



Sri Lanka Inland Revenue

Guide to Filling the Economic Service Charge (ESC) Return

Year of Assessment **2019/2020**

General Instructions

This guide is applicable for the Year of Assessment ending on 31.03.2020. The objective of issuing this guide is to assist you in filling the ESC Return. You are requested to keep a copy of the completed Return with you for the future references.

Guide to fill ESC Return

(1) Turnover

The Turnover received or receivable for the relevant quarters should be entered in relevant cages as follows and compute the ESC liability at the specified rate of 0.5%.

- (i) Relevant turnover from the sale of Petrol, Diesel and Kerosene - **Enter in cage “(A)”**
- (ii) Turnover as per the Gazette Notification No. 2036/23 [refer item (2) (ii) in this Guide] - **Enter in cage “(B)”**
- (iii) Relevant turnover from Export of Goods and Services - **Enter in cage “(C)”**
- (iv) Relevant turnover from Other Sales [Relevant turnover from other than “(A)”, “(B)” and “(C)”]- **Enter in cage “(D)”**
- (v) Exempt turnover - **Enter in cage “(W)”**

[2019/2020 - 1st Quarter – the turnover (received or receivable) for the period from 01.04.2019 to 30.06.2019 is the relevant turnover for the quarter ending 30.06.2019.]

If prior permission has been obtained by any person, from the Commissioner General of Inland Revenue (CGIR) to prepare accounts on different basis (i.e. 12 months ending on 31st December) and the income tax Return is submitted accordingly, same basis to be applied for ESC, as well. In a case, where calendar year basis is used the turnover of the first quarter of 2019/2020 would be the turnover from 01.01.2019 to 31.03.2019. Declare such turnover in the Return for the quarter ended 30.06.2019. You are not authorized to change anything in the printed Return.

(2) Liability to ESC

Every Person and Partnership (other than the Co-operative Societies, Non Resident Shipping and Aviation Companies, Local Government Bodies, Government Departments, any Distributor, any Dealer in Lottery, any Unit Trust or Mutual Funds) are liable to pay ESC, subject to the following conditions:

- (i) Whose aggregate turnover from every Trade, Business, Profession or Vocation **of the relevant quarter is more than LKR 12.5 million**, and
- (ii) Whose turnover comes under Gazette Notification No. 2036/23
 - Freight forwarders
 - Gem and diamond exporters
 - Exports of garments or any other manufacturer out of the raw materials imported on NFE basis.
 - Sale of securities held by primary dealers

(3) Calculation of ESC

Calculate the total relevant turnover and, enter the value in Cage “(Y)” by adding the values in cage (A), (B), (C) and (D)

$$(A)+(B)+(C)+(D) = (Y)$$

- If the **value of (Y)** is greater than **12.5 million**, calculate the ESC Liability as follows:
 - **For ESC on other than Export Turnover**
Calculate the total of 1/10th of Cage (A) and Cage (B) Cage (D), and multiply this value by the specified ESC rate of 0.5% and, enter the value in Cage “(P)”.
$$\{(1/10 * A) + (B) + (D)\} * 0.5\%$$
 - **For ESC on Exports**
Multiply the value in Cage (C) by the specified ESC rate of 0.5% and, enter the value in Cage (Q).
$$(C) * 0.5\%$$
- If the **value of (Y)** is equal or lesser than **12.5 million**, the ESC Liability is:
Multiply the value in Cage (B) by the specified ESC rate of 0.5%.
$$(B) * 0.5\%$$

(4) Part –III ESC Credits (ESC paid to the Customs on Importation)

ESC paid in advance to the customs can be credited against the ESC liability of the same quarter where the date of clearance of the particular consignment falls.

(5) Part –IV ESC Payable

Calculate the balance ESC payable, by deducting the ESC paid at customs on importation, from the total ESC liability

(6) Part –V ESC Paid

Enter the amount of tax paid to the Commissioner General at the due date for each quarter (amounts paid on or before the 20th day of the subsequent month at the end of each quarter).

(7) Declaration

Where the Return or part of the Return is prepared by some other person, including by an approved accountant, other than a full time employee of the tax payer, it is mandatory that both part (A) and part (B) of the Declaration to be completed.

- **Part (A)**
Details of other person including an approved accountant to be included in Part (A).
- **Part (B)**
A taxpayer or the taxpayer’s duly authorized agent, have to sign the return by using Part (B) of the Declaration.

(8) Submission of Returns

ESC Return along with the acknowledgement sheet should be furnished to the **Relevant Unit** (Unit from which you have received the ESC Return), **on or before 20th April 2020** .

Please note that the failure to submit the ESC Return on time or non-submission of Returns will be subject to penalties.

