

Sri Lanka

1. Sri Lanka was reviewed as part of the 2017/2018 and the 2018/2019 peer reviews. This report is supplementary to those previous reports (OECD, 2019^[1]) (OECD, 2018^[2]).
2. The first filing obligation for a CbC report in Sri Lanka applies to reporting fiscal years commencing on or after 1 April 2018.

Summary of key findings

3. Sri Lanka meets all the terms of reference (OECD, 2017^[3]) relating to the domestic legal and administrative framework, except for the following:
 - It is recommended that Sri Lanka amend or otherwise clarify its threshold rule so that it would apply in a manner consistent with the OECD guidance on currency fluctuations in respect of an MNE Group whose Ultimate Parent entity is located in a jurisdiction other than Sri Lanka (OECD, 2018^[5]).
 - It is recommended that Sri Lanka take steps to align its local filing implementation with that required by the Action 13 minimum standard.
4. It is recommended that Sri Lanka take steps to have QCAAs in effect with jurisdictions of the Inclusive Framework which meet the confidentiality, consistency and appropriate use prerequisite and with which Sri Lanka has an international exchange of information agreement in effect that allows for the automatic exchange of tax information. This recommendation remains unchanged since the 2017/2018 peer review.
5. It is recommended that Sri Lanka take steps to implement processes or written procedures to ensure that the exchange of information is conducted in a manner consistent with the terms of reference relating to the exchange of information framework ahead of the first exchanges of information.
6. It is recommended that Sri Lanka take steps to ensure that the appropriate use condition is met ahead of the first exchanges of information. This recommendation remains unchanged since the 2017/2018 peer review.

Part A: The domestic legal and administrative framework

7. Sri Lanka has law in place to implement the BEPS Action 13 minimum standard.

(a) Parent entity filing obligation

8. It is recommended that Sri Lanka amend or otherwise clarify this rule so that it would apply in a manner consistent with the OECD guidance on currency fluctuations in respect of an MNE Group whose Ultimate Parent entity is located in a jurisdiction other than Sri Lanka. This recommendation remains unchanged since the 2017/2018 peer review.¹

(b) Scope and timing of parent entity filing

9. No changes were identified.

(c) Limitation on local filing obligation

10. No changes were identified.

(d) Limitation on local filing in case of surrogate filing

11. No changes were identified.

(e) Effective implementation

12. No changes were identified.

Conclusion

13. It is recommended that Sri Lanka amend or otherwise clarify its threshold rule so that it would apply in a manner consistent with the OECD guidance on currency fluctuations in respect of an MNE Group whose Ultimate Parent entity is located in a jurisdiction other than Sri Lanka. This recommendation remains unchanged since the 2018/2019 peer review.

14. Sri Lanka requires local filing despite not meeting the conditions to apply this requirement. It is recommended that Sri Lanka take steps to change its legislation or issue guidance to cancel or suspend the local filing requirement until it meets the standards required. This recommendation remains unchanged since the 2018/2019 peer review.

Part B: The exchange of information framework**(a) Exchange of information framework**

15. As of 31 March 2020, Sri Lanka has no bilateral relationships in place for the exchange of CbC reports. It is recommended that Sri Lanka take steps to have qualifying competent authority agreements in effect with jurisdictions of the Inclusive Framework that meet the confidentiality, consistency and appropriate use conditions and with which Sri Lanka has an international exchange of information agreement in effect that allows for the automatic exchange of tax information.

(b) Content of information exchanged

16. No changes were identified.

(c) Completeness of exchanges

17. No changes were identified.

(d) Timeliness of exchanges

18. No changes were identified.

(e) Temporary suspension of exchange or termination of QCAA

19. No changes were identified.

(f) Consultation with other Competent Authority before determining systemic failure or significant non-compliance

20. No changes were identified.

(g) Format for information exchange

21. No changes were identified.

(h) Method for transmission

22. No changes were identified.

Conclusion

23. It is recommended that Sri Lanka take steps to have QCAAs in effect with jurisdictions of the Inclusive Framework which meet the confidentiality, consistency and appropriate use prerequisites remains in place. This recommendation remains unchanged since the 2017/2018 peer review.

24. It is recommended that Sri Lanka take steps to implement processes or written procedures to ensure that the exchange of information is conducted in a manner consistent with the terms of reference relating to the exchange of information framework ahead of its first exchanges of information. This recommendation remains unchanged since the 2018/2019 peer review.

Part C: Appropriate use**Appropriate use**

25. No changes were identified.

Conclusion

26. It is recommended that Sri Lanka take steps to ensure that the appropriate use condition is met ahead of its first exchanges of information. This recommendation remains unchanged since the 2017/2018 peer review.

Summary of recommendations on the implementation of Country-by-Country Reporting

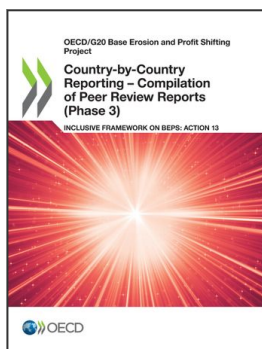
Aspect of the implementation that should be improved		Recommendation for improvement
Part A	Domestic legal and administrative framework	It is recommended that Sri Lanka amend or otherwise clarify the annual consolidated group revenue threshold calculation rule applies in a manner consistent with the OECD guidance on currency fluctuations in respect of an MNE Group whose Ultimate Parent entity is located in a jurisdiction other than Sri Lanka.
Part A	Domestic legal and administrative framework	It is recommended that Sri Lanka take steps to change its legislation or issue guidance to suspend local filing until they have met the conditions.
Part B	Exchange of information framework	It is recommended that Sri Lanka take steps to have QCAAs in effect with jurisdictions of the Inclusive Framework which meet the confidentiality, consistency and appropriate use prerequisites and with which it has an international exchange of information agreement in effect that allows for the automatic exchange of tax information.
Part B	Exchange of information framework	It is recommended that Sri Lanka take steps to implement the necessary processes or written procedures to ensure that the exchange of information is conducted in a manner consistent with the terms of reference relating to the exchange of information framework.
Part C	Appropriate use	It is recommended that Sri Lanka take steps to ensure that the appropriate use condition is met ahead of the first exchanges of information.

References

- OECD (2019), *Country-by-Country Reporting – Compilation of Peer Review Reports (Phase 2): Inclusive Framework on BEPS: Action 13*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <https://dx.doi.org/10.1787/f9bf1157-en>. [1]
- OECD (2018), *Country-by-Country Reporting – Compilation of Peer Review Reports (Phase 1): Inclusive Framework on BEPS: Action 13*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <https://dx.doi.org/10.1787/9789264300057-en>. [2]
- OECD (2018), *Guidance on the Implementation of Country-by-Country Reportings - BEPS Action 13, OECD/G20 Base Erosion and Profit Shifting Project*, OECD Publisher, <http://www.oecd.org/tax/guidance-on-the-implementation-of-country-by-country-reporting-beps-action-13.pdf>. [5]
- OECD (2017), *Terms of reference for the conduct of peer review of the Action 13 minimum standard on country-by-country reporting*, OECD Publishing, <https://www.oecd.org/tax/beps/beps-action-13-on-country-by-country-reporting-peer-review-documents.pdf>. [3]

Note

¹ Sri Lanka's Regulations on Transfer Pricing refer to the responsibility to prepare and maintain transfer pricing documentation including the Country-by-Country Report applying to enterprises carrying out controlled transactions with associated enterprises subject to sections of Sri Lanka's primary legislation. This narrows the population of MNEs required to file a CbC report in Sri Lanka and apparently applies an exemption from reporting to MNEs who meet the threshold requirement but do not carry out controlled transactions with associated enterprises. In practice this is very unlikely to be the case for MNEs who would otherwise meet the requirement so no recommendation is made but the situation will be monitored. This monitoring point remains in place since the 2018/2019 peer review.



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