



INLAND REVENUE DEPARTMENT

Notice to Taxpayers

IMPLEMENTATION OF SURCHARGE TAX ACT, NO.14 OF 2022

In terms of provisions of the Surcharge Tax Act, No.14 of 2022, the “Surcharge Tax” has been imposed. The implementation of Surcharge Tax (ST) is set out below.

1. Imposition

The ST imposed on,

- (a) any individual, partnership of whose/ which taxable income of the year of assessment 2020/2021 exceeds Rupees two thousand million (2,000Mn);
- (b) any company,
 - (i) if the taxable income of such company individually, exceeds Rupees two thousand million (2,000Mn) for the year of assessment 2020/2021, or;
 - (ii) Every company of a group of companies, of which aggregate of the taxable income of all subsidiaries and the holding company in that group of companies for the year of assessment 2020/2021 exceeds Rupees two thousand million (2,000Mn).

2. Tax Liability

Individual, partnership, company including subsidiaries and the holding company of every group of companies who/which is liable to pay ST, shall pay 25% of the **taxable income** of the year of assessment 2020/2021 as ST.

Important Considerations

- Taxable income is the amount ascertained by such persons, for year of assessment 2020/2021, in terms of Section 3 of the Inland Revenue Act, No. 24 of 2017. (Amount declared or to be declared in Cage 70 of the Corporate and Partnership Return of Income and Cage 120 of the Individual Return of Income of the Year of Assessment 2020/2021)
- Holding company could exclude the gains and profits from dividends received to such company from its subsidiaries which is part of such taxable income of such Holding company in calculating ST liability.
- **In case of any BOI company** which pays income tax as determined in the BOI agreement (at concessional rate or turnover based), **book profit** (profit before income tax) should be treated as the taxable income.
- In computing the taxable income of a partner, income derived from a partnership shall not be taken into account, if ST has been paid by the partnership on such taxable income.
- In calculating the aggregate taxable income of all subsidiaries and the holding company in a group of companies, any subsidiary or holding company which has nil amount of taxable income due to losses or unrelieved losses, such losses or nil amount should be disregarded.
- If Commissioner General has approved an alternative accounting period for income tax purposes, such approved period could be considered for the purpose of ST as well.
- Any of Employee’s Trust Fund, Provident Fund, Pension Fund, Pension Trust Fund, Gratuity or Termination Funds are not liable for ST.

3. Definition for Group of companies, Holding/Subsidiary Company

“Group of Companies”: means a holding company and its subsidiaries.

“Holding Company”: means a company which as at the Thirty First day of March 2021, owns more than fifty per centum of the shares with voting rights of another company, directly or indirectly, other than a holding company incorporated outside Sri Lanka and not registered under Chapter XVIII of the Companies Act, No.7 of 2007.

“Subsidiary”: means a company in which as at the Thirty First day of March 2021, more than fifty per centum of its shares with voting rights were owned by another company, directly or indirectly other than a subsidiary incorporated outside Sri Lanka and not registered under Chapter XVIII of the Companies Act, No.7 of 2007 of a holding company incorporated outside Sri Lanka and not registered under Chapter XVIII of the Companies Act.

4. Date of Payment

ST should have been paid in two equal installments as follows.

1 st Installment	- on or before April, 20 th 2022
2 nd Installment	- on or before July, 20 th 2022

5. Manner of Payment

ST liable taxpayers should use the formal tax paying-in-slip of the IRD to pay the tax. Paying-in-slips could be collected from any branch of the Bank of Ceylon or from the Customer Supporting and Promotion Unit of the IRD Head Office, any Metropolitan or Regional Office of the IRD.

For the payment of Tax, the payment slip shall be filled as follows:-

- Tax type code – **29**
- Payment period code
 - 1st Installment** - **22001**
 - 2nd Installment** - **22002**
- Payment category - **S**
- Payment voucher code - not required to fill
- Fill other details of the paying in slip

Pay the tax to the Bank of Ceylon Branch located at the IRD Head Office or to any other branch available island-wide. ST cannot be paid through the use of Online Tax Payments Platform (OTPP).

6. Return

Every individual, partnership, company and the subsidiaries and the holding company of every group of companies shall furnish a tax return on or before to April 20th, 2022.

Form of tax return for the above purpose will be specified and published in the IRD Web portal. Any taxpayer who is liable to furnish a Surcharge Tax return could download the return forms from the IRD Web portal and printed copies should be used without any change in the specified format.

Duly filled and signed ST return shall be furnished either in registered post or hand delivered to, **“Commissioner, Central Document Management Unit, First Floor, Inland Revenue Department, Sir Chittampalam A Gardiner Mawatha, Colombo-02”**.

A notice of receipt will be issued by the Commissioner of **Central Document Management Unit** confirming the receipt of ST return.

For any Clarification: 011- 2135401 2135410, 2135413, 2135412, 2135438, 2135441

Commissioner General of Inland Revenue

