



KPMG Sri Lanka

Tax News Flash

June 2020

TAX UPDATE

For clients of KPMG in Sri Lanka

Tax concessions for Small and Medium Scale Entrepreneurs

As per the announcement indicating the decisions taken by the Cabinet of Ministers on 24th June 2020, proposals for granting additional tax reliefs for Small and Medium scale Entrepreneurs (“SMEs”) have been approved and same are to be implemented with immediate effect, pending legal enactment of such proposals. The term “SMEs” will probably be defined in such enactment.

We understand that such relief measures have been introduced to ease the tax burden of SMEs in order to help revive their businesses which have been adversely impacted due to COVID-19.

We have provided below a synopsis of our understanding of the relief measures indicated in the aforementioned announcement:

1. Release of income tax in arrears for assessments issued up to Year of Assessment 2018/2019, if Commissioner General of Inland Revenue is satisfied that no willful evasion of tax has taken place.
2. Granting of a concessionary period for settlement of taxes that have been agreed upon with the DIR and are in arrears.
3. If a Small and Medium scale Entrepreneur has paid income tax for the Year of Assessment 2019/2020 and filed the return of income for such Year of Assessment, no additional assessments would be raised by the Department of Inland Revenue (“DIR”) for such Year of Assessment.
4. Extension of period provided for submitting a bank guarantee or payment of non-refundable amount when lodging an appeal with the Tax Appeals Commission.



5. Granting of an extension up to 31st December 2020 for payment of any tax and filing of any tax return which were due during the period 1st March 2020 to 30th June 2020. If such payment of tax and filing of tax return has been made on or before 31st December 2020, same would be considered to be paid/ filed by the statutory deadline.
6. Suspension of implementation of injunction orders issued to banks up to 30th April 2021.

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