

TAX AMNESTY

on voluntary disclosure of undisclosed taxable supplies, income or assets



FOREWORD

This concise document is intended to disseminate the details of the tax amnesty introduced on undisclosed taxable supplies, income or assets through the Finance Bill gazette on July 12, 2021 for the benefit of the individuals and corporates who have not declared their taxable supplies, income or assets due to various reasons.

We as a professional firm of Chartered Accountants, would like to encourage all the citizens to consider this as an rectification point which is of a national importance and merge in to the path of tax and regulatory compliance.

However, before making any decisions based on this document, please seek necessary professional advices.

TO WHOM THE "TAX AMNESTY" PROVISIONS ARE APPLICABLE?

Any person who has not disclosed any amount of taxable supply, income or asset which was required to be disclosed under the provisions of respective Inland Revenue Acts (1979, 2000, 2006 and 2017) and Value Added Tax Act, No. 14 of 2002 in a return of income for any year of assessment ended on or prior to March 31, 2020 or in a VAT Return for any taxable period ended on or prior to March 31, 2020 respectively.

TO WHOM THE "TAX AMNESTY" PROVISIONS ARE NOT APPLICABLE?

Any person to whom **investigations or legal proceedings are pending** under the provisions of following laws in relation to undisclosed taxable supply, income or assets;

- Prevention of Money Laundering Act, No. 5 of 2006
- Convention on the Suppression of Terrorist Financing Act, No. 25 of 2005
- Bribery Act (Chapter 26)
- Conventions Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, No. 1 of 2008

Any person **who has been convicted of an offence** in relation to any undisclosed taxable supply, income or asset under the provisions of following laws;

- Prevention of Money Laundering Act, No. 5 of 2006
- Convention on the Suppression of Terrorist Financing Act, No. 25 of 2005
- Bribery Act (Chapter 26)
- Conventions Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, No. 1 of 2008

Any amount of undisclosed taxable supply, income or asset held by any person, in respect of which **an assessment has been made** under the provisions of following laws;

- Respective Inland Revenue Acts [1979, 2000, 2006 & 2017]
- 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

However, if an amount of undisclosed taxable supply, income or asset which has not been taken into account in making an assessment, such undisclosed taxable supply, income or asset will be considered for the amnesty on voluntary disclosure.

UNDISCLOSED TAXABLE SUPPLIES, INCOME OR ASSETS TO BE INVESTED OR DEPOSITED

Person to whom the provisions of “Tax Amnesty” applies, shall invest or deposit an amount equivalent to the undisclosed taxable supply, income or asset. Such person who intends to invest an amount equivalent to the undisclosed taxable supply, income or asset, he shall invest as follows,

- a) If such person is able to immediately invest such amount, after the date of commencement of the Finance (Amendment) Act but before December 31, 2021;
- purchase shares issued by a resident company.
 - purchase treasury bills or treasury bonds issued by the Central Bank on behalf of the Government of Sri Lanka.
 - purchase any quoted debt securities issued by a resident company in Sri Lanka.
 - purchase any movable or immovable property in Sri Lanka.
- b) If such person is unable to immediately invest such amount available in cash whether in Sri Lankan Rupees or in Foreign Currency, he shall deposit such amount in a bank account, on or after the date of commencement of this Act but prior to December 31, 2021.

CALCULATION OF THE “TAX ON VOLUNTARY DISCLOSURE”

Non-disclosure	Calculation of the amount of Liability												
any undisclosed taxable supply, income or asset other than immovable or movable property	<table style="width: 100%; border: none;"> <tr> <td style="width: 60%;">such amount or income</td> <td style="width: 10%; text-align: right;">xxx</td> <td rowspan="2" style="width: 5%; text-align: center;">}</td> <td rowspan="2" style="width: 10%;"></td> <td rowspan="2" style="width: 15%; text-align: right;">1%</td> </tr> <tr> <td style="text-align: center;">OR</td> <td></td> </tr> <tr> <td>the cost of such asset invested/deposited</td> <td style="text-align: right;">xxx</td> <td></td> <td></td> <td></td> </tr> </table>	such amount or income	xxx	}		1%	OR		the cost of such asset invested/deposited	xxx			
such amount or income	xxx	}					1%						
OR													
the cost of such asset invested/deposited	xxx												
any immovable or movable property	market value of such property on the date of the declaration - 1%												

- Tax on Voluntary Disclosure is to be paid prior to making the declaration.
- Any amount of the Tax on Voluntary Disclosure paid by a person shall not be deemed to be a tax credit or an expenditure within the meaning of the Inland Revenue Act, No. 24 of 2017 and shall not be refundable.

DISCLOSURE OF UNDISCLOSED TAXABLE SUPPLY, INCOME OR ASSET

<p>Who should make the declaration?</p>	<ul style="list-style-type: none"> • By any person to whom “Tax Amnesty” provisions apply and • Who has invested or deposited any undisclosed taxable supply, income or asset and • Who has paid the Tax on Voluntary Disclosure
<p>What is the due date to submit the declaration?</p>	<p>On or prior to December 31, 2021</p>
<p>To whom the declaration is to be submitted?</p>	<p>To the Commissioner General of Inland Revenue</p>
<p>What is to be declared?</p>	<p>Information in the relevant Form specified in the Finance (Amendment) Act subject to the guidelines issued by the Commissioner General of Inland Revenue</p>

SOME OF THE DUTIES AND AUTHORITIES OF THE COMMISSIONER GENERAL OF INLAND REVENUE

- Issuing guidelines specifying –
 - (a) attachments, if any, required to be filed with the declaration in order to prove that the declarant has complied with the provisions of the Finance (Amendment) Act; and
 - (b) the manner of filing the declaration.

- Upon being satisfied of the declaration, **acknowledge such declaration in writing within thirty days of receipt of such declaration.**

Such acknowledgement shall be deemed to be the proof of acceptance by the Commissioner-General of a declaration.

- Reject a declaration, if such declaration is not in compliance with the provisions of the Part I of the Finance (Amendment) Act. Such rejection shall forthwith be notified in writing to the declarant.

IMMUNITY GRANTED TO DECLARANTS

A declarant whose declaration has been acknowledged by the Commissioner-General and who has paid the Tax on Voluntary Disclosure, **shall be entitled to enjoy the full immunity from liability to pay any tax, penalty or interest or from any investigation or Prosecution;**

- under the provisions of the respective Inland Revenue Acts in relation to any period ending on or prior to March 31, 2020 and in relation to the taxable supply, income or asset disclosed in the declaration.
- under the provisions of the Value Added Tax Act, No. 14 of 2002 in relation to any period ending on or prior to March 31, 2020 and in relation to the amount of taxable supplies disclosed in the declaration, unless such tax has been collected by such declarant.

Any declarant who intentionally provides false or incorrect information in the declaration, shall not be entitled to the immunity granted, notwithstanding the acknowledgement of such declaration by the Commissioner-General.

The Commissioner-General shall ensure that full immunity as specified above, be granted to any declarant.

SECRECY

The Commissioner-General or any officer of the Department of Inland Revenue, shall preserve and aid in preserving absolute secrecy in respect of the identity of a declarant and any matter or thing contained in a declaration.

All provisions of the Inland Revenue Act, No. 24 of 2017 applicable to the maintenance of official secrecy including punishment for the breach of such secrecy under section 100 of such Act, shall mutatis mutandis be applicable to a declaration made under the Finance (Amendment) Act.

CONSEQUENCE OF FAILURE TO COMPLY WITH THE PROVISIONS OF THIS ACT

Where any person to whom this Part applies fails to comply with the provisions of this Act, he shall be liable to be dealt with in terms of the provisions of the following respective laws;

- Inland Revenue Acts [All Acts 1979, 2000, 2006 & 2017]
- 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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