

Budget 2015

Summary of Fiscal & Tax Implications



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Tax Type	Description of Proposal	Prevailing	Proposed
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1 INDIRECT TAXES

1.1 VAT	i Reduce in the VAT rate by 1%	12%	11%
	ii Revenue Threshold for the registration for VAT	Rs. 3 Million per Quarter Rs 12. Million per Annum	Rs. 3.75 Million per Quarter Rs. 15 Million per Annum
	iii Applicability threshold for Whole sale and retail	Rs 250 Million per Quarter	Rs 100 Million per Quarter
	iv Increase in Exemption Limit on Sample Import Value	Rs. 25,000	Rs. 50,000
	v Removal from Chargeability of VAT VAT on Import of Motor Vehicles Manufacture/Import of liquor Manufacture/Import of Cigarette (However, other import duties to be levied in lieu of the VAT)	VAT Charged VAT Charged VAT Charged	To be Removed To be Removed To be Removed
1.2 NBT	i Revenue Threshold for the registration for NBT	Rs. 3 Million per Quarter Rs 12. Million per Annum	Rs. 3.75 Million per Quarter Rs. 15 Million per Annum
	ii Increase in Exemption limit on Sample Import Value	Rs. 25,000	Rs. 50,000
	iii Removal from Chargeability of NBT NBT on Import of Motor Vehicles Manufacture/Import of liquor Manufacture/Import of Cigarette (However, other import duties to be levied in lieu of the NBT)	NBT Charged NBT Charged NBT Charged	To be Removed To be Removed To be Removed

Tax Type	Description of Proposal	Prevailing	Proposed
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1 INDIRECT TAX CONTINUED.,

1.3 Betting and Gaming Levy	i Increase of rate of tax on gross collection	5%	10%
	ii Imposition of entrance fee for persons who enters in to the casino entertainment premises	None	US\$100
1.4 Other Taxes	i Exemption from levies imposed by the local authorities for the business with monthly turnover less than Rs.50,000	No Exemption	Exempted

2 DIRECT TAXES (INCOME TAX)

2.1 Corporate/Business Tax

2.1.1 Exemptions and Concessions	i Profit and income earned by a Unit Trust on the investments made on or after January 15, 2015, in US Dollar deposits and US Dollar securities which are listed in any foreign stock exchange.	Taxed at 10%	Exempted
	ii Royalty accruing to any person outside Sri Lanka, if such royalty is paid by a IT /BPO company, during the first 2 years from commencement of such company.	Taxed at maximum 15%	Exempted
	iii Interest income on debt securities issued by the Urban Development Authority	No exemption	Exempted
	iv 50% of the Profits and income from the production of award wining film or drama	No exemption	Exempted (five years)
	v Profits from sale of used private buses	Taxed at normal rate	Exempted

Tax Type	Description of Proposal	Prevailing	Proposed
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2 DIRECT TAXES (INCOME TAX) CONTINUED.,

vi	Undertakings engage in imports substitution which commenced business in the 1970's	Taxed at normal rate	10% reduction of Corporate Tax Rate
vii	Tax on the profit of local Production of sugar	Taxed at normal rate	Taxed at Concessionary rate of 12%
viii	Increase in Turnover threshold for SME to pay lower tax at 12%	Rs 500 Million	Rs 750 Million

2.1.2 Determination of Taxable Profit	i Expenses incurred by a person registered with the Tertiary Vocational Education Commission (TVEC) for a skill development training	Deduction Allowed	Triple Deduction Allowed
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2.2 Personal Tax

2.2.1 Employment Income	i Reduction in maximum taxable rate on employment income	Maximum rate @ 24%	Maximum rate @ 16%
Interest Income	i Interest income accruing to senior citizens	Taxed on following slabs Up to Rs 0.5 Mn => no tax Rs 0.5 to 1.5 Million => 2.5% Above Rs 1.5 Mn => 8%	Exempted
	ii Interest income accruing to any individual	Taxed on following slabs Up to Rs 0.5 Mn => no tax Rs 0.5 to 1.5 Million => 2.5% Above Rs 1.5 Mn => 8%	Maximum 2.5%

Tax Type	Description of Proposal	Prevailing	Proposed
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2 DIRECT TAXES (INCOME TAX) CONTINUED.,

2.3 Charitable Institutions	iii Interest Income accruing to any Charitable Institution	Taxed on following slabs Up to Rs 0.5 Mn => no tax Above Rs 0.5 Mn => 8%	Maximum 2.5%
2.4 Concessions and Incentives	i High income earning Sri Lankans working abroad will be granted concessionary duty permits for the importation of a motor vehicle equal to 60% of foreign exchange remitted to the banks in Sri Lanka .		

3 IMPORT EXPORT DUTIES AND LEVIES

- 3.1 Simplify the Tax System**
- i Excise Duty under the Excise (Special Provisions) Act to be charged as a single composite duty in lieu of VAT, NBT, CESS , Customs duty and PAL on importation of certain articles specified in Chapter 87 of the Custom Tariff Guide. (refer 1.1 V and 1.2 iii above)
 - ii These proposals will take place at immediate effect. the relevant rates for the above will be published via Gazette Order.
- 3.2 Export Industries**
- i It is proposed to reduce import taxes of packaging materials required for exports without affecting local industries that manufacture such materials
- 3.3 Fisheries**
- i Import duties on equipment required for the expansion of marketing facilities is proposed to be reduced
- 3.4 Transportation**
- i Duty concessions will be granted for the importation of new buses, engines and gear boxes for any buses that have operated for a minimum of 5 years
 - ii Import taxes on vans, small buses and trucks proposed to be reduced
 - iii The customs based taxes on all electric cars will be reduced to 25%

4 EFFECTIVE DATES OF PROPOSED AMENDMENTS

	Type of Tax	Effective Date
i	Income Tax	April 01, 2015
ii	Indirect Taxes	January 01, 2015
iii	Import Export Duties & Levies	At immediate effect