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VALUE

2022

INSIGHTS OF LATEST SSCL BILL:

SOCIAL SECURITY CONTRIBUTION LEVY @ 2.5%

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INSIGHTS OF LATEST BILL: (SSCL) SOCIAL SECURITY CONTRIBUTION LEVY



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

Applicable "Taxable Person"	Turnover (Excluding exempted values)	Liabe Portion (As a % of the Liabe Turnover)
(a) Importing	Value of that article <u>ascertained for the purpose of the VAT</u> . (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 <u>Financial Services</u> , - the value of any service arising from the <u>business of real estate and improvement</u> (on value addition as taking for VAT), - provision of <u>any service other</u> 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 receivale, whether received or not, from the <u>wholesale or retail</u> sale.	Distributor of Locally manufactured goods - 25% of the turnover Trading (Wholesale/Retail) (Imported /Local) - 50% of the turnover

INSIGHTS OF LATEST BILL: (SSCL) SOCIAL SECURITY CONTRIBUTION LEVY (Contd.)



- **Liable Person** - be charged from every **taxable person**
- **Effective Date** - for every quarter **on or after 1st July 2022** *(Any postponement ?)*
- **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 ¹**bad debt** incurred (Recovery should be included)
- ❖ **VAT**² paid
- ❖ Any ³**rebate** received under the Export Development Rebate in relation to any international event as approved by the Minister.



INSIGHTS OF LATEST BILL: (SSCL) SOCIAL SECURITY CONTRIBUTION LEVY (Contd.)



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 the 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).

INSIGHTS OF LATEST BILL: (SSCL) SOCIAL SECURITY CONTRIBUTION LEVY (Contd.)



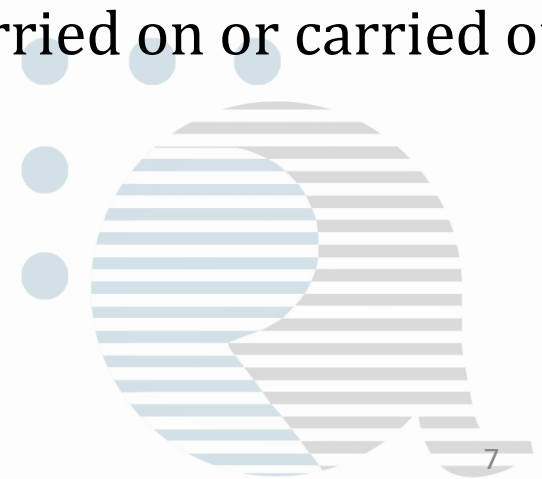
2.2 Continuation of Liability upon cancellation of registration; (Sec. 6)

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,



INSIGHTS OF LATEST BILL: (SSCL) SOCIAL SECURITY CONTRIBUTION LEVY (Contd.)

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. (**Monthly basis**)
- ❖ **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.

INSIGHTS OF LATEST BILL: (SSCL) SOCIAL SECURITY CONTRIBUTION LEVY (Contd.)



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.

INSIGHTS OF LATEST BILL: (SSCL) SOCIAL SECURITY CONTRIBUTION LEVY (Contd.)



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.



INSIGHTS OF LATEST BILL: (SSCL) SOCIAL SECURITY CONTRIBUTION LEVY (Contd.)



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.



INSIGHTS OF LATEST BILL: (SSCL) SOCIAL SECURITY CONTRIBUTION LEVY (Contd.)



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.

INSIGHTS OF LATEST BILL: (SSCL) SOCIAL SECURITY CONTRIBUTION LEVY (Contd.)



10. EXEMPTED ARTICLES & SERVICES: *(Refer slide 20 – 27 of this Presentation)*

- 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)





INSIGHTS OF LATEST BILL: (SSCL) SOCIAL SECURITY CONTRIBUTION LEVY (Contd.)

The Bill highlighting the important provisions has been reproduced in Ranaweera Associate's website.

<https://ranaweeraasso.lk/professional-education/tax-notes/>

Calculation of SSCL (Sample):-

Say the expected price before SSCL	100.00
Add; SSCL $[(100 \div 97.5) \times 2.5]$	<u>2.56</u>
Total Selling Price (VAT Base)	102.56
Add; VAT @ 12% $(102.5641 \times 12\%)$	<u>12.31</u>
Total Price Inclusive of VAT @ 12%	<u>114.87</u>

** If your liability is on a lower % of the Turnover, pl. apply that % as well to compute the liable supply value.*

NOTE:- As we have to be genuine to our clients & they have the right to know the information, **it is recommended** to show the SSCL amount charged, on the face of the Invoice.



INSIGHTS OF LATEST BILL: (SSCL) SOCIAL SECURITY CONTRIBUTION LEVY



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 reasons 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 situation of the country, the **increase in prices of goods & services (say by 2.5% to 7.5%)** 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 on 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, coconut products, providing of some services connected with exports etc.)

**FOR FURTHER CLARIFICATIONS PLEASE
COMMUNICATE WITH US**

On behalf of CMA,

*Thank
you*



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30th June 2022

INSIGHTS OF LATEST BILL: (SSCL)

First Schedule - Exemptions

PART IA - EXEMPTED ARTICLES (Imported/Manufactured)

[Section 3(2)(a) and (b)]

1. Any article exported by the manufacturer;
2. 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;
3. 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;
4. 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;

INSIGHTS OF LATEST BILL: (SSCL)

First Schedule - Exemptions

PART IA - EXEMPTED ARTICLES (Contd..) (Imported/Manufactured)

[Section 3(2)(a) and (b)]

5. 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;
6. 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;
7. 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;
8. Any article imported if such article is subject to the Special Commodity Levy charged under the Special Commodity Levy Act, No. 48 of 2007;
9. Fertilizer;
10. Petroleum and petroleum products other than lubricants classified under Harmonized Commodity Description and Coding Numbers for customs purpose;
11. L.P. Gas;
12. Pharmaceuticals identified under the Harmonized of Commodity Description and Coding System;

INSIGHTS OF LATEST BILL: (SSCL)

First Schedule - Exemptions

PART IA - EXEMPTED ARTICLES (Contd..) (Imported/Manufactured)

[Section 3(2)(a) and (b)]

13. 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;
14. 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;
15. Bitumen classified under HS code No. 2714;
16. Raw materials or packing materials imported for the manufacture of pharmaceuticals subject to the approval of the relevant authority;
17. 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;
18. Foreign currency notes imported, being notes classified under HS Codes 4907.00.90;
19. 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;

INSIGHTS OF LATEST BILL: (SSCL)

First Schedule - Exemptions

PART IA - EXEMPTED ARTICLES (Contd..) (Imported/Manufactured)

[Section 3(2)(a) and (b)]

20. 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;
21. 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;
22. Coal;
23. 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; and
24. 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.

INSIGHTS OF LATEST BILL: (SSCL)

First Schedule - Exemptions

PART IB - EXEMPTED ARTICLES (Wholesale & Retail Sales)

[Section 3(2)(d)]

1. Pharmaceuticals;
2. Any article which is subject to the Special Commodity Levy^{*1} 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;
3. Any article exported;
4. Petrol, diesel or kerosene sold in a filling station;
5. L.P. Gas; and
6. Fresh milk, green leaf, cinnamon or rubber (latex, crepe or sheet rubber) purchased from any local manufacturer or local producer. ^{*2}

*^{*1} Needs to refer the items covered with Special Commodity Levy Act.*

*^{*2} Coconut & Coconut products, Paddy & Rice, Vegetables?????. Why can't it cover as locally produced agricultural produces?*

INSIGHTS OF LATEST BILL: (SSCL)

First Schedule - Exemptions

PART II - EXEMPTED SERVICES (Services)

1. 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;
2. Medical services;
3. Supply of water;
4. Transportation of goods and passengers;
5. Services provided to any exporter of any article, being services directly related to improving the quality and character of such article;
6. Services of sewing garments provided to any exporter of such garments;
7. 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;
8. Services provided by a public corporation, in so far as such services are in respect of the exportation of any article from Sri Lanka;

INSIGHTS OF LATEST BILL: (SSCL)

First Schedule - Exemptions

PART II - EXEMPTED SERVICES (Contd...) (Services)

9. 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;
10. Services of a travel agent in respect of inbound tours operated where the payment for such services is received in foreign currency through a bank and such agent is registered with the Ceylon Tourist Board;
11. 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;
12. The business of life insurance;
13. Distribution, production and supply of any cinematographic films primarily for exhibition in cinemas;
14. Exhibiting films in a cinema;
15. 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;

INSIGHTS OF LATEST BILL: (SSCL)

First Schedule - Exemptions

PART II - EXEMPTED SERVICES (Contd...) (Services)

16. 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;
17. 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;
18. Any service provided by the Central Bank of Sri Lanka established under the Monetary Law Act (Chapter 422);
19. 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;
20. Services provided by any Government Department, Ministry or any Local Authority;
21. 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;
22. Services provided in relation to ship building for the international market for payments made in foreign currency; and
23. Any service provided by the Employee's Trust Fund, Provident Fund, Pension Fund, Pension Trust Fund and Gratuity Fund.