

TAXATION ON HIGH INCOME INDIVIDUALS

**Inland Revenue Department
Sri Lanka**

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Outline

- Background of the HWIU
- Approaches to Management of HWIU in other Jurisdictions
- Initial Steps Taken to Establishing HWIU
- Objectives of the HWIU

Background of the HWIU

Why Focus in HWI in Sri Lanka?

- Their number have grown significantly.
 - Tend to pay low taxes
 - Income Disparity
- Complexity of their affairs
 - Opportunities to engage in aggressive tax planning
 - Significant revenue at stake
- Fairness and integrity
 - Protecting the tax base



Approaches to Management of HWIs in other Jurisdictions

- Understanding the HWI Segment
- Having a defined group of HWIs
- Risk-based approach
- Capability



Initial Steps Taken for Establishing HWIU



- Select Special staff to the Unit
 - HWI unit team is comprised of professionals with experience in taxation, audit, law, large taxpayer audits, risk management and statistics.
- Select HWIs from different baskets through a risk assessment process.
 - *From the IRD data*

It includes IIT return data such as assessable income tax liability, declared Assets and Liabilities (Wealth)

- Amnesty declaration
- SEC data (Top 20 share holders from the Top 20 companies)
- Industry giant
- Profile creation for each selected HWI.
- Issuance press release about the HWIU through printing, electronic and audio-visual media.
- Preparing questionnaire to get the details from taxpayer.

Objectives of the HWIU

- Alignment with the political & economic environment.
- Engage with the HWI to encourage a collaborative compliance approach.
- Understanding the investment strategies of HNWI individuals.
- Closely monitor the behavior of the HWI.
- Provide a definition with the threshold for the HWI in Sri Lanka.



- Collect HWI's information's through the questionnaires.
- Strong emphasis on building relationship with HWI taxpayers & their advisors to help them comply, identify and correct mistakes early.
- Closing tax loopholes.
- Identify high risk areas by using data and analytics specific to avoid aggressive tax planning of HWI's.
- Initiate audits on the highest risk files.
- Tailored engagement to provide an assurance that the fair share of taxes has been paid and help maintain future compliance by the HWI's.

➤ Enhanced collaboration with domestic & offshore institution for access to the relevant sophisticate data.

❖ Domestic Institution.


- Banks/Financial Institution.
- Other government agencies.
 - Registration of Motor Vehicle ,Land Registration Department etc.
- FIU(Financial Intelligence Unit)
- Beneficial Ownership Registries (Proposed)

❖ Offshore Institution

- Double tax treaties entered with the other jurisdiction



*Towards a better future through a new
tax culture*

A close-up photograph of a blue marker writing the words "Thank you" in a cursive script on a white surface. The marker is positioned at the end of the word "you", with its tip touching the paper. The background is a solid blue color.

Thank
you