

SOCIAL SECURITY CONTRIBUTION LEVY (SSCL)



Dear Valued Client,

This concise document is intended to communicate the salient features of the Social Security Contribution Levy Act, No. 25 of 2022 to the clients of Dasanayaka Associates. However, we have not included the areas relating to the administration of this tax as we feel that the immediate requirement of our clients is to understand the imposition of the levy. Further, this note provides a general guideline of the provisions included in the Act. Therefore, before making any decisions based on this document, please seek necessary professional advice.

Dasanayaka Associates

(Chartered Accountants)

EFFECTIVE DATE

OCTOBER 01, 2022

IMPOSITION OF THE LEVY

The Social Security Contribution Levy (SSCL) shall be charged from every “taxable person” for every “quarter” on or after October 1, 2022 in respect of the “liable turnover”, at the ***rate of 2.5%***.

TAXABLE PERSONS

Imports any "article".

Carries on the business of "manufacture" of any article.

Carries on the business of providing a "service" of any description.

Carries on the business of wholesale or retail sale of any article including importation and sale of such article other than a sale by the manufacturer of that article being a manufacturer.

LIABLE TURNOVER

Taxable Person	Turnover	Liable Turnover
a) Person who imports any article	the value of that article ascertained for the purpose of the Value Added Tax under section 6 of the Value Added Tax Act, No. 14 of 2002, but does not include the value of any exempted article.	100% of the turnover.
b) Person who carries on the business of manufacture of any article	the sum receivable whether received or not, in that quarter, of any article manufactured and sold in Sri Lanka by such person other than any exempted article.	85% of the turnover.
c) Any person carrying on the business of supplying any financial services	the sum receivable whether received or not, from the supply in Sri Lanka of any financial Services by any person carrying on the business of supplying any financial services in Sri Lanka but does not include any exempted services.	100% of the Value addition attributable to financial services computed by applying the attributable method referred to in Chapter IIIA of the Value Added Tax Act, No. 14 of 2002.

Taxable Person	Turnover	Liable Turnover
d) Business of real estate and improvement	the value of any service arising from the business of real estate and improvement ascertained under subsection (7) of section 5 of the Value Added Tax Act, No. 14 of 2002 for the purpose of the said Act but does not include the exempted services.	100% of the turnover.
e) Service providers other than those referred in items c) and d) above.	the sum receivable, whether received or not, from the provision of any service in Sri Lanka other than any exempted services.	100% of the turnover.
f) Sale of article by a "registered distributor" in relation to any manufacturer or producer of any goods in Sri Lanka	the sum receivable, whether received or not, from the wholesale or retail sale of any article in Sri Lanka other than any exempted article.	25% of the turnover.
g) Whole seller or Retail seller other than referred to in item f)		50% of the turnover.

01

any bad debt incurred by such person in that quarter (any bad debt recovered in any relevant quarter, shall be included in the turnover of that relevant quarter)

02

any value added tax under the Value Added Tax Act, No. 14 of 2002 paid for that relevant quarter;

03

any rebate paid under the Export Development Rebate in relation to any international event as approved by the Minister

SPECIFIC EXCLUSIONS FROM THE TURNOVER

ACCOUNTING BASIS

EVERY REGISTERED PERSON
SHALL ACCOUNT FOR LEVY ON
AN ACCRUAL BASIS.

Signature _____

Date _____

REGISTRATION

- In the case of a taxable person whose aggregate turnover of the twelve months period immediately prior to the date of operation of this Act has exceeded Rs. 120 million -

Within fifteen days from the date of operation of this Act.

- Any other taxable person -

Within fifteen days from the date on which the aggregate of the turnover for a quarter exceeds or is likely to exceed Rs. 30 million.



CANCELLATION OF THE REGISTRATION

Any registered person may apply to have his registration cancelled at any time after the lapse of a period of twelve months following the date of registration, where;

- the registered person has ceased to carry on or carry out a taxable activity referred to in section 2.
- the aggregate turnover of such registered person during each immediately preceding four quarters of the relevant quarter does not exceed Rs. 120 million.

TAX RETURNS AND PAYMENTS

	Frequency	Due Date
Tax Return	Quarterly	On or before the 20 th day of the month after the end of each relevant quarter. Persons who supply financial services shall submit an annual adjustment within 6 months after the closing date of the relevant accounting period.
Tax Payment	Monthly	on or before the 20 th day of the immediately succeeding month of the relevant month of that quarter



LEVY OR PENALTY PAID IN EXCESS

Any registered person who has paid any levy or penalty in excess of any amount which he was liable to pay for any relevant quarter shall be treated as an advance payment made for any quarter succeeding the relevant quarter.

EXEMPTIONS

EXEMPTED ARTICLES

(IMPORTATION / MANUFACTURE)

- Any article exported by the manufacturer.
- Any article not being a plant, machinery or fixture imported by any person exclusively for the use in, or for, the manufacture of any article for export.
- Any article sold by a taxable person to any exporter, if the Commissioner-General is satisfied on the production of any documentary evidence that such article or any other article manufactured, of which such article is a constituent part, has in fact been exported from Sri Lanka by such exporter directly or through a trading house established for export purposes.

EXEMPTED ARTICLES

(IMPORTATION / MANUFACTURE)

CONT..

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

EXEMPTED ARTICLES

(IMPORTATION / MANUFACTURE)

CONT..

- Any article imported, if proved to the satisfaction of the Director-General of Customs, that such article was, prior to its importation, taken out of Sri Lanka for repairs.
- Any spare part imported by any airline or shipping company, if proved to the satisfaction of the Commissioner-General, that such spare part is to be used for the maintenance of any aircraft or ship, used in international traffic and owned or chartered by such airline or shipping company.
- Any article sold, to the United Nations Organization or to any specialized agency of such organization or to the diplomatic mission of any foreign Government or to any member of the diplomatic staff of such mission or to any other person approved by the Minister on the recommendation of the Minister of Foreign Affairs as being of the status of a diplomatic mission.

EXEMPTED ARTICLES

(IMPORTATION
/ MANUFACTURE)

CONT..

- Any article imported if such article is subject to the Special Commodity Levy charged under the Special Commodity Levy Act, No. 48 of 2007.
- Fertilizer.
- Petroleum and petroleum products other than lubricants classified under Harmonized Commodity Description and Coding Numbers for customs purpose.
- L.P. Gas.
- Pharmaceuticals identified under the Harmonized of Commodity Description and Coding System.

EXEMPTED ARTICLES

(IMPORTATION
/ MANUFACTURE)

CONT..

- Tea supplied by the Manufacturer being a manufacturer registered with the Sri Lanka Tea Board established by the Sri Lanka Tea Board Law, No. 14 of 1975, to any registered broker for sale at the Colombo Tea Auctions.
- Any article for the use in any project approved by the relevant Minister and by the Minister in charge of the subject of Finance taking into consideration the economic benefit to the country and where the tax in respect of such project is borne by the Government.
- Bitumen classified under HS code No. 2714.
- Raw materials or packing materials imported for the manufacture of pharmaceuticals subject to the approval of the relevant authority.

EXEMPTED ARTICLES

(IMPORTATION / MANUFACTURE)

CONT..

- Plant, machinery or equipment imported on temporary basis for the use of large-scale infrastructure development projects approved by the Minister in charge of the subject of Finance as being of beneficial for the economic development of Sri Lanka, on condition that goods will be re-exported after the completion of work.
- Foreign currency notes imported, being notes classified under HS Codes 4907.00.90
- Raw materials or packing materials imported for the manufacture of ayurvedic preparations which belong to the Ayurveda Pharmacopoeia or ayurveda preparation subject to the approval of the relevant authority.
- Pure-bred breeding animals under HS 0102.10 or HS 0104.20.10, milking machines under HS 8434.10, dairy machinery under HS 8434.20 and spare parts under HS 8434.90, at the point of importation.

EXEMPTED ARTICLES

(IMPORTATION / MANUFACTURE)

CONT..

- Solar panel modules, accessories or solar home systems for the generation of solar power energy classified under Harmonized Commodity Description and Coding Numbers for custom purposes at the point of importation.
- Coal.
- Any article manufactured by a company identified as a Strategic Development Project in terms of subsection (4) of section 3 of the Strategic Development Project Act, No. 14 of 2008 sold to another Strategic Development Project or to a specialized project approved by the Minister of Finance or to a company registered with Board of Investment of Sri Lanka established under the Board of Investment Law, No. 4 of 1978, so far as such articles are considered as import replacement and supplied during the project implementation period.
- Any machinery or equipment imported or purchased locally for the purpose of generating electricity by the Ceylon Electricity Board established under the Ceylon Electricity Board Act, No. 17 of 1969 or any institution which has entered into an agreement with the Ceylon Electricity Board to supply electricity, being machinery or equipment classified under Harmonized Commodity Description Coding Numbers for customs purposes and approved by the Minister of Finance.

EXEMPTED ARTICLES (WHOLESALE OR RETAIL SALE)

Pharmaceuticals.

Any article which is subject to the Special Commodity Levy under the provisions of the Special Commodity Levy Act, No. 48 of 2007, where such article is sold by the importer of such article without any processing except for adaption for sale.

Any article exported.

Petrol, diesel or kerosene sold in a filling station.

L.P. Gas.

Fresh milk, green leaf, cinnamon or rubber (latex, crepe or sheet rubber) purchased from any local manufacturer or local Producer.

EXEMPTED SERVICES

- Generation of electricity and supply of electricity other than the supply of electricity by Ceylon Electricity Board established under the Ceylon Electricity Board Act, No. 17 of 1969.
- Medical services.
- Supply of water.
- Transportation of goods and passengers.
- Services provided to any exporter of any article, being services directly related to improving the quality and character of such Article.
- Services of sewing garments provided to any exporter of such garments.

EXEMPTED SERVICES

- Services of a "freight forwarder" and a shipping agent licensed under the Licensing of Shipping Agents Freight Forwarders, Non Vessel Operating Common Carriers, and Container Operators Act, No. 10 of 1972 or courier services in so far as such services are in respect of the exporter of any article from Sri Lanka.
- Services provided by a public corporation, in so far as such services are in respect of the exportation of any article from Sri Lanka.
- Services of an auctioneer, broker, insurance agent or commission agent of any local product to the extent of the brokerage receivable by such auctioneer or broker, or commission receivable by such insurance agent or commission agent, as the case may be.
- Services of a travel agent in respect of inbound tours operated or a hotel, guest house, restaurant or other similar businesses, where the payment for such services is received in foreign currency through a bank and such agent is registered with the Ceylon Tourist Board.

EXEMPTED SERVICES CONT..

- Client support services provided over the internet, telephone or by an enterprise, exclusively for the provision of such services, to one or more identified clients outside Sri Lanka, for payment in foreign currency.
- The business of life insurance.
- Distribution, production and supply of any cinematographic films primarily for exhibition in cinemas.
- Exhibiting films in a cinema.
- Any service provided to the United Nations Organization or to any specialized agency of such organization or to the diplomatic mission of any foreign Government or to any member of the diplomatic staff of such mission or to any other person approved by the Minister on the recommendation of the Minister of Foreign Affairs as being of the status of a diplomatic mission.

EXEMPTED SERVICES CONT..

- Any service rendered in or outside Sri Lanka to any person or partnership outside Sri Lanka for the utilization out of Sri Lanka for payment in foreign currency, if such foreign currency is remitted to Sri Lanka through a bank.
- Services provided to any specific project carried on, out of foreign funds or donations received by the Government, as approved by the Minister considering the economic benefit to the country.
- Any service provided by the Central Bank of Sri Lanka established under the Monetary Law Act (Chapter 422).
- Any service provided free of charge by any public corporation out of the funds voted by Parliament from the Consolidated Fund or out of any loan arranged through the Government, on behalf of the Government.
- Services provided by any Government Department, Ministry or any Local Authority.

EXEMPTED SERVICES CONT..

- Services provided by foreign consultancies for the large-scale infrastructure development projects being projects which have been approved by the Minister of Finance, as beneficial for the economic development of Sri Lanka.
- Services provided in relation to ship building for the international market for payments made in foreign currency.
- Any service provided by the Employee's Trust Fund, Provident Fund, Pension Fund, Pension Trust Fund and Gratuity Fund.

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