

ARREARS TAXES



Public awareness circulation by



FOREWORD

This concise document is prepared with the bona fide intention of increasing the awareness among the general public on the scheme introduced for the write off of the taxes in arrears through the Finance Bill gazette on July 12, 2021.

This document is prepared after careful consideration of the literal interpretations, intentions of the legislature and our previous experiences on local as well as international schemes similar to this. As the scheme is still at its preliminary stage, it is highly advisable to update your knowledge on new developments as well as the guidelines of the Commissioner General of Inland Revenue. However, before making any decisions based on this document, please seek necessary professional advices.

We as a professional firm of Chartered Accountants, would like to encourage all the citizens to consider this scheme as an important juncture where majority of the past issues could be resolved and reenergize the business journeys as well as personal journeys.

TO WHOM THIS IS APPLICABLE?

To any person who, is liable to pay any tax arrears under the provisions of following laws or is liable to pay any penalty imposed under the provisions of any such law, for any year of assessment commencing prior to April 1, 2020 or for any period commencing prior to December 31, 2020.

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| <ul style="list-style-type: none"> • Respective Inland Revenue Acts [1979, 2000, 2006 & 2017] • Value Added Tax Act, No. 14 of 2002 • Wealth Tax and Gifts Tax imposed under Inland Revenue Act, No. 28 of 1979 • Turnover Tax Act, No. 69 of 1981 • Surcharge on Wealth Tax Acts [All Acts 1982, 1989] • Surcharge on Income Tax Acts [All Acts 1982, 1984, 1989] • National Security Levy Act, No. 52 of 1991 • Save the Nation Contribution Act, No. 5 of 1996 • Goods and Services Tax Act, No. 34 of 1996 • Surcharge on Income Tax Act, No. 6 of 2001 • Debits Tax Act, No. 16 of 2002 • Social Responsibility Levy imposed under Finance Act, No. 5 of 2005 | <ul style="list-style-type: none"> • Economic Service Charge Act, No. 13 of 2006 • Nation Building Tax Act, No. 9 of 2009 • Economic Service Charge imposed under Finance Act, No. 11 of 2004 • Optional Value Added Tax imposed under section 25H of the Value Added Tax Act, No. 14 of 2002 • VAT Advance Payment deducted under section 26A of the Value Added Tax Act, No. 14 of 2002 • Betting & Gaming Levy Act, No. 40 of 1988 • Finance Act, No. 11 of 2002 • Stamp Duty Act, No. 43 of 1982 • Stamp Duty (Special Provisions) Act, No. 12 of 2006 |
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TAX ARREARS TO BE WRITTEN OFF IN RESPECT OF CERTAIN TAXES

Summarizes below the taxes arrears, penalty and interest that can be written off by the Commissioner General of Inland Revenue.

Tax Type / Respective Law	Type of the taxpayer	Tax Liability	Penalty and Interest
Respective Inland Revenue Acts [1979, 2000, 2006 & 2017]	Individual taxpayer whose assessable income of the Y/A 2019/2020 does not exceeds Rs. 3 Mn (subject to certain conditions)	Tax liability as at December 31, 2020 will be written off	Will be written off in respect of the liabilities due on or before December 31, 2020 only if the taxpayer settles the full tax liability on or before March 31, 2022.
Inland Revenue Acts [1979, 2000, 2006 & 2017]	Small and Medium Enterprises for the Y/A 2019/2020	Tax liabilities (other than tax payable as per the return of income filed) up to the Y/A 2018/2019, outstanding as at June 26, 2020 will be written off as stated in the Inland Revenue (Amendment) Act, No. 10 of 2021	
Inland Revenue Acts [1979, 2000, 2006 & 2017]	Other taxpayers	Write off is not grated	
Value Added Tax Act, No. 14 of 2002 (Normal VAT & VAT on Financial Services)	Any Taxpayer	Write off is not grated	

TAX ARREARS TO BE WRITTEN OFF IN RESPECT OF CERTAIN TAXES (CONT.)

Tax Type / Respective Law	Type of the taxpayer	Tax Liability	Penalty and Interest
Value Added Tax Act, No. 14 of 2002 (Optional Value Added Tax imposed under section 25H)	Any Taxpayer	Tax liability in respect of any period ended December 31, 2020 will be written off	Penalty in respect of any period ended December 31, 2020 will be written off
Value Added Tax Act, No. 14 of 2002 (VAT Advance Payment deducted under section 26A)			
Wealth Tax and Gifts Tax imposed under Inland Revenue Act, No. 28 of 1979			
Turnover Tax Act, No. 69 of 1981			
Surcharge on Wealth Tax Acts [1982, 1989]			

TAX ARREARS TO BE WRITTEN OFF IN RESPECT OF CERTAIN TAXES (CONT.)

Tax Type / Respective Law	Type of the taxpayer	Tax Liability	Penalty and Interest
Surcharge on Income Tax Acts [1982, 1984, 1989]	Any Taxpayer	Tax liability in respect of any period ended December 31, 2020 will be written off	Penalty in respect of any period ended December 31, 2020 will be written off
National Security Levy Act, No. 52 of 1991			
Save the Nation Contribution Act, No. 5 of 1996			
Goods and Services Tax Act, No. 34 of 1996			
Surcharge on Income Tax Act, No. 6 of 2001			

TAX ARREARS TO BE WRITTEN OFF IN RESPECT OF CERTAIN TAXES (CONT.)

Tax Type / Respective Law	Type of the taxpayer	Tax Liability	Penalty and Interest
Debits Tax Act, No. 16 of 2002	Any Taxpayer	Tax liability in respect of any period ended December 31, 2020 will be written off	Penalty in respect of any period ended December 31, 2020 will be written off
Social Responsibility Levy imposed under Finance Act, No. 5 of 2005			
Economic Service Charge Act, No. 13 of 2006			
Nation Building Tax Act, No. 9 of 2009			
Economic Service Charge imposed under Finance Act, No. 11 of 2004			

TAX ARREARS TO BE WRITTEN OFF IN RESPECT OF CERTAIN TAXES (CONT.)

Tax Type / Respective Law	Type of the taxpayer	Tax Liability	Penalty and Interest
Betting & Gaming Levy Act, No. 40 of 1988	Any Taxpayer	Write off is not granted	Will be written off in respect of the liabilities due on or before December 31, 2020 only if the taxpayer settles the full tax liability on or before March 31, 2022.
Finance Act, No. 11 of 2002			
Stamp Duty Act, No. 43 of 1982			
Stamp Duty (Special Provisions) Act, No. 12 of 2006			

INDIVIDUALS WHO ARE NOT ELIGIBLE FOR THE WRITE OFF OF INCOME TAX ARREARS

- where the assessable income of the relevant individual exceeds rupees 3 million **without deducting any loss** including an unrelieved loss, in terms of the provisions of the Inland Revenue Act, No. 24 of 2017.
- where the assessable income of the relevant individual exceeds rupees 3 million in aggregate **with the gains and profits exempted from income tax** in terms of the provisions of the Inland Revenue Act, No. 24 of 2017.
- where the **annual gross turnover** for the year of assessment ending on March 31, 2020, **of a business or partnership** of which the relevant individual is a partner, **is not less than rupees 500 million.**
- where the assessable income of the relevant individual **includes an income earned from conducting a business of betting and gaming or any business of liquor** excluding such income which is merely incidental to another business.

Tax refunds to be set off against the tax arrears written off

Any tax refund pending payment on the date of commencement of Finance (Amendment) Act duly claimed by a taxpayer, under the provisions of following laws, for any period ending prior to December 31, 2020 shall be set off against any tax arrears written off (not applicable on the penalty imposed in a period subsequent to the period in which the refund is due).

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COMMISSIONER-GENERAL TO INFORM AMOUNTS SET OFF AGAINST TAX ARREARS

- The Commissioner-General shall communicate in writing, to every taxpayer, the amount of refund to be set off against the tax arrears.
- If such person is dissatisfied with the amounts of the refund to be set off against the tax arrears so written off, he shall within a period of 14 days from the date of the communication of the Commissioner-General, make a written request to the Commissioner-General to not to set off the refunds against the tax arrears as specified by the Commissioner-General and shall settle the full amount of the tax arrears on or prior to March 31, 2022.
- The Commissioner-General may, upon a request made by the taxpayer, grant approval to such taxpayer to settle the tax arrears on or prior to March 31, 2022, in accordance with a suitable payment plan submitted along with the request under subsection.
- The Commissioner-General shall write off any interest or penalty on such tax arrears, if the taxpayer acts in compliance with the payment plan as approved on or prior to the dates approved by the Commissioner-General in such payment plan.
- Where the taxpayer does not make a request or does not settle the tax arrears according to the payment plan accepted by the Commissioner-General, the Commissioner-General shall proceed to set off the refunds against the tax arrears as specified in his communication.

TAX ARREARS IN DISPUTE NOT TO BE WRITTEN OFF

Where there is any dispute in relation to any tax arrears referred to in page 4 - 7, pending decision before the Tax Appeals Commission or any court of law, prior to February 22, 2021, under the provisions of any respective law, on an assessment made in relation to a taxpayer, shall not be written off.

ASSESSMENTS SHALL NOT BE ISSUED UNDER CERTAIN LAWS

Any assessment under the provisions of Nation Building Tax Act, No. 9 of 2009 or Economic Service Charge Act, No. 13 of 2006 shall not be issued in relation to a taxpayer, under the provisions of the respective law, on or after January 1, 2021.

PROPER RECORDS SHALL BE MAINTAINED

The Commissioner-General shall maintain proper records with regard to the tax arrears and penalties written off.



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