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இலங்கை உள்ளாட்டு இறைவரி
Sri Lanka Inland Revenue

**GUIDE TO FILL THE
RETURN OF INCOME, SCHEDULES
&
STATEMENT OF ASSETS AND LIABILITIES**

INDIVIDUAL

YEAR OF ASSESSMENT

2019/2020

This Guide contains;

- A. GENERAL INSTRUCTIONS**
- B. INSTRUCTIONS TO COMPLETE THE RETURN FORM**
- C. INSTRUCTIONS TO COMPLETE THE STATEMENT OF ASSETS AND LIABILITIES**

A. GENERAL INSTRUCTIONS

1. This set of document comprises two parts.
 - I. Return Form
 - (i) Return of Income
 - (ii) Return of Income - Schedules
 - II. Statement of Assets and Liabilities (A/L)

An individual should fill the Return Form (Return of Income and Schedules) and Statement of Assets & Liabilities.

2. You may read this Guide before filling the Return of Income, Schedules and Statement of Assets and Liabilities.

(Further details and illustrations can be obtained via IRD web portal – www.ird.gov.lk).

3. **Resident individuals and Non-resident individuals** are required to declare the income from Employment, Business, Investment and Other Income source for the period from **01.04.2019 to 31.03.2020** in the Return for the Year of Assessment 2019/2020.
4. The Assessable Income of a **Resident Individual** is the individual's income from Employment, Business, Investment or Other Income source for that year, **wherever the source arises** and in the case of a **non-resident individual**, the individual's income from Employment, Business, Investment or Other Income source for that year, to the extent that the **income arises in or is derived from a source in Sri Lanka**.

5. The Return is sent in the language of your choice. If you want to change your **language preference**, you may contact **Customer Information Update Unit at the IRD Head Office**, or any **Regional Office** and update your taxpayer profile.
6. In case of any **data filling Cage in the Return or a Schedule is not required** to be filled, then nothing should be written in words such as not applicable in that **Cage** other than placing a **hyphen (-)**.

If a Schedule or part of a Schedule is not required/not relevant to you, write – Not Applicable – across that Schedule or part of that Schedule.

If the space provided to enter details in a **Schedule** is not enough, add a note **refer the attachment** in that Schedule and provide such details in the same format provided as a separate attachment.

Example for correct filling of data

SECTION – 01: STATEMENT OF TAX CALCULATION														
Part A –INCOME LIABLE TO TAX														
Employment Income	(Schedule 1)	10			-	-	-	-	-	-	-	-	-	-
Business Income	(Schedule 2)	20			2	6	5	8	5	0	0	0	0	0
Investment Income	(Schedule 3)	30			-	-	-	-	-	-	-	-	-	-
Other Income	(Schedule 4)	40			-	-	-	-	-	-	-	-	-	-
ASSESSABLE INCOME (10+20+30+40)		50			2	6	5	8	5	0	0	0	0	0

7. The duly completed Return (Return of Income and Mandatory Schedules) and other required documents should be posted or hand delivered to any Regional Office or IRD Head office on or before **30th November, 2020**.

8. IRD has also provided the online submission facility to submit the Return of Income - Individual & Mandatory Schedules via **IRD Portal e-Services facility**.

9. Payment of Tax

The tax for the year of assessment is to be paid on quarterly installments as an installment payer.

The following table describes the due dates for quarterly tax payments and the payment codes for the year of assessment 2019/2020.

Installment	Due Date (on or before)	Payment Code
1	15 th of August, 2019	19201
2	15 th of November, 2019	19202
3	15 th of February, 2020	19203
4	15 th of May, 2020	19204
Final	30 th of September, 2020	19200

The aggregate of four installments, the final payment and applicable tax credits should be equal to the total tax liability of the year of assessment 2019/2020

10. Penalties, Interest and Imprisonment

Furnishing an incorrect Return or fail to furnish a Return on or before the due date or non-submission of Return will be subjected to **penalties or imprisonment**.

Failure to pay tax on due dates will be subjected to **penalties and interest** as follows:

- Penalty for **late filing** of Return is equal to the **greater of** –
 - (i) 5% of the amount of the tax owing, plus a further 1% of the amount of tax owing for each month or part of a month during which the failure to file continues: and
 - (ii) Rs.50, 000/- plus a further Rs. 10,000/- for each month or part of a month after November 30, 2020.
- A penalty for **making false or misleading statement** is equal to the **greater of** Rs. 50,000 or the amount by which would have the tax payable reduced or refund increased, if it were determined based on such statement.
- For **failure to file a Return**, an individual is liable to a fine not exceeding 1 million rupees or to imprisonment for a term not exceeding one year or both such fine and imprisonment.
- For failure to pay all or part of;
 - **an instalment payment** on the due date shall be liable to pay a penalty of 10% of the amount of the tax due but not paid.
 - **tax due for a tax period** on the due date or the due date specified in the Notice of Assessment, shall be liable to a penalty of 20% of the tax due but not paid and an interest of 1.5% per month or a part of a month of the late period.
- 9. **Specified Form** – Return Form is specified by the Commissioner General of Inland Revenue (CGIR) under Section 126 of the Inland Revenue Act, No. 24 of 2017 (hereinafter referred to as IR Act) and is required to declare income and other particulars for year of assessment 2019/2020 (period of 1 April, 2019 to 31 March, 2020).

B. INSTRUCTIONS TO COMPLETE THE RETURN FORM

I. INSTRUCTIONS TO COMPLETE THE RETURN OF INCOME

- This Part consists of two SECTIONS;

SECTION 1 - STATEMENT OF TAX CALCULATION
SECTION 2 – DECLARATION

SECTION 1 - STATEMENT OF TAX CALCULATION

- This Section comprises five PARTS;

PART A – Income Liable to Tax
PART B – Deductions from Assessable Income
PART C – Calculation of Tax Payable
PART D – Exempt Income
PART E – Mandatory Schedules

Before filling **SECTION 1** of the Return of Income, the relevant Schedules should be filled.

As such, follow **INSTRUCTIONS TO COMPLETE RETURN OF INCOME – SCHEDULES** and then complete the remaining part of the Return of Income as shown in the table below;

Part of the Return of Income	Relevant Cage
PART A ASSESSABLE INCOME	- Cage 50
PART B Total Reliefs	- Cage 110
Total Deductions from Assessable Income	- Cage 130
TAXABLE INCOME	- Cage 140

PART C		
Total Tax Payable	-	Cage 190
Balance Tax Payable	-	Cage 210
Refund Claimed	-	Cage 220
PART D		
Total Exempt Income	-	Cage 230
PART E		
Mandatory Schedules		

SECTION 2 – DECLARATION

- In terms of Section 126 (5) of the IR Act, where the Return or part of the Return was prepared by some other person, including by an approved accountant, other than a full-time employee of the taxpayer, that other person is mandatory to sign the Return.

Therefore, the Approved Accountant or any other Authorized Person who has been involved in completing the Return or part of the Return, is required to sign the Return indicating his/her name and designation in **PART A** of the **DECLARATION**.

- In terms of Section 126(4) of the IR Act, a taxpayer or the taxpayer’s duly authorised agent shall sign the Return, attesting to its accuracy and completeness.

Therefore, the taxpayer or the taxpayer’s duly authorised agent is required to sign the Return indicating his/her name in **PART B** of the **DECLARATION**.

II. INSTRUCTIONS TO COMPLETE THE RETURN OF INCOME - SCHEDULES

1. Following Schedules are provided with the Return of Income

Schedule 1 – Employment Income

Schedule 2 – Business Income

Schedule 3 – Investment Income

Schedule 4 – Other Income

Schedule 5 – Qualifying Payments

Schedule 6 – WHT on Final withholding Payments

Schedule 7 – Withholding Tax

Schedule 8 – Tax Calculation

Schedule 9 – Tax Credits

Schedule 10 – Transitional Adjustment

Schedule 11 – Loss Adjustment

From the above Schedules, select and complete only those Schedules that are relevant to you.

Schedules, which are integral for filling of the Return, are considered as **Mandatory Schedules**. The below table indicates some circumstances where Schedule is to be considered as Mandatory Schedule.

Individual's Income		Schedules										
		1	2	3	4	5	6	7	8	9	10	11
1	Only Employment Income	√	-	-	-				√	√	√	-
2	Only Business Income	-	√	-	-				√	√	√	
3	Business Income & Investment income with final WHT	-	√	√	-		√		√	√	√	
4	Only Investment Income with WHT	-	-	√	-			√	√	√	√	
5	Only Other Income with qualifying payment	-	-	-	√	√			√	√	√	
6	Employment Income, Business Income, Investment Income and other income with final WHT & WHT	√	√	√	√		√	√	√	√	√	
7	Only Business income with B/F loss / during the year loss	-	√	-	-						√	√

SCHEDULE 5, SCHEDULE 6 and SCHEDULE 7 will be mandatory to an individual if any qualifying payment (QP), WHT on final withholding payment and withholding tax respectively to be claimed/declared, in addition to the above marked Schedules.

2. Follow the steps given below to fill the Schedules.

STEP 1 - Select the Mandatory Schedules as for your income source and tax claims to be made (QP, Final WHT, WHT, Losses) as for above item 1.

STEP 2- Fill the relevant part of **SCHEDULE 10 - TRANSITIONAL ADJUSTMENT** with amounts for **FIRST PERIOD** and **SECOND PERIOD**.

FIRST PERIOD - Period from 1 April to 31 December 2019

SECOND PERIOD - Period from 1 January to 31 March 2020

STEP 3 – Take the amounts in **SCHEDULE 10** to other relevant Schedules and Return of Income as follows;

Fields in SCHEDULE 10	Relevant SCHEDULE
950-954	SCHEDULE 1 - EMPLOYMENT
955 - 962	SCHEDULE 2 - BUSINESS INCOME
963 - 972	SCHEDULE 3 - INVESTMENT INCOME
973 - 974	SCHEDULE 4 - OTHER INCOME
976 & 977	SCHEDULE 1 - EMPLOYMENT
978	SCHEDULE 2 - BUSINESS INCOME
979 - 980	SCHEDULE 3 - INVESTMENT INCOME
981-982	RETURN OF INCOME
A – 1-3 984-986	SCHEDULE 5A – QP as per IR Act, No. 24 of 2017

B 987	SCHEDULE 5B – QP as per IR Act, No. 10 of 2006
988	SCHEDULE 5 – Qualifying Payments
989 & 990	RETURN OF INCOME

STEP 4 – Complete Mandatory Schedules and take amounts in Schedules to Return of Income as for the instructions provided.

SCHEDULE 1- EMPLOYMENT INCOME

1. Before filling this Schedule, fill the lines 950 – 954, line 976 and line 977 of **SCHEDULE 10 - TRANSITIONAL ADJUSTMENT**.
2. After deducting **excluded amounts** if any, enter **Employment Income** (Remuneration and Terminal Benefits) on actual basis [Gross Remuneration in accordance with the T 10 Form] for the period up to December 31, 2019 – **FIRST PERIOD** and the period up to March 31, 2020 – **SECOND PERIOD** in lines of **950, 951, 952, 953 & 954** in **SCHEDULE 10**.

Line 950	*A	Any remuneration from primary employment
Line 953	*A	Any terminal benefits from primary employment
Line 951	*B – 1, 2,..	Any remuneration from Secondary employment
Line 954	*B - 1, 2,..	Any terminal benefits from Secondary employment

3. Aggregate, amounts of **FIRST** and **SECOND PERIOD** in each line and enter into the respective **Case** into **TAL** Column (total remuneration/terminal benefits received from each employment during the year of assessment).

4. Take **TOTAL** amounts in Cage **950.3, 951.3, 952.3, 953.3 & 954.3** of **SCHEDULE 10** to **PART 1** of **SCHEDULE 1** as given below;

SCHEDULE 10	SCHEDULE 1	
Cage 950.3	Cage 104	*A
Cage 953.3	Cage 109	*A
Cage 951.3, 952.3,	Cage 104	*B 2, 3
Cage 954.3,	Cage 109	*B 2, 3

(If there is **remuneration** or **terminal benefits** from **more than one secondary employment**, use the additional rows provided in **SCHEDULE 10**, and **SCHEDULE 1**- Cage 101 & 106)

5. In **PART 1** of **SCHEDULE 1** declare details of above employment income under respective lines of **Columns 102, 103, 107 and 108**.
6. Enter total of **Column 104** into **Cage 105** and total of **Column 109** into **Cage 110**.
7. Take amount in **Cage 110** into Cage **802.1** of **SCHEDULE 8**.
8. Then enter the aggregate amounts of **Cage 105 & Cage 110** into **Cage 111** of this Schedule. Take amount in **Cage 111** to **Cage 10 - EMPLOYMENT INCOME** of the **Return of Income**.
9. **Reliefs**

Declare **Relief for employment income** for **FIRST PERIOD** and **SECOND PERIOD** in line **976** and **Relief for foreign employment income** if any, available for **FIRST PERIOD** in line **977** of **SCHEDULE 10** as explained in the table below.

(List of available Reliefs are in **ANNEXURE 1** at the end of this Guide)

LINE in SCHEDULE 10	RELIEF
976	<p>Relief for Employment Income Enter Rs 525,000 or employment income for the period of nine months up to the period December 31, 2019 whichever is lower in the FIRST PERIOD If amount deducted for FIRST PERIOD is less than Rs 525,000, enter such balance part or employment income for the period of three months up to March 31, 2020 whichever is lower in the SECOND PERIOD of line 976.</p>
977	<p>Relief for Foreign Employment Income Enter foreign employment income received for the first nine months period or Rs. 15,000,000 whichever is lower in FIRST PERIOD in line 977 of SCHEDULE 10. (Foreign employment income is exempt from January 1, 2020.)</p>

10. Take TOTAL amounts of **line 976** and **line 977** in **SCHEDULE 10** to **PART II** of **SCHEDULE 1** as given below;

SCHEDULE 10	SCHEDULE 1
Line 976.3	Cage 112
Line 977.3	Cage 112A

11. Take amounts in **Cage 112** and **Cage 112A** into **Cage 60** and **Cage 70** of the **Return of Income**.
12. **Exempt amounts** - Declare details of Exempt amounts related to Employment Income in **PART III** of **SCHEDULE 1**.

(List of Exempt Amounts are in **ANNEXURE 2** at the end of this Guide)

13. Finally enter total of exempt employment income in Cage **116**, into **Cage 230 - Total Exempt Income of the Return of Income.**

[If there is exempt business Income (Cage 217), and/or exempt investment income (Cage 318) as well, aggregate these with exempt employment income (Cage 116) and take the total amount to Cage 230 - Total Exempt Income of the **Return of Income.**]

SCHEDULE 2 – BUSINESS INCOME

1. Before filing this Schedule, fill the lines **955 to 962** and **978** of **SCHEDULE 10 - TRANSITIONAL ADJUSTMENT.**
 - Ascertain business income received from categories of **sole proprietorship, partner’s business income from partnership and beneficiary’s business income from a trust** separately.
 - Then ascertain income from following businesses received from above categories (sole proprietorship, partnership and a trust) separately;
 - i. Business consisting of betting and gaming, liquor or tobacco (for the Second Period it would be the business of betting and gaming, manufacture & sale or import and sale of any liquor or tobacco - other than buying and selling of liquor or tobacco).
 - ii. Business of rendering foreign service - Business of any service rendered in or outside Sri Lanka to any person to be utilized outside Sri Lanka, to which income earned in foreign currency.
 - iii. All other businesses
 - Apportion the income from each business under each category on pro-rata basis as 3/4th of total business income to the **FIRST PERIOD** (period up to December 31, 2019) and 1/4th of total business income to the **SECOND PERIOD** (period

up to March 31, 2020). Enter such income from each business in separate lines from **955 - 962** in **SCHEDULE 10** separately.

2. Enter amounts into **TOAL** Column of **SCHEDULE 10** into relevant Cages of **SCHEDULE 2** as follows;

SCHEDULE 10	SCHEDULE 2	
Cage 955.3 – 957.3	Cage 203	.1 - .3
Cage 958.3 - 960.3	Cage 208	.1 - .3
Cage 961.3 – 962.3	Cage 213	.1 - .2

3. Declare details of above business income under respective lines of Column **201, 202, 205, 206, 207, 210, 211** and **212** in **PART 1** of **SCHEDULE 2**.
4. Take aggregate amounts in **Cage 204, 209** and **214** into **Cage 215**. Take amount in **Cage 215** into **Cage 20-Business Income** of the **Return of Income**.
5. **Relief for Foreign Service income** – Enter Rs. 15 Million or foreign service income (business) earned for the period up to December 31, 2019 whichever is lower, in **FIRST PERIOD** of **line 978** in Schedule 10.

(Foreign Service income is exempt from January 1, 2020.)

(List of available Reliefs are in **ANNEXURE 1** at the end of this Guide)

6. Take Amount into **TAL** Column of **Line 978** of **SCHEDULE 10** into **Cage 216** in **PART II** of **SCHEDULE 2**.

Take amount in **Cage 216** into **Cage 70 - Relief for foreign service income** of the **Return of Income**.

7. **Exempt amounts** - Declare details of Exempt amounts related to Business Income in **PART III** of **SCHEDULE 2**.

(List of Exempt Amounts are in **ANNEXURE 2** at the end of this Guide)

8. Finally enter total of exempt business income in **Cage 217**, into **Cage 230** - Total Exempt Income of the Return of Income.

[If there is exempt employment Income (Cage 116), and/or exempt investment income (Cage 318) as well, aggregate these with exempt business income (Cage 217) and take the total amount to Cage 230].

SCHEDULE 3 – INVESTMENT INCOME

1. Before filing this Schedule, fill the lines from **963 - 972 and 979-980** of **SCHEDULE 10 - TRANSITIONAL ADJUSTMENT**.
2. Ascertain investment income received from categories of **sole proprietorship, partner's share of investment income from partnership and beneficiary's share of investment income from a trust** separately.
3. Then ascertain income from the following investment income received from above categories separately;
 - interest Income
 - rent income
 - gain on realization of investment assets – capital gain
 - dividend
 - any other investment income
4. Apportion those income from each investment under each category to the **FIRST PERIOD** (the period of nine months up to December 31, 2019) and to the **SECOND PERIOD** (the period of three months up to March 31, 2020) as explained under each investment income (interest, dividend rent & other investment income). Separate lines are provided to declare each investment income in **SCHEDULE 10 and SCHEDULE 3**
5. **Interest Income** -
Following options are available for apportioning the Interest income for the **FIRST PERIOD & SECOND PERIOD**;

- (i) consider actual amount for respective periods, or
- (ii) apportion on pro-rata basis as 3/4th of total interest income to the First Period and 1/4th of total interest income to the Second Period
- (iii) In the case of a Senior Citizen, if any interest income is received or the apportioned amount under item (ii) above to the **FIRST PERIOD** is less than Rs. 1,500,000, then the interest amount to be allocated to the **FIRST PERIOD** shall be the **aggregate of**, the amount hereinafter referred to as X, or actual interest income received for the **SECOND PERIOD**, whichever is less and actual interest income received for the **FIRST PERIOD**.

X = 1,500,000 – Actual interest income received in the FIRST PERIOD.

If you are not a senior citizen, do not declare interest income apportioned to the **FIRST PERIOD**, in **Schedule 10 or SCHEDULE 3**. Nevertheless, Interest income apportioned to the **SECOND PERIOD** should be declared in the **SECOND PERIOD** of **SCHEDULE 10** and **SCHEDULE 3**.

[As interest is a final withholding payment up to 31.12.2019 (other than the interest received by a senior citizen up to Rs 1.5 Million up to 31.12.2019), and final withholding payments are excluded from Assessable Income]

In the case of a senior citizen, interest income apportioned to the **FIRST PERIOD** or Rs. 1.5 Million, whichever is lower, should be declared in the **FIRST PERIOD** and Interest income apportioned to the **SECOND PERIOD** should be declared in the **SECOND PERIOD** of **SCHEDULE 10** and **SCHEDULE 3**.

6. Dividend Income

Apportion dividend income on actual basis to the **FIRST PERIOD** and the **SECOND PERIOD**.

Dividend income pertaining to the **FIRST PERIOD** should not be declared in **SCHEDULE 10** or **SCHEDULE 3**. But any dividend income pertaining to the **SECOND PERIOD** should be declared in **SECOND PERIOD** in **SCHEDULE 10** and **SCHEDULE 3**.

7. Rent & other investment income

Apportion rent and other investment income on actual basis to the **FIRST PERIOD** and the **SECOND PERIOD**. Enter such amounts in **SCHEDULE 10** separately.

8. Take amounts in SCHEDULE 10, TOTAL Column;

- **Line 963 – line 967**, to lines of Column **303** with details in corresponding lines in **Column 301 and 302**,
- **Line 968 – line 970**, to lines of Column **308** with details in corresponding lines in **Column 305, 306 and 307**, and
- **Line 971 and 972**, to lines of Column **313** with details in corresponding lines in **Column 310, 311 and 312**, in **SCHEDULE 3**

9. Take aggregate amounts in Cage 304, 309 and 314 into Cage 315. Take amount in Cage 315 to Cage 30 of the Return of Income. This amount will be the income from Investment Income.

10. Reliefs -

• **Relief for Rent Income -**

Relief of 25 percent of the total rental income (adjusted income) for the **FIRST PERIOD** and **SECOND PERIOD** can be deducted.

Enter such amounts in **line of 979** of **SCHEDULE 10**. Take amount into **TAL Column** in **line 979** into **Cage 316** of **SCHEDULE 3**. Then take this amount to **Cage 80** of the **RETURN OF INCOME**.

- **Relief for Interest Income (Senior citizen) –**

In the case of a senior citizen, interest income apportioned to the First Period or Rs. 1.5 Million, **whichever is lower**, will be a relief. Enter this relief amount in the **line of 980** under the **FIRST PERIOD** of **SCHEDULE 10**. Take this amount to Cage **317** of **SCHEDULE 3**.

Then take this amount in Cage **317** into Cage **90** of the **Return of Income**.

(List of available Reliefs are in **ANNEXURE 1** at the end of this Guide)

11. Declare details of **Exempt amounts** related to Investment Income in **PART III** of **SCHEDULE 3**.

(List of Exempt Amounts are in **ANNEXURE 2** at the end of this Guide)

12. Finally enter total in Cage **116 (Exempt Employment Income)** of **SCHEDULE 1**, Cage **217 (Exempt Business Income)** of **SCHEDULE 2** and Cage **318 (Exempt Investment Income)** of **SCHEDULE 3** into Cage **230 - Total Exempt Income** of the **Return of Income**.

SCHEDULE 4 – OTHER INCOME

1. Before filing **SCHEDULE 4**, fill the **line 973** and **line 974** of **SCHEDULE 10 - TRANSITIONAL ADJUSTMENT**.

Apportion Other Income on actual basis to **FIRST PERIOD** and **SECOND PERIOD** and enter such amounts (each type in separate line) in the **line 973 - line 974** of **SCHEDULE 10**.

2. Take amounts into **TAL** Column of **Line 973** and **line 974** into lines in **Column 402** of **SCHEDULE 4**.

Enter details of above income in the corresponding lines in **Column 401**.

3. Take amounts in **Cage 403** into **Cage 40** of the **Return of Income**.

SCHEDULE 5 – QUALIFYING PAYMENTS

A list of qualifying payments (QP) is available in **ANNEXURE 3**

1. There are two sub schedules in SCHEDULE 5
 - **SCHEDULE 5A** – For qualifying payments made during the year (as per Inland Revenue Act, No. 24 of 2017)
 - **SCHEDULE 5B** - For qualifying payments brought forward from year of assessment 2018/2019 (Out of **QP made prior to 1.4.2018** - as per Inland Revenue Act, No. 10 of 2006)
2. Use **line 984 to line 987** to declare amount of qualifying payments that is **deductible** for **FIRST PERIOD** and **SECOND PERIOD**. Use “A” to declare deductible amount of QP made (including the QP allocated from the partnership) during the year, under IR Act, No. 24 of 2017 (separate lines from 984-986 to declare different type of QP) and use B to declare deductible amount of QP carried forward from previous year, under IR Act, No. 10 of 2006.
3. Enter qualifying payments if any, in SCHEDULE 10 into relevant Cages of SCHEDULE 5A as follows;

SCHEDULE 10		RELEVANT QUALIFYING PAYMENTS	Relevant Cage of SCHEDULE 5A
LINE	COLUMN		
		Actual amount of Q/Ps made during the year (Amount Paid).	Cage 502.1 Cage 502.2 Cage 502.3

A - 1 - 984	FIRST PERIOD and/ or SECOND PERIOD	Amount of QP (made to Approved Charity) that is deductible out of Q/Ps made during the year subject to restrictions.	
A - 1 - 985 , 986	FIRST PERIOD and/ or SECOND PERIOD	Amount of QP (made to the Government /Specified institutions) that is deductible out of Q/Ps made during the year	
A - 1 - 984	TOTAL]	Aggregate amount of QP that is in the FIRST PERIOD and SECOND PERIOD	Cage 503.1 (To Approved Charity)
A - 2 - 985 A - 3 - 986	TOTAL]	Aggregate amount of QP that is in the FIRST PERIOD and SECOND PERIOD	Cage 503.2 or 503.3 (to Govt. or Specified Institutions respectively)

4. Enter qualifying payments if any, in **SCHEDULE 10** into relevant Cages of **SCHEDULE 5B** as follows;

SCHEDULE 10		RELEVANT QUALIFYING PAYMENT	RELEVANT CAGE OF SCHEDULE 5B
LINE	COLUMN		
		Amount of relevant QP brought forward from previous Year of	Lines in Column 506

		Assessment – Y/A 2018/2019 (B/F Amount)	
B - 987	FIRST PERIOD and/ or SECOND PERIOD	Amount of QP entitle to be deducted during the year, out of QP B/F from the year of assessment 2018/2019 (but made prior to 1.4.2018) subject to restrictions	Relevant Lines in Column 507
B - 987	Total	Aggregate amount of QP that is in the FIRST PERIOD and SECOND PERIOD	Relevant Lines in Column 507
		Un-deducted balance amount of QPs that can be carried forward to the following year of assessment, out of QP brought forward from the Y/A 2018/2019 (but made prior to 1.4.2018)	Relevant Lines in Column 508
988	Total	Aggregate amount of total QP that is in the FIRST PERIOD and SECOND PERIOD	Cage 510
988	FIRST PERIOD	Total Q/Ps for First Period (lines 984 – 987)	
988	SECOND PERIOD	Total Q/Ps for Second Period (lines 984 – 987)	

5. Take aggregate amounts in **Column 503** and **Column 507** of **SCHEDULE 5** to **Cage 504** and **Cage 509** respectively. Then take the

total of **Cage 504** and **Cage 509** to **Cage 510**, to arrive at total deductible QP (this amount shall be equal to the amount in line 988 of the TOTAL Column in Schedule 10).

6. Take amount in **Cage 510** to **Cage 120** of the **Return of Income**. This amount will be the total amount of qualifying payment deductible for the year of assessment.

SCHEDULE 6 – WHT ON FINAL WITHHOLDING PAYMENTS

Table of **Final withholding Payments, Non-Final Withholding Payments and applicable tax rates** are in **ANNEXURE 4**

1. The **SCHEDULE 6** comprises three sub schedules as follows;
 - **Schedule 6A** - WHT deducted by the withholding agent
 - **Schedule 6B** - WHT failed to deduct by the Withholding Agent
 - **Schedule 6C** - Not subject to WHT
2. **Schedule 6 A - Final Withholding Payments - WHT deducted by the withholding agent –**

Enter details of each final withholding payments on which withholding tax has been **deducted by the withholding agent**, in given lines under **Columns 601 to 606**. Enter **Total Final WHT deducted** in **Cage 607**.

3. **Schedule 6 B - Final Withholding Payments - WHT failed to deduct by the withholding agent**

Enter details of WHT payments, though liable for deduction of WHT by withholding Agent, but have **not been deducted** by the Agent (including the interest amount apportioned to the **FIRST PERIOD** as explained in paragraph 5 under **SCHEDULE 3 – Investment**

Income), in given lines under **Columns 608 to 613** of **SCHEDULE 6 B**. Enter **Total of Column 612** into **Cage 614**.

Finally take the amount in **Cage 614** to **Cage 811** of **SCHEDULE 8 - TAX CALCULATION**.

4. Schedule 6 C - Final Withholding Payments – Not subject to WHT

Following final withholding payments are not subject to WHT;

- payments made by individuals, unless made in conducting a business,
- payment is made by a non- resident,
- interest or discount paid to any person on Security or Treasury Bond under the Registered Stocks and Securities Ordinance (Chapter 420) or Treasury Bill under the Local Treasury Bills Ordinance (Chapter 417).

(If Final Withholding tax is not deducted due to not subject to WHT, the withholder should pay such tax by way of installment and assessment.)

Enter details of final withholding payments not subject to WHT in given lines under **Columns 615 to 620** of **SCHEDULE 6 C**. Enter **Total of Column 619** in **Cage 621**.

Finally take the amount in **Cage 621** to **Cage 811** of **SCHEDULE 8**.

Take amount in **Cage 811** into **Cage 180** of the Return of Income.

SCHEDULE 7 - WITHHOLDING TAX

(OTHER THAN FINAL WITHHOLDING PAYMENTS AND WHT ON EMPLOYMENT)

1. This Schedule comprises three sub schedules as follows;

- A. Schedule 7A - WHT deducted by the Withholding Agent
 - B. Schedule 7B – WHT failed to deduct by Withholding Agent
 - C. Schedule 7C - Other WHT from Partnership (other than 8% WHT on share of Partnership Income)
2. Enter details of payments of which WHT had been deducted including advance receipts as follows;

WITHHOLDING TAX PAYMENT	SCHEDULE	RELEVANT COLUMNS/CAGE
A. Withholding tax - deducted by the withholding agent	SCHEDULE 7A	Columns 701 to 706
B. Withholding tax - failed to deduct by the withholding agent	SCHEDULE 7B	Columns 712 to 717
C. WHT from Partnership (other than 8% WHT on share of partnership income)	SCHEDULE 7C	Cage 723, 724

3. Use separate rows for different source and type (Eg. rent, service fees, royalty etc.) of receipts. When stating the source,
- if the receipt is a Business Income, then indicate **B**,
 - if the receipt is a Investment Income then indicate **I**.

When stating the type of the receipt, if the type of income is rent, then indicate **R**.

As such, different source and type in **Column 701 lines .1 to .5** would read as follows;

Eg. Rent income from a business – B-Rent

Rent income from an investment – I-Rent

4. Schedule 7 A - Withholding Tax - deducted by the Withholding Agent

With effect from January 1, 2020, deduction of WHT on the payments for resident individuals are removed. However, deductions would have been made on the payments made during the period from January 1, 2020 to March 31, 2020.

- i. Enter details of each WHT deductions (including WHT on advance payments) under given Columns from **Column 701 to 706 of Schedule 7 A**
- ii. Enter **Total of Cage 706 - total of WHT deducted by WHT Agents in Cage 707**. Enter **WHT B/F on Advance Receipt** from Y/A 2018/2019 in **Cage 708**.
- iii. Enter total of **Cage 707** and **Cage 708** into **Cage 709**.

If opted to;

- claim total WHT in Y/A 2019/2020, enter amount in **Cage 709 into Cage 710**. Enter amount in **Cage 710** into **Cage 908** of **SCHEDULE 9** to claim the total credit. Then the amount of **Cage 711** will be Nil; or

If opted to;

- carry forward the WHT on Advance Receipts to be deducted in future year of assessment, enter total WHT deducted during the year of assessment in **Cage 707**. Brought forward WHT deducted on advance receipt during the year of assessment 2018/2019 should be entered into **Cage 708**. Deduct the relevant WHT claim for the year of assessment 2019/2020 (**Cage 710**) from the amount in **Cage 709**. Enter amount in **Cage 710** into **Cage 908** of **SCHEDULE 9** to claim the credit. Balance amount in **Cage 711** will be WHT carried forward on Advance Receipt to next relevant year.

5. **Schedule 7 B - Withholding Tax - failed to deduct by the Withholding Agent**

- i. Enter details of WHT payments, though liable for deduction of WHT by withholding Agent, but have **not been deducted** by the Agent, in given lines under **Column 712 to 717** of **SCHEDULE 7 B**.
- ii. Enter **Total of Column 717 - total of WHT paid by the Withholdee** in **Cage 718**. Enter **WHT B/F on Advance Receipt** from Y/A 2018/2019 in **Cage 719**.
- iii. Enter total of **Cage 718** and **Cage 719** into **Cage 720**.

If opted to claim total WHT in Y/A 2019/2020;

- enter amount in **Cage 720** into **Cage 721**. Enter amount in **Cage 721** into **Cage 935** of SCHEDULE 9C to claim the credit. Then the amount of **Cage 721** will be Nil; or

If opted to carry forward the WHT on Advance Receipts to be deducted in future year of assessment;

- enter total WHT paid by the withholdee during the year of assessment in **Cage 718**. Brought forward WHT paid by the withholdee on advance receipt during the year of assessment 2018/2019 should be entered into **Cage 719**.
- deduct the relevant WHT claim for the year of assessment 2019/2020 (**Cage 721**) from the amount in **Cage 720**. Enter amount in **Cage 721** into **Cage 935** of SCHEDULE 9C to claim the credit. Balance amount in **Cage 722** will be WHT carried forward on Advance Receipt to next relevant year.

6. Schedule 7 C – Other WHT from Partnership

- i. WHT allocated (other than the WHT on share of Partnership income) by the Partnership to partners should be declared in this Schedule.
- ii. If you are a partner of the Partnership, enter amount of **WHT, allocated from the Partnership in Cage 723**. Enter **WHT B/F on Advance Receipt** from the year of assessment 2018/2019 in **Cage 724**. Enter total of **Cage 723** and **Cage 724** into **Cage 725**.

If opted to claim total WHT in Y/A 2019/2020;

- enter amount in **Cage 725** into **Cage 726**. Enter amount in **Cage 726** into **Cage 907** of **SCHEDULE 9** to claim the credit. Then the amount of **Cage 727** will be Nil; or

If opted to carry forward the WHT on Advance Receipts to be deducted in future year of assessment;

- Deduct the relevant **WHT claimed for the year of assessment 2019/2020** (Cage 726) from the amount in **Cage 725**. Enter amount in **Cage 726** into **Cage 907** of **SCHEDULE 9** to claim the credit. Balance amount in **Cage 727** will be the **WHT carried forward on Advance Receipt** to next relevant year.

Note: if you (as a beneficiary) have been allocated any WHT credits from a Trust, you may follow the instructions given for partners regarding the tax credits and fill the details in same Schedule (Schedule 7 C & Cage 907 of SCHEDULE 9).

SCHEDULE 8 - TAX CALCULATION

1. Before filling this SCHEDULE, complete **SCHEDULE 10 - TRANSITIONAL ADJUSTMENTS**.

- i. Enter **line 981- Expenditure Relief** and **Line 982-Personal Relief** for **FIRST PERIOD** and **SECOND PERIOD** as follows;

Expenditure relief - Expenditure relief can be deducted only against the assessable income relevant to the Second Period

Personal Relief- Personal relief of Rs. 1,125,000 is entitled to be deducted for the year of assessment 2019/2020. However, Rs. 375,000 and Rs. 750,000 relevant to the First Period and the Second Period respectively shall be deducted from the relevant part of assessable income. If there is any un-deducted relief such part can be deducted from the balance assessable income of the other Period.

However;

- Un-deducted Personal relief relevant to the Second Period shall not be deducted from the employment income in which PAYE tax has already been deducted.
- If the relief is not deductible due to the income is considered as final withholding payment during the First Period, or income for the Second Period is considered an exempt, then the non-deductible relief must be ignored.

(List of available reliefs are in **ANNEXURE 1** at the end of this guide)

- ii. Calculate the taxable income for **FIRST PERIOD** and **SECOND PERIOD** separately. Amount in **TOTAL** Column of line 990 of **SCHEDULE 10** shall be equal to the amount in **Case 140** of the **Return of Income**.

2. This Schedule comprises six parts, namely; **A, B, C, D, E and F.**

a) Taxable Income

Enter **Cage 140 - Taxable Income** from the **Return of Income** into **Cage 801** in this part **A.**

b) Calculation of Income Tax on Terminal Benefits

- i. Terminal benefits are taxed at concessionary rate or normal progressive rate.
 - A list of terminal benefits liable to tax at concessionary rates is in **ANNEXURE 5** at the end of this Guide.
 - Concessionary Rates applicable for terminal benefits is in **ANNEXURE 6** at the end of this Guide.
 - Progressive Tax Rates is in **ANNEXURE 7**
- ii. Enter **Cage 110** of **PART 1** of **SCHEDULE 1** into line **802 in Column .1 – Income** of this Schedule.
- iii. Enter terminal benefits, which are **liable to tax at concessionary rate of tax**, under the relevant lines (**line 803.a, line 803.b and line 803.c**) in **Column .1- Income** with corresponding tax rate in **Column .2-Rate** for which that terminal benefit is liable to tax.
- iv. Cut off the irrelevant period; **April to December/ January to March** and indicate the total No. of years served in that employment **No. of years served** in the place provided.

- v. Enter such part of terminal benefits, liable to tax at normal rate, under **line 804 in Column .1 - Income**.
- vi. Then calculate the tax by applying either the relevant concessionary tax rates or normal progressive tax rates as for **ANNEXURES 5 or 6** at the end of this Guide.
- vii. **Enter such amount of tax pertaining to income relevant to Cages 803 a, 803 b, 803 c and 804 into in the respective Cages from Cages 803a .3, 803b.3, 803c.3 and 804.3 in Column .3.**
- iv. Finally enter aggregate amounts in **Cages 803a.3, 803b.3, 803c.3 and 804.3** and enter such total in **Cage 805**. Take amount in **Cage 805** to **Cage 150** of the **RETURN OF INCOME**.

c) Tax on Gain on Realization of Investment Assets

- i. Gains on realization of Investment Assets (Capital Gain on sale of investment assets) are taxed at **10 %**.
- ii. Enter capital gains on sale of investment assets from other than from a partnership, for **FIRST PERIOD** in line **806** and for the **Second Period** in line **806A** under **Column .1 - Income**.
- iii. Enter the corresponding tax in line **806** and line **806A** in **Column .3 - Tax**.

d) Tax on Gain on Realization of Investment Assets from Partnership

- i. Capital gains on sale of Investment Assets from partnership are **taxed at 10 %**.
- ii. Enter such capital gain on sale of investment assets from a partnership, for **FIRST PERIOD** in line **807** and gain relevant to the **Second Period** in line **807A** under

Column .1 – Income and the relevant tax in same lines under **Column .3 – Tax**.

- iii. Enter total of **Cage 806.3 - Cage 807A.3** into **Cage 160** of the **Return of Income**.

e) **Tax on Balance Taxable Income**

- **Tax on Taxable Income from business consisting of Betting & Gaming, Liquor or Tobacco Business relevant to the FIRST PERIOD –**
 - Applicable tax rate is **40%**.
 - Enter taxable income of business of buying & selling of liquor and tobacco relevant to the **FIRST PERIOD** in **Cage 808A.1** and Tax on such income in **Cage 808A.3**.
- **Tax on Taxable Income from Betting & Gaming, Manufacture & sale or Import & sale of any Liquor or Tobacco product relevant to the SECOND PERIOD**
 - Applicable tax rate is **40%**.
 - Enter taxable income relevant to the **Second Period** in **Cage 808B.1** and Tax on such income in **Cage 808B.3**.
- **Tax on Balance Taxable Income to be taxed at the progressive income tax rates**
 - **Progressive income tax rates** are applicable.
 - Enter Taxable Income relevant to the **First Period** in **Cage 809 A.1** and Taxable Income relevant to the **Second Period** in **Cage 809B.1**.
 - Apply progressive income tax rates relevant to the **First Period & the Second Period** given in **ANNEXURE 6** at the end of this Guide.

- Enter such Tax in **Cage 809A.3** and **Cage 809B.3** respectively.
 - Enter aggregated amounts in **Cage 808A.3 – Cage 809B.3 [amounts in Column .3 for lines 808A – 809 B]** into **Cage 810**.
 - Finally take amount in **Cage 810** to **Cage 170** of the **Return of Income**.
- f) Tax on Final withholding Payments
- Enter aggregate amount of Cages 614 and 621 of Schedule 6 into Cage 811.
 - Finally take amount in Cage 811 into Cage 180 of the Return of Income

SCHEDULE 9 - TAX CREDITS

Enter available tax credits into relevant Cages in **SCHEDULE 9**.

a) Foreign Tax Credit (Cage 901)

If you are entitled to any foreign tax credit under Section 80 of the IR Act, enter such amount in **Cage 901** of **SCHEDULE 9**. Foreign tax credit cannot be more than the amount of tax chargeable in Sri Lanka on such income.

b) ESC deductible (Cage 902 and SCHEDULE 9A)

Before filling this Cage, you have to fill **SCHEDULE 9A**.

The amount of ESC paid on your business for any quarter of this year of assessment (including any share of ESC apportioned by the partnership where you are a partner) in terms of Economic Service Charge Act and any ESC brought forward can be deducted from the Income Tax payable by you.

i. Economic Service Charge – SCHEDULE 9 A

- Enter un deducted brought forward ESC from sole proprietorship under **Cages 914 to 916**.
- Enter un deducted brought forward ESC as a Partner from the Partnership under **Cages 918 to 920**.
- Enter total of the un deducted balances from **Cage 914 to 916** and **Cages 918 to 920** into **Cage 921**.
- Enter ESC payments made for the year of assessment 2019/2020 (up to 31.12.2019) to Customs, from sole proprietorship and as a Partner from the Partnership in **Cages 922, 923 and 924** respectively.
- Enter the aggregate of un deducted balance ESC (**Cage 921**) and total ESC payments made for the year of assessment 2019/2020 (**Cages 922, 923 and 924**) into **Cage 925**.
- Enter amount of Total Tax Payable (**Cage 190** of the **Return of Income**) after deducting foreign tax credit in **Cage 901** of **SCHEDULE 9**.
- If the amount in **Cage 925** is greater than the amount in **Cage 926**, enter such lower amount into **Cage 927** to be deducted for the year of assessment 2019/2020.
- Take ESC deductible amount in **Cage 927** to **Cage 902** of **SCHEDULE 9**.
- If amount in **Cage 926** is greater than the amount in **Cage 927**, enter such excess amount into **Cage 928** (**Cage 926 – Cage 927**) to be carried forward to year of assessment 2020/2021.

- ii. Prior to year of assessment 2016/2017 any un deducted ESC can be carried forward only up to four years of assessments. From the year of assessment 2016/2017, ESC can be carried forward only up to next two years of assessments.

c) WHT/ APIT paid on Employment Income – Primary Employment (Cage 903)

Individuals who have employment Income from Primary Employment are entitled to claim tax credit on WHT/APIT deducted by the Primary Employer.

Enter WHT/APIT deductions made by Primary Employer on Remunerations in **Cage 903**. Attach PAYE T -10 Certificates issued by your Primary Employer.

d) WHT/APIT paid on Employment Income – Secondary Employment (Cage 904A, 904B, 904C)

Individuals who have more than one employment, employments other than Primary Employment are considered as Secondary Employment. Enter WHT/APIT deductions made by each second employer on Remunerations separately. (Please attach PAYE T - 10/D)

e) Tax paid for Terminal Benefits (Cage 905)

Tax deducted and paid can be claimed as a credit. Enter such amount in Cage 905.

f) 8% WHT paid on share of Partnership Income (Cage 906)

Before 31.12.2019, Partnership should be deducted 8% WHT on each partner's share of Partnership Income. If you are a partner of a Partnership, enter such withheld and paid amount in **Cage 906**.

g) Partners Share of Partnership Tax (Cage 906A)

Before filling this Cage, you have to fill **SCHEDULE 9B**

- With effect from 01.01.2020, Partnerships are liable to pay income tax on taxable income of the partnership. Accordingly, income tax should be calculated and paid for the period from 01.01.2020 to 31.03.2020. Partnership should allocate such tax to partners to claim credit against the payable tax of the partner.
- Enter Partners share of partnership tax and deductible amount into **Cage 928A & 928B** respectively.
- Enter undeducted amount into **Cage 928C** to be carried forward to be claimed in future years into **Cage 928C**

h) Other WHT from the Partnership (Cage 907)

Take allocated amount in **Cage 726** of **SCHEDULE 7 C** to **Cage 907**. (Amount allocated from the Trust also can be entered)

i) Withholding tax credit – WHT deducted by the withholding agent. (Cage 908)

Take amount in **Cage 710** of **SCHEDULE 7 A** to **Cage 908**

j) Tax paid on Gain on realization of Investment assets (Cage 909)

Enter paid amounts in Cage 909.

k) Tax paid on Gain on realization of Investment assets from the Partnership (Cage 910)

Enter allocated amounts by the Partnership in **Cage 910**.

l) Installment payments and WHT paid by Withholdee (Cage 911)

Before filling this Cage, you have to fill SCHEDULE 9C

- i. Enter instalment payments and final payment in given rows.
- ii. Enter Aggregated amount of Instalment payments and final payment in **Cage 934**.
- iii. Enter amounts of withholding tax payments made by withholdee as per **Cage 614** of Schedule 6B & **Cage 721** of Schedule 7 B into **Cage 935**.
- iv. Enter aggregate amount of Cage 934 & 935 into Cage 936.
- v. Take amount in Cage 936 into Cage 911 of Schedule 9.

m) Enter aggregate amount from Cage 901 - Cage 911 into Cage 912. Finally take amount in Cage 912 into Cage 200 of the Return of Income.

SCHEDULE 11 – LOSS ADJUSTMENT

- i. Losses incurred during the year of assessment or brought forward losses should be declared in this schedule.
- ii. Part 1A & 1B are provided to declare the Business losses that would have been taxed at the rate of 40% or progressive rates respectively if the loss were a profit. Whereas Part II & Part III are provided to declare the investment and exempt losses respectively.
- iii. Enter B/F losses from Y/A 2018/2019 relevant to that line & current year loss in the next line in Column 0.2.
- iv. Enter profit of the current Y / A, which is considered to set off the losses, in **Columns 0.3 to 0.7**.

C. INSTRUCTIONS TO COMPLETE THE STATEMENT OF ASSETS AND LIABILITIES

In terms of Section 126(2) of the Inland Revenue Act, No. 24 of 2017 the Commissioner General may specify the information to be furnished on the Return and attachments, if any, required to be filed with the Return.

Accordingly, you are required to furnish the value of (your) every Asset and Liability (in or outside Sri Lanka) as at the last date of the year of assessment, 31 March 2020 in the form **Statement of Assets and Liabilities**, provided to you with the Return, and submit together with the Return.

(Please declare the acquisition cost, or market value if it is not an acquisition)

PART 01

A. Immovable Properties:

Declare all your Immovable Properties (situated in or outside Sri Lanka) as at 31.03.2020 with values.

B. Movable Properties:

Declare with values of all Movable Properties (in or outside Sri Lanka) such as Motor Vehicles, Bank Deposits, and Shares/Stocks/Securities, Cash in Hand, Loans given or Amounts receivable, Gold, Silver, Gems & Jewellery etc., owned by you as at 31.03.2020.

C. Properties held as a part of business

The values of properties as a part of a business i.e. the balance of capital and current account as at 31.03.2020 should be declared. (Attach the copies of the balance sheet if applicable).

D. Liabilities as at 31.03.2020

All the liabilities, including loans to be paid to a person or institute during the year should be declared in this part.

PART 02**A. Any other assets acquired or gift received during the year**

Declare the total value of the assets including acquired properties and gifts received.

B. Disposal of assets including shares (sale/ transfer/ gift) during the year

Declare the total value of the assets disposed during the period from 01.04.2019 to 31.03.2020(sales, exchanges, gifts).

ANNEXURES**ANNEXURE 1 – List of Available Reliefs**

Reliefs provided under paragraph 2 of the Fifth Schedule of the IRA.

- a) **Personal Relief** - Relief granted under subparagraph (a) of paragraph 2 of fifth schedule to the IRA - Rs. 1,125,000 $[(500,000 \times 9/12) + (3,000,000 \times 3/12)]$ for the year of assessment up to the aggregate assessable income (except gains from the realization of investment assets).
- b) **Employment Relief** - Relief granted under subparagraph (b) of paragraph 2 of the Fifth Schedule to the IRA - Rs. 525,000 up to December 31, 2019 up to the total of the individual's employment income for the year of assessment.

- c) **Rent Relief** - Relief granted under subparagraph (c) of paragraph 2 of the Fifth Schedule to the IRA – 25% of the total rental income for the year of assessment.
- d) **Senior Citizen Interest Relief** - If an individual is a senior citizen, relief granted under subparagraph (d) of paragraph 2 of the Fifth Schedule to the IRA - Rs. 1,500,000 for each year of assessment, up to the total of the individuals interest income from financial institutions derived and deemed as derived for the period up to 31 December 2019.
- e) **Foreign Service Relief** - If the resident individual or partner of a partnership earned income from foreign currency and qualified for the relief under subparagraph (e) of paragraph 2 of the Fifth Schedule to the IRA, Rs. 15,000,000 for year of assessment, up to the total of such income for the period up to 31 December 2019.
- f) **Expenditure Relief** - Relief that is proposed to be granted under subparagraph (f) of paragraph 2 of the Fifth Schedule to the IRA - Rs. 300,000 up to the total sum on following specific expenditure incurred for the Second Period;
 - i. Health expenditure including the contributions to medical insurance,
 - ii. Education expenditure incurred locally for such individual or on behalf of his children,
 - iii. Interest paid on housing loans,
 - iv. Contribution made to an approved pension scheme,
 - v. Expenditure incurred for the purchase of equity or securities.

Note: Above aggregate reliefs are deductible in arriving at the taxable income of an individual who is resident in Sri Lanka for a year of assessment subject to the provisions of IRA. However, non-resident individuals but citizens in Sri Lanka can deduct the personal relief mentioned under above paragraph a) in arriving at the taxable income of such individual.

ANNEXURE 2 - List of Exempt Amounts (relevant to individuals)**(1) Exemptions available in the IR Act No. 24 of 2017 to the date.**

- a) Capital sums paid to a person as compensation or a gratuity in relation to –
 - a) personal injuries suffered by the person; or
 - b) the death of another person;
- b) The pension of a person where the pension income is paid by the Government of Sri Lanka or a department of the Government of Sri Lanka;
- c) An amount paid to an employee at the time of retirement from—
 - i) any pension fund or the Employees Trust Fund established by the Employees Trust Fund Act, No.46 of 1980, as represents income derived by that fund, for any period commencing on or after April 1, 1987, from investments made by it;
 - ii) a provident fund approved by the Commissioner General;
- d) The income of an individual entitled to privileges to the extent provided for by –
 - i) a diplomatic immunities law or a similar law;
 - ii) an Act giving effect to the Convention on the Privileges and Immunities of the United Nations and the Convention on the Privileges and Immunities of the Specialized Agencies of the United Nations; or

- iii) regulations made under this Act relating to an international organization, or a law or Act referred to in subparagraph (i) or (ii);
- e) A gain made by a resident individual from the realisation of an investment asset that does not exceed Rs. 50,000 and where the total gains made by the resident individual from the realisation of investment assets in the year of assessment do not exceed Rs. 600,000, except –
 - i. where the Commissioner-General is satisfied that an investment asset has been realised in two or more parts, any gain arising from the realisations shall be exempt under this paragraph only if the total gain from the realisation of all parts does not exceed Rs. 50,000 and the total gains made by the resident individual from the realisation of investment assets in the year of assessment do not exceed Rs. 600,000;
 - ii) in the case of the realisation of an investment asset that is jointly owned, this paragraph applies only if the total gain made by all owners of the investment asset on realisation of the asset does not exceed Rs. 50,000 and the total gains made by the resident individual in the year of assessment do not exceed Rs. 600,000;
- f) a gain made by a resident individual on the realisation of the individual's principal place of residence, provided it has been owned by the individual continuously for the three years before being realised and lived in by the individual for at least two of those three years (calculated on a daily basis);
- g) gain made on realisation of an asset consisting of shares quoted in any official list published by any stock exchange licensed by the Securities and Exchange Commission of Sri Lanka;

- h) Any prize received by a person as an award made by the President of the Republic of Sri Lanka or by the Government in recognition of an invention created, or any research undertaken, by such person;
- i) any sum received by a person from the President's Fund established by the President's Fund Act, No. 7 of 1978 or National Defence Fund established by the National Defence Fund Act, No. 9 of 1985;
- j) An amount equal to the interest or the discount paid or allowed, as the case may be, to any non-resident person or to any licensed commercial bank in Sri Lanka, by the issuer of any sovereign bond denominated in foreign currency, issued on or after October 21, 2008, by or on behalf of the Government of Sri Lanka
- k) Any amount derived by a senior citizen from an annuity for life for a period of not less than ten years purchased from a bank or an insurance company registered under the Regulation of Insurance Industry Act, No. 43 of 2000.
- l) Any winning from a lottery, the gross amount of which does not exceed Rs. 500,000
- m) A dividend paid by a resident company to a member to the extent that dividend payment is attributable to, or derived from, another dividend received by that resident company or another resident company that was subject to withholding under section 84 of the IR Act.
- n) Benefits received or derived by an employee of the government of Sri Lanka from a road vehicle permit issued to that employee;
- o) Any amount derived by a person from the sale of any gem on which tax has been deducted under subsection (2) of section 84 of the IR Act.

- (2) As provided in the Gazette Notification No. 2064/53 dated April 1, 2018, where the whole or any part of the profits and income of a person is exempt from Income Tax under the provisions of sections 16C, 16D, 16E, 24A, of the Inland Revenue Act, No. 10 of 2006, for a period as specified in those provisions and, if there is any unexpired part of that period as at March 31, 2018, such part shall be continued to be exempted from Income tax as if such provisions continued to have application.
- (3) As per Extraordinary Gazette No. 2089/1—dated 17.09. 2018 if-
- a. an enterprise has entered into an agreement with the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Law No. 4 of 1978 prior to April, 2018; and
 - b. The Agreement provides for the dividend paid by that enterprise to be fully or partly exempt from income tax or to be taxed at reduced rate of income tax, under the Inland Revenue Act, No. 28 of 1979 or under the Inland Revenue Act, No. 38 of 2000 or under the Inland Revenue Act, No. 10 of 2006 as the case may be, or for the basis for the computation of income tax liability,

such dividend paid by such enterprise shall continue to be exempt from income tax payable under the Inland Revenue Act, No. 24 of 2017 or liable for income tax calculated on the basis and at the rate provided under that agreement.

- (4) New exemptions with effect from January 1, 2020

- a) The interest accruing to or derived by any person outside Sri Lanka on any loan granted to any person in Sri Lanka or to the Government of Sri Lanka (w.e.f.. 01.04.2018).
- b) The interest accruing to or derived by any person on moneys lying to his credit in foreign currency in any foreign currency account opened by him or on his behalf, in any commercial bank

or in any specialized bank, with the approval of the Central Bank of Sri Lanka.

- c) any income earned by
 - (a) any non-resident person (other than a Sri Lankan permanent establishment) by way of interest, discount or realization of any gain on any sovereign bond denominated in local or foreign currency
 - (b) any person by way of interest or discount paid or allowed, as the case may be, on any sovereign bond denominated in foreign currency, including Sri Lanka Development Bonds,

issued by or on behalf of the Government of Sri Lanka
- d) a dividend paid by a resident company to a member to the extent that dividend payment is attributable to, or derived from, another dividend received by that resident company or another resident company
- e) a dividend paid by a resident company to a member who is a non-resident person;
- f) a dividend paid by a resident company which is engaged in any one or more of the following businesses in accordance with the provisions of the PART IV of the Finance Act No. 12 of 2012 and within the meaning of an agreement entered into with the Board of Investment of Sri Lanka established under the Board of Investment of Sri Lanka Law, No.4 of 1978:-
 - (i) entrepot trade involving import, minor processing and re-export;
 - (ii) offshore business where goods can be procured from one country or manufactured in one country and shipped to another country without bringing the same into Sri Lanka;
 - (iii) providing front end services to clients abroad;

- (iv) headquarters operations of leading buyers for management of financial supply chain and billing operations;
 - (v) logistic services such as bonded warehouse or multi-country consolidation in Sri Lanka.
- g) Dividends from and gains on the realization of shares in a non-resident company where derived by any person with respect to a substantial participation in the non-resident company. (as defined the substantial participation in paragraph (r) to the Third Schedule to the IRA)
- h) The gains and profits earned or derived by any person from the sale of produce of an undertaking for agro farming of such person without subjecting such produce to any process of production or manufacture (w.e.f. April 1, 2019).
- i) With effect from January 1st 2020
- i) providing information technology and enabled services as may be prescribed;
 - ii) any service rendered in or outside Sri Lanka to any person to be utilized outside Sri Lanka, where the payment for such services is received in foreign currency and remitted through a bank to Sri Lanka;
 - iii) any foreign source [other than gains and profits referred to in subitem (b)] where such gains and profits earned or derived in foreign currency and remitted through a bank to Sri Lanka,
 - iv) any amount derived by any non-resident person from laboratory services or standards certification services.

ANNEXURE 3 – List of Qualifying Payments

- a) Donations made in money to an approved charitable institution - subject to the amount of one fourth of the total assessable income

(one third of the taxable income) or Rs. 75,000 or amount donated, whichever is less.

- b) Donations made in money or otherwise to the Government or any specified institutions in the fifth schedule to the IR Act.
- c) Any un-deducted balance of any qualifying payment brought forward from the previous year of assessment according to the Inland Revenue Act, No. 10 of 2006.

**ANNEXURE 4 – TABLE OF FINAL WITHHOLDING
PAYMENTS, NON-FINAL WITHHOLDING PAYMENTS AND
APPLICABLE TAX RATES**

	Type of Payment	WHT RATE	
		FIRST PERIOD	SECOND PERIOD
(a)	Dividends paid by a resident company to a resident individual	14% FINAL	WHT Removed.
(b)	Interest paid to or treated as being derived by a resident individual (other than up to Rs. 1,500,000 of interest paid to a senior citizen)	5% FINAL	WHT Removed.
(c)	Amounts paid as winnings from a lottery, reward, betting or gambling, other than amounts received in conducting a business consisting of betting and gaming	14% FINAL	14% FINAL
(d)	Payments (other than interest) made to non-resident person that are subject to WHT (other than payment	14% FINAL	14% FINAL

	derived through a Sri Lankan permanent establishment).		
(e)	Interest or discount paid to or treated as being derived by a non-resident person	5% FINAL	5% FINAL
(e)	Sale price of any gem sold at an auction	2.5% NOT FINAL	2.5%
(f)	Rent	10% NOT FINAL	WHT Removed
(b)	Pays a dividend, charge, natural resource payment, royalty, premium or retirement payment or	14% NOT FINAL	WHT Removed.
(c)	Service fees	5% NOT FINAL	WHT Removed
(d)	Partner's share of any partnership income	8% NOT FINAL	WHT Removed

ANNEXURE 5 – LIST OF TERMINAL BENEFITS LIABLE TO TAX AT CONCESSIONARY RATES

- i. Amount received in commutation of a pension.
- ii. Amount received as a retiring gratuity.
- iii. Amount received as compensation for loss of office or employment under a scheme which the commissioner general considers to be uniformly applicable to all individuals employed by the employer.
- iv. Amount paid to a person at or after the time of retirement from employment from a provident fund approved by the commissioner-general that does not represent the person's contributions to that provident fund.

- v. Amount paid to a person from a regulated provident fund that does not represent the contributions made by the employer to that provident fund before April 1, 1968, and the interest which accrued on such contributions made by the employer, if tax has been paid by the employer at 15% on such contributions made and the interest accruing thereon.
- vi. amount paid to a person at or after the time of retirement from employment from the Employees' Trust Fund, established by the Employees' Trust Fund Act, No. 46 of 1980.

With respect to **compensation for loss of office** which has not been approved by the Commissioner General of Inland Revenue (CGIR), payment from provident fund (which is not a regulated fund or not an approved fund by the CGIR), other payments or any retirement non-cash benefit are subject to Standard (Progressive) tax rates.

ANNEXURE 6– CONCESSIONARY RATES APPLICABLE FOR TERMINAL BENEFITS

(a) Rates applicable for period before 1.1.2020 (the First Period)

- (i) where the period of contribution or the period of employment is **20 years or less**:

TOTAL TERMINAL BENEFITS FROM EMPLOYMENT	TAX PAYABLE
1st - Rs. 2,000,000	0%
2nd - Rs. 1,000,000	5%
On the balance	10%

- (ii.) where the period of contribution or the period of employment is **more than 20 years**:

TOTAL TERMINAL BENEFITS FROM EMPLOYMENT	TAX PAYABLE
1st - Rs. 5,000,000	0%
2nd - Rs. 1,000,000	5%
On the balance	10%

Terminal Benefits that are not specified under above paragraph is taxed at Standard (Progressive) tax rates relevant for the First Period

- (b) **Rates applicable from 1.1.2020 onwards (the Second Period)**

TOTAL TERMINAL BENEFITS FROM EMPLOYMENT	TAX PAYABLE
1st - Rs. 10,000,000	0%
2nd - Rs. 10,000,000	6%
On the balance	12%

ANNEXURE 7 – STANDARD (PROGRESSIVE) INCOME TAX RATES

- (a) **Rates applicable for the First Period**

Taxable Income	Tax Rate
On the First 450,000	4%
On the Next 450,000	8%
On the Next 450,000	12%
On the Next 450,000	16%
On the Next 450,000	20%
On the Balance	24%

(b) Rates applicable for the Second Period

Taxable Income	Tax Rate
On the First 750,000	6%
On the Next 750,000	12%
On the Balance	18%

Other Special tax rates**(a) Rate applicable for the First Period**

Business consisting of betting and gaming, liquor or tobacco – **40%**.

(b) Rate applicable for the Second Period

Business consisting of betting and gaming, manufacture and sale or import and sale of any liquor or tobacco products (other than buying & selling) – **40%**

CONTACT DETAILS

Please contact IRD officers of the Secretariat or the relevant Regional Office for more details.

Head Office	Secretariat	0112135431 0112135438 0112135434 0112135441 0112135413 0112135433
Metropolitan Branch	Colombo City	0112504390
Metropolitan Branch	Colombo Central	0112505274
Metropolitan Branch	Colombo South	0112502564
Nawam Mawatha	Unit 1 & 2	0112302249
Regional Office	Anuradhapura	0252235512
Regional Office	Badulla	0552222490
Regional Office	Batticaloa	0652222087
Regional Office	Dambulla	0662283655
Regional Office	Galle	0912222504
Regional Office	Gampaha	0332234246
Regional Office	Jaffna	0212222076
Regional Office	Kalutara	0342222216
Regional Office	Kandy	0812223590
Regional Office	Kegalle	0352222493
Regional Office	Kurunegala	0372222798
Regional Office	Maharagama - East	0112803127
Regional Office	Maharagama- West	0112803125
Regional Office	Matara	0412222933
Regional Office	Negombo	0312228322
Regional Office	Nuwara Eliya	0522222520
Regional Office	Rathnapura	0452222040



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Illustrations

Illustration 1

Mr. A is CFO of company Q. His income for the First Period and the Second Period is as follows. PAYE tax has been deducted up to 31 December 2019 Rs.129,600. Expenses incurred for education locally during the First Period is Rs. 495,000 and for the Second Period is Rs. 200,000. As well he donated Rs. 20,000 to cancer hospital during the year of assessment. He wishes to apply option 2 - Pro-rata basis (as 3/4th of total interest income to the First Period and 1/4th to the Second Period) to allocate the interest income.

First Period (Rs) Second Period (Rs)

Employment Income (Primary)	2,385,000	1,115,000
Interest	-	3,600,000
Dividend income	150,000	100,000
Rent income	450,000	150,000

Calculation of Income tax liability

(Return - R) (Schedules -S) (Cage -C) (Line -L)

	First Period (Rs)		Second Period (Rs)	
Employment		2,385,000 S10 - L950 S1-C104.1 R-C10		1,115,000 S10-L950 S1-C104.1 R-C10
Investment				
• Interest	2,700,000 S6B-C611.1		900,000 S10-L963 S3-303.1 R-C30	
•				

Final WHT 5% (not deducted)	135,000 S6B-C612.1 S9C-C935 R-C180			
• Dividend	150,000 S6A-604.1		100,000 S10-L964 S3-303.2 R-C30	
Final WHT 14% (deducted)	21,000 S6A- 605.1			
• Rent income		450,000 S10-L965 S3-303.3 R-C30		150,000 S10-L965 S3-303.3 R-C30
Assessable income		2,835,000 S10-L975 R-C50		2,265,000 S10-L975 R-C50
Deduction-Reliefs				
- Employment	525,000 S10-L976 S1-C112 R-C60			
- Rent	112,500 S10-L979 S3-C316 R-C80		37,500 S10-L979 S3-C316 R-C80	
- Expenditure			200,000 S10-L981 R-C95	
- Personal	375,000 S10-L982 R-C100	(1,012,500) S10-L983 R-C110	750,000 S10-L982 R-C100	(987,500) S10-L983 R-C110
Deduction – QP		(20,000)		-

		S10-L985 R-C120		
Taxable income		1,802,500		1,277,500
		S10-L990 R-C140		S10-L990 R-C140
Payable tax	450,000@ 4%	18,000	750,000 @6%	45,000
	450,000@ 8%	36,000	527,500 @12%	63,300
	450,000@ 12%	54,000		
	450,000@ 16%	72,000		
	2,500@ 20%	500		
		180,500		108,300
		S8- C809A.3 R-C170		S8-C809B.3 R-C170
Deducted PAYE		129,600		
		S9-C903 R-C170		
Instalment payments		Rs.	Reference to R & S	
4 th instalment payment		159,200	S9C – C932	
WHT paid by withholdee		135,000	S9C -935 S9-C911	

Note: Interest income apportioned to the First Period (Rs. 2,700,000) is deemed as final withholding payment. Hence, 5% tax on such final withholding payment amounting to Rs. 135,000 should be paid along with the 4th instalment.

Illustration 2

Mr. A is a senior citizen. After his retirement from the Government service, he joined to XY PLC as a Director in November 2019. He received Rs. 200,000 per month as director fee. He derived Interest from a bank during the month of January 2020 is Rs. 1,920,000 and business income is 2,400,000 for the year of assessment 2019/2020. He incurred medical expenses Rs 100,000 for the Second Period. As well he donated Rs. 25,000 to Apeksha Cancer Hospital during the First Period of the Y/A 2019/2020. Installment payments are made.

Mr. A wish to apply option 3 to allocate the interest income.

	First Period (Rs.)	Second Period (Rs.)
Employment income	400,000	600,000
Interest income	Nil	1,920,000
Business Income	9/12	3/12

Calculation of Income tax liability

(Return - R) (Schedules -S) (Cage -C) (Line -L)

	First Period (Rs.)		Second Period (Rs.)	
Employment income		400,000 S10 - L950 S1-C104.1 R-C10		600,000 S10 - L950 S1-C104.1 R-C10
Interest Income		1,500,000 S10 - L963 S3-C303.1 R-C30		420,000 S10 - L963 S3-C303.1 R-C30
Business income		1,800,000 S10 - L955 S2-C203.1 R-C20		600,000 S10 - L955 S1-C203.1 R-C20

Assessable income		3,700,000 S 10 - L975 R-C50		1,620,000 S 10 - L975 R-C50
Deduction-Reliefs				
- Employment	400,000 S10 - L976 S1-C112 R-C60		125,000 S10 - L976 S1-C112 R-C60	
- Interest	1,500,000 S10 - L980 S3-C317 R-C90		-	
- Expenditure	-		100,000 S10 - L981 R-C95	
- Personal	375,000 S10 - L982 R-C100	(2,275,000) S10 - L983 R-C110	750,000 S10 - L982 R-C100	(975,000) S10 - L983 R-C110
		1,425,000		645,000
Deduction-QP-Donations		(25,000) S10 - L985 R-C120		-
Taxable income		1,400,000 S10 - L990 R-C140		645,000 S10 - L990 R-C140
Payable tax –	450,000 @ 4%	18,000	645,000 @ 6%	38,700
	450,000 @ 8%	36,000		
	450,000 @12%	54,000		

	50,000 @16%	<u>8,000</u>		
		116,000 S8-L809A R-C170		38,700 S8-L809B R-C170
Instalment payments	Rs		Reference to R & S	
1 st Instalment -	10,000		S9C – C929	
2nd Instalment	10,000		S9C – C930	
3 rd Instalment	20,000		S9C – C931	
4thh Instalment	114,700		S9C – C932	
Total Tax Paid	154,700		S9C – C936,934, S9- C911	