taxpayers and the general public to access Department's services conveniently. The unit is equipped with officers to assist every person seeking help or information. Relevant enactments, departmental publications, paying in slips, forms etc. are available in this Unit. To avoid possible delays and inconveniences, arrangements have been made to issue Taxpayer Identification Numbers (TINs) and temporary VAT numbers at this unit. Accordingly, the Unit issued 6,959 TIN certificates and 29,034 temporary VAT

certificates during the year. 3,523 temporary VAT applications were forwarded by the Unit to Information Branch for opening new files and 4,034 TIN applications to corporate Units for the proper maintenance of the files.

Furthermore, 396 clearance certificates were issued for non-taxpayers and a series of leaflets were prepared during the year for the benefit of taxpayers. Moreover Taxpayer Service Unit continuously provided tax consultancy services to the taxpayers in addition to organizing 11 awareness programmes throughout the country during the year.

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

Table 34 – Directions and Clearance Certificates issued by the Department		
Description	2015	2014
<i>Directions issued</i>		
• To Banks for WHT on interest	144	272
<i>Clearance Certificates issued</i>		
• In relation to persons leaving Island	396	321
<i>Privilege Cards Issued</i>		
• Gold Cards	411	102
• Silver Cards	234	68
<i>Certificate issued for tax concession on imports of Motor Cars</i>		
• No of certificates	299	166

8.3 Transfer Pricing Regulation Unit

Transfer Pricing Regulation Unit was established in 2013 for the implementation and administration of the transfer pricing regulations in order to confirm whether the transactions between associated enterprises comply with the arm's length principle.

During the year Transfer Pricing Regulation Unit has organized 3 residential workshops with the assistance of Organization for Economic Corporation and Development

(OECD) for a group of officers who were selected representing different units of the Department to improve the knowledge on transfer pricing methods and to gain understanding of global transfer pricing issues.

Officers of the transfer pricing regulation have finalized the determination of arm's length price in 25 cases which were received from different assessing Units of the Department.

8.4 Training Branch

Training branch of the IRD organized several awareness programs for taxpayers during the

year in addition to training courses conducted for officers of the department.

Table 35 - Details of Awareness programs

Subject	Institute	No. of persons attend
Workshop on Taxation for Department Heads & Accountants	Sabaragamuwa Provincial Council	60
Workshop on Taxation for Department Heads, District Engineers, Assistant Directors & Accountants	District Secretariat of Matale	65
Seminar on Taxation for students	University of Waymba	140

Chapter 9

Revenue Administration Management Information System (RAMIS)

In line with the Fiscal Management Reform Programme (FMRP) of the Ministry of Finance and Planning, with a view to enhance the efficiency of revenue administration it was needed to introduce a Revenue Administration Management Information System (RAMIS) in the Inland Revenue Department (IRD). Accordingly, preliminary steps were taken by the Ministry in the year 2013.

The RAMIS is envisioned to facilitate improving the tax compliance, widening the tax base and efficiency of tax administration and thereby to increase the revenue collection while enabling IRD to reach out to taxpayers in more efficient and effective manner.

Ministry of Finance and Planning obtained the Cabinet approval in November 2012 to negotiation in Government to Government (G to G) basis with the Government of Singapore for assistance in this regard. Accordingly, a Memorandum of Understanding (MoU) was signed on 5th June 2013 between Ministry of Finance and Planning and Infocomm Development Authority International of Singapore (IDAI – Singapore) for this purpose.

For negotiation purpose a committee was appointed by the Cabinet, i.e. Cabinet Appointed Negotiation Committee (CANC) and a Technical Evaluation Committee (TEC) was appointed by the Ministry. A draft proposal submitted by IDA-I and it was evaluated by the TEC.

In November 2013, a team comprising senior officers from IRD and Fiscal Management Efficiency Programme (FMEP) visited Singapore and had high level discussion with the IDA – I, Singapore, NCSI-S, Singapore and Inland Revenue Authority of Singapore

(IRAS). Team also visited IRAS Tax Service Unit. A Due Diligence Report prepared by the team and submitted to the CANC.

The CANC had discussions with IDA-I officials based the draft proposal, in Colombo and concluded the contract price and general conditions. Accordingly, the RAMIS Implementation Contract Agreement was signed between IDA-I and IRD in May 2014.

According to the agreement, RAMIS to be implemented in two phases, i.e. Phase I covering Corporate Income Tax, Value Added Tax, Nation Building Tax, Withholding Tax and PAYE and in Phase 2 to cover Non – corporate tax such as Individual Income Tax, Partnerships, Stamp Duty, Economic Service Charge, Betting and Gaming Levy and Value Added Tax on Financial Services etc. The project was kicked-off in July 2014.

During the year 2014, the Inception Report was prepared and completed requirement gathering, validation and business process re-engineering (BPR) for Phase 1. Accordingly, requirements in functions such as taxpayer registration, forms and returns, assessment (NBT and SVAT), clearance certificates, appeals and objections, payments, refunds etc. were signed-off.

In the year 2015, requirements for assessment (corporate Income tax), VAT, WHT and taxpayer finance were signed-off. IRD Web Portal in three languages went live on 30th May 2015 and officially launched on 3rd June 2015. Having completed the development and system integration testing (SIT) by the NCSI-S, user acceptance testing was commenced in August 2015 by the IRD officers. Further, requirement gathering and BPR for Phase 2 tax types was commenced in October 2015.

