

N.B.—Sinhala and Tamil versions of this *Gazette* Extraordinary are published separately.

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The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

අංක 1959/21 - 2016 මාර්තු මස 24 වැනි බ්‍රහස්පතින්ද - 2016.03.24
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PART I : SECTION (I) — GENERAL

Government Notifications

SRI LANKA ACCOUNTING AND AUDITING STANDARDS ACT, NO. 15 OF 1995

Publication under Section 4(2)

By virtue of the powers vested in the Institute of Chartered Accountants of Sri Lanka (hereinafter referred to as the “Institute”), the Institute has adopted the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax, published herewith for the purpose of the Sri Lanka Accounting and Auditing Standards, Act, No. 15 of 1995. This SoAT comes into immediate effect, in the Sri Lankan context.

By Order of the Council,

ARUNA ALWIS,
Secretary.

The Institute of Chartered Accountants of Sri Lanka,
No. 30A,
Malalasekera Mawatha,
Colombo 07.
29th March, 2016.



STATEMENT OF ALTERNATIVE TREATMENT (SOAT) ON ACCOUNTING FOR SUPER GAIN TAX UNDER PART III OF THE FINANCE ACT, No. 10 OF 2015

Preface

The Government of Sri Lanka has passed legislation on amendments to the Finance Act which has a direct impact on the application of Sri Lanka Accounting Standards issued for the preparation of Financial Statements.

The objective of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) in setting up the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax under Part III of the Finance Act, No. 10 of 2015 is for the purpose of directing the companies/ individuals on how to present the Super Gain Tax that arose as a result of the said Act on the current financial statements in order to comply with the presentation that has been incorporated in the said Act.

Section 10 (8) of the Part III of the Finance Act states; “**Notwithstanding any provision contrary in any other written law**”. This provision would supersede any other written law. Therefore the Institute of Chartered Accountants of Sri Lanka would be required to issue a SoAT to the existing financial reporting framework in order to reflect tax as required by this Act in the Financial Statements of a Company because the said Act supersede the Sri Lanka Accounting Standards issued under the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

This SoAT supersedes paragraph 46 of LKAS 12 “*Income Tax*”. Further, this **SoAT must be applied** by all Companies who are liable to pay Super Gain Tax as required under Part III of the Finance Act without any option.

Recommendation

In accommodating the legal requirement under the Finance Act, No. 10 of 2015, the preparers who are liable to pay supergain tax under the said Act, shall account as follows;

Since such expense is deemed to be an expenditure for the year of assessment which commenced on 1 April 2013, it shall be recorded as an adjustment to the opening retained earnings reported in Statement of Changes in Equity as at first day of the current financial year (e.g. 1 January 2015 for a December year end entity / 1 April 2015 for a March year end entity) with necessary disclosures.

Further, this adjustment was proposed so that the Statement of Financial Position as at 31 December 2014 / 31 March 2015 should not be restated.

Example: Disclosure in the Financial Statements

As per the provisions of Part III of the Finance Act, No. 10 of 2015 which was certified on 30th October 2015, the Company is liable for Super Gain tax of Rs. xx Million. According to the Act, the super gain tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards, hence the expense of Super gain tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.