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MINISTRY OF FINANCE, ECONOMIC STABILIZATION AND NATIONAL POLICIES

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திகதி } 12 .01.2023
Date }

Public Enterprises Circular No. PED 01/2023

All Secretaries of the Ministries,
Chairmen of State Banks,
Chairmen of Commercial Corporations, Statutory Boards and State Owned Companies.

Deduction of Income tax from the employment Income - Advance Personal Income Tax of employees of State Owned Enterprises (SOEs)

In terms of section 83A of the Inland Revenue Act, No.24 of 2017 as amended by the Inland Revenue (Amendment) Act, No. 45 of 2022, an employer shall deduct Advance Personal Income Tax (APIT) from the emoluments paid to employees.

02. However, it is noticed that some of the State Owned Enterprises (SOEs), including State Banks, are still bearing the tax liability of employees without deducting it from the emolument of such employees. This issue has been discussed at the Committee on Public Enterprises (COPE) meetings at several times and COPE has directed to issue a guideline on this matter.

03. Further, as per the paragraph 34.4 of the Budget Speech made by Hon. Minister of Finance, Economic Stabilization and National Policies on 14th November 2022, it is proposed to stop the APIT tax liabilities borne by SOEs and to charge the APIT from respective employees with effect from 1st January 2023.

04. Hence, you are advised to strictly adhere to the following instructions with regard to income tax payable on employment income by the employees of SOEs, with effect from 1st of January 2023.

APIT should be deducted from tax liable employees' earnings as per the provisions of the Inland Revenue Act as specified by the Commissioner General of Inland Revenue (CGIR). Further, tax should not be an expenditure to the entity (SOEs), although the personal emoluments are paid under the collective agreements. The Board of Directors and Senior Management of SOEs should ensure that APIT is deducted and remitted to the Department of Inland Revenue.

05. Under any circumstances, allowances or payments should not be paid to compensate the deduction of APIT of employees. Further, the Board of Directors of SOEs, including Treasury Representatives are required to strictly supervise the enforcement of this Circular.

06. Should you need any further clarification on this matter, please contact the Commissioner General of Inland Revenue.



K. M. Mahinda Siriwardana
Secretary to the Treasury

Copies:

1. Chairman of the Committee on Public Enterprises (COPE)
2. Secretary to the President
3. Governor, Central Bank of Sri Lanka
4. Auditor General
5. Commissioner General, Department of Inland Revenue