



ශ්‍රී ලංකා මහ බැංකුව
இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

Communications Department

30, Janadhipathi Mawatha, Colombo 01, Sri Lanka.

Tel : 2477424, 2477423, 2477311

Fax: 2346257, 2477739

E-mail: dcommunications@cbsl.lk, communications@cbsl.lk

Web: www.cbsl.gov.lk

Press Release

Issued By

Communications Department

Date

10 October 2014

The Central Bank issues Guidelines on Tax Incentives to Promote Financial Sector Consolidation

The Central Bank with the concurrence of the Ministry of Finance and Planning issued Guidelines on the ascertainment of cost of acquisition/merger as a qualifying payment and on the claimability of any unabsorbed input credit in terms of the Inland Revenue Act and the Value Added Tax, respectively. These Guidelines are applicable for licensed banks, licensed finance companies and specialised leasing companies and are effective from 01 April 2014.

These Guidelines specify the items of costs in relation to the acquisition of a business as a going concern or the acquisition of shares or the merger with another bank/finance company/leasing company. Accordingly, the cost of acquisition will include purchase consideration, professional fees, documentation fees, expenditure incurred on IT systems, human resource related costs, advertising costs and infusion of capital at the time of acquisition/merger.

These costs will be permitted to be deducted from the year of assessment of the acquisition/merger subject to a maximum limit of 1/3 of the assessable income. However, if the assessable income of the acquiring Financial Institution is less than Rs. 300 mn, the qualifying payment can be deducted up to the level of assessable income and any amount remaining could be carried forward and set off against the future assessable income. The transfer of shares due to the acquisition/merger will be exempted from Stamp Duty by an Order published in the Gazette.

These Guidelines will further promote the financial sector consolidation process and ensure the expeditious completion of the on-going mergers and acquisitions of banks, finance companies and leasing companies. They reiterate the commitment of the Government of Sri Lanka and the Central Bank to further strengthen the stability and resilience of the financial sector.

These Guidelines can be accessed through the Central Bank's website www.cbsl.gov.lk