

Circular to Clients

Social Security Contribution Levy Bill

The Bill governing the imposition and administration of the Social Security Contribution Levy (SSCL) was published in the Gazette on 21 June 2022. The SSCL is a new tax proposed in the Budget 2022.

Whilst committee stage amendments are expected to be made to this Bill, we seek to highlight herewith some important features for your attention.

Effective Date - For every quarter on or after 01st July 2022

Rate of SSCL - Rate of 2.5%

Applicable Taxable Person

- **Imports on any article** - Value of that article ascertained for the purpose of VAT
- **Carries on the business of manufacture of any article** - Sum receivable whether received or not, in that quarter any article manufactured and sold in Sri Lanka.
- **Carries on the business of providing any service** - 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 taken for VAT) and provision of any service other than above.
- **Carries on the business of wholesale or retail sale of any article Including import and sale** - Sum receivable, whether received or not, from the wholesale or retail sale.

Liable Turnover (As a % of the Liable Turnover)

- **Imports** - 100% of the turnover
- **Manufacturer** - 85% of the turnover
- **Registered Distributor** - (Locally manufactured goods) 25% of the turnover

- **Wholesale/ Retail sale** - (Imported/Local) 50% of the turnover
- **Service provider** - 100% of the Value Addition attributable to financial service /turnover (land & improvements and services)

Exclusions from Relevant Turnover

- 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

Requirement to register

Every taxable person other than importers whose turnover exceeds LKR 120 Mn within 12 months immediately prior to the date of operation of this law is required to register within 15 days of the law coming into operation (on or before 15th July 2022)

- Aggregate of the turnover has exceeded Rs 120 Mn for the year from 01/07/2021 to 30/06/ 2022.
- Aggregate of the turnover is exceeded or is likely to exceed Rs 30 Mn for a quarter commencing on or after 01/ 07/2022.

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 recognizes the nature of activities, a person is required to get the registration needs to register that person.

Cancellation of the Registration

For the following reasons, a person can apply for a cancellation of a registration only after completion of 12 months of registration.

- Cessation of the taxable activity.
- Aggregate Turnover of the immediately preceding four quarters does not exceed Rs 120 Mn.

Exempt Articles and Services

Part I A

First Schedule - Exempt Articles

- 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 or 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
 - 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.
 - 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.
- Any article imported of such article was prior to its importation taken out of Sri Lanka for repairs
- Any spare part imported by any airline or shipping 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.
- 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

- L.P. Gas
- Pharmaceuticals identified under the Harmonized of Commodity Coding System.
- 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.
- Bitumen classified under HS code No. 2714.
- Raw materials or packing materials imported for the manufacture of pharmaceuticals.
- Plant, machinery or equipment imported on temporary basis for the use of large-scale infrastructure development projects approved by the Minister as being of beneficial for the economic development of Sri Lanka.
- 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 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.
- 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 (SDP) under the SDP Act No. 14 of 2008 sold to another SDP or to a specialized project approved by the Minister of Finance.
- 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.

Part I B

Exempted Articles

- 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.

Part II

Exempted Services

- Generation and supply of electricity other than the supply of electricity by Ceylon Electricity Board 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.
- Services of a freight forwarder and a shipping agent or courier services in so far as such services are in respect of export 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 where the payment for such services is received in foreign currency through a bank and such agent is registered with the Ceylon Tourist Board.
- 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.
- 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.
- Any service provided by the Central Bank of Sri Lanka established under the Monetary Law Act.
- 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.
- Services provided by any Government Department Ministry or any Local Authority.
- 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 services provided by the Employee's Trust Fund, Provident Fund, Pension Fund, Pension Trust Fund and Gratuity Fund

SSCL Return

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.

Payment of SSCL

Importer - The Director General of Customs shall collect the levy at the time of importation.

Other registered persons - Every quarter on or before the 20th day of the immediately succeeding month of the relevant month of that quarter

Default of SSCL Payment

Every person who fails to pay the levy is identified as a defaulter. Penalty of 10% and an additional 2% for each additional month of default will be charged as default payments. However such penalty will be capped at 100% of the levy in default.

Assessments, Additional Assessments and Appeals

Under following circumstances, the AC may assess the levy.

- Fails to furnish a return for the relevant quarter
- Fails to pay the levy fully or partly for that relevant quarter
- Requests to make any alteration/addition to any return furnished

If you require any further clarifications on the matters discussed therein and how they may affect your business please do not hesitate to Contact us,

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Sgd.

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