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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

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வங்கி மேற்பார்வைத் திணைக்களம்

Bank Supervision Department

Ref. No. : 02/17/800/0014/02

31 July 2014

To: *Chief Executive Officers of all Licensed Commercial Banks
and Licensed Specialised Banks*

Investment Fund Account

We refer to the Guidelines dated 29 April 2011 and 24 April 2013 issued on the above subject and write to inform you that operations of the Investment Fund Account (IFA) will cease with effect from 1 October 2014.

2. Accordingly, following clarifications are made with respect to the Guidelines on the Operations of IFA.

(i) Guideline 2 – Credits to IFA

- (a) The requirement to transfer an amount equal to 8 per cent of the profits calculated for the payment of value added tax (VAT) on financial services to IFA expired on 31 December 2013. Accordingly, the last payment of VAT was due on 20 January 2014.
- (b) The requirement to transfer an amount equal to 5 per cent of the profit before tax calculated for income tax purposes on dates specified in Section 113 of the Inland Revenue Act to IFA in the year of assessment 2013/2014 expired on 31 March 2014. The final tax payment on income tax for the year of assessment 2013/2014 will be due on 30 September 2014.

(ii) Guideline 4.3 - Disclosures and Reporting to Central Bank of Sri Lanka

- (a) Disclosure requirements in financial statements and the requirement to furnish a return on the utilisation of IFA shall be applicable until 30 September 2014.

(iii) Guideline 4.4 - Treatment of Taxation

- (a) Any adjustments arising after 1 July 2014 due to finalising of tax payments of prior periods can be adjusted to IFA until 30 September 2014.
- (b) Interest income earned from any loans and advances granted from IFA will not be exempted from income tax after 1 July 2014 onwards.

(Contd.)

3. Other

(i) Capital Funds Recovered through Loan Repayments and Maturity Proceeds of Long-term Government Securities

- a) With effect from 1 July 2014, Guidelines on the operations of IFA shall not be applicable for the utilisation of capital funds recovered through loan repayments and maturity proceeds of long-term Government securities.
- b) Accordingly, banks may reduce an amount equivalent to the capital funds recovered from sources mentioned in paragraph 3(i)(a) above from IFA.

(ii) Cessation of the operations of IFA

- a) The operations of IFA will cease with effect from 1 October 2014. Accordingly, banks shall transfer the remaining balance in IFA to retained earnings through the Statement of Changes in Equity.

Yours faithfully,



(Mrs.) T M J Y P Fernando
Director of Bank Supervision