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MINISTRY OF FINANCE AND PLANNING

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திகதி } 11.09.2013
Date }

Public Enterprises Circular No: 02/2013

All Secretaries of Ministries
Heads of Public Enterprises and Statutory Institutions,
Treasury Representatives and
Members of Director Boards of the Public
Enterprises and Statutory Boards.

**Streamlining the remittance of Contributions in terms of Provisions under the
Employee Provident Fund Act, Employee Trust Fund Act, Employee Gratuity Payment Act
and Acts of Income Tax**

It has been reported from time to time that employer and employee contributions to the Employee Provident Fund (EPF) and Employee Trust Fund (ETF) deducted from the salaries of employees in terms of statutory rules are not remitted to relevant funds within the stipulated time period by several Public Enterprises and Statutory Boards resulting a huge amount of outstanding contribution. Further, it has been revealed that the gratuity entitled by employees are not properly paid in terms of the Employee Gratuity Payment Act and taxes charged on employees' income as per relevant income tax Acts are not remitted to the Department of Inland Revenue.

02. Default of such payments is a violation of the provisions of the Employee Provident Fund Act, Employee Trust Fund Act, Employee Gratuity payment Act and related income tax Acts and as a result the institution has to incur additional cost as fines on delays in remittances and legal charges. Further, uncertainty has been created on the payment of EPF, ETF and other statutory payments entitled to employees.

03. In this Backdrop, Chief Accounting Officers/Accounting officers/Chairmen/Members of Boards of Directors and other relevant officers are hereby informed to comply with the following procedures with immediate effect.

3.1 Contributions to the Employee Provident Fund and Employee Trust Fund should be compulsorily remitted before incurring other expenses along with the payment of salaries by the institutions for which the allocations for salaries are made through the budgetary provisions of the Government.

3.2 A schedule with complete and accurate information on outstanding total contributions, having fixed dates for payments in total or in installments within an acceptable time frame, to be prepared and submitted immediately for the approval of the Board of Directors by all respective institutions. A copy of the schedule approved by the Board of Directors should be furnished to the Secretary to the relevant line Ministry and the Department of Public Enterprises or Department of National Budget as appropriate.

3.3 PAYE Tax should be deducted from the salaries of tax liable employees, and remitted to the Department of Inland Revenue in line with the payment of salaries.

3.4 PAYE tax should be deducted from sitting allowance made to the members of the Boards and remitted to the Department of Inland Revenue in line with such payments.

3.5 As per provisions of the Employee Gratuity Payment Act, provisions for gratuity should be made and deposited annually in the relevant gratuity account and payment should be made promptly to employees when they become eligible.

3.6 Deduction and remittance of EPF/ETF and provision of gratuity should be reviewed at Board meetings and Audit and Management Committee meetings in order to ensure the compliance with statutory obligations. Chief Accounting Officer/Accounting Officer should also obtain a certification from all Public Enterprises and Institutions coming under the preview of the ministry, certifying that all statutory payments are paid within the stipulated time period in accordance with provisions of relevant Acts and review the progress at Ministry Management Audit meetings.

3.7 Treasury representatives to respective Boards of Directors should draw attention of Board of Directors, the necessity of adhering to this Circular instructions. Director General of Public Enterprises or the Director General of National Budget may be consulted for any clarifications. Any issues which cannot be resolved in this respect should be notified to the Secretary to the line

ministry referring me with a copy of the same. It is the responsibility of the Secretary to the line ministry to discuss such matters with me and find a solution.

3.8 Constant audits should be carried out in this respect by the Internal Audit Division and the attention of the Heads of Departments should be drawn accordingly.

3.9 Chairmen, Board of Directors, Chief Executive Officer and subject officers are singularly and jointly responsible for making deductions and timely remittance of statutory obligations as mentioned in items from 1.3 to 3.5 above giving equal priority same as the salary payments not allowing to increased outstanding contributions further.

3.10 Secretaries of relevant line Ministries are responsible for implementation of provisions of this Circular.

Sgd./P.B Jayasundera
Secretary to the Treasury

Copies:-

1. Secretary to the President,
2. Secretary to the Cabinet of Ministers,
3. Auditor General,
4. Commissioner of Labor,
5. Commissioner of Inland Revenue.