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உள்ளநாட்டு இறைவரித் திணைக்களம்
DEPARTMENT OF INLAND REVENUE

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SEC/2019/03

24.06.2019

To all Financial Institutions

**Imposition of Debt Repayment Levy under the Finance Act No. 35 of 2018
Guideline for Debt Repayment Levy (DRL) on the Supply of Financial Services**

This guideline intends to provide a brief explanation on the application of legal provisions relating to the DRL.

Scope of Chargeability

In terms of section 36 in PART X of the Finance Act, No. 35 of 2018, DRL has been imposed with effect from October 1, 2018 until December 31, 2021 on the Supply of Financial Services made by any financial institution.

Financial institution means;

- A licensed commercial bank or a licensed specialized bank within the meaning of the Banking Act, No. 30 of 1988.
- A finance company licensed under the Finance Business Act, No. 42 of 2011

Rate

The DRL is chargeable on the value addition attributable to the financial services of every financial institution for every month at seven (7%) per centum.

Value Addition

Value addition should be calculated based on the provisions specified in section 25C of the Value Added Tax Act No. 14 of 2002. However, no deduction shall be allowed in respect of DRL, VAT or Nation Building Tax (NBT) on the supply of financial services paid/payable, in arriving the value addition for DRL.

Calculation of value addition for the purpose of DRL is set out below.

| | | |
|---|-----------|------------|
| Operating profit or loss (profit/loss before income tax) | | XXX |
| Add: DRL, VAT and NBT on supply financial services charged to the Income Statement | XX | |
| Depreciation charged to the Income Statement | XX | |
| Emoluments payable | <u>XX</u> | <u>XXX</u> |
| | | XXX |
| Less: Economic Depreciation | | (XX) |
| Total Value Addition | | <u>XXX</u> |

With respect to calculation of emoluments and economic depreciation, guidelines in the Extraordinary Gazette Notification No. 1868/10 dated 23.06.2014, published under subsection 8 of section 25C of the Value Added Tax Act No. 14 of 2002 should be followed.

Attribution to the Supply of Financial Services

Value addition attributable to supply of financial services should be computed as in the Extraordinary Gazette Notification.

Payments

The DRL for every month shall be paid to the account of Commissioner General of Inland Revenue, maintained at the Bank of Ceylon, using the remittance form sent on or before 20th of the month succeeding the relevant month, stating correct payment code and TIN. The payment code should comprise 5 digits as in the following format:

| | | |
|----|----|---|
| YY | MM | 0 |
|----|----|---|

Payment for each month from October 2018 to March 2019, should have been made as instructed by the letter dated 12th November 2018. Due date for payment and period code for each month of above periods are appended below.

| Month | Last date for Payment | Period Code |
|---------------|-----------------------|-------------|
| October 2018 | 20.11.2018 | 18100 |
| November 2018 | 20.12.2018 | 18110 |
| December 2018 | 20.01.2019 | 18120 |
| January 2019 | 20.02.2019 | 19010 |
| February 2019 | 20.03.2019 | 19020 |
| March 2019 | 20.04.2019 | 19030 |

Return

The return of DRL for each financial year should be submitted annually within a period of six months from the end of that financial year on the basis of the year adopted by such financial institution for its financial statement.

Any financial institution which has adopted to prepare its financial statement on the basis of "calendar year" or "year of assessment", such institution should submit the return respectively, on or before 30th June or 30th September of the subsequent year.

Accordingly, any financial institution which adopts:-

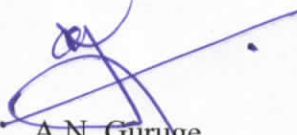
- i. calendar based financial year should submit the DRL return for 2018 on or before 30.06.2019,
- ii. year of assessment based financial year should submit the DRL return for 2018/2019 on or before 30.09.2019.

Duly completed DRL return should be submitted to the Commissioner, Corporate Financial Enterprises Audit Unit of the Inland Revenue Department.

For Details

For further details, contact:

Commissioner, Corporate Financial Enterprises Audit Unit – 0112134402/3
Commissioner, Tax Policy & Legislation (Secretariat) - 0112135412
Deputy Commissioner, Corporate Financial Enterprises Audit Unit -0112134406
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