

Sri Lanka

Sri Lanka has been reviewed since 2017, but this is the first year that Sri Lanka provided a peer review questionnaire. Sri Lanka has met all aspects of the terms of reference (OECD, 2021^[3]) (ToR) for the calendar year 2021 (year in review), and no recommendations are made.

Sri Lanka can legally issue three types of rulings within the scope of the transparency framework.

In practice, Sri Lanka issued no rulings within the scope of the transparency framework.

As no exchanges were required to take place, no peer input was received in respect of the exchanges of information on rulings received from Sri Lanka.

Information gathering process (ToR I.A)

1158. Sri Lanka can legally issue the following three types of rulings within the scope of the transparency framework: (i) rulings providing for unilateral downward adjustments; (ii) permanent establishment rulings; and (iii) related party conduit rulings.¹

Past rulings (ToR I.A.1.1, I.A.1.2, I.A.2.1, I.A.2.2)

1159. For Sri Lanka, past rulings are any tax rulings within scope that are issued either (i) on or after 1 January 2015 but before 1 April 2017; and (ii) on or after 1 January 2012 but before 1 January 2015, provided they were still in effect as at 1 January 2015.

1160. In the prior years' peer review reports, it was not known whether Sri Lanka had implemented the transparency framework. Therefore, Sri Lanka was recommended to ensure that it has put in place an effective information gathering process to identify all relevant past and future rulings and all potential exchange jurisdictions and to implement a review and supervision mechanism, as soon as possible (ToR I.A).

1161. In Sri Lanka, rulings are issued by the ruling committee within the Inland Revenue Department (IRD). The ruling committee has conducted a manual review process to identify if there were any past rulings in scope of the transparency framework issued. Sri Lanka confirms that no past rulings in scope of the transparency framework were issued. As such, there was no need to identify potential exchange jurisdictions.

Future rulings (ToR I.A.1.1, I.A.1.2, I.A.2.1)

1162. For Sri Lanka, future rulings are any tax rulings within scope that are issued on or after 1 April 2017.

1163. As noted above, rulings are issued by the rulings committee, which is a centralised office within the IRD, consisting of senior officials (including officials from the international tax legislation unit and the transfer pricing unit). Each taxpayer requesting a ruling needs to follow the procedure that is set out on the IRD's website. The rulings committee determines for each request whether this is a ruling in scope of the transparency framework. If the ruling is in scope, the rulings committee identifies the immediate parent, ultimate parent and related parties which the taxpayer entered into a transaction with by checking the internal available information, such as the financial statements, and information collected through compliance actions. In addition, public database information can be used. If not all information is available, the rulings committee is able to request the information from the taxpayer and from third parties. For the sake of completeness, Sri Lanka indicated that it will include formal requirements in its public guidance about the relevant exchange jurisdictions. In particular, Sri Lanka will require the taxpayer requesting a ruling to provide information of the jurisdictions of its immediate parent, ultimate parent and the related parties which it entered into a transaction with. This will be monitored in next year's peer review.

Review and supervision (ToR I.A.3)

1164. The rulings committee consists of senior officials and is chaired by the Deputy Commissioner General who is responsible of issuing the final decision for each ruling. The committee is responsible for the review of the accuracy of the information obtained. Staff is trained to identify the relevant rulings in scope of the transparency framework and to identify exchange jurisdictions.

Conclusion on section A

1165. Sri Lanka has met all of the ToR for the information gathering process and no recommendations are made.

Exchange of information (ToR II.B)

Legal basis for spontaneous exchange of information (ToR II.B.1, II.B.2)

1166. In the prior years' peer review reports, it was not known whether Sri Lanka had the necessary domestic legal basis to exchange information spontaneously. Sri Lanka was therefore recommended to put in place a domestic legal framework allowing spontaneous exchange of information on rulings if needed.

1167. Sri Lanka confirms that it has the necessary domestic legal basis to exchange information spontaneously. Sri Lanka notes that there are no legal or practical impediments that prevent the spontaneous exchange of information on rulings as contemplated in the Action 5 minimum standard.

1168. Sri Lanka has international agreements permitting spontaneous exchange of information, including: (i) the *Multilateral Convention on Mutual Administrative Assistance in Tax Matters: Amended by the 2010 Protocol* (OECD/Council of Europe, 2011^[1]) ("the Convention") and (ii) bilateral agreements in force with 42 jurisdictions.²

Completion and exchange of templates (ToR II.B.3, II.B.4, II.B.5, II.B.6, II.B.7)

1169. In the prior years' peer review reports, it was not known whether Sri Lanka has in place a process to exchange information on rulings in accordance with the form and timelines required by the transparency framework. Sri Lanka was therefore recommended to ensure the timely exchange of information on rulings in the form required by the transparency framework.

1170. Sri Lanka notes that the ruling committee is responsible for completing an internal template that has been developed and includes both the mandatory and the optional fields that are specified in Annex C of the Action 5 report (OECD, 2015^[2]). The summary section of the template has to be completed in line with the internal FHTP suggested guidance.

1171. The Competent Authority is responsible for completing the template based on the information that it receives from the ruling committee. Sri Lanka confirms that the Competent Authority needs to exchange the information within three months after the ruling has been issued, which is within the timelines required for the transparency framework.

1172. During the year in review, no exchanges were required to take place and no data on the timeliness of exchanges is reported.

Conclusion on section B

1173. Sri Lanka has the necessary legal basis for spontaneous exchange of information and has a process for completing the templates in a timely way. Sri Lanka has met all of the ToR for the exchange of information process and no recommendations are made.

Statistics (ToR IV.D)

1174. As no rulings were issued, no statistics can be reported.

Matters related to intellectual property regimes (ToR I.A.1.3)

1175. Sri Lanka does not offer an intellectual property regime for which transparency requirements under the Action 5 Report (OECD, 2015^[2]) were imposed.

Summary of recommendations on implementation of the transparency framework

Aspect of implementation of the transparency framework that should be improved	Recommendation for improvement
	No recommendations are made.

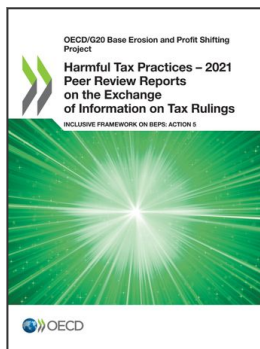
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- OECD (2015), *Countering Harmful Tax Practices More Effectively, Taking into Account Transparency and Substance, Action 5 - 2015 Final Report*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <https://doi.org/10.1787/9789264241190-en>. [2]
- OECD/Council of Europe (2011), *The Multilateral Convention on Mutual Administrative Assistance in Tax Matters: Amended by the 2010 Protocol*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264115606-en>. [1]

Notes

¹ Sri Lanka is planning to put in place a legal framework for issuing APAs in the near future.

² Participating jurisdictions to the Convention are available here: www.oecd.org/tax/exchange-of-tax-information/convention-on-mutual-administrative-assistance-in-tax-matters.htm. Sri Lanka also has bilateral agreements with Australia, Bangladesh, Bahrain, Belarus, Belgium, Canada, China (People's Republic of), Czech Republic, Denmark, Finland, France, Germany, India, Indonesia, Iran, Italy, Japan, Korea, Kuwait, Luxembourg, Malaysia, Mauritius, Nepal, Netherlands, Norway, Oman, Pakistan, Palestinian Authority, Philippines, Poland, Qatar, Romania, Russia, Seychelles, Singapore, Sweden, Switzerland, Thailand, United Arab Emirates, United Kingdom, United States, and Viet Nam.



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