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இலங்கை உள்ளாட்டு இறைவரி
Sri Lanka Inland Revenue

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

**YEAR OF ASSESSMENT
2018/2019**



General Instructions

- You may read this guide before filling the Income Tax Return, Schedules and Statement of Assets and Liabilities. (Further details can be obtained via IRD web portal – www.ird.gov.lk).
- Resident individuals and Nonresident individuals are required to declare the income from Employment, Business, Investment and Other sources for the period from **01.04.2018 to 31.03.2019** in the Return for the Year of Assessment 2018/2019.
- The Assessable Income of a Resident Individual is the individual's income from Employment, Business, Investment or Other 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 source for that year, to the extent that the income arises in or is derived from a source in Sri Lanka.
- The Return is sent in the language of your choice.
- In case of any **data filling cage in the Return or Schedule is not required** to be filled, then nothing should be written in words such as “not applicable” in that cage other than hyphen. If **the space provided for**

writing in the Schedule is not enough then, should be written as refer the attachment and the attachment should be in the same format provided.

➤ **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
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

- The duly completed Return form along with the Schedules and other required documents should be posted or delivered to any Regional office or IRD Head Office on or before **30th November, 2019**.
- IRD is also providing the facilities to submit the Individual Income Tax Return via IRD Portal e-Services facility. e-Filing can be done in two ways.

1) Online submission:

Submission of return by using the interfaces given in IRD portal e-Services.

2) Offline submission:

Submission of return by downloading the specified forms in soft copies from IRD portal, complete them offline and submit by uploading to IRD portal using e–Services facility.

Payment of Tax

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

The following table describes the due dates for quarterly payments and the payment codes for the year of assessment 2018/2019.

Installment	Due Date (on or before)	Payment Code
1	15 th of August, 2018	18191
2	15 th of November, 2018	18192
3	15 th of February, 2019	18193
4	15 th of May, 2019	18194
Final	30 th of September, 2019	18190

The aggregate of four installments and the final payment should be equal to the total tax liability of the year of assessment 2018/2019.

Penalties, Interest and imprisonment

Furnishing of 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 and failure to pay tax on due dates will be subjected to penalties and interest as follows:

- A penalty for late filing of Income Tax Return is equal to the grater 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 future ten thousand rupees for each month or part of a month during which the failure to file continues for failure to furnish a Return on or before the stipulated date, i.e. November 30, 2019.
- A penalty for making false or misleading statement is equal to the grater 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 term a not exceeding one year or both such fine and imprisonment.

- A penalty for a person who fails to pay all or part of a tax due for a tax period or on the due date specified in the notice of assessment, equal to 20% of tax payable but not paid and for a person who fails to pay all or part of an installment required under the Act, equal to 10% of the amount of tax due but not paid.
- If an amount of tax is not paid by the due date, the taxpayer shall be liable for interest on the amount for the period from the due date subject to section 151 (extension of time for payment), to the date the tax is paid the interest rate shall be 1.5% per month or part month, compounded monthly.

Return, Schedules & Statement of Assets and Liabilities

The set of forms provided to you comprises three parts

1. Income Tax Return
2. Schedules to Income Tax Return
3. Statement of Assets and Liabilities (A/L)

Individuals are required to fill the Return, Schedules and Statement of Assets & Liabilities. Schedules which are optional can be filled according to an individual's source of income, donations made and the deduction of withholding tax, but compulsory Schedules, i.e. Tax Calculation and Tax Credits are required to be filled and submitted.

Circumstances the Schedules to be filled and submitted.

Individual's Income		R	Schedules									A/L	
			1	2	3	4	5	6	7	8	9		
1	Only Employment Income - Refund is not requested	x	x	x	x	x					x	x	x
2	Only Employment Income – Refund is not requested, but CGIR has served the Return	√	√	x	x	x					√	√	√
3	Only Employment Income - refund is requested	√	√	x	x	x					√	√	√
4	Employment Income (refund requested or not) with Business Income	√	√	√	x	x					√	√	√
5	Only Business Income	√	x	√	x	x					√	√	√
6	Business Income & Investment Income	√	x	√	√	x					√	√	√
7	Only Investment Income	√	x	x	√						√	√	√
8	Only Other Income	√	x	x	x	√					√	√	√
9	Employment Income, Business Income, Investment Income and other income	√	√	√	√	√					√	√	√

1. INCOME TAX RETURN

This Income Tax Return is relevant to Resident Individuals and Non-Resident Individuals.

Mark \checkmark in the relevant cage.

The Return consists of two Sections;

- Section - 01 - Statement of Tax Calculation (Before filling this section relevant schedules should be filled)
- Section - 02- Declaration

1.1.Section -01

Section – 01 of the Return comprises five parts;

1.1.1. Part A - Income Liab le to Tax

The Income from each source i.e. Employment, Business, Investment and Other Income, calculated according to the provisions of the Inland Revenue Act, No. 24 of 2017 (IR Act) to calculate the Assessable Income of an individual should be declared in this Part A. Therefore, according to the available source of income, Schedule 01, Schedule 02, Schedule 03 and Schedule 04 should be filled wherever necessary. Accordingly following cages of the Return could be filled.

Cage 10	- Schedule 01	Employment Income
Cage 20	- Schedule 02	Business Income

Cage 30	- Schedule 03	Investment Income
Cage 40	- Schedule 04	Other Income

- Cage 50 - Assessable Income

The Assessable Income of an Individual is Income from Employment, Business, Investment and Other source.

Schedule 01, 02, 03 and 04, computes the income from employment, business, investment and other sources respectively. Therefore, total of amounts in cage 10, 20, 30, and 40 is considered as the Assessable Income.

1.1.2. Part B – Deductions from Assessable Income

Under this Part you are entitled to deduct applicable reliefs and qualifying payments. Before filling the cages of the Return, the reliefs entitle to be claimed should be filled in PART II of the relevant Schedule mentioned below. Finally enter such reliefs in the given cages of the Return.

(i) Reliefs

Cage 60	- Schedule 01	- Relief for Employment Income
Cage 70	- Schedule 02	- Relief for Foreign Service Income
Cage 80	- Schedule 03	- Relief for Rent Income
Cage 90	- Schedule 03	-Relief for Interest Income (Senior Citizens only)
Cage 100		- Personal Relief (Refer the guide)
Cage 110		- Total Reliefs (cages 60+70+80+90+100)

(ii) Qualifying Payments

- Cage 120 - Qualifying Payments (Schedule 05)

Schedule 5A and Schedule 5B are provided under Schedule 05 to claim the qualifying payments (donations) made during the year of assessment and to claim the balance qualifying payments brought forward from the year of assessment 2017/2018 respectively. Aggregate amount of two Schedules should be filled in cage 120.

- Cage 130 - Total Deductions from Assessable Income

Aggregate amount of the total reliefs declared in cage 110 of the Return and total deductible qualifying payments declared in Schedule 05 should be entered in Cage 130.

- Cage 140 - Taxable Income (cage 50-cage 130)

In arriving at the Taxable Income, you may deduct the amount in cage 130. Please note that the Taxable Income cannot be a negative amount, in such a situation enter "0".

1.1.3. Part C – Calculation of Tax Payable

This Part is provided to;

- (i) Calculate the tax payable on Taxable Income (Schedule 08).

Calculation could be made by applying the relevant income tax rates (special rates & normal rates), specified in the FIRST SCHEDULE to the IR Act.

- (ii) Claim the available Tax Credits (Schedule 09)

Following tax credits can be claimed.

- (i) Foreign Tax credit,
- (ii) Economic Service Charge (ESC) (Sole proprietors and Partner's)
- (iii) Tax paid for Terminal Benefits
- (iv) Tax paid on gain on Realization of Investment Assets (Sole proprietor and Partner)
- (v) WHT deductions (credits) including PAYE
- (vi) Installment payments

1.1.4. Part D- Exempt Income

Before filling the cage 230 of the Return the exempt amounts relevant to each source of Income, in terms of section 9, read with THIRD SCHEDULE of the IR Act should be declared in the relevant Schedules (01 to 03),

In addition, 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.

Finally, enter the aggregate of exempt amounts stated under following cages in cage 230 of the Return.

- Schedule 01 - Exempt amounts for Employment Income
- Cage 116
- Schedule 02 - Exempt amounts for Business Income
- Cage 217
- Schedule 03 - Exempt amounts for Investment Income
- Cage 318

1.1.5. Part E- Other

Please mark \surd whether

- you have attached the tax computation.
- you have made a loss adjustment in calculating the Assessable Income.

(It is required to attach the tax computation sheets along with the Return)

1.2.Section - 02: Declaration

1.2.1. Part A

In terms of section 126 (5) of the IR Act, where the Return or part of the Return was prepared for reward by some other person, including by an approved accountant, other than a full-time employee of the taxpayer, that other person shall also 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 (with the date) the Return indicating his/her name and designation in Part A of Section 02 of the Return.

1.2.2. Part B

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 (and date) the Return indicating his/her name in Part B of Section 02 of the Return.

2. SCHEDULES TO INCOME TAX RETURN

Schedules can be categorized in to Optional Schedules and Compulsory Schedules. There are some schedules that have to be completed by all individuals (compulsory schedules), whereas some Schedules are optional.

A. Optional Schedules

Mainly Schedule 01 to Schedule 07 are Optional Schedules that can be filled whichever is applicable.

- Schedule 01 – Employment Income
- Schedule 02 – Business Income
- Schedule 03 – Investment Income
- Schedule 04 – Other Income
- Schedule 05 – Qualifying Payments (QP)
- Schedule 06 – Final withholding Payments
- Schedule 07 – Withholding Tax

B. Compulsory Schedules

- Schedule 08 – Tax Calculation
- Schedule 09 – Tax Credits

Any individual who has Taxable Income or who wish to claim refund, should be filled above two Schedules

(If provided space is not enough to enter details in the aforesaid schedules, please select E-Filling mode & extract the schedule by using “Add more” button or enter details in the separate paper in line with the given format.)

2.1.Employment Income:

- 2.1.1. An individual’s income from an employment for a year of assessment shall be the individual’s gains and profits from the employment for that year of assessment and to be declared as Employment Income under Schedule 01.
- 2.1.2. In calculating an individual’s gains and profits from an employment for a year of assessment the following amounts received or derived by the individual during the year of assessment from the employment shall be included:
 - (a) Payments of salary, wages, leave pay, overtime pay, fees, pensions, commissions, gratuities, bonuses and other similar payments;
 - (b) Payments of personal allowance, including any cost of living, subsistence, rent, entertainment or travel allowance;
 - (c) Payments providing discharge or reimbursement of expenses incurred by the individual or an associate of the individual;

- (d) Payments for the individual's agreement to conditions of employment;
- (e) Payments for redundancy or loss or termination of employment;
- (f) Subject to item (f) of paragraph 2.1.3., retirement contributions made to a retirement fund on behalf of the employee and retirement payments received in respect of the employment;
- (g) Payments or transfers to another person for the benefit of the individual or an associate person of the individual;
- (h) The fair market value of benefits received or derived by virtue of the employment by an individual or an associate person of the individual;
- (i) Other payments, including gifts received in respect of the employment; and
- (j) The market value of shares at the time allotted under an employee share scheme, including shares allotted as a result of the exercise of an option or right to acquire the shares, reduced by the employee's contribution for the shares.

2.1.3. In calculating an individual's gains and profits from an employment for a year of assessment the following shall be excluded:

(a) Exempt amounts (as specified in the THIRD SCHEDULE of the IR Act)

I. Capital sums paid to a person as compensation or a gratuity in relation to –

- (i) personal injuries suffered by the person; or
 - (ii) the death of another person;
- II. 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;
- III. 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;
- IV. 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);

V. Benefits received or derived by an employee of the government of Sri Lanka from a road vehicle permit issued to that employee;

- (b) A discharge or reimbursement of expenses incurred by the individual on behalf of the employer;
- (c) A discharge or reimbursement of the person's dental or medical expenses or a discharge or reimbursement of the person's health insurance expenses where the benefit is available to all full-time employees on equal terms;
- (d) Payments made to or benefits accruing to employees on a non-discriminatory basis that, by reason of their size, type and frequency, are unreasonable or administratively impracticable for the employer to account for or to allocate to the individual;
- (e) The value of a right or option to acquire shares at the time granted to an employee under an employee share scheme (referred to in item (j) of paragraph 2.1.2); and
- (f) Subject to conditions as may be specified by the Commissioner-General, contributions made by an employer to an employee's account with

a pension, provident or savings fund or savings society approved by the Commissioner – General

2.1.4. Schedule 01- Employment Income

2.1.4.1. This Schedule is categorized in to three Parts.

1. PART I is to declare the **Assessable Income** from Employment
2. PART II is to declare the **Reliefs** for Employment Income
3. PART III is to declare the **Exempt amounts** related to Employment Income.

2.1.4.2. After deducting the excluded amounts (given under item 2.1.3 above) from the amounts included (given under item 2.1.2 above), enter details and Remuneration received from **Primary Employment** under line “A” and Remunerations received from **Secondary Employments** under line “B” in the columns from 101 to 104 of Schedule 01. Enter total Remuneration received (total of the column 104) in cage 105 of Schedule 01.

2.1.4.3. Enter details and Terminal Benefits received from Primary Employment under line “A” and Terminal Benefits received from Secondary Employments under line “B” in the columns from 106 to 109. Enter total Terminal Benefits received (total of the column 109) in cage 110 of the same PART.

(a) Primary Employment (A)

As per paragraph 3 of Gazette Notification No. 2064/60, dated 2018.04.01 Primary Employment means;

- i. The primary employment of an employee for a year of assessment is the employment with respect to which the employee has provided an employer with a declaration under item (ii) for that year.
- ii. An employee shall furnish to an employer, with a declaration nominating the employment as the employee's primary employment except any employee who is having one employment.
- iii. A declaration under item (ii) must be signed and dated by the employee and the employer, and may relate to one or more years of assessment.
- iv. An employee must not have more than one primary employment at any one time.
- v. Subject to paragraph 4 of the same Gazette, an employee may withdraw a declaration under item (ii) only at the end of a year of assessment.

(b) Secondary Employment (B)

As per Gazette Notification No. 2064/60 date 2018.04.01;

With respect to an employee, Secondary Employment means any employment that is not the primary employment of the employee.

2.1.4.4.Finally enter the aggregate amounts of cage 105 & 110 in cage 111 of this Schedule. Take amount in cage 111 to cage 10 of the Return. This amount will be the income liable to tax from Employment Income.

2.1.4.5.If you have an Employment Income, you are entitled for a relief of Rs. 700,000 or Total Employment Income mentioned in cage 111 whichever is lower. Enter such lower amount in cage 112 and take this amount to cage 60 of the Return. (refer item (a) of paragraph 2.5.1.)

2.1.4.6.If you have received exempt amounts from Employment Income specified under item (a) of paragraph 2.1.3 above, please enter such amounts with requested details under given lines in columns from 113, 114 & 115 in PART III of this Schedule. Then enter total amount of column 115 in cage 116. Finally enter aggregate Exempt Income in cage 116, cage 217 of Schedule 02 and cage 318 of Schedule 03 in cage 230 of the Return.

2.2. Business Income – including a trade, profession, vocation or isolated arrangement:

2.2.1. A person's income from a business for a year of assessment shall be the person's gains and profits from conducting the business for the year and to be declared as Business Income under Schedule 02.

2.2.2. In calculating a person's gains and profits from conducting a business for a year of assessment the following amounts derived by the person during the year of assessment from the business shall be included–

- (a) service fees;
- (b) consideration received in respect of trading stock;
- (c) gains from the realisation of capital assets and liabilities of the business as calculated under Chapter IV of the IR Act;
- (d) amounts required to be included by the Second or Fourth Schedule to IR Act on the realisation of the person's depreciable assets of the business;
- (e) amounts derived as consideration for accepting a restriction on the capacity to conduct the business;
- (f) gifts received by the person in respect of the business;
- (g) amounts derived that are effectively connected with the business and that would otherwise be included in calculating the person's income from an investment; and

- (h) other amounts required to be included under IR Act.

2.2.3. In calculating a person's gains and profits from conducting a business for a year of assessment the following shall be **excluded**: -

(i) Exempt Amounts

- (a) Exemptions available under Inland Revenue Act, No. 10 of 2006 are as follows;

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.

- (b) Exemptions available under IR Act are as follows;

- i. 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;

- ii. 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.
- iii. 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.

- iv. 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.
- v. Dividends paid out of dividend received prior to 1.4.2018 and on which WHT was deducted at 10%, if distributed prior to 1.4.2019.
- vi. 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 is exempt from income tax

- vii. Any amount derived by a person from the sale of any gem on which tax has been deducted under subsection (2) of section 84. (If engaging in the business of selling gems)

(ii) Final withholding Payments

Final withholding payments relevant to Business Income (whether withholding tax is deducted or not) are as follows.

- i. dividends received from a resident company to a resident individual.
- ii. interest received to or treated as being derived by a resident individual
- iii. payments made to non-resident persons that are subject to withholding under this Division, or would be so subject if paragraph (b) of subsection (2) of section 84 and paragraph (b) of subsection (3) of section 85 were disregarded, other than payments derived through a Sri Lankan permanent establishment.

You may receive interest or dividend in respect of the Business Income. You are not required to mention such amounts in Schedule 02 or in the Return to be assessed. (Schedule 06 is provided for final withholding payments. Fill such amounts under relevant cages in Schedule 06 A, 06 B or 06 C.)

(iii) amounts that are included in calculating the person's income from an employment.

2.2.4. Schedule 02 – Business Income

This Schedule is categorized in to three Parts.

- PART I is to declare the **Assessable Income** from Business
- PART II is to declare the **Reliefs** relating to Business Income.
- PART III is to declare the **Exempt** amounts relating to Business Income.

2.2.4.1. PART 1 of this Schedule comprises three sections

- A – Business Income from Sole Proprietorship
- B – Partner's Business Income from Partnership
- C – Beneficiary's Business Income from Trust

A. Business Income from Sole Proprietorship

- (i) Deduct the excluded items pertaining to Sole Proprietorship (given under paragraph 2.2.3 above) from amounts to be included (given under paragraph 2.2.2 above) on such Business Income. Then calculate the Business Income from Sole Proprietorship by deducting the allowable expenses and losses.

- a) If you have only one business, such Business Income should be calculated by deducting the allowable expenses and losses.
- b) If you have more than one business which are liable to tax at different income tax rates or if Reliefs are available, then classify such businesses as follows.
 - Business of betting and gaming, liquor or tobacco.
 - Business of any service rendered in or outside Sri Lanka to any person to be utilized outside Sri Lanka, to income earned in foreign currency (Business of rendering foreign service).
 - All other businesses

Then calculate Business Income from each category by deducting allowable deductions and losses separately

- (ii) Enter details of above income in the given lines under columns from 201 to 203. Enter Total Business Income from Sole Proprietorship in cage 204.

B. Partner's Business Income from Partnership

- (i) As a partner, if you have been allocated only one type of business income from the Partnership, enter details of such income in the given lines under columns from 205 to 208.
- (ii) As a partner, if you have been allocated more than one business income from the Partnership business which are liable to tax at different income tax rates or reliefs are applicable, then classify such businesses as follows.
 - Business of betting and gaming, liquor or tobacco.
 - Business of any service rendered in or outside Sri Lanka to any person to be utilized outside Sri Lanka, to income earned in foreign currency (Business of rendering Foreign Service).
 - All other businesses
- (iii) Enter type of business as classified above (under column 206) with Partnership's Name (Eg. Perera Enterprises – Liquor Business) and amounts in the given lines under columns from 205 to 208. Enter Partner's total Business Income from Partnership in cage 209.

C. Beneficiary's Business Income from Trust

- (i) As a Beneficiary, if you have received only one type of business income from the Trust, enter such details in the given lines under columns from 210 to 213.
- (ii) If you have received more than one business income as a Beneficiary of a Trust which the different income tax rates or reliefs are applicable, classify such businesses as follows.
 - Business of betting and gaming, liquor or tobacco.
 - Business of any service rendered in or outside Sri Lanka to any person to be utilized outside Sri Lanka, to income earned in foreign currency (Business of rendering Foreign Service).
 - All other businesses
- (iii) Enter type of business as classified above (under column 211) with Trust's Name (Eg. ABC Trust – other Business) and amounts in the given lines under columns from 210 to 213. Enter Beneficiary's total Business Income from Trust in cage 214.

2.2.4.2.Finally, aggregate the amounts of cage 204, 209 and 214. Then such total Business Income should be entered in cage 215. Take amount in cage 215 to cage 20 of the Return. This amount will be the income liable to tax from the Business Income.

2.2.4.3.If you are engaging in the Business of any rendering service in or outside Sri Lanka to any person to be utilized outside Sri Lanka, refer item (b) of paragraph 2.5. Enter such amount in cage 216 of Schedule 02. Take amount in cage 216 to cage 70 of the Return.

2.2.4.4.If you have received exempt amounts from Business Income specified under item “A” of paragraph 2.2.3 above, enter such amounts with requested details in cage 217. Finally enter aggregate amount of cage 116, 217 and 318 in cage 230 of the Return.

2.3.Investment Income

2.3.1. A person’s income from an investment for a year of assessment shall be the person’s gains and profits from that investment for the year and to be declared as Investment Income under Schedule 03.

2.3.2. Accordingly, gains and profits derived or received during the year of assessment from any investment activity specified below, to be declared as **Investment Income** under Schedule 03.

- (a) dividends, interest, discounts, charges, annuities, natural resource payments, rents, premiums and royalties;
- (b) gains from the realization of investment assets as calculated under Chapter IV;
- (c) amounts derived as consideration for accepting a restriction on the capacity to conduct the investment;
- (d) gifts received by the person in respect of the investment;
- (e) winnings from lotteries, betting or gambling; and
- (f) other amounts required to be included under this Act.

2.3.3. In calculating a person's gains and profits from Investments derived or received during a year of assessment, the following amounts derived or received by an individual shall be **excluded**.

(a) Exempt Amounts

Exempt amounts relevant to Investment Income (Interest, Dividend, Capital Gain) are provided under each income below.

- (b)** Following payments are considered as final withholding payments relevant to Investment Income (whether withholding tax is deducted or not).

- (i) dividends received from a resident company to a resident individual;
- (ii) interest received to or treated as being derived by a resident individual (other than the interest received by a senior citizen up to Rs. 1,500,000 per year of assessment.)
- (iii) amounts received as winnings from a lottery, reward, betting or gambling, other than amounts received in conducting a business consisting of betting and gaming.
- (iv) payments received by a non-resident individual other than payments derived through a Sri Lankan permanent establishment.

You are not required to mention such amounts in Schedule 03 or in the Return to be assessed (other than interest income up to 1.5 mn received by the Senior citizen). Schedule 06 is provided for final withholding payments. Fill such amounts under relevant cages in Schedule 06 A, 06 B or 06 C.

If you are a Senior citizen, interest income up to 1.5 Mn should be declared in Part I of Schedule 03. The excess amount is considered

as final withholding payment. Hence such amount should be declared under relevant cages in Schedule 06 A, 06 B or 06 C.

2.3.4. Special features of different types of Income

(a) Dividends:

Dividends can be received in respect of the Business Income or Investment Income. If dividends received or treated as being derived in respect of the business activity, such income should be declared under Business Income. If not, it would be an Investment Income.

Dividends received from a resident company to a resident person is considered as final withholding payment. Hence such dividend, from which tax at the rate of 14% has been deducted at source or not, such dividends should not be declared in PART I of Schedule 02 or 03 or in the Return. However, such amount has to be declared in the relevant Schedule of 06 A or 06 B or 06 C of Schedule 6.

The following dividends would be considered as exempt dividends.

- (i) 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.

- (ii) 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 Inland Revenue Act, No.24 of 2017.

(iii) Dividends paid out of dividend received prior to 1.4.2018 and on which WHT was deducted at 10%, if distributed prior to 1.4.2019.

(b) Interest

In general, interest income is categorized under Investment Income. Nevertheless, interest income received or treated as being derived in respect of the Business activity, such interest income should be considered as Business Income.

Exemptions:

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 is exempt from income tax;

(c) Annuities

Annuities should be declared under Investment Income.

Exemption:

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;

(d) Natural Resource Payments

A payment, including a premium or like amount, for the right to take natural resources from land or the sea or calculated in whole or part by reference to the quantity or value of natural resources taken from land or the sea is considered to be a “natural resource payment”

For example, a payment for the right to enter a property, cut down and take away trees is a natural resource payment, but a payment for trees that have already been cut down is not.

(e) Rent

Rent income can be received in respect of the Business Income or an Investment Income.

When a business property (movable or immovable) is given on rent, the income after deducting the expenses incurred in the production of income (eg. rates, interest, repair and maintenance, depreciation etc) should be declared in Schedule 02. Whereas rent

income received from an investment property should be declared in Schedule 03.

In the case of a resident individual with rental income from an investment asset, an amount equal to 25 percent of the total rental income for the year of assessment (after deducting allowable expenses other than repair, maintenance and depreciation), being a relief for the repair, maintenance, and depreciation relating to such investment asset.

(f) Gain on realization of Investment Assets

Gain on realization of Investment Assets is a part of the Investment Income. Therefore, total of such gain should be declared in PART I of Schedule 03.

Exemptions

- (i) 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 –
 - a. where the Commissioner-General is satisfied that an investment asset has been realised in two or more parts for the purpose of taking advantage of this paragraph, 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;

b. 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;

(ii) 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);

(iii) 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;

(g) Winning from lotteries, betting or gambling

Exemption:

Any winning from a lottery, the gross amount of which does not exceed Rs. 500,000;

Amounts paid as winnings from a lottery, reward, betting or gambling, other than amounts received in conducting a business consisting of betting and gaming is considered as Final Withholding Payment and not required to declare such amounts in Schedule 03 but to declare in the relevant Schedule 06A Or 06B in Schedule 06.

2.3.5. Schedule 03 – Investment Income

This Schedule is categorized in to three Parts.

- PART I is to declare the **Assessable Income** from Investment
- PART II is to declare the **Reliefs** relating to Investment Income.
- PART III is to declare the **Exempt** amounts relating to Investment Income.

2.3.5.1.PART 1 of this Schedule comprises three sections

A –Investment Income (other than Partnership or Trust)

B – Partner’s Investment Income from Partnership

C – Beneficiary’s Investment Income from Trust

A. Investment Income (other than Partnership or Trust)

(a) Investment Income is mainly classified in to following types.

- i. Interest Income (only if a Senior Citizen)
- ii. Rent Income
- iii. Gain on Realization of Investment Assets
- iv. Other

(b) The investment Income after deducting the excluded items (given above paragraph 2.3.3. and 2.3.4 from each type of income (i.e. interest, rent etc.) relevant to Investment Income received from other than Partnership or Trust (Income from Sole Proprietorship) and further deducting allowable deductions including losses, should be declared in the given lines under columns from 301 to 303. Enter Total Investment Income (other than Partnership or Trust) in cage 304.

B. Partner’s Investment Income from Partnership

(a) Allocation of Investment Income is required to be classified as follows

- i. Interest Income (only if Senior Citizen)
 - ii. Rent Income
 - iii. Gain on Realization of Investment Assets
 - iv. Other
- (b) As a partner, if you have been allocated Investment Income from the Partnership, enter details of such income in the given lines under columns from 305 to 308.
- (c) Enter type of investment income classified as above with Partner's Name in the given lines under column 306. Enter Partner's total Investment Income from Partnership in cage 309.

C. Beneficiary's Investment Income from Trust

- (a) Allocation of Investment Income is required to be classified as follows
 - i. Interest Income (only if Senior Citizen)
 - ii. Rent Income
 - iii. Gain on Realization of Investment Asset
 - iv. Other
- (b) As a Beneficiary, if you have received Investment income from the Trust, enter details of such income in the given lines under columns from 310 to 313.

(c) Enter type of investment income classified as above with Trust Name in the given lines under column 311. Enter Beneficiary's total Investment Income from Trust in cage 314.

2.3.5.2.Finally, amounts in cage 304, 309 and 314 to be aggregated and such Total Investment Income to be entered in cage 315. Take amount in cage 315 to cage 30 of the Return. This amount will be the income liable to tax from Investment Income.

2.3.5.3.If you receive rent income refer item (c) of paragraph 2.5. Enter such amount in cage 316 of PART II and in cage 80 in the Return.

2.3.5.4.If you are a Senior citizen and receive interest income, refer item (b) of paragraph 2.5. Enter such lower amount in cage 317 of PART II and take amount in 317 to cage 90 of the Return.

2.3.5.5.If you receive any investment Income that are exempt under Inland Revenue Act, No. 10 of 2006 or under Inland Revenue Act, No. 24 of 2017, enter such exempt income separately after deducting allowable deductions including losses in the given cage 318 of PART III. Finally enter aggregate amount of cage 116, 217 and 318 in cage 230 of the Return.

2.4.Income from any other source

2.4.1. Income from any source other than profits of a casual and non-recurring nature, not mentioned under above Employment Income, Business Income or Investment income, should be declared as Other Income under Schedule 04.

2.4.2. Schedule 04 – Other Income

Enter details and income in the given line under column 401 and 402. Enter total of other Income in cage 403. Finally, take such total amount to cage 40 of the Return.

2.5.Ascertainment of Taxable Income

In arriving at the Taxable Income, Reliefs and Qualifying payments shall be deducted.

2.5.1. Reliefs available to be deducted from the Assessable Income

(a) Relief for Employment Income

Any individual with income from employment is entitled to deduct for each year of assessment, total of the individual's income from employment or Rs. 700,000, whichever is lower as a relief. (refer paragraph 2.1.4.5.)

(b) Relief for Foreign Service Income

Any resident individual or partner of a partnership with income earned in foreign currency in Sri Lanka, from any service rendered in or outside Sri Lanka to any person to be utilized outside Sri Lanka is entitled to relief of Rs. 15,000,000 for each year of assessment, up to the total of such income for the year. (refer paragraph 2.2.4.3.)

(c) Relief for Rent Income

Any individual having a rental income from an Investment Asset is entitled to deduct an amount equal to 25 percent of the total rental income (adjusted income) for the year of assessment. This is a relief for repair, maintenance, and depreciation relating to the investment asset, and therefore shall only be allowed to deduct where no deduction or cost is claimed for any actual expenditures incurred by the taxpayer for the repair, maintenance, and depreciation of the Investment Asset.

If you have received rent income as an Investment Income (other than from partnership or trust) after deducting allowable expenses including losses, and rent income allocated as a Partner's Investment Income from Partnership or as a Beneficiary's Investment Income from Trust, would be entitled to a relief of 25% on total rent income after

deducting allowable deductions including losses for each year of assessment, Enter such amount in cage 316 of PART II Schedule 03 and in cage 80 in the Return. (refer item 2.3.5.3 of the guide)

(d) Relief for Interest Income (Senior Citizens only)

Any individual who is a senior citizen is entitled to deduct in a year with interest income derived from a financial institution Rs. 1,500,000 for each year of assessment, up to the total of the individual's interest income for the year.

If you are a Senior citizen and have received an interest income as an Investment Income (other than from partnership or trust), if you have been allocated the interest income as a Partner's Investment Income from Partnership and as a Beneficiary's Investment income from trust, you are entitled to a relief of Rs. 1,500,000 or total of such interest income filled under each category of A, B or C, whichever is lower. Enter such amount in cage 317 in PART II of Schedule 03 and cage 90 of the Return.

(e) Personal Relief - Rs. 500,000

Any individual being a citizen of Sri Lanka irrespective of whether such individual is resident in Sri Lanka or not, is entitled to deduct Rs. 500,000 as personal relief or balance Assessable

Income whichever is lower. Enter this amount in cage 100.

2.5.2. Schedule 05 - Allowance for Qualifying Payments:

Individuals can claim Qualifying payment on donations made during the year of assessment 2018/2019 as an individual under the Sole proprietorship, as a Partner under Partnership and Beneficiary under Trust within the year of assessment 2018/2019 under IR Act (Schedule 05A). Also, any un deducted qualifying payments in respect of the donations made before 1st of April 2018 can be claimed in the year of assessment 2018/2019 for the balance period according to the restrictions specified under Inland Revenue Act, No. 10 of 2006.

Accordingly, Schedule 05 is classified in to two Schedules;

2.5.2.1.Schedule 05A- Qualifying Payments as per Inland Revenue Act, No. 24 of 2017:

Following amounts should be declared in Schedule 05A.

A. Donations made to Approved Charity

One-third of the Taxable Income (i.e. one fourth of the Assessable Income after deducting all reliefs) of the individual or Rs. 75,000 or the amount of donation,

whichever is lower is a qualifying payment on donation made in money to approved charitable institution which is established for the provision of institutionalized care for the sick or the needy; and declared by the Minister as an approved charitable institution.

Enter donated amount in line 1 under column 502 & deductible amount as per the above restriction under column 503 of Schedule 5A. Any un deducted balances in respect of the donations made to approved charities in the year of assessment 2018/2019 are not entitled to be carried forward to be claimed in futures years.

B. Donations made in money or otherwise to:

- (i) the Government of Sri Lanka;
- (ii) a local authority;
- (iii) any Higher Education Institution established or deemed to be established under the Universities Act, No. 16 of 1978;
- (iv) the Buddhist and Pali University of Sri Lanka or any Higher Educational Institution established by or under the Buddhist and Pali University of Sri Lanka Act, No. 74 of 1981;
- (v) a fund established by the Government of Sri Lanka;
- (vi) a fund established by a local authority and approved by the Minister;
- (vii) the Sevana Fund created and administered by the National Housing Development Authority

established by the National Housing Development Authority Act, No. 17 of 1979;
(viii) a fund established by a Provincial Council and approved by the Minister;
(ix) the Api Wenuwen Api Fund established by the Api Wenuwen Api Fund Act, No. 6 of 2008;
(x) National Kidney Fund established under the National Kidney Foundation of Sri Lanka (Incorporation) Act, No. 34 of 2006;

- Enter the donated amount in given lines under column 502. Deductible amount would be the amount equal to the balance Assessable Income or amount of total donations made to the Government or other Specified Institutions whichever is lower. Enter each donation in given lines under column 503. Any un deducted balance amounts are not entitled to be carried forward
- Enter total of the deductible amount of column 503 in cage 504. Total deductible amount in cage 504 or Assessable Income whichever is lower can be deducted from the Assessable Income if there is no any brought forward qualifying payment balance as per Inland Revenue Act, No. 10 of 2006.
- If B/F qualifying payments are available to be claimed in the year of assessment 2018/2019, then fill Schedule 05B as well.

2.5.2.2.Schedule 05B - Brought Forward Qualifying Payments as per Inland Revenue Act, No. 10 of 2006:

Any un-deducted balance of any qualifying payment brought forward according to the Inland Revenue Act, No. 10 of 2006 from the previous year of assessment which are specified as follows should be declared in Schedule 05B.

Enter brought forward (B/F) amount from previous years in the relevant rows from A to L under column 506. As well, enter deductible amounts as per restrictions stated under each item and carried forward amounts in the given rows under column 507 and 508 respectively. Enter total of the deductible amounts under column 507 in cage 509. Total of the amounts in cage 504 of Schedule 05A and cage 509 of Schedule 05B should be entered in cage 510. This amount should not be higher than the Assessable Income.

- A. Any B/F amounts of donations made in money or otherwise to:
- the Government,
 - a Local Authority
 - a fund established by the Government, a fund established by a Local Authority or by a Provincial Council and approved by the Minister,
 - any higher educational institution established under the Universities Act, or the Buddhist and Pali University established under the Buddhist and Pali University Act,
 - Sevena Fund
 - “API WENUWEN API” Fund

- National Kidney Fund established under the National Kidney Foundation of Sri Lanka (Incorporation) Act, No.34 of 2006

(No restriction in the deductions of qualifying payments. Enter such amount in line “A” under column 507.)

- B. Any B/F amount of expenditure approved by the Minister and incurred by any person on any project included in a development plan of the Government. (Allowed only up to Rs. 25,000. Enter such amount in line “B” under column 507.)
- C. Any B/F amount of expenditure incurred in producing a film at a cost not less than 5 million rupees. The cost of production includes any promotional expenses incurred within 90 days from the date of completion. (The production of which was completed on or after 01.04.2007 but prior to 31.03.2008) (Limited to Rs. 25,000,000 per film. Enter such amount in line “C” under column 507.)
- D. Any B/F balance of expenditure on any film which the production was completed on or after 01.04.2008. (Limited to Rs 35,000,000 per film. Enter such amount in line “D” under column 507).
- E. Any B/F amount of any amount invested by any person between November 5, 1997 and April 1, 2000 in purchase of new ordinary shares in any BOI Company

incorporated on or after November 06, 1997 and which:

- a) is engaged in the development of infrastructure facilities in Sri Lanka;
- b) has as at 31 March, 2000:
 - issued capital of not less than Rs. 300 million; and
 -
 - invested not less than Rs. 500 million in the acquisition of capital assets (building, land, plants, machinery etc)

(Limited to 1/3rd of Assessable Income or the unabsorbed balance as at 01.04.2012 whichever is lower. Enter such amount in line “E” under column 507.)

- F. Any B/F amount of expenditure not exceeding Rs.25 million incurred in the construction and equipping of cinema, where the exhibition of cinematographic films commences on or after 01.04.2008, and certified by the National Film Corporation of Sri Lanka as being equipped with Digital Technology, Digital Theater System and Dolby Sound System. (Limited to Rs. 25 million or the unabsorbed balance whichever is less. Enter such amount in line “F” under column 507.)
- G. Any B/F amount of expenditure not exceeding Rs.10 million incurred in the upgrading of cinema, where the exhibition of cinematographic films had commenced

prior to 01.04.2008, and which was not equipped with Digital Technology, Digital Theater System and Dolby Sound Systems, prior to April 1, 2008 and certified by the National Film Corporation of Sri Lanka as being equipped on or after 01.04.2008, with Digital Technology, Digital Theater System and Dolby Sound system. (Limited to Rs. 10 million or the unabsorbed balance whichever is less. Enter such amount in line “G” under column 507.)

- H. Any B/F amount of expenditure incurred in an undertaking for the construction and sale (if the sale of such house takes place before 01.04.2013) of houses for low income families under a scheme approved by the Urban Development Authority or the National Housing Authority, if the floor area of the house does not exceed 500. (No restriction in the deductions of qualifying payments. Enter such amount in line “H” under column 507).
- I. Any B/F amount of expenditure incurred prior to April 1, 2011 in either the construction or the purchase of a house otherwise than out of a loan, being in either case the first house, constructed or purchased by such individual. However, if the number of years of assessments which the qualifying payment has been claimed is more than 10 years including the year in which the construction was completed you are not entitled to make further claim under this paragraph. **(Limited to 1/3rd of Assessable Income or the unabsorbed balance as at 31.03.2011 whichever is less.** If this qualifying payment had been claimed

within 9 years, no more claim is available. Enter such amount in line “I” under column 507.)

- J. Any B/F amount of the Investment made in fixed assets (not less than Rs 50 million) during the period commencing on or after April 1, 2011 but before April 1, 2014 in the expansion of any undertaking which is qualified for exemption under section 16 C (as a new undertaking). However, any investment made by a person engaged in specified activities and where such investment is made in high tech plant, machinery, equipment subject to the fulfillment of proviso to section 34(2) (s) of the Inland Revenue Act, No. 10 of 2006 prior to 31.03.2015 qualifying payment is deductible subject to the same conditions. (Limited to 25% of the investment. Enter such amount in line “J” under column 507)

- K. Any B/F amount of Investment made in any undertaking engaged in the manufacture of fabric, pharmaceutical, milk powder or cement, being an investment not less than the respective amount specified in the section 16D and such undertaking would be qualified for exemption under that section, if it had commenced business on or after April 1,2012. (Limited to 25% of the investment. Enter such amount in line “K” under column 507)

- L. Expenditure incurred by a professional (defined in section 40C of the Inland Revenue Act, No. 10 of 2006) on / after 01/04/2014 for the repayment of capital of a loan received from a licensed Bank /

Financial Institution to construct, or to purchase a house or a unit of a residential apartment complex. (Limited to Rs.600, 000 or the un deducted amount of qualifying payment whichever is less. Enter such amount in line “L” under column 507)

2.6. Withholding Tax (WHT)

As specified in section 82, one method of paying income tax is tax payment by withholding. Some of the WHT are considered as WHT on final withholding payments.

2.6.1. WHT on Final Withholding payments. –

WHT on final withholding payments are considered as final Withholding tax. Whether withholding taxes are deducted or not such payments are considered as final withholding payments. Also, whether WHT is deducted or not applicable WHT rates remain unchanged. There would be no further taxation on final withholding payments.

For an individual, final withholding payments and relevant WHT rates are as follows:

	Type	WHT Rate
(a)	dividends paid by a resident company to a resident individual	14%
(b)	interest paid to or treated as being derived by a resident individual	5%

	(other than up to Rs. 1,500,000 of interest paid to a senior citizen)	
(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%
(d)	Payments made to non-resident person that are subject to WHT (other than payment derived through a Sri Lankan permanent establishment).	14%

2.6.1.1.Schedule 06 – WHT on Final Withholding Payments

2.6.1.2.This Schedule comprises three sub schedules since there may be situations that;

- WHT deducted by the withholding agent
- Schedule 06A
- Failed to deduct WHT by the withholding agent
- Schedule 06B
- Not subject to WHT - Schedule 06C

2.6.1.3.Schedule 06 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 from 601 to 606. Enter **Total Final WHT deducted** in cage 607 of the same Schedule.

2.6.1.4.Schedule 06 B - Final Withholding Payments - failed to deduct WHT by the withholding agent

- i. There may be instances where withholding agent may have failed to deduct WHT. In such a situation, withholdee is liable to pay WHT by applying the same WHT rate, within fifteen days after the end of the calendar month in which the payment is received.
- ii. Enter details of payments in given lines under columns from 608 to 613 of Schedule 06 B. Enter **Total Final WHT - failed to deducted** in cage 614 of the same Schedule.
- iii. Finally aggregate the amount in cage 614 and cage 621. Finally take such total amount to cage 811 of Schedule 08.

2.6.1.5.Schedule 06 C - Final Withholding Payments – Not subject to WHT

As per subsection (3) of section 88 of the IR Act, final withholding payments made under following situations can be considered as “not subject to final withholding tax”.

- i. payments made by individuals, unless made in conducting a business
- ii. payment is made by a non- resident
- iii. 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” – such tax should be paid by the withholder by way of installment and assessment. Since Final withholding payments should be excluded in calculating the assessable income from each source, payable tax on such final withholding payments should be considered only under Part C of the Return.

Enter details of such payments under given cages from 615 to 620 of Schedule 06 C. Enter **Total Final withholding payments – not subject to WHT** in cage 621 of Schedule 06 C and aggregate this amount with the amount in cage 614. Finally take such total amount to cage 811 of Schedule 08.

2.6.2. Schedule 07 - Withholding Tax (Other than Final Withholding Payments and WHT on Employment)

This Schedule comprises three sub schedules since there may be situations that;

- WHT deducted by the withholding agent
- Schedule 07A
- Failed to deduct WHT by the withholding agent
- Schedule 07B
- Other WHT from Partnership - Schedule 07C

2.6.2.1. Schedule 07 A Withholding tax - deducted by the withholding agent

- i. Enter details of each WHT deductions under given columns from 701 to 706 of Schedule 07 A. If you have received any advance for which WHT has been deducted, enter details of such advance in the given rows under same columns as well. Column 701 has been provided to mention the Source & Type of the relevant receipt. When stating the source, if the receipt is relevant to source of Business Income, then indicate “B”, if the receipt is relevant for the source of Investment Income then indicate “I”. When stating the type of the receipt, if the type of income is rent, then indicate “R”. WHT credit can be claimed only up to the amount of such income

included in calculating an individual's income for the year of assessment.

- ii. An individual's Employment Income or Investment income shall be accounted on a cash basis. In contrast Business Income shall be accounted on an accrual basis. Therefore, with regard to any advance received in respect of the Business Income, WHT credit can be granted only up to the income which is relevant for the year of assessment 2018/2019. Balance WHT on advance receipts can be carried forward to be deducted in future years.
- iii. Enter **Total WHT deducted** in cage 707 of the same Schedule. for the year of assessment 2018/2019 Cage 708 will be Nil since **WHT B/F on Advance Receipt** may not arise.
- iv. Enter total of cage 707 and cage 708 in cage 709. Deduct the relevant **WHT claimed for the year of assessment 2018/2019** (cage 710) from the amount in cage 709. Enter amount in cage 710 in cage 908 of Schedule 09 to claim the credit. Balance amount in cage 711 will be **WHT carried forward on Advance Receipt** to next relevant year.

2.6.2.2.Schedule 07 B - Withholding tax - failed to deduct by the withholding agent

If Withholding agent has failed to deduct the WHT, by applying same WHT rate, such WHT shall be payable by the withholdee within fifteen days after the end of the calendar month in which the payment is received.

- i. Enter details of such withholding payments under given columns from 712 to 717 of Schedule 07 B. You may have received any advance for which WHT failed to deduct by the withholding agent. If you have made the WHT payment on such payments, enter details in the given rows under column 712 to 717 as well. Column 712 has been provided to mention the Source & Type of the relevant receipt. When stating the source, if the receipt is relevant to source of Business Income, then indicate “B” if the receipt is relevant for the source of Investment Income then indicate “I”. When stating the type of the receipt, if the type of income is rent, then indicate “R”. WHT credit can be claimed only up to the amount of such income included in calculating an individual’s income for the year of assessment.
- ii. Enter **Total WHT paid** by the Withholdee in cage 718 of the same Schedule. For the year of assessment 2018/2019, cage 719 will be Nil since **WHT B/F on Advance Receipt** may not arise.

- iii. Enter total of cage 718 and cage 719 in to cage 720. Deduct the relevant **WHT claimed for the year of assessment 2018/2019** (cage 721) from the amount in cage 720. Enter amount in cage 721 in to cage 936 of Schedule 09B to claim the credit. Balance amount in cage 722 will be **WHT carried forward on Advance Receipt** to next relevant year.

2.6.2.3.Schedule 07 C – Other WHT from Partnership

WHT would have been deducted on payments received by the Partnership. Since partnerships are not liable for Income Tax, Partnerships cannot claim such credits. Hence Partnerships should allocate such WHT to the partners to be claimed against their Payable Tax.

- i. Therefore, if you are a partner of the Partnership, enter **WHT credit allocated from the Partnership** in cage 723. Cage 724 will be Nil for the year of assessment 2018/2019 since **WHT B/F on Advance Receipt** may not be arisen.
- ii. Enter total of cage 723 and cage 724 in cage 725. Deduct the relevant **WHT claimed for the year of assessment 2018/2019** (cage 726) from the amount in cage 725. Enter amount in cage 726 in to cage 907 of Schedule 09B 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 allocated the WHT credits from Trust, please follow the instructions given for partners regarding the tax credits and fill the details in same Schedule (Schedule 07 C & cage 907 of Schedule 09).

2.7.Schedule – 08 - Tax Calculation

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

A. Enter the Taxable Income from cage 140 of the Return in cage 801.

B. Calculation of Income Tax on Terminal Benefits

Apply the following tax rates to compute the tax on terminal benefits.

- The following Income from Employment is taxed 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; and
 - 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.

Concessionary tax rates applicable on Terminal Benefits from Employment Income

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

Total Income from Employment	Tax Payable
Not exceeding Rs. 2,000,000	0% of the amount in excess of Rs. 0
Exceeding Rs. 2,000,000 but not exceeding Rs. 3,000,000	5% of the amount in excess of Rs. 2,000,000
Exceeding Rs. 3,000,000	Rs. 50,000 plus 10% of the amount in excess of Rs. 3,000,000

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

Total Income from Employment	Tax Payable
Not exceeding Rs. 5,000,000	0% of the amount in excess of Rs. 0
Exceeding Rs. 5,000,000 but not exceeding Rs. 6,000,000	5% of the amount in excess of Rs. 5,000,000
Exceeding Rs. 6,000,000	Rs. 50,000 plus 10% of the amount in excess of Rs. 6,000,000

- Terminal Benefits that are not specified under above paragraph is taxed at normal rates
 - Enter total terminal benefits in cage 110 of schedule 01 in cage 802 under column .1 (Income)
 - Select the period of contribution or the period of employment. Mark \checkmark in the relevant cage. Then enter income as stated below under column .1. Accordingly apply tax rates. Enter relevant tax under column .3.

Income Range	Cage
0 – Rs. 2,000,000 or 0 – Rs. 5,000,000	803.a
Rs. 2,000,000 – Rs. 3,000,000 or Rs. 5,000,000 – Rs. 6,000,000	803.b
Exceeding Rs. 3,000,000 or Exceeding Rs. 6,000,000	803.c

- If the concessionary rates provided are not applicable, then apply normal income tax rates stated under item E below. Calculate the tax accordingly. Enter such Income in cage 804 under column .1 and Tax in same line under column .3 (Tax)
- Finally amounts in cages 803a.3, 803b.3, 803c.3 and 804.3 are to be aggregated. Enter such total in cage 805. Take amount in cage 805 to cage 150 of the Return.

C. Tax on Gain on Realization of Investment Assets

Gains on realization of Investment Assets are taxed at 10 %. Enter such gain in cage 806 under column .1 (Income) and Tax in same line under column .3 (Tax).

D. Tax on Gain on Realization of Investment Assets from Partnership

Gains on realization of Investment Assets from Partnership are taxed at 10 %. Enter allocated gain in cage 807 under column .1 (Income) and Tax in same line under column .3 (Tax).

Enter total of the amounts in cage 806.3 and cage 807.3 in cage 160 of the Return.

E. Tax on Balance Taxable Income

- **Tax on Taxable Income from Betting & Gaming, Liquor or Tobacco Business -** Applicable rate is 40%. Enter such taxable income in cage 808 under column .1 (Income) and Tax in same line under column .3 (Tax).
- **Tax on Balance Taxable Income other than the Income from Betting & Gaming, Liquor or Tobacco Business –**

Tax rates (Normal rates) provided below are applicable. Enter such Taxable Income in cage 809 under column .1 (Income) and Tax in same line under column .3 (Tax).

Enter aggregated amounts in cages 808.3 and 809.3 in to cage 810. Finally take amount in cage 810 to cage 170 of the Return.

Select the Taxable Income range in which your taxable income falls and compute the tax accordingly.

Tax rates applicable for Individuals

Taxable Income Range (Rs)	Tax rate on the excess taxable income over the lowest of the range
Not Exceeding Rs. 600,000	4% of the amount in excess of Rs. 0
Exceeding Rs. 600,000 but not exceeding Rs. 1,200,000	Rs. 24,000 plus 8% of the amount in excess of Rs. 600,000
Exceeding Rs. 1,200,000 but not exceeding Rs. 1,800,000	Rs. 72,000 plus 12% of the amount in excess of Rs. 1,200,000
Exceeding Rs. 1,800,000 but not exceeding Rs. 2,400,000	Rs. 144,000 plus 16% of the amount in excess of Rs. 1,800,000
Exceeding Rs. 2,400,000 but not exceeding Rs. 3,000,000	Rs. 240,000 plus 20% of the amount in excess of Rs. 2,400,000
Exceeding Rs. 3,000,000	Rs. 360,000 plus 24% of the amount in excess of Rs. 3,000,000:

F. Tax on final withholding payments (WHT not deducted)

Enter amount in cage 811 in cage 180 of the Return.

Other Specific Tax Rates:

- i. Notwithstanding anything in the First Schedule, the rate of tax to be withheld from a dividend paid by a company to a non-resident member shall be zero, if the company paying the dividend has incurred more than USD 1,000 million on depreciable assets (other than intangible assets) in Sri Lanka or entitled to an enhanced capital allowance under subparagraph (5) of paragraph 1, and that dividend is paid out of profits sheltered by enhanced Capital allowances under this Schedule.
- ii. Notwithstanding anything in the First Schedule, the rate of tax to be withheld from a payment made by an employer to an expatriate employee shall be zero, if the company paying the dividend has incurred more than USD 1,000 million on depreciable assets (other than intangible assets) in Sri Lanka or entitled to an enhanced capital allowance under subparagraph (5) of paragraph 1, and that dividend is paid out of profits sheltered by enhanced Capital allowances under this Schedule, where the number of expatriate employees is not exceeding twenty.

2.8.Schedule – 09 - Tax Credits:

2.8.1. Available tax credits could be entered in given cages.

(1) Foreign Tax Credit (cage 901)

If you are entitled to any foreign tax relief including under Double Tax Avoidance Agreement, enter such amount in cage 901 of Schedule 09. Foreign tax credit cannot be more than the amount of tax chargeable in Sri Lanka on such income.

(2) ESC deductible (cage 902 and Schedule 09A)

Before filling this cage, you may fill Schedule 09A.

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 (Schedule 09 A).

Economic Service Charge – Schedule 09 A

- Enter un deducted brought forward ESC from sole proprietorship under cages from 913 to 916.
- Enter un deducted brought forward ESC as a Partner from the Partnership under cages from 917 to 920.
- Enter total of the un deducted balances from cage 913 to 920 in cage 921

- Enter ESC payments made for the year of assessment 2018/2019 in cages 922, 923 and 924.
- Enter the aggregate of un deducted balance (cage 921) and total ESC payments made for the year of assessment 2018/2019 (cages 922, 923 and 924) in cage 925
- Enter amount of Total Tax Payable (cage 190 of the Return) after deducting foreign tax credit in cage 901 of Schedule 09. If the amount in cage 925 is greater than the amount in cage 926, enter such lower amount in to cage 927 to be deducted for the year of assessment 2018/2019.
- Take ESC deductible amount in cage 927 to cage 902 of Schedule 09.
- As well If amount in cage 925 is greater than the amount in cage 927, enter such excess amount in to cage 928 (Cage 925 – cage 927) to be carried forward to year of assessment 2019/2020.

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.

(3) WHT paid on Employment Income – Primary Employment (cage 903)

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

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

(4) WHT 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 deductions made by each second employer on Remunerations separately. (Please attach PAYE T -10/D)

(5) Tax paid for Terminal Benefits (cage 905)

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

(6) 8% WHT paid on share of Partnership Income (cage 906)

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.

(7) Other WHT from the Partnership (cage 907)

Partnerships are not liable to pay Income Tax other than tax on gain on realization of investment assets. Hence Partnerships

are not entitled to claim WHT credits whereas partners are entitled to be claimed.

Therefore, such WHT should be allocated by the Partnerships to be claimed against the payable tax of the partner.

Take such allocated amount in cage 726 of Schedule 07 C to cage 907.

(8) Withholding tax credit – WHT deducted by the withholding agent. (cage 908)

Take amount in cage 710 of Schedule 07 A to cage 908

(9) Tax paid on Gain on realization of Investment assets (cage 909)

Enter paid amounts in cage 909.

(10) Tax paid on Gain on realization of Investment assets from the Partnership (cage 910)

Enter allocated amounts by the Partnership in cage 910.

(11) Installment payments and WHT paid by Withholdee (Cage 911 and Schedule 09 B)

- (i) Enter installment payments and final payment in given rows.
- (ii) Enter aggregated amount of Installment payments and final payment in cage 934.

- (iii) Enter amounts of withholding tax payments made by withholder as per cage 721 of Schedule 07 B in cage 935.
- (iv) Enter aggregate amount of cage 934 & 935 in cage 936.
- (v) Take amount in cage 936 to cage 911 of Schedule 09.

2.8.2. Enter aggregate amount from cage 901 to cage 911 in cage 912. Finally take amount in cage 912 to cage 200 of the Return.

3. STATEMENT OF ASSETS AND LIABILITIES AS AT 31.03.2019

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 (Please declare the acquisition cost or market value, if it is not an acquisition) in the form "**Statement of Assets and Liabilities**," provided to you with the Return, and submit together with the Return.

Part 01

A. Immovable Properties:

Declare all your Immovable Properties (situated in or outside Sri Lanka) as at 31.03.2019 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 31.03.2019.

C. Property held as a part of business

The value of a property as a part of a business i.e. the balance of capital and current account as at 31.03.2019 should be declared. (Attach the copies of the balance sheet if applicable).

D. Liabilities as at 31.03.2018

All the liabilities, including a loan 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 01.04.2018 to 31.03.2019 (sales, exchanges, gifts).

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

Head Office	-	Secretariat	011 2135412
Metropolitan Branch	-	Colombo City	011 2504390
Metropolitan Branch	-	Colombo Central	011 2505274
Metropolitan Branch	-	Colombo South	011 2502564
Unit 1 & 2	-	Nawam Mawatha	011 2302249
Regional Office	-	Anuradhapura	025 2235512
Regional Office	-	Badulla	055 2222490
Regional Office	-	Batticaloa	065 2222087
Regional Office	-	Dambulla	066 2283655
Regional Office	-	Galle	091 2222504
Regional Office	-	Gampaha	033 2234246
Regional Office	-	Jaffna	021 2222076
Regional Office	-	Kalutara	034 2222216
Regional Office	-	Kandy	081 2223590
Regional Office	-	Kegalle	035 2222493
Regional Office	-	Kurunegala	037 2222798

Regional Office	-	Maharagama East	011 2802433
Regional Office	-	Maharagama West	011 2803125
Regional Office	-	Matara	041 2222933
Regional Office	-	Negombo	031 2228322
Regional Office	-	N Eliya	052 2222520
Regional Office	-	Rathnapura	045 2222040

