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**இலங்கை உள்ளநாட்டு இறைவரி**  
**Sri Lanka Inland Revenue**

**GUIDE TO CORPORATE RETURN OF INCOME TAX**  
**YEAR OF ASSESSMENT - 2019/202**



## 1. Introduction

You may read this set of instructions provided before completing the Return of Income (Further details can be obtained via Inland Revenue (IRD) web portal – [www.ird.gov.lk](http://www.ird.gov.lk)).

In terms of the provisions of the Inland Revenue Act, No. 24 of 2017 (IR Act), every Resident or Non-resident Company or any Corporation [including any company entered into agreement with Board of Investment (BOI)], Public Corporation, Trust, Unit Trust, Non-Governmental Organization (NGO) or Funds, etc. (persons other than individuals and partnerships) is required to furnish a **Return of Income** (Form No. *Asmt\_CIT\_001\_E*) for the year of assessment 2019/2020 together with **Schedules** (Form No. *Asmt\_CIT\_002\_E*) and Audited Financial Statements as required under Section 126 of the IR Act, No. 24 of 2017 on or **before 30<sup>th</sup> November, 2020**.

Arrangements have been made for E-filing via IRD web portal. Please refer the quick guide available in the IRD web portal ([www.ird.gov.lk](http://www.ird.gov.lk) \_Home :: e-Services::Overview and Quick Guides :: **Filing of return**).

In terms of Regulations 6 of the Transfer Pricing Regulations published in Extraordinary Gazette No. 2104/4 dated 31.12.2018, it is required that the persons having international transactions with associated undertakings or other than international transactions made between associated enterprises who fulfills the requirements of provision 1 of the Gazette Notification, referred to in Sections 76 and 77 of the IR Act to submit Transfer Pricing Disclosure Form along with the Return of Income Tax. Such persons are advice to refer the instructions given for Schedule 9B as well (Page 44).



The aforesaid Disclosure Form is available in the IRD web Portal under Return of Income.

The Return entails fourteen schedules namely schedules 1, 2, 2B, 3, 4, 5, 6, 7, 7A, 7B, 7C, 8, 9A and 9B. Submission of all schedules other than schedule 8 is mandatory. Mandatory schedules are integral parts of the Return of Income specified by the Commissioner General of Inland Revenue (CGIR). However, you are having an option on the submission of schedule 1, 2B, 3, 5, 6, 7A, 7B and 7C. If any of such schedules are not relevant in filling the Return of Income, you can mark (X) in the table given in first page of the schedules (Part A of the Return of Income). On the other hand, if such schedules are relevant, please mark as (√) in the table and fill them. However, schedule 2, 4 and 7 are compulsory to be filled and submitted. Accordingly all duly filled relevant schedules [marked as (√)] with compulsory schedules are the schedules which you are required to be attached with the Form No. *Asmt\_CIT\_001\_E*. In other words, the person who marked as (X) in the table and submitted the same (table) with the Return of Income will be considered as a person who has submitted such mandatory schedules.

If you attach your computation of income tax to the Return of Income, schedule 8 is not mandatory. However, schedules 9A and 9B are required to be filled and attach to the Form No. *Asmt\_CIT\_001\_E*.

Any company, who files a Tax Return without relevant Audited Financial Statements or aforesaid schedules as requested, or with estimated figures of income etc., will be deemed not to have furnished a Return for the purpose of Inland Revenue Act.



In case of any **data filling cage in the Return or schedule is not required** to be filled, then mentioned as “NIL”. If the space provided for writing in the schedule is not enough then, a separate schedule in the same format should be attached.

## Payment of Tax

The tax for the year of assessment 2019/2020 was 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.

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

The aggregate of four installments and the assessment payment should be equal to the total tax liability for the year of assessment 2019/2020. The tax shall be due and payable at the time stipulated under the Inland Revenue Act No. 24 of 2017 (IRA). Where a taxpayer fails to pay tax on the due date, the taxpayer shall be liable for any costs incurred by the Commissioner-General in taking action to recover the unpaid tax.

## Interest and Penalties

Furnishing of an incorrect return or fail to furnish the return on or before the due date or non-submission of return will be subjected to penalties or imprisonment and failure to pay all or part of the installments on due dates will be subject to penalties and interest as follows:



- A penalty for late filing of 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 further Rs.10, 000 for each month or part of a month during which the failure to file continues (failure to furnish Return on or before the stipulated date, i.e. November 30, 2020).
  
- 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.
  
- A penalty for making false misleading statement is equal to the grater of Rs. 50,000 or the amount by which would have been the tax payable reduced or refund increased, if it were determined based on such statement.
  
- For failure to file a return, a fine or/and imprisonment that is fine not exceeding 10 million rupees or imprisonment for term not exceeding two years or both such fine and imprisonment.
  
- If an amount of installment 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, to the date the tax is paid, the



interest rate shall be 1.5% per month or part of the month, compounded monthly.

## **2. Computation of Income Tax Payable and Filling the Return of Income for the Year of Assessment**

You are required to follow the instructions issued by the CGIR (which was published in IRD web portal) to calculate the income tax payable for the year of assessment 2019/2020. Such instructions issued as instructed by the Ministry of Finance on January 31, 2020 and March 05, 2020, in line with changes proposed to the IRA (pending formal amendments being made to the Act).

Further, you are advised to consider about the following changes in filling the return of income compared to the previous Year of Assessment.

- 2.1 Introduction of Schedule 01D to declare any losses in relation to the exempted amounts. According to the section 19 of the IRA, if the loss were a profit and the profit would be exempt, such losses shall be deducted only in calculating exempt amounts. Accordingly, any exempted losses which were not deducted from the exempted amounts can be declared under this schedule.
- 2.2 Loss Deductions - It was made the required alterations to the Schedule 2B (1) (Business Losses) and Schedule 2B (III) (Investment Losses). Accordingly, altered schedules are facilitating the loss deductions based on the proposed changes to the IRA as announced by the Commissioner Generals' notice PN/IT/2020-03 (Revised) dated 08.04.2020 (pending formal amendments being



made to the Act). Please refer the instructions given from page 15 to 26 in this regard.

2.3 Schedule 04 – Basic format of this schedule has not changed, but it facilitates to declare the income and applicable different tax rates in computing the income tax payable for the year of assessment 2019/2020 (tax rates for the period from 01.04.2019 to 31.12.2019 and 01.01.2020 to 31.03.2020). Please refer the instructions given from page 30 to 36 regarding the cages 80, 90 and 100 for more information.

### **3. The outline of Schedules**

#### **Schedule 01 –Exempt Amounts /Gains & Profits**

Exempt amounts, gains and profits from each source, in terms of Third Schedule of IR Act, should be declared in the Schedule 01A. The exempt profits and income in terms of the regulations prescribed under the Gazette Notification No. 2064/53 dated April 01, 2018 and provisions of Inland Revenue Act No. 10 of 2006 or provisions of the Board of Investment Act should be declared in the Schedule 01B and Schedule 01C respectively. If there is any loss in relation to such sources, it can be declared under Schedule 01D.

#### **Schedule 02 – Summary of the Assessable Income**

Assessable income during the year of assessment from Business, Investment and Other Sources should be declared in this schedule.



### **Schedule 02A (1) – Business Income**

Turnover / revenue and adjusted gains and profits from each business activity should be declared in this schedule.

### **Schedule 02A (11) – Investment Income**

Turnover / revenue and adjusted gains and profits from each investment activity should be declared in this schedule.

### **Schedule 02A (111) – Other Income**

Turnover / revenue and gains and profits from each other income source should be declared in this schedule.

### **Schedule 02 B – Loss Deduction Summary**

Losses claimed during the year of assessment from local and foreign sources of Business or Investment should be declared in this schedule. Schedule 02B is the summary of Schedules 02B (1), (11), (111) and (1V).

The loss deductible for the year of assessment from business should be declared in the Schedule 02B (1). The loss claimed on the Investment Incentives and Leasing losses claimed under Transitional Provisions should be declared in the Schedule 02B (11). The loss deductible for the year of assessment from Investment should be declared in the Schedule 02B (111). The details of foreign losses should be declared in the Schedule 02B (IV).

### **Schedule 03- Qualifying Payments**

The deductible amount of qualifying payments made for the year of assessment 2019/2020 and any brought forward balance of qualified payments as provided in the Gazette Notification No. 2064/53, dated



April 1, 2018, from the year of assessment 2017/2018, should be declared in this Schedule.

#### **Schedule 04- Tax on Taxable Income**

The taxable income of a company, corporation, trust, NGO etc. for the year of assessment 2019/2020 is liable at the rates specified in the FIRST SCHEDULE to the IR Act, should be declared in this schedule. This schedule facilitates for the application of different tax rates to compute the tax payable on taxable income for the Year of Assessment 2019/2020, due to the IRA provisions as amended.

#### **Schedule 05 - Tax on Remittances**

A non-resident company, who carries business in Sri Lanka through a Sri Lankan permanent establishment (or permanent establishment under Double taxation agreement where there is a double taxation agreement in force between two countries) and earned profits shall pay a remittance tax on the gross amount of the remitted profits and should be declared in this schedule.

#### **Schedule 06 – Tax on Receipts of Final Withholding Payments**

Any amount of the final withholding tax paid and final withholding tax paid on the receipt of final withholding payments, on which Withholding tax (WHT) not deducted by the withholding agent, should be declared in this schedule.

#### **Schedule 07 – Total Tax Credits**

The tax credits including foreign tax credit, other relief, Economic Service Charge (ESC), Notional Tax Credit (NTC), tax paid on remittances, tax paid on gain on realization of investment assets, WHT



credit claimed and self-assessed tax payments (on the statement of estimated tax) should be declared in this schedule.

### **Schedule 07A – Economic Service Charge (ESC)**

This schedule facilitates the computation of the amount of income tax against which ESC paid can be setoff and the balance amount of ESC that can be carried forwarded to next year of assessment.

### **Schedule 07B – Breakup of Withholding Tax Credit Claimed**

The non- final WHT payments which are eligible to claim as credit during the year of assessment should be declared in this schedule.

### **Schedule 07C - Notional Tax Credit**

If there is any balance (after the deduction in Y/A 2018/2019), from the brought forward balance of Notional Tax Credit qualified for the deduction as provided in the Gazette Notification No. 2064/53, dated April 1, 2018, it should be included in this schedule.

### **Schedule 08-Computation Sheets**

The computation of assessable income from business, investment and other sources in terms of the provisions of the IR Act should be declared in this schedule.

### **Schedule 09 – Financial Information**

The financial information of the Audited Statement of Accounts and Transfer Pricing details should be declared in this schedule.



## 4. Instructions to fill the Return of Income with Schedules

### SECTION 01 Statement of Gains and Profits

#### Part A

#### 1. Cage 10 – Exempt Amounts / Gains & Profits (Schedule 01)

The Schedule 01 consists with four sub-schedules namely Schedule 01A, Schedule 01B and Schedule 01C and 1D. Before filling Schedule 01 the sub-schedules 01A, 01B and 01C should be completed.

#### 1.1 Schedule 01A – Exemptions under Third Schedule of the Inland Revenue Act No.24 of 2017

The exempt amounts during the year of assessment from each source, in terms of section 9 which are specified in the THIRD SCHEDULE to the Inland Revenue Act, No. 24 of 2017, should be declared in the Schedule 01A by using cage 10.A.1 to 10. A.5.

If the applicable exemption is claimed as per the proposed changes announced by the Commissioner Generals' notice PN/IT/2020-03 (Revised) dated 08.04.2020 (pending formal Amendment), then please include the relevant exempted amounts after the computation of same in line with the Commissioner Generals' instructions.



## **1.2 Schedule 01B - Exemptions under the Provision of the Inland Revenue Act No.10 of 2006**

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, 17, 17A, 18, 20, 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 exempt from income tax as if such provisions continued to have application. If there is any exempt income subject to the conditions specified the above, should be declared in the Schedule 01B by using cage 10.B.1 to 10.B.5, with the requested information of the said exemption.

## **1.3 Schedules 01C - Exemptions under the Provisions of the BOI Act**

As provided in the Gazette Notification No. 2064/53 dated April 1, 2018, the gains and profits of an enterprise who has entered into an agreement with BOI prior to April 1, 2018, under section 17 of the Board of Investment of Sri Lanka Law, such profits and income of such enterprise shall continue to be exempt from income tax payable under the Inland Revenue Act, No. 24 of 2017. The exempt gains and profits under the agreements entered into with BOI should be declared in the Schedule 01C by using cage 10.C.1 to 10.C.5 with the requested information.



## 1.4 Schedule 01D – Exempt Losses

If there is any loss calculated in relation to any of the above exempted sources, please include the same in Schedule 01D by using cage 10.D.1 to 10.D.5 with requested information. However, total of the exempted losses which you have entered in cage 10D is not required to fill in the cage 10.

If the space provided is not enough to enter exemptions under the aforesaid schedules, please select E-Filling mode & extract the schedule by using “Add more” button.

*The total exempt amount declared in cage 10.0 in Schedule 01 should be entered to cage 10 of the Return of Income (other than 10D)*

## 2. Cages 20, 30 and 40 - Assessable Income from Business, Investment and Other Income (Schedule 02)

The assessable income from business, investment and other income should be declared in cages 20, 30 and 40 of the Return of Income respectively.

### 2.1 Schedule 02 –Summary of Assessable Income

The schedule 02 consists with four sub-schedules namely Schedule 02A (1), Schedule 02A (11) ,Schedule 02A (111) and Schedule 02 B. Therefore, before filling Schedule 02, the sub-schedules should be completed.



The Schedule 02 computes the assessable income from business, investment and other sources. The total gains and profits from business, investment and other sources entered in the in cage 20.A.0 of Schedule 02A (1), 30.A.0 of Schedules 02A (11) and 40.A.0 of Schedule 02A (111) should be entered to Cage 20.A.3, 30.A.3 and 40.A.3 of this Schedule respectively.

Even though different tax rates are applicable, it is not required to separate the gains and profits for periods from 01.04.2019 to 31.12.2019 and 01.01.2020 to 31.03.2020. Please enter the total gains and profits (excluding exempted amounts and final withholding payments) of the year of assessment in relevant cages.

The amount of total loss deductible from gains and profits from business and investment in cages 20.B.0 and 30.B.0 of Schedule 02B should be entered to cages 20.B and 30.B of this schedule. Therefore, before filling deductible loss from business and investment in this schedule, the Schedule 02B should be completed.

After deducting the deductible loss from gains and profits from business and investment, the assessable income from business, investment and other income can be computed.

The amounts entered in cages 20.0, 30.0 and 40.0 of the Schedule 02 should be entered to cages 20, 30 and 40 of the Return of Income.

## **2.2 Schedule 02A (1) –Business Income**

The turnover/revenue and respective gains and profits derived during the year of assessment from business (before deducting losses) should



be declared in this schedule with the relevant activity codes (The list of activity codes is available in the IRD web Portal). If there are gains and profits from foreign sources, should be declared separately by using relevant activity codes.

The total of gains and profits from business income included in cage 20.A.0 of Schedule 02A (1) should be entered in cage 20.A.3 of Schedule 02.

### **2.2.1 Schedule 02A (11) –Investment Income**

The turnover/revenue and respective gains and profits received or derived during the year of assessment from investment (before deducting losses) should be declared in this schedule with the relevant activity codes. If there are gains and profits from foreign sources, should be declared separately by using relevant activity codes.

You are required to enter the total gains from respective sources without separating for two periods due to the proposed changes to the IRA. However, exempted amounts and final withholding payments should be excluded. Ex: Actual Dividend (from resident company in Sri Lanka) derived during the period from 01.01.2020 to 31.03.2020 should be considered as gains and profit for Schedule 2A, and any dividends derived during the period from 01.04.2019 to 31.12.2019 should be declared under the Schedule 6.

The total of gains and profits from investment included in Cage 30.A.0 of Schedule 02A (11) should be entered in Cage 30.A.3 of the Schedule 02.



## 2.2.2 Schedule 02A (111) –Other Income

The turnover/revenue and respective gains and profits from any other sources (excluding profits of a casual and non-recurring nature) should be declared in this schedule with the relevant activity codes. If there are gains and profits from foreign sources, should be declared separately by using relevant activity codes.

The total of gains and profits from other income included in Cage 40.A.0 of Schedule 02A (111) should be entered in Cage 40.A.3 of the schedule 02.

Further, exempt amounts are specified in the Third Schedule of the IR Act and final withholding payments are specified in the section 88 of the IR Act. Please refer paragraph 11 of this Guide for further details of final withholding payments.

## 2.3 Schedule 02B-Loss Deduction Summary

The Schedule 02B is a summary of sub schedules namely Schedule 02B (1), Schedule 02B (11), Schedule 02B (111) and Schedule 02 B (IV). The Schedule computes the loss from business and investment incurred from local sources as well as foreign sources. Therefore, before filling the Schedule 02B, the sub schedules should be completed.

The deductible loss from local sources of business entered in Cage 20.B.40 of Schedule 02B (1) should be entered to Cage A of this schedule and the deductible loss from local sources of investment included in Cage 30.B.30 of Schedule 02B (111) should be entered to Cage B of this schedule.



The deductible loss from foreign sources of business entered in Cage 20.B.85 of Schedule 02B (IV) should be entered in Cage C of the Schedule 02B and the deductible loss from foreign sources of investment included in Cage 30.B.45 of Schedule 02B (IV) should be entered in Cage D of this Schedule.

The total loss deductible on business and investment included in Cage 20.B.0. and 30.B.0 of Schedule 02B should be entered to Cage 20.B and 30.B of Schedule 02 as well.

### 2.3.1 Schedule 02B (1) – Business losses

The brought forward business losses from the Y/A 2018/2019 (Loss incurred during the Y/A 2018/2019 and remaining balance of the Brought Forward Business Losses provided in accordance with the Gazette Notification No. 2064/53, dated April 1, 2018) should be included in Cage 20.B.10, 20.B.20 and 20.B.30 by categorizing the rate of income tax **applicable for business income for the Y/A 2018/2019**, which is 14%, 28% or 40% respectively (No amounts available to be included in Cage 20.B.90). Business losses incurred during the Y/A 2019/2020 should be included in Cage 20.B.11, 20. B.91, 20.B.21 and 20.B.31 by categorizing the income tax rate applicable for business income for the Y/A 2019/2020.

If the applicable income tax rate was changed with effect from 01.01.2020, compute the assessable loss from business for the Year of Assessment, separate the same based on the instructions issued by the Commissioner General of Inland Revenue (3/4<sup>th</sup> for the period from 01.04.2019 to 31.12.2019 and 1/4<sup>th</sup> for 01.01.2020 to 31.03.2020) and then enter the quantum of losses to the relevant cages. The total losses



claimed for the Y/A 2019/2020 should be declared in Cage 20.B.12, 20.B.92, 20.B.22 or 20.B.32 categorizing the income tax rate applicable.

The gains and profits from business which is computed in Schedule 02A (1) (**other than foreign source income**) should be included in cages 20.B.13, 20.B.93, 20.B.23 and 20.B.33 in this schedule by categorizing the income tax rate applicable for business income for the Y/A 2019/2020.

In calculating the assessable income of a person from a business for a year of assessment **the following rules should be applied when deducting losses or unrelieved losses** (brought forward losses) as provided in section 19 of the IR Act.

Both first and second rules shall be applied in deciding whether the loss deduction is permitted or not.

### First Rule

Type of Loss	Against Business Income	Against Investment Income	Against Capital Gains (Realization of Investment Assets)
Business	Yes	Yes	Yes
Investment Activity	No	Yes	Yes
Investment Assets (Realization)	No	No	No



## Second Rule

Type of Loss	Against Income Taxable at Reduced or Same Rate	Against Income Taxable at Higher Rate	Against Exempted Income
Income Taxable at Reduced Rate	Yes	No	Yes
Income Taxable at Higher Rate	Yes	Not Applicable	Yes
Income Exempted	No	No	Yes

Generally, unrelieved loss can be carried forward to six years of assessment (Loss incurred in Y/A 2018/2019 can be C/F only up to the Y/A 2024/2025) but, if there is any unrelieved loss for a person, due to deduction of the enhanced capital allowances under the Second Schedule to the IR Act, that unrelieved loss can be deducted when calculating income from a business for a year of assessment in any of the succeeding 10 or 25 years of assessments, subject to the conditions specified in paragraph 07 and 08 of that Schedule.

In addition to the above loss deduction rules, as provided in the Gazette Notification No. 2064/53 dated April 1, 2018, any loss in respect of any finance lease agreement entered into, prior to April 1, 2018, shall be computed in accordance with the respective provisions of the Inland Revenue Act, No. 10 of 2006. Therefore, such loss on finance lease agreements shall be deducted to the extent of any profits from such business included in assessable income and the balance, if any, after



such deduction, shall be deemed to be a loss for the year of assessment immediately succeeding that year of assessment.

Accordingly, the aforesaid rules should be incorporated under the Adjustment +/(-) of this Schedule. The adjustments can be made if gains and profits declared are higher than total losses declared in the schedule. The loss transfer from higher rate to lower rate of business income should be included in cages 20.B.14, 20.B.94, 20.B.24 and 20.B.34 by categorizing the income tax rate applicable for business income. When the losses transfer from higher rate of income tax to lower rate of income tax, the loss should be entered as minus figure (with bracket) in the higher rate column and as plus figure to lower rate column.

Business losses transfer for the purpose of deducting from investment income of the year of assessment should be included in cages 20.B.15, 20.B.95, 20.B.25 and 20.B.35 by categorizing the income tax rate 14%, 18%, 24% or 28% and 40% respectively. Further, business losses transferred should be included in Cage 30.B.15 and Cage 30.B.25 of Schedule 02B (111) subject to the rate condition of loss deduction.

The amount of specific loss deduction includes losses claimed on enhanced capital allowances and losses on finance lease agreements entered into, prior to April 01, 2018. Therefore, before filling amount of specific losses of Schedule 02B (1), Schedule 02B (11) should be completed. The total of specific losses deducted declared in cage 20.B.63 under the Schedule 02B (11) should be entered in cages 20.B.16, 20.B.96, 20.B.26 or 20.B.36 of Schedule 02B by categorizing the income tax rate applicable for business income.



After the aforesaid adjustments, the deductible losses for the year of assessment should be included in cages 20.B.17, 20.B.97, 20.B.27 and 20.B.37 of Schedule 02B (1). Accordingly, amount of losses deductible are the total losses declared by aggregating loss transfer from higher rate to lower rate, business losses transfer to investment and specific losses declared under each rate of income tax, (subject to the amount declared as gains and profits for the year of assessment).

The unrelieved business losses expired after the six year of assessment should be included in cages 20.B.18, 20.B.98, 20.B.28 and 20.B.38 of this Schedule by categorizing the same according to the applicable income tax rate.

The excess amount of loss declared after deducting deductible loss and adjustments (minus figures) of each income tax rate, the balance loss should be included in the Cage loss carried forward 20.B.19, 20.B.99, 20.B.29 and 20.B.39 by categorizing the loss in accordance with income tax rate applicable.

**The total of the business losses deductible declared in cage 20.B.40 should be entered to cage A of Schedule 02B.**

### **2.3.2 Schedule 02B (11) – Specific loss deductions**

This Schedule contains two parts. The Part 1 contains investment incentives related loss deductions and the Part 11 contains leasing losses (under transitional provision Gazette Notification).



### **2.3.2.1 Part 1: Investment Incentives under Second Schedule**

The capital allowances claimed under the investment incentives of the Second Schedule to the Act, result in unrelieved loss for a person, that unrelieved loss may be deducted by that person from the business income in any of the succeeding 10 years of assessment or 25 years of assessment subject to the conditions specified in paragraph (7) & (8) of the Second Schedule to the Act.

The enhanced capital allowances computed in terms of the Second Schedule to the IR Act, and deducted under section 16 of the IR Act, result in loss for the year of assessment, that loss should be declared in cages 20.B.50 and 20.B.51 by categorizing the number of years applicable for unrelieved loss claimable (10 years or 25 years).

The amount of loss deducted in the year of assessment should be included in Cages 20.B.60 and 20.B.61 by categorizing the number of years claimable. After deducting amount in Cages 20.B.60 and 20.B.61 from the amount in Cages 20.B.50 and 20.B.51, the amount of unrelieved loss carried forward should be entered to Cages 20.B.70 and 20.B.71

### **2.3.2.2 Part 11: Leasing Losses under Transitional Provision**

As provided in the Gazette Notification No. 2064/53 dated April 1, 2018, any profit, loss, receipt or payment incurred in respect of any finance lease agreements entered into, prior to April 1, 2018, shall be computed in accordance with the respective provisions of the Inland Revenue Act, No. 10 of 2006. Therefore, to facilitate set-off of losses in accordance with the relevant provisions of the Act, No. 10 of 2006,



you are advised to include current year losses and brought forward losses in Cage 20.B.52 of Schedule 02B (11).

If there is any adjusted profit for the Y/A 2019/2020, on the finance lease agreements entered into, prior to April 1, 2018 the loss declared in Cage 20.B.52 can be deducted. The loss deducted for the Y/A 2019/2020 should be declared in Cage 20. B.62.

The unabsorbed losses as at 31.03.2020 on such finance leasing agreements should be declared in Cage 20. B.72, which could be carried forward, and claim in the next year of assessment on same basis.

The total of specific losses deducted for the Y/A 2019/2020, that are declared in Cages 20.B.60, 20.B.61 and 20.B.62 should be included in Cage 20.B.63.

**The amount in Cage 20.B.63 should be entered to Cage 20.B.16, 20.B.96, 20.B.26 or 20.B.36 of Schedule 2B (1) by categorizing the relevant income tax rate.**

### **2.3.3 Schedule – 02B (11): Investment Losses**

The brought forward investment losses from the Y/A 2018/2019 should be included in Cages 30.B.10 and 30.B.20 by categorizing the rate of income tax **applicable for investment income for the Y/A 2019/2020**, which is 14% and 28% or 24% respectively. As well as, investment losses incurred during the Y/A 2019/2020 should be included in Cages 30.B.11 and 30.B.21 by categorizing the rate of income tax applicable. The total losses claimed for the Y/A 2019/2020 should be declared in



Cages 30.B.12 and 30.B.22 by categorizing the income tax rate applicable.

The gains and profits from investment which is computed in Schedule 02A (11) (**other than foreign source of income**) should be included in Cages 30.B.13 and 30.B.23 in this Schedule by categorizing the income tax rate applicable.

In calculating the assessable income of a person from investments for a year of assessment the rules stated under paragraph 2.3.1 (1) for the business losses should be applied when deducting losses or unrelieved losses (brought forward losses) from investment income.

Accordingly, the rules should be incorporated under the Adjustment +/(-) of this Schedule. The adjustments can be made if gains and profits declared are higher than total losses declared in the Schedule. The loss transfer from higher rate to lower rate of investment income should be included in Cages 30.B.14 and 30.B.24 by categorizing the income tax rate applicable for investment income. When the losses transfer from higher rate of income tax to lower rate of income tax, the loss should be entered as minus figure (with bracket) in the higher rate column and as plus figure to lower rate column.

Business losses transfer to be deducted from investment income of the year of assessment should be included in Cages 30.B.15 and 30.B.25 by categorizing the income tax rate.

After the aforesaid adjustments the deductible loss should be included in Cage 30.B.16 and 30. B.26. Therefore, amount of losses deductible are total losses declared aggregate to loss transfer from higher rate to



lower rate and business losses transfer to investment declared under the each rate of income tax.

The unrelieved loss from investment can be deducted within six years of assessment. Therefore, unrelieved investment losses expired after the six year of assessment should be included in Cage 30.B.17 and 30.B.27 of this Schedule by categorizing the income tax rate.

The excess amount of loss declared after deducting deductible loss and adjustments (minus figures) of each income tax rate, the balance loss should be included in the Cage loss carried forward 30.B.18 and 30.B.28 by categorizing the loss in accordance with income tax rate applicable.

**The total of the investment loss deductible in Cage 30.B.30 should be entered to Cage B of Schedule 02B.**

#### **2.3.4 Schedule – 02B (1V): Foreign Losses**

The brought forward foreign source losses from the Y/A 2018/2019 should be included in Cage 20.B.80 or 30.B.40 by categorizing the source of income which is business or investment. As well as, foreign losses incurred during the Y/A 2019/2020 should be included in Cage 20.B.81 and 30.B.41 by categorizing the source of income.

Total losses claimed for the Y/A 2019/2020 should be declared in Cage 20.B.82 and 30.B.42 by categorizing the source of income.

The gains and profits from foreign sources which is declared separately by using the relevant activity codes in the Schedule 02A (1) and



Schedule 02A (11) should be included in Cage 20.B.83 and 30.B.43 of this Schedule by categorizing the source of income.

In calculating the assessable income from foreign sources of a person for a year of assessment the following rules should be applied, when deducting losses or unrelieved losses (brought forward losses) from foreign source income.

Type of Loss	Against Foreign Source Income	Against Foreign Investment Income
Foreign Source Business Loss	Yes	Yes
Foreign Source Investment Loss	No	Yes

Accordingly, the above rules should be incorporated under the Adjustment +/- (-) of this Schedule. The adjustments can be made if foreign gains and profits declared are higher than total losses declared in the Schedule. The loss transfer from business to investment should be included in Cages 20.B.84 and 30. B.44. When the losses transfer from business to investment, the loss should be entered as minus figure (with bracket) in the business column and as plus figure to investment.

After the aforesaid adjustments the deductible loss should be included in Cages 20.B.85 and 30. B.45. Therefore, amount of losses deductible are the total losses declared aggregate to loss transfer from business to investment.



The unrelieved loss from foreign sources from business and investment can be deducted within six years of assessment. Therefore, unrelieved loss expired after the six year of assessment should be included in Cages 20.B.86 and 30.B.46. After deducting deductible loss from the gains and profits from foreign sources, the balance loss should be included in the cages loss carried forward 20.B.87 and 30. B.47.

**The total of foreign loss deductible entered in Cages 20.B.85 and 30.B.45 should be entered to Cages C and D of Schedule 02B (Loss deduction summary).**

#### **4. Cage 50 - Total Assessable Income**

Total Assessable Income is the total of assessable income from each source of business, investment and other income. The total of the amounts declared in Cages 20, 30 and 40 should be entered in Cage 50 as the Total Assessable Income unless the result is a negative figure in which case the Assessable Income is Zero.

#### **5. Cage 60– Qualifying Payments (Schedule 3)**

This schedule mainly divided into two parts namely:

- Deductible Qualifying Payments made during the year (under Inland Revenue Act, No. 24 of 2017)
- Brought forward (B/F) Deductible Qualifying Payments under Act, No. 10 of 2006.

**5.1 Deductible Qualifying Payments made during the year (Fifth Schedule of the Inland Revenue Act, No. 24 of 2017)**



The following payments can be deducted as qualifying payments made during the year of assessment.

- (i) Donations made in money to an Approved Charity which is established for the provision of institutionalized care for the sick or the needy;
- (ii) Donation made in money or otherwise to-
  - (a) the Government of Sri Lanka;
  - (b) a Local Authority;
  - (c) any Higher Education Institution established or deemed to be established under the Universities Act;
  - (d) the Buddhist and Pali University or any Higher Educational Institution established under the Universities Act or under the Buddhist and Pali University Act;
  - (e) a Fund established by the Government of Sri Lanka;
  - (f) a Fund established by a local authority approved by the Minister;
  - (g) the Sevena Fund created and administered by the National Housing Development Authority;
  - (h) a Fund established by a provincial council and approved by the Minister;
  - (i) the Api Wenuwen Api Fund established by the Api Wenuwen Api Fund Act;
  - (j) National Kidney Fund established under the National Kidney Foundation of Sri Lanka (Incorporation) Act;
- (iii) Profits remitted to the President's Fund established by the President's Fund Act, by a public corporation as required



by the law by or under which such corporation is established.

## 5.2 Brought Forward Deductible Qualifying Payments made under Act, No. 10 of 2006 (As provided in the transitional Gazette Notification)

The payments referred in relevant sections of the Inland Revenue Act no. 10 of 2006 (as given below) can be considered as qualifying payments, if there is any brought forward balance from the previous year of assessment in relation to such payments as provided in the Gazette Notification No. 2064/53 dated April 1, 2018.

The allowance for qualifying payments is available only to the extent that the actual amount spent/ invested and B/F amount, or below mentioned limit, whichever is the lower.

S/N	Relevant Section of the Inland Revenue Act No. 10 of 2006.	Limitations to Deduct the QP
1	34 (2) (b)	No specified limitation other than amount B/F
2	34(2) ©	1/5 <sup>th</sup> of the Assessable Income
3	34 (2) (h) (ii)	35 Million
4	34(2) (l)	100 Million
5	34(2) (m)	No specified limitation other than amount B/F
6	34(2) (n)	25 Million
7	34(2) (o)	10 Million



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8	34(2) (q)	No specified limitation other than amount B/F
9	34 (2) (x)	1/3 <sup>rd</sup> of assessable income or Rs.300 million whichever is higher

It is necessary to attach documentary proof in respect of any qualifying payment claimed in the Return.

## 5.4 Carry forward of un-deducted qualifying payments

### 5.4.1 Qualifying Payments made during the year of assessment:

The balance of the qualifying payments which cannot be deducted in the Y/A 2019/2020, if any, referred to in paragraph 5.1 (i), 5.1 (ii), and 5.1 (iii) **cannot be carried forward** and cannot be deducted in the future year of assessment.

5.4.2 Qualifying Payments B/ F under Act, No. 10 of 2006 can be carried forward and deducted until the full amount of that qualifying payment is deducted subject to the provisions of Subsections 5, 6, 7 and 7A of the Section 34 of the same Act.

***The Total Amount in cage 60.0 of Schedule 03 should be entered to Cage 60 of the Return of Income.***

## 6. Cage 70 - Taxable Income

In arriving the taxable income of an entity for a year of assessment under section 3 of the IR Act, the aggregate qualifying payments referred to in the Fifth Schedule to this Act shall be deducted.



Deduct the amount in Cage 60 from the amount in Cage 50 and enter the result in Cage 70, which is taxable income of a company/entity. Please note that the taxable income cannot be a negative amount, in which case enter "0".

## 7. Cage 80 - Tax on Income Taxable at Special Rates (Schedule 04)

Following (7.1 to 7.7) are the **special tax rates for the purpose of filling the return of income.**

### **7.1 For the first nine months period (from 01.04.2019 to 31.12.2019) of the year of assessment 2019/2020 (Company Tax Rates)**

- (i) **14% and 40% Tax Rate** – according to the Sub-Paragraph 2 of Paragraph 4 of the First Schedule, 14% Tax and 40% Tax rates are applicable as set out below.

The taxable income of a company for a year of assessment shall be taxed at the following special rates: —

- (a) in the case of a Small and Medium Enterprises – **14%**;
- (b) in the case of a company *predominantly* conducting a business of exporting goods and services – **14%**;
- (c) in the case of a company *predominantly* conducting an agricultural business – **14%**;
- (d) in the case of a company with income from a business consisting of betting and gaming, liquor and/or tobacco (excluding such income which is merely incidental to another business) – **40%**



- (e) in the case of a company *predominantly* providing educational services – 14%;
- (f) in the case of a company *predominantly* engaged in an undertaking for the promotion of tourism- 14%; and
- (g) in the case of a company *predominantly* providing information technology services – 14%.
- (ii) **28% Tax Rate** - balance taxable income [other than gains from the realization of investment assets and income referred above (i)] if any is chargeable at 28% as per Sub-paragraph 1 and 4(b) of the Paragraph 4 of the First Schedule. This 28% rate is also a special rate for the purpose of return of income filling purposes in Y/A 2019/2020.

## **7.2 For the Second three months period (from 01.01.2020 to 31.03.2020) of the year of assessment 2019/2020 (Company Tax Rates)**

### **(i) 14% , 18% and 40% Tax Rates**

On gains and profits from following specific businesses are taxed at 14%

- Small and Medium enterprises (as defined in section 195)
- Conducting a business of sale of goods or merchandise where the payment for such sale is received in foreign currency and remitted through a bank to Sri Lanka
- Specified undertakings (as defined in section 195)
- Educational services
- Promotion of tourism



- f. Construction services
- g. Agro processing
- h. Healthcare services
- i. Dividends received from a resident company

Further 18% and 40% tax rate applicable as follows.

- j. on gains and profits from manufacturing - 18%
- k. on gains and profits from conducting betting and gaming - 40%
- l. on gains and profits from manufacture and sale or import and sale of any liquor or tobacco products - 40%

### **7.3 For the year of assessment 2019/2020, Special Tax Rates based on the Gazette Notification No. 2064/53, dated April 1, 2018**

- (i) In terms of Gazette Notification No. 2064/53, dated April 1, 2018, if the agreement provides for the profits and income of 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 profit and income of such enterprise shall continue to be liable for income tax calculated on the basis and **at the rate provided under that agreement.**
- (ii) In terms of Gazette Notification No. 2064/53, dated April 1, 2018, where the whole or any part of the profits and income of a person is entitled to pay tax of concessionary rate under provisions 59D, 59I, 59J, 59K, 59L, 59M 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 period shall be continued.



### **7.3 Tax Rates Applicable for Trusts**

Taxable income of a trust for the second 3 months period (01.01.2020 to 31.03.2020) of the year of assessment to which subsection (1) of section 57 of the IR Act, applies shall be taxed at the rate of 18%.

### **7.4 Tax Rates Applicable for Charitable Institutions**

The taxable income of a charitable institution for a year of assessment shall be taxed at the rate of 14% (for 12months period of the Y/A 2019/2020).

### **7.5 Tax Rates for Employees Trust Funds, Provident or Pension Funds and Termination Funds**

The taxable income of an employee's trust fund, an approved provident or pension fund, or an approved termination fund for a year of assessment shall be taxed at the rate of 14% (for 12months period of the Y/A 2019/2020).

### **7.6 Tax Rates Applicable for Unit Trusts or Mutual Funds [For the first nine months period (from 01.04.2019 to 31.12.2019) of the year of assessment 2019/2020]**

The taxable income of a unit trust or mutual fund to which section 59 of the IR Act applies, shall be taxed at the rate of 28%.



## **7.7 Tax rates Applicable for Non-Governmental Organizations [For the first nine months period (from 01.04.2019 to 31.12.2019) of the year of assessment 2019/2020]**

- (a) Subject to subparagraph (2) of section 68 of IR Act, the taxable income of a non-governmental organization for a year of assessment shall be taxed at the rate of 28%.
- (b) The rate of tax payable by a non-governmental organization on amounts received in a year of assessment by way of grant, donation or contribution or in any other manner under section 68 shall be taxed at the rate of 28%.

Above tax rates are the special rates for the purpose of filling the return of income. It includes 28% tax rate as well. You are required to obtain the relevant tax rate codes from the IRD web portal for each special tax rate through

**[http://www.ird.gov.lk/en/Downloads/IT Corporate Doc/List of Codes for Special Tax Rates](http://www.ird.gov.lk/en/Downloads/IT_Corporate_Doc/List_of_Codes_for_Special_Tax_Rates) and enter the same in schedule 4.**

**Please note that the part of taxable income chargeable at special rate and the particular rate applicable to such part of taxable income should be clearly stated (each quantum) under relevant cage in Schedule 04.**

***Enter the amount in Cage 80.0 of the Schedule 04 to Cage 80 of the Return of Income***



## 8. Cage 90-Tax on Gain on Realization of Investment Assets

For any year of assessment commencing on or after April 1, 2018, where a company's/ entities taxable income includes gains from the realization of investment assets those gains, shall be taxed at the rate of 10%.

**Please note that the part of taxable income chargeable at 10% rate applicable to such part of taxable income should be clearly stated under relevant cage in Schedule 04.**

***Enter the amount in Cage 90.0 of the Schedule 04 to Cage 90 of the Return of Income***

## 9. Cage 100- Tax on Balance Taxable Income

On The taxable income of a company/entity for a year of assessment shall be taxed at the rate of 24% (other than the gains and profits from specific businesses and gains from the realization of investment assets). Accordingly, it is required to enter the part of taxable income derived for the second period in year of assessment 2019/2020 (from 01.01.2020 to 31.03.2020) to the cage 100.0.1 and the tax liability to the cage 100.0.

Additionally, 24% tax rate is applicable to the taxable income derived by following persons.



## 9.1 Tax Rates Applicable for Unit Trusts or Mutual Funds

The taxable income of a unit trust or mutual fund to which section 59 of the IR Act, applies for the second period of the year of assessment 2019/2020 (from 01.01.2020 to 31.03.2020) shall be taxed at the rate of 24%.

## 9.2 Tax rates Applicable for Non-Governmental Organizations

- (c) Subject to subparagraph (2) of section 68 of IR Act, the taxable income of a non-governmental organization for the second period of the year of assessment 2019/2020 (from 01.01.2020 to 31.03.2020) shall be taxed at the rate of 24%.
- (d) The rate of tax payable by a non-governmental organization on amounts received for the second period of the year of assessment 2019/2020 (from 01.01.2020 to 31.03.2020) by way of grant, donation or contribution or in any other manner under section 68 shall be taxed at the rate of 24%

## 9.3 Tax Rates Applicable for Trusts

Taxable income of a trust for the first 9 months period (01.04.2019 to 31.12.2019) of the year of assessment to which subsection (1) of section 57 of the IR Act, applies shall be taxed at the rate of 24%.

**Please note that the balance taxable income chargeable at 24%, should be clearly stated under relevant cage in Schedule 04.**

***Enter the amount in Cage 100.0 of the Schedule 04 to Cage 100 of the Return of Income***



## 10. Cage 110 - Tax on Remittances (Schedule 05)

Tax on remittances is applicable only to non-resident companies, and it is computed at the rate of 14% on total remittances made during the year.

“**Remitted profits**” means - amounts remitted or retained abroad out of the profits and income of the non-resident person and any amount received outside Sri Lanka by or on behalf of the non-resident person from conducting business in Sri Lanka that are subject to income tax in Sri Lanka, excluding dividends paid by a resident company to the non-resident person.

*Enter the amount in Cage 110.0 of Schedule 5, to the Cage 110 of the Return of Income*

## 11. Cage 120 - Tax on Receipt of Final Withholding Payments (for the first 9 months of the Year of Assessment from 01.04.2019 to 31.03.2019) (Schedule 06)

The gains and profits which are subject to final WHT should be declared in Cage 120.A.1. The following payments are subject to final WHT in respect of company/entity, as provided in the section 88 of the IR Act.

Dividends paid by a resident company to a resident person; Amounts paid as winnings from a lottery, reward, betting or gambling, other than amounts received in conducting a business consisting of betting and gaming to a resident person;



Payments made to non-resident person that are subject to WHT (other than payment derived through a Sri Lankan permanent establishment). This type of payments is final withholding payments for the whole year of assessment.

Please note that the above gains and profits (payments) are subject to income tax in the hands of recipient (withholdee) at the rate of WHT, if WHT is not deducted by the withholding agent.

Therefore, receipt of Final Withholding Payments, which are **Tax Not Deducted** by Withholding Agent, should be entered to Cage 120.A.3 and the income tax liability **at the rate of Final Withholding Tax** should be entered in Cage 120.A.

*Enter the amount in Cage 120.A of Schedule 06 to the Cage 120 of the Return of Income*

## 12. Cage 130 -Total Tax Payable

The total of the amounts in Cage80, Cage 90, Cage100, Cage 110 and Cage 120 should be entered in Cage 130 of the Return of Income as the total of income tax payable.

## 13. Cage 140-Total Tax Credits (Schedule 07)

The explanations in relation to each Cage in the Schedule 07 are given below in the same order. The tax credits are divided into two parts as non-refundable credits and refundable credits.



## 13.1 The followings Credits are non-refundable credits

### 13.1.1 Cage 140.1 – Foreign Tax Credit

Any credit allowable for tax paid in a foreign country may be claimed in Cage 140.01. The claim should be supported by a certificate and be limited to the amount of tax on such part of profits or income to which the foreign tax credit relates.

### 13.1.2 Cage 140.2 - Other relief

Any other tax credit or relief which is deductible but not claimed elsewhere in the Return of Income or Schedules should be entered in this Cage. Please give the full details of such claims in a separate sheet.

### 13.1.3 Cage 140.3 – Economic Service Charge (ESC) Deductible

Enter in this Cage the amount entered in the Cage 140.3.6 of the Schedule 07A as deductible amount of ESC.

### 13.1.4 Cage 140.4 - Notional Tax Credit (NTC) Deductible

Any Notional Tax Credit brought forward balance qualified for deduction as provided in the Gazette Notification No. 2064/53, dated April 01, 2018, can be claimed as a tax credit (if there is any balance after the deduction in previous year of assessment). If there is any Notional Tax Credit brought forward balance available to be deducted in this year of assessment, such amount should be included in the Schedule 07(C).



The deductible amount from the brought forward balance of NTC for the year of assessment should be entered in Cage A of schedule 07C. The deductible amount as tax credit for the Y/A 2019/2020 should be entered in cage C and the carried forward balance if any, should be entered in Cage D of the Schedule 07C.

As provided in the Gazette Notification No. 2064/53, if there is any brought forward balance of NTC, may be carried forward to be set off against the income tax liability within three consecutive years of assessment commencing from the year of assessment 2018/2019.

13.2 The followings Credits are refundable credits.

### **13.2.1 Cage 140.10 - Remittance Tax Paid**

Enter the total amount of Remittance Tax paid in Cage 110.4 of Schedule 05, to Cage 140.10 of Schedule 07.

### **13.2.2 Cage 140.11 – Tax paid on Realization of Investment Assets**

Enter only the tax paid on gain on realization of investment assets during the year of assessment 2019/2020 in Cage 140.11.

### **13.2.3 Cage 140.12 - Withholding Tax Credit claimed from CIT**

Enter the amount of any non-final withholding tax paid and claimed on payments subject to withholding tax under Sec.84 and 85 of the IRA, in Cage F.2 of Schedule 07B to Cage 140.12



of Schedule 07. The detailed breakup of the WHT credit claimed should be entered in Schedule 07B. The verified WHT Schedule should be uploaded on CSV format & it is compulsory if number of items more than 20, if not Schedules can be uploaded manually.

If there is any brought forward balance of Withholding Tax or any Withholding Tax amount has been deducted during the period from 01.04.2019 to 31.12.2019 on any advance payments, then you are having an option to claim the total withholding tax credit for this year of assessment [(since the Withholding Tax liability on such payments were removed as per the proposed changes to the IRA as announced by the Commissioner Generals' notice PN/IT/2020-03 (Revised) dated 08.04.2020 (pending formal amendments being made to the Act)] However, if you wish to carry forward the relevant part of the WHT credit to future years of assessment to meet the income tax liability when you are recognizing the relevant gains and profits , you may fill the cages of Schedule 7B (under the amount C/F).

#### **13.2.4 Cage 140.13 - Self-Assessed Tax payments (Tax Paid on Statement of Estimated Income Tax)**

Enter only the total amount of Income Tax paid under **Estimated Income Tax** as quarterly installments, the final payment (assessment payment) and tax paid on receipt of final withholding payments on which WHT is not deducted by withholding agent for the relevant year of Assessment (i.e. 2019/2020) in Cage 140.13.



The total amounts of refundable credits in Cage 140.A and the total amounts of non- refundable credits 140.B should enter in Cage 140.0 of Schedule 07.

*Enter the amount in Cage 140.0 of Schedule 07 to the Cage 140 of the Return of Income*

### **13.2.5 Cage 140.C - Total Income Tax Refund available from previous years**

Enter the cumulative amount of Income Tax Refund from previous years [do not declare the previous year refunds under other relief (140.2)].

### **14. Cage 150 or Cage 160 - Calculation of Amount of Balance Tax Payable or Refund Claimed**

If the figure in Cage 130 is greater than the figure in Cage 140, enter the difference between the two figures in Cage 150 as Balance Tax payable. If the figure in the Cage 140 is greater than that in Cage 130, enter the difference between the two figures in Cage 160 as Refund Claimed.

### **Part B: Computation & Financial Information**

If you submit your tax computation sheets (adjusted statement of tax profit/loss in accordance with the provisions of IRA) with the return of income (Form *Asmt\_CIT\_003\_E*), **Schedule 8 is not compulsory**. However, if Schedule 8 has prepared, with your tax computation, you may submit the same together with all required schedules.



## 1. Schedule 8: Computation Sheets

The adjusted gains and profits from the sources of business, investment and other Income should be calculated in accordance with this schedule. The gains and profits included in the sections 6 to 8 should include as amounts derived and the after deducting exempt amounts and final withholding payments from each source the net amount derived from each source should be calculated.

Then, the deduction rules in terms of provisions of the Inland Revenue Act, No. 24 of 2017 should be applied and assessable income from each source should be computed.

Please note that, since the loss incurred due to the investment incentives claimed in terms of Second Schedule should be recognized separately, the investment incentives claimed during the year of assessment should be declared in Cage 2700 of the Schedule 08 separately before computing assessable income from the business. Therefore, after deducting investment incentives if there is any income to declare as Assessable Income from business should be included in Cage 2999.

## 2. Schedule 9 A: Financial Information

Enter the details of Gross Profit, Comprehensive Income and Other Comprehensive Income of the Audited Financial Statements of the year of assessment 2019/2020 in this Schedule.



### 3. Schedule 9B: Transfer Pricing Details

If you have any transaction with Associated Enterprises, details of such transactions in terms of the provisions of the IR Act and the Extraordinary Gazette No. 2104/4 of 31.12.2018, should be entered in this schedule.

According to the above Gazette, the Local File (referred to in the Preparing and Maintaining Transfer Pricing Documentation) is to be prepared by those enterprises that are carry out controlled transactions or each category of controlled transactions with associated enterprises exceed Sri Lankan Rupees (LKR) 200 million **for each year of assessment** as recorded in the books of account.

If the requirement to submit the Transfer Pricing Disclosure Form arisen due to the proposed changes of the IRA as announced by the Commissioner Generals' notice PN/IT/2020-03 (Revised) dated 08.04.2020, then the above value of controlled transactions (Rs.200 Million) with associated enterprises is the value of transactions for relevant period of the Year of Assessment that the changes are applicable.

**Example:** If there is any exemption which is applicable from 01.04.2019, then the value of controlled transactions should be considered for the 12 months period of the Year of Assessment (01.04.2019 to 31.03.2020, Rs 200 Million). If there is any concessionary rate applicable with effect from 01.01.2020, then the value of controlled transactions should be considered for 3 Months Period (01.01.2020 to 31.03.2020, Rs.200 Million).



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 Sri Lanka Inland Revenue

## SECTION 02

### Declaration

#### Part A

In terms of section 126(5) of the IR Act, where a return or part of a 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 prepared the Return and Schedules is required to sign (and date) the Return of Income indicating his/her name and designation in Part A of the Section 02 of the Return of Income.

#### 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 Managing Director/ Director/ Secretary or Principal Officer of the **company is required to sign (and date)** the Return of Income indicating his/her name and designation in Part B of the Section 02 of the Return of Income.

If you require any assistance or clarification, please contact the IRD Call Center by dialing 1944.

Sinhala or Tamil translation of this guide can be downloaded from the IRD Portal [www.ird.gov.lk](http://www.ird.gov.lk)



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