

INSIGHTS OF LATEST SSCL BILL: [SOCIAL SECURITY CONTRIBUTION LEVY]



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1. IMPOSITION OF SOCIAL SECURITY CONTRIBUTION LEVY (SSCL) (Sec.2)

Applicable “Taxable Person”	Turnover (Excluding exempted values)	Liable Portion (As a % of the Liable Turnover)
(a) Importing	Value of that article ascertained for the purpose of the VAT. (No minimum registration thresholds applicable)	100% of the turnover
(b) Manufacturing	Sum receivable whether received or not, in that quarter any article manufactured and sold in Sri Lanka.	85% of the turnover
(c) Providing a service of any description	Sum receivable whether received or not, - value from the supply in Sri Lanka of any financial Services, - the value of any service arising from the business of real estate and improvement (on value addition as taking for VAT), - provision of any service other than above.	100% of the Value Addition attributable to financial services / turnover (land & improvements and services)
(d) Wholesale or retail sale of any article including importation and sale	Sum receivable, whether received or not, from the wholesale or retail sale.	Distributor (Locally manufactured goods) - 50% of the turnover Wholesale/Retail Trading (Imported /Local) - 25% of the turnover

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- **Liable Person** - be charged from every **taxable person**
- **Effective Date** - for every quarter **on or after 1st July 2022**
- **On What** - in respect of the **liable turnover** (*Second Schedule to the Bill*),
- **Rate of Levy** - at the rate of **2.5%**.

1.2 Exclusions from Relevant Turnover (*Sec.3*) :

- ❖ Any **bad debt** incurred (Recovery should be included)
- ❖ **VAT** paid
- ❖ Any **rebate** received under the Export Development Rebate in relation to any international event as approved by the Minister.



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2. REGISTRATION (Sec. 4)

Every **taxable person**, other than importers, who, carries on or carries out any **taxable activity** referred to in Section 2 shall be required to be registered under this Act by making an application to the CGIR in the specified form-

❖ **Registration Date** – On or before 15th July 2022

❖ **Thresholds** on taxable person;

aggregate of the turnover \geq Rs. 120 Mn (for the year 01.07.2021 – 30.06.2022)

aggregate of the turnover \geq Rs. 30 Mn (for a quarter commence on or after 01.07.2022, if exceeds or is likely to exceed)

❖ If a person meets the threshold over a single isolated transaction and if the CGIR satisfies, such transaction may be **excluded** in calculating the turnover for registration purpose.

❖ If CGIR recognized with the nature of activities, a person is required to get the registration, needs to register that person.

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2.1 Cancellation of the Registration (*Sec. 5*)

- ❖ Upon following reasons, can apply for a cancellation of a registration only after completion of 12 months of registration;
 - (i) **Cessation** of the taxable activity
 - (ii) **Aggregate Turnover** of the immediately preceding four quarters of the relevant quarter **does not exceed Rs. 120 Mn.**
- ❖ Regarding the cancellation, CGIR shall inform such person of the date of cancellation of the registration (by registered post or by electronically).

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2.2 Continuation of Liability upon cancellation of registration; (Sec. 6)

Notwithstanding the cancellation of registration under section 5, a taxable person's liability for any act done or omitted during the registered time period continues.

2.3 Registered taxable person's Duty to notify Changes; (Sec. 7)

Following changes be informed (in writing or by electronic means) not later than **14 days** of the change.

- (a) The name, address & place at which any taxable activity is carried on or carried out
- (b) The nature of the taxable activity carried on or carried out
- (c) The person authorized to sign returns and other documents
- (d) Ownership of the taxable activity carried on or carried out,

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3. RETURNS & INFORMATION (Sec. 8)

3.1 Tax Returns;

- ❖ Every registered person shall furnish **Quarterly Returns** (either in writing or by electronic means) for every quarter on or before the 20th day of the month after the end of each relevant quarter.
- ❖ The Assistant Commissioner (AC) shall **issue a notice** to a person who failed to submit the return to furnish within 14 days of receipt of such notice.
- ❖ The AC shall **acknowledge** receipt of the return only if he receives a **proper return.**
- ❖ For the purposes of **obtaining full information** in respect of the turnover of any registered person, the AC may give notice in writing or by electronic means.
- ❖ Failure to comply with the provision may be subjected to **penalties.**

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4. ASSESSMENT OF LEVY (Sec. 9)

❖ Under following circumstances, the **AC may assess the levy and inform** (by notice in writing or by electronic means);

- (i) fails to furnish** a return for the relevant quarter
- (ii) fails to pay** the levy fully or partly for that relevant quarter
- (iii) requests to make any alteration/addition** to any return furnished.



4.1 Power of the AC to determine the open market value (Sec. 12)

AC may decide the Open Market Value if he is of the opinion that a registered person has;

- (i) sold any article/ service for a value less than** the open market value or
- (ii) entered into a transaction, between two associated persons,**

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4.2 Disregarding of Certain Transactions and Dispositions; (Sec. 13)

- ❖ Under following circumstances, the AC may disregard any such transaction or **disposition** and assess the parties;
 - if any transaction **reduces or would have the effect of reducing the amount of levy payable** (artificial or fictitious) or
 - that any disposition is not in fact given effect to,

4.3 Time Limit for Additional Assessment (Time Bar); (Sec. 15)

- ❖ Can't raise an assessment by the AC **after expiration of 3 years** from the end of the relevant quarter, in respect of which the return is furnished.

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5. PAYMENT AND COLLECTION OF THE LEVY:

- ❖ **Accounting basis (Sec. 16):** an accrual basis.
- ❖ **Payment of levy (Sec. 17) :** on or before the 20th day of the immediately succeeding month of the relevant month.
- ❖ **Default Penalty (Sec. 18) :** Until end of 1st month 10% of the default + 2% p.m. or part there of, for each further delayed period

5.1 Collection of the Levy by the Director General of Customs (Sec. 19)

- ❖ The Director General of Customs (DGC) shall collect from every taxable person, in respect of **every article imported** by such person, at the time such article is imported,
- ❖ The DGC shall make an endorsement on the import invoice specifying the amount so collected.

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6. APPEALS; (Sec. 21, 22 & 23)

6.1 Appeals to the Commissioner- General & Determination of Same (Sec. 21)

- ❖ Any registered person/any person whose registration has been cancelled may, who is **dissatisfied** with any assessment, additional assessment or penalty, may **appeal against that within 30 days** after the servicing of the assessment (electronically or manually). **[Sec. 21(1)]**
- ❖ An appeal is to be **acknowledged within 30 days** and if it not happened, such appeal shall be deemed to have been received by the CGIR on the day on which it was delivered to him. **[Sec. 21(4)]**
- ❖ Every appeal, shall be agreed to or determined by the CGIR, within a period of **two years** from the date on which such appeal is received. **[Sec. 21(15)]**

Note:- Please be noted that the process of appealing & appeal hearing is mostly similar to the provisions of IR Act No. 24 of 2017.

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6. APPEALS: (Sec. 21, 22 & 23)

6.2 Appeals to the Tax Appeals Commission (Sec. 22)

- ❖ Any person **aggrieved** by the **determination** of the CGIR may appeal against such determination to the Tax Appeals Commission.

6.3 Finality of Assessment (Sec. 23)

- ❖ Where –
 - (a) no valid appeal to CGIR
 - (b) GGIR has determined the amount of the levy on appeal shall be treated as final for all purposes of this Act:



Note:- Nothing in this section shall prevent an Assistant Commissioner from making an assessment/additional assessment for any relevant quarter (subject to the limitation of time specified in section 15) **if it does not involve** any matter which has already been determined on appeal.

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7. RECOVERY OF LEVY:

- ❖ “Levy” includes the penalty imposed as well (*Sec. 24*)
- ❖ Any levy in default shall be a first charge on all the assets of the defaulter (*Sec. 25*)
- ❖ Where any levy is in default, the CG shall, before proceeding to recover such levy, issue a default notice (in writing or by electronically) to the defaulter (*Sec. 26*)

Where an assessment has been made and the defaulter has not appealed within 30 Days, he may, within 30 days of the date of such notice **make any objection** to the Commissioner-General, and

The Commissioner-General shall notwithstanding the provisions of section 34 consider such objections and give his decision thereon which shall be final.



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8. LIABILITY OF CERTAIN PERSONS TO PAY LEVY:

8.1 Trustees and Executors (Sec. 39)

- ❖ Where two or more persons act in the capacity as trustees or executors of a deceased person's estate, they may be charged jointly and severally with the levy.

9. REGULATIONS (Sec. 59)

- ❖ The **Minister** may make regulations in respect of matters required by this Act to be prescribed or in respect of matters authorised by this Act to be made.
- ❖ Every regulation made by the Minister shall come into operation on the date of its publication in the Gazette or on such date as may be specified in the regulation.
- ❖ Every regulation shall within 3 months after its publication in the Gazette, be brought before Parliament for approval.

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10. EXEMPTED ARTICLES & SERVICES:

- 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 (Indirect Exports),
- Any article which is imported,
 - for the display at an exhibition;
 - for the temporary use in SL in any project approved by the Minister;
 - for the purposes of repairs to that article to be carried out in Sri Lanka
- **Other articles** listed in the Part IA & Part IB of the First Schedule to the Bill.
- **The services** listed in the Part II of the First Schedule to the Bill. (Direct & indirect services exports are also covered)



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The complete list of exempted articles & services are given in the 1st Schedule to the Bill.

The Bill highlighting the important provisions has been reproduced in our website.

Please find the link posted in the “description” below to access the same.



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11. Conclusion Remarks – Rationality of the SSCL

❖ In the angle of the Government –

- As the Government is in a heavy financial crisis due to various reason including major reduction of taxes in year 2020, it needs to get increase it's tax income.

	2019	2020	2021
The Tax Revenue to GDP	12.7%	9.1%	8.7%

❖ In the angle of the Businesses & the Domestic Consumers –

- With the current unbearable cost of living of the country, the **increase in prices of goods & services (say by 2.5% to 5%)** is not bearable by the general public.
- No input credit on the Levy paid at the connected prior stages. (**Cascaded Effect**)
- For the survival of the business entities, those **should load the levy to the output prices.**

❖ General - Some of the Provisions of the Bill is not comprehensive & sufficiently covered –

- The First Schedule to the Act is not comprehensive enough. (imports of materials - TIEP & duty free, providing of some services connected with exports etc.)

**FOR FURTHER CLARIFICATIONS PLEASE
COMMUNICATE WITH US**

*Thank
you*



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