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உள்நாட்டு இறைவரி
INLAND REVENUE

I.R.14

GUIDE TO FILLING THE RETURN & SCHEDULES RESIDENT INDIVIDUALS

YEAR OF ASSESSMENT 2014/2015

- You are required to declare in the Return for the year of assessment 2014/2015, the particulars of the respective income for the period from **01.04.2014 to 31.03.2015**
  (As Income Tax is payable on the current year basis).

- If your assessable income for the year of assessment does not exceed Rs.500, 000/-, you are not liable to pay income tax. Assessable income is the income after deducting the deductions specified in paragraph 8 & paragraph 9 from total statutory income. Total statutory income does not include tax exempt income. However, your dividend income or interest income on deposits, if any, could have been charged to income tax at source as final withholding tax and therefore such dividend & interest does not form part of the total statutory income.

- Statements of accounts in relation to any trade, business, profession or vocation, documents in support of deductions made under Section 32 (paragraph 9 of this guide), qualifying payments made under Section 34 (paragraph 10 of this guide) and copies of the paying-in-slips of payments made under self-assessment should be attached to the Return.

- **The return is sent in the language of your choice. You are required, among others to indicate your National Identity Card (NIC) Number in the relevant cage provided in the last page of the Return.**

- **Spouse or Children**
  The income (for any year of assessment) of an unmarried child below 18 years of age being a child of a resident individual is required to be aggregated with that of such child's father, if the marriage of parents subsists in that year of assessment. If the marriage of parents does not subsist, the income of such a child is aggregated with that of the parent who maintains that child and with whom the child lives. If you are such a parent with such a child, please include in your return the income of that child. (Such aggregation does not apply to any non-resident parent).

- If your spouse, or any child (who is either married or over 18 years of age) has assessable income exceeding Rs.500,000/- for this year of assessment, he/she is required to get a separate file opened and furnish a return. Please request him/her to contact the Commissioner of the Unit or Office in which your Income Tax file is dealt with.

- The duly completed Return Form along with the Schedules and other required documents should be posted or delivered to the Unit/Branch or Regional Office where your income tax file is dealt with, to reach the respective Unit/Branch/Office on or before **30th November, 2015**.

NOTE: - The law provides for the imposition of a penalty on any person who fails to furnish a Return as of the due date, or makes an incorrect Return.

PART – 1

PROFITS AND INCOME LIABLE TO TAX (ASCERTAINMENT OF TOTAL STATUTORY INCOME)

01. Income from Employment: (Schedule - 1)

(1) Remuneration of any kind received **for services rendered** is income from employment**.** Items of income such as wages, salaries, bonus, commissions, leave pay, overtime pay, fees, gratuities, allowances (including entertainment allowance, traveling allowance), pension, rewards, perquisites or such other receipts including terminal benefits (legal or otherwise) whether received from the employer or others are profits or income from employment.

The gross remuneration specified in tax deduction certificate furnished by the employer as the employment income, (i.e. T-10 certificate or T-10D certificate furnished) should be entered in the return to the respective income.

Total of benefits in money or otherwise should be declared in Cage 103 of Schedule1

(2) Once-and-for-all receipts (terminal benefits)-(Cage 104 of Schedule 1)

(3) Director Fees and other benefits being the second employment (tax has been deducted at 10% or 16 %under section 117and section 117(A) - (Cage 105 of Schedule 1)

(i) Please note that director is an employee for the purpose of taxation and therefore income tax is to be deducted by applying PAYE tables. In the case of a second employment as a director or otherwise of such employee (whether executive or non-executive, or to any Chairperson of the Board of Directors of any company or to any other person), provisions of section 117 are applicable and tax is deductible on cash or non-cash benefits subject to deduction of tax at the rate of 10% if monthly receipts is less than Rs.25, 000 and at the rate of 16% if such receipts is more than Rs.25, 000.

(ii) If you are an employee of another employer who is not the main employer, benefits given in cash or otherwise by such employer is liable to tax :

- <u>Private sector employment</u> -
  at the rate of 10%, if such income is less than Rs. 25,000/ per month and at the rate of 16%, if such income is more than Rs. 25,000/ per month.

- <u>Public sector employment</u>-
  at the rate of 10%, if such income is less than Rs. 50,000/ per month and at the rate of 16% , if such income is more than Rs. 50,000/ per month.

If you have no any other income , other than employment income, interest or dividend from which tax has been deducted at source , and tax has been paid on the above other employment at the respective rate no further tax is payable.

02. Profits from Trade, Business Profession or Vocation: (Schedule - 2)

Declare the income adjusted for tax purposes in the last column of Schedule 2. Income adjusted for tax purposes means the net income after deducting all expenses and outgoings (other than those which are not deductible in terms of provisions of the Inland Revenue Act) incurred in the production of such income.

Attach statement of accounts and tax computation.

Please contact the Commissioner of the relevant Regional Office for details.

Regional Office			**Tel No**
Colombo City	-	Metropolitan Branch	0112504390
Colombo Central	-	Metropolitan Branch	0112505274
Colombo South	-	Metropolitan Branch	0112502564
Unit 1 & 2	-	Nawam Mawatha	0112302249
Regional Office	-	Anuradhapura	0252235512
Regional Office	-	Badulla	0552222490
Regional Office	-	Batticaloa	0652222087
Regional Office	-	Dambulla	0662283655
Regional Office	-	Galle	0912222504
Regional Office	-	Gampaha	0332234246
Regional Office	-	Jaffna	0212222076
Regional Office	-	Kalutara	0342222216
Regional Office	-	Kandy	0812223526
Regional Office	-	Kegalle	0352222493
Regional Office	-	Kurunegala	0372222798
Regional Office	-	Maharagama East	0112802433
Regional Office	-	Maharagama West	0112803125
Regional Office	-	Matara	0412222933
Regional Office	-	Negombo	0312228322
Regional Office	-	N Eliya	0522222520
Regional Office	-	Rathnapura	0452222040

The total income from Trade, Business, Profession or Vocation should be declared in Cage 110 of the Return. If the adjusted net income results in a loss, it should be declared in Schedule 8.

03. Net Annual Value (NAV) and Rent: (Schedule - 3)

(1) Net Annual Value (NAV)

(I) Owner's income

The Net Annual Value (NAV) of a house is treated as income of the owner, if that house is occupied by the owner or on behalf of the owner. A house is considered as occupied on behalf of the owner when it is kept by the owner for his own use or for use by any member of his family.

The Net Annual Value (NAV) is computed as follows:

(a) If a house is assessed for rating purposes by a local authority, the NAV could be the Rating Assessment reduced by 25%

(b) If a house is not assessed for rating purposes, the NAV is determined on the basis of the rent which a tenant might reasonably be expected to pay, reduced by 25%.

Exemptions:

(a) NAV of one house occupied by you or on your behalf is exempt.

(b) NAV of a house constructed on or after 01.04.2008, being a house the floor area of which does not exceed 500 s.f and occupied by the owner, is exempt for the year of assessment in which the construction was completed and for the next four (4) years.

(II) Occupier's income

Where a person occupies a house free of rent or pays a rent less than its net annual value, the excess of the net annual value over the rent paid, as the case may be, is deemed to be his income.

(2) Rent

When a house or building is given on rent, the income to be declared by the owner is the gross rent receivable after deducting there from rates and an amount equal to 25% of the balance (being an allowance for repairs etc.), if such expenses are borne by the owner. No any other deduction is permitted.

Where the net rent computed as above is less than the Net Annual Value (NAV), the income of the owner liable to income tax is the NAV of the property, subject to adjustments, if any, for-

(a) months for which the property was vacant, and/or the rent could not be recovered; or

(b) the occupier's income, if any.

Exemption:

Rent accruing to the owner of a house constructed on or after 01.04.2008 being a house the floor area of which does not exceed 500 s.f., and used solely for residential purposes, is exempt for the year of assessment in which the construction of the house was completed and for the next four (4) years.

The income from Net Annual Value which is liable to tax should be declared under 3A in Schedule 3. The income from Rent which is liable to tax should be declared under 3B, and the total Net Annual Values and Rents (Cage 125 of Schedule 3) should be entered in Cage 120 of the Return

The exempt Rent, if any, should be declared in PART 4 of the Return (INCOME EXEMPT FROM TAX).

04. Dividends: (Schedule - 4)

Dividend income arises on the day the company declares the dividend. However, if a company declares a dividend to be paid on a future date, income arises on that future date.

Any dividend, from which tax at 10% has been deducted at source, will not be subjected to further taxation. Therefore, such dividends are not required to be declared in Schedule 4. Only the liable dividends, if any, from which tax has not been deducted need to be declared.

Exemptions:

(i) Certain dividends (as specified in section 10) are exempt from income tax. The following dividends, however, are **not exempt** and also liable to tax deduction at source (WHT).

(a) Any dividend declared by a company which has entered into an agreement with the BOI on or after November 6, 2002;

(b) Any dividend declared by a company out of the profits which are exempt under any of the sections referred to in Section 10(g) of Inland Revenue Act, and which qualified for such exemption on or after November 6, 2002.

(ii) Any dividend paid by a company exempt from income tax under Section 16 C or section 17 A during the tax exempt period to any shareholder. Further if it has been paid by a resident company engaged in any construction project dividend paid by such company during the period for which such profits and income are exempt from income tax or within one year thereafter.

(iii) Any dividend paid, by a company not resident in Sri Lanka to any shareholder resident in Sri Lanka, where the amount of such dividend is remitted to Sri Lanka through a bank.

(iv) If the shareholder is a company which receives dividends referred to in item (iii) above, and has distributed such dividend within 3 months from the date of receipts of such dividends, it is exempted in the hands of the shareholder.

Total liable dividend income (Cage 131 of the schedule 4), if any, should be entered in Cage 130 of the Return.

Dividends from which tax has been deducted at source (at 10%), need to be declared in PART-4 of the Return, under INCOME NOT INCLUDED IN STATUTORY INCOME.

05. Interest (Schedule - 5)

Income from interest is the full amount falling due, whether received or not. If any interest is received from abroad, any tax payable abroad on such interest should be deducted, and the net sum shown as income except in the case of interest from countries with which Sri Lanka has entered into Treaties for the avoidance of double taxation, in which case the gross interest should be shown. Any other deduction is not allowed.

Where interest due has not been received and is likely to become irrecoverable, such interest may be excluded and particulars of such interest should be shown in a separate note to be attached to the Return.

Exemptions:

The following interest received by an individual is exempt from income tax (section 9 of the Inland Revenue Act):

(a) Interest accruing on moneys in a "Special Account" in a Commercial Bank, opened with the approval of the Central Bank for deposit of sums obtained by the exchange of foreign currency held outside Sri Lanka;

(b) Interest accruing on moneys lying in foreign currency with any Foreign Currency Banking Unit;

(c) Interest accruing on moneys deposited in a Non-Resident Foreign Currency Account (NRFC A/c) or Resident Foreign Currency Account (RFC A/c) [opened with the approval of the Central Bank].

(d) Interest accruing to any person from any Security, Note, Coupon issued by the Government in respect of a loan granted in foreign currency.

(e) Interest accruing to any person on moneys invested in Sri Lanka Reconstruction Bonds issued by the Government of Sri Lanka denominated in United States Dollars (US$).

(f) Interest accruing to any person on moneys invested in Nation Building Bonds issued by the Government of Sri Lanka denominated in United States Dollars (US$).

(g) The amount up to Rs. 500,000 from deposits in the National Savings Bank, Bank of Ceylon, Peoples Bank, State Mortgage and Investment Bank, Housing Development Finance Corporation Bank of Sri Lanka, SME Bank Ltd, Lanka Puthra Development Bank Ltd, any bank established under the Regional Development Banking Act, No. 06 of 1997, or any registered society within the meaning of the Co-operative Societies Law, No. 5 of 1972, of any citizen over 59 years of age (senior citizens)who is resident in Sri Lanka.
However, with effect from 01.01.2015 to 31.03.2015 interest is exempt irrespective of the bank or financial institution in which the deposit is made and the amount of the interest.

(h) The interest accruing from any moneys deposited in any Securities Investment Account.

(i) The interest accruing or arising to any person resident in Sri Lanka, from any investment made outside Sri Lanka where such interest is remitted to Sri Lanka through a bank.

(j) The interest accruing to any person or partnership from investment made out of foreign currency brought in to Sri Lanka on / after 01/04/2012, in any security or bond issued by any person in Sri Lanka.

(k) The interest or discount accruing or arising to any person from investment made on / after 01/01/2013 in any Corporate Debt Security (quoted in Stock Exchange) and Municipal Bond issued by any Municipal Council.

Interest on any deposit in a bank or financial institution, from which withholding tax of 8% or a lesser rate has been deducted, is not required to be declared in Schedule 5. Such interest including interest on Government Securities from which 10% WHT has been deducted in the hands of the primary dealer, should be declared in PART-4 under INCOME NOT INCLUDED IN THE STATUTORY INCOME.

Interest (except interest from which WHT at 10% or a lesser rate has been deducted) should be declared in Schedule 5.
Total interest income (Cage 141 of Schedule 5) should be entered in Cage 140 of the Return.

06. Annuities and Royalties: (Schedule – 6)

Exempt Annuities: An annuity accruing to an individual whose age is 60 years or more, being an annuity for life or not less than 10 years, purchased from a bank or an approved insurance company and which accrues in return for full consideration in money or moneys worth paid for the purchase of such annuity, is exempt from income tax.

Total income from annuity and royalty (Cage 151 of Schedule 6) should be entered in Cage 150 of the Return.

07. Income from any other source (Schedule - 7)

Income from any other source other than profits of a casual and non recurring nature, not mentioned in the above schedules, should be declared giving details of such income.

Total income from any other source (Cage 161 of Schedule 7) should be entered in Cage 160 of the Return.

Enter the total of all income enumerated under cages 100 to 160 in cage 190 of the Return. This total income is referred to as the Total Statutory Income.

PART – 2
DEDUCTIONS FROM TOTAL STATUTORY INCOME (ASCERTAINMENT OF ASSESSABLE INCOME)

08. Losses – (Schedule 8)

A loss incurred in any trade, business, profession or vocation is allowed as a deduction (subject to an upper limit), provided that, **if it had been a profit it would have been assessable**. Such deductible losses incurred during the period 01.04.2014 to 31.03.2015 other than any loss from the business of life insurance or the business of finance leasing, together with any deductible loss brought forward from the previous year, can be deducted subject to a maximum limit of 35% of the total statutory income of the year of assessment (from the figure in Cage 190 of the Return).
A loss from the business of life insurance or the business of finance leasing can be deducted only from the profits from the respective businesses.

For the purpose of computing 35% of the total statutory income, the total statutory income means such income not including any Interest, Dividend, Reward, Share of fine or Winning from a Lottery or Gambling from which withholding tax has been deducted, as final tax.

Enter the loss incurred during the year of assessment (2014/2015) in Cage 201 of the schedule 8.Enter any (deductible) balance loss brought forward from the previous year, in Cage 201 A of the Schedule 8..The amount of deductible losses for the year of assessment 2014/2015 is the lower amount in Cage 202 or cage 203. The amount in Cage 204 of the Schedule 8 should be entered in Cage 200 of the Return.

Any balance loss (Cage 202-204 of Schedule 8) can be carried forward to the next year of assessment (Cage 205 of the Schedule 8).

09. Interest, Annuities, Royalties and Ground Rent, etc (Schedule - 9)

(i) Interest paid to any bank or other creditor and incurred in the production of income is deductible in ascertaining profits from trade, business, profession or vocation.

(ii) (a) Any other interest paid under a legal or contractual obligation to a bank, financial institution or to a institution recognized by the Commissioner General, on a loan for the construction or purchase of building, (not being an interest which was incurred in earning income from trade, business, profession or vocation and which is not deductible under section 25) should be declared in Part A of the schedule 9.

(b) Any annuity, ground rent or royalty paid, should be declared in Part B of the Schedule 9. However, any ground rent or royalty paid during the year of assessment is deductible only if such payment is for any period prior to 01/04/2014 and not deductible in ascertainment of the profit or income from business under any other provisions.

Note- No any deduction shall be made from employment income included in the total statutory income. i.e. maximum amount that can be deducted is limited to the amount of income other than employment income.

Deduct the total of deductions (in Cage 230) from Total Statutory Income (in cage 190) to arrive at the Assessable Income.
Any excess of deductions which can not be deducted from the total statutory income, can be carried forward (Cage 205 of Schedule 8), and deducted in the subsequent year together with any deductible loss in that year, subject to the limit of 35% of the total statutory income.

PART – 3
ASCERTAINMENT OF TAXABLE INCOME

Deduct from the assessable income, the aggregate of:

(a) **the tax free allowance of Rs. 500,000**
Note- any individual being a citizen of Sri Lanka irrespective of whether such individual is resident in Sri Lanka or not, entitled to deduct this allowance.

(b) **an allowance in respect of qualifying payments**
Note-No deductions under Section 34 (qualifying payments) should be made from any employment income included in the Assessable Income except allowance on employment income as per Section 34(2)(u) of the Inland Revenue Act (i.e **if any such deduction is to be claimed, there should be sufficient income other than employment income.)**

Similarly any individual who is a non- resident, non- citizen is entitled to claim such part of official emoluments arising in Sri Lanka as does not exceed Rs.100,000 (Section 34 (2) (v))
(Refer item "P" of paragraph 10)

10. Allowance for Qualifying Payments: (Schedule – 10)

(1) Qualifying Payments are:

A. 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,
- the Sevena Fund
- the "API WENUWEN API" Fund or

Any un-deducted balance of any such qualifying payment brought forward from the previous year of assessment should be declared in **302 of Schedule 10** ***and*****/** or **all such qualifying payments made during the year of assessment should be declared in Cage 304 of the Schedule 10**

B Insurance premia paid on a special health insurance policy (i.e a separate policy) which covers any incurable diseases (**Cage 307 of Schedule 10)**

C Expenditure approved by the Minister and incurred by any person on any project included in a development plan of the Government. Any un-deducted brought forward balances should be entered in **Cage 308 of Schedule 10. Any such expenditure incurred during the year of assessment should be entered in Cage 310 of Schedule 10**.

D Donation made in money to approved charity which is established by any person to provide the institutionalized care for the sick or the needy. **(Cage 314 of Schedule 10)**

E Insurance premia paid on a life insurance policy, medical insurance policy in respect of which such premium as payable over a period not less than 3 years. (Only the insurance premia paid in Sri Lanka will be allowed) **(Cage 316 of Schedule 10)**

F. 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. Any un-deducted balance brought forward from the previous years of assessment , the production of which was completed on or after 01.04.2007 but prior to 31.03.2008 (within the Rs. 25,000,000 limit) should be entered in ***(*****Cage 322 of the Schedule 10)**

F1 Any un-deducted balance of expenditure on any film brought forward, the production of which was completed on or after 01.04.2008 (within Rs 35,000,000 limit) should be entered in **(Cage 326 of the Schedule 10)** and expenditure incurred in producing a film during the year of assessment (i.e. the production completed during the year), should be entered in (**Cage 328 of the Schedule 10)**

G. 50% of investment of an amount not less than Rs. 500,000 in the purchase of new ordinary shares issued by a Venture Capital Company during its exempt period under section 23 **(Cage 332 of Schedule 10)**.

H. Un-deducted balance 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) (**Cage 336 of Schedule 10).**

I. Any un-deducted balance 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. This should be entered in **Cage 338 of the Schedule 10** and such kind of expenditure incurred during the year of assessment should be entered in **Cage 340 of the Schedule 10.**

J. Any un-deducted balance 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. This should be entered in **Cage 344 of Schedule 10,** and such kind of expenditure incurred during the year of assessment should be entered ***in*** **Cage 346 of Schedule 10.**

K. Any un-deducted balance 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 schemes approved by the Urban Development Authority or the National Housing Authority, if the floor area of the house does not exceed 500. s. f. This should be entered in **Cage 350 of Schedule 10.**

L. Any residue 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. **(Cage 356 of Schedule 10)**

M. Expenditure incurred on any community development project carried on in any economically marginalized village as identified and published by the Gazette by the Commissioner General **(Cage 360 of Schedule 10)**

N. 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 Inland Revenue Act prior to 31.03.2015 qualifying payment is deductible subject to the same conditions
(Cage 364 of Schedule 10)

O. 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.**(Cage 368 of Schedule 10)**

P. An allowance from employment income of an individual (resident and citizen) , other than profits referred to in Section 4(1) (c) for any year of assessment commencing on or after 01/01/2013 up to the lower value of excess of employment income over Rs.500,000/= or Rs.100,000/=**.** In the case of non-resident and non -citizens of Sri Lanka such part of official emoluments arising in Sri Lanka as does not exceed Rs.100, 000. (**Cage 370 of Schedule 10)**

Q. Expenditure incurred by a professional (defined in section 40 C) 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. (**Cage 390 of Schedule 10)**

Please Note
You are kindly requested to attach documentary proof in respect of any claim made for deduction as a qualifying payment.

Deduction for certain qualifying payments made is subjected to an upper limit.

(**2) Deduction in respect of qualifying payments made (or deemed to have been made):**

- No restriction in the deductions of qualifying payments made as referred to in item **(A) (B) and (K)** of sub paragraph (1).

- Deduction for qualifying payments made as referred to in item **(C)** of sub paragraph (1), is allowed only up to Rs.25,000;

- Deduction in respect of all qualifying payments made as referred to in items **(D)** and **(E)** is limited to 1/3rd of Assessable Income, or Rs. 75,000; whichever is less;

- Deduction in respect of any qualifying payments made as referred to item **(F)** & **(F1)** (i.e. cost of a film) of sub paragraph (1), is limited as follows.

    - **(F)**made after 01.04.2007 but prior to 01.04.2008 - limited to Rs. 25,000,000 per film
    - **(F1)**made on or after 01.04.2008 - limited to Rs.35,000,00 per film

- Deduction in respect of qualifying payments made as referred to in items (**G),** is limited to 1/3rd of Assessable Income or the actual amount of qualifying payment; whichever is less.

- Deduction in respect of qualifying payments made as referred to in item **(H)** of sub paragraph (1), is limited to 1/3rd of Assessable Income; or the unabsorbed balance as at 01.04.2012 whichever less is.

- Deduction in respect of qualifying payments made as referred to in item **(I)** of sub paragraph (1) is limited to Rs.25 million or the actual qualified payment whichever less is.

- Deduction in respect of qualifying payments made as referred to in item **(J)** of sub paragraph (1) is limited to Rs10 Million or the actual qualifying payment whichever is less.

- Deduction in respect of qualifying payments made as referred to in item **(L)** of sub paragraph (1) is limited to Rs. 100,000 or1/3rd of Assessable Income or unabsorbed balance as at 31.03.2011 whichever less is. If this qualifying payment had been claimed within 9 years, no more claim is available.

- Deduction in respect of qualifying payments made as referred to in item **(M)** of sub paragraph (1) is limited to Rs. 1Million or the actual amount of qualifying payment whichever is less.

- Deduction in respect of qualifying payments made as referred to in item **(N)** & item **(O)** of sub paragraph (1) is limited to 25 % of qualifying payment. If the investment has been made in more than one year of assessment then 25% is limited to on aggregated investment made after 01.04.2012

- Deduction in respect of qualifying payments referred to in item **(P)** of sub paragraph (1) is limited to excess of employment income over Rs. 500,000 or Rs.100,000 whichever is less.

- Deduction in respect of qualifying payments referred to in item **(Q)** of sub paragraph (1) is limited to Rs.600, 000 or the actual amount of qualifying payment whichever is less.

(3) Carry forward of un-deducted balances of Qualifying Payments*:*

Un-deducted balance, if any, of any qualifying payments made as referred to in:

- item**(A), (C),(F),(F1) , (H) ,(I), (J), (K)** of sub paragraph (1) may be carried forward indefinitely until the full amount of the qualifying payments made is deducted.

- un-deducted balance of 75% of qualifying payments referred to in item **(N)** and **(O)** may be carried forward to claim in equal amount over 3 years only .

- unabsorbed amount of qualifying payments referred to in **(L)** above can be carried forward over the period of immediately succeeding nine years commencing from the Y/A in which the qualifying payment was made.

- Any other items can not be carried forward.

Illustration – I
Mr. Mayadunne Government pensioner, who is 60 years old is employed in a Mercantile Firm. His income for the year ended 2014/2015 is as follows:

Income	**Rs.**
Government Pension	360,000
Commuted Pension	250,000
Salary from the Mercantile Firm (as per T 10)	1,200,000
Vehicle allowance 60,000 x 12	720,000
Bonus	300,000
FD interest from State Bank	150,000
Gross interest income of a son under 18 years (WHT not deducted)	250,000

Rent income (after deducting rates & repair allowance)	200,000
Agriculture income (tea cultivation , which enjoyed 5 year tax exempt period as per Section16 and which referred to in Section 48 A for concessionary rate)	500,000
Net Dividends (WHT deducted)	5,000

Payments / Losses	**Rs.**
Donation to local authority	60,000
Interest on housing loan from HDFC Bank	20,000
Donation to an approved charity which provides institutionalized care for sick or needy	100,000
Contribution to an approved EPF	10,000
PAYE tax	63,120
Self-assessment payment	43,000

Tax payable by Mr. Mayadunne for the year of assessment 2014 /2015 is computed as follows.

			Rs.
Government Pension			Exempt
Commuted Pension			Exempt
Employment Income:			
Vehicle allowance	60,000 x 12 = 720,000		
(exempt up to Rs 50,000/= per month)	50,000 x 12 = (600,000)		120,000
Salary from the Mercantile Firm	1,200,000		
Bonus	300,000		1,500,000
Statutory Income from employment			1,620 ,000
FD interest is not liable to tax as he is a senior citizen			-
Interest income of son(under 18 years as no WHT deducted)			250,000
Net dividends should not include in the statutory income as WHT deducted			-
Rent Income after deducting rates & repair allowances			200,000
Agriculture Income (maximum rate applicable is 10%)			500,000
Total Statutory Income			**2,570,000**
Deductions under section 32			
Interest paid on housing loan			(20,000)
Assessable Income			**2,550,000**
Less –			
Tax Free Allowance		(500,000)	
Allowance for qualifying payment			
- Donation to local authority		(60,000)	
- Contribution to an approved EPF not allowed after 01.04.2011			
-Donation to an approved charity is deductible as charitable institution provides institutionalized care for sick or needy (limited to)		(75,000)	
-Allowance on Employment Income		(100,000)	(735,000)

Taxable Income **1,815,000**

Gross Income Tax Payable

1st 500,000 X 4%	-	20,000	
2nd 500,000 X 8%	-	40,000	
Next 500,000 X 10%	-	50,000 (agriculture income tax at maximum 10%)	
Balance 315,000 X 12%	-	37,800	147,800

Less : Tax Credit

PAYE	63,120	
Self Assessment Paid	43,000	(106,120)

Balance Tax Payable **41,680**

Illustration –II

Mr. Amararathne is an executive chef in a five star hotel in Colombo and he is a partner of "Amara Resturant"partnership business carried with his brother. At the same time he acts as a director of a Hotel School. Details of his income and payments made by him for the period 01.04.2014 to 31.03.2015 are as follows:

Income	**Rs**
Salary from the hotel (as per T-10)	1,800,000
Share of profits from the partnership	750,000
Director fees received	480,000
Interest from the investment made on Treasury Bills	50,000
(10 % tax has been deducted at the point of issue)	
Interest income from FD(10% WHT not deducted)	5,000

Payments / Losses	
Interest-on credit card usage	50,000
Donation to an approved charity	120,000
(Institute which provides institutionalized care for sick or needy)	
Premium paid on medical insurance	130,000
Alimony paid to ex-wife	35,000
Tax paid under self-assessment	30,000
Partnership tax paid	20,000
PAYE tax paid	160,812

Tax payable by Mr.Amararathna for the year of assessment 2014/2015 is computed as follows.

Salary from the hotel	1,800,000	
Director fees	480,000	
Statutory Income from Employment		2,280,000
Business Income		750,000
Interest from the investment made on Treasury Bills		-
(as WHT deducted, not liable)		
FD Interest Income (WHT not deducted)		5000
Total Statutory Income		**3,035,000**

Deductions under section 32

Interest on credit usage – not allowed

Alimony paid to ex-wife		(35,000)
Assessable Income		**3,000,000**
Less-		
Tax Free allowance	(500,000)	
<u>Allowance for Qualifying Payment</u>		
-Donation to an approved charity } limited to	(75,000)	
-Life Insurance Premium		
-Allowance on Employment Income	(100,000)	(675,000)
Taxable Income		**2,325,000**
Gross Income Tax Payable		
1st Rs.500,000 X 4% - 20,000		
2nd Rs.500,000 X 8% - 40,000		
3rd Rs. 500,000 X 12% - 60,000		
4th Rs.500,000 X 16% - 80,000		
Balance Rs.325,000 X 20%- 65,000		265,000
Less : Tax Credit		
PAYE	(160,812)	
Partnership Tax Credit *	(20,000)	
Self-Assessment Paid	(30,000)	<u>(210,812)</u>
Balance Tax Payable		<u>**54,188**</u>

$$* \frac{\text{Share of profit \& other income from the partnership}}{\text{Total Statutory Income}} \times \text{Total Tax Payable}$$

750,000/3,035,000 x 265,000 = 65,485

Share of partnership tax = 20,000

Partnership Tax Credit is lower of above two values.

Illustration –III

Mr.Sudeeptha is a chartered architect attached to a Chithra Construction Company also he is engaged in private practice. The income declared for the year of assessment 2014/2015 is as follows.

<u>Income</u>	Rs.
Employment income (PAYE deducted)	2,040,000
Profit from private practice	5,000,000
Rent Income (Net)	19,500,000

<u>Payment</u>	
Capital repayment of housing loan	650,000
Interest on housing loan	700,000
PAYE tax paid	112,812
Tax paid under self-assessment	135,000

Tax payable by Mr. Sudeeptha for the year of assessment 2014/2015 is computed as follows.

Employment Income (PAYE deducted; subject to section 40(C))		2,040,000
Business Income (private practice; subject to section 59(F))		5,000,000
Net Rent		19,500,000
Total Statutory Income		**26,540,000**
Deductions under section 32		
Interest payment on housing loan		(700,000)
Assessable Income		**25,840,000**
Less-		
Tax Free allowance	(500,000)	
<u>Allowance for Qualifying Payment</u>		
- Capital repayment of housing loan obtained (limit to)	(600,000)	
- Allowance on employment income	(100,000)	(1,200,000)
Taxable Income		**24,640,000**

Gross Income Tax Payable

First Rs. 500,000 X 4%	20,000
Next Rs. 500,000 X 8%	40,000
Next Rs. 500,000 X 12%	60,000

Balance taxable income, which is Rs.23, 140,000/-, is the relevant part of the taxable income and which exceeds relevant profits (Rs.5, 000,000/-). Income Tax thereon is computed as follows:

Tax on Rs. 5,000,000 X 12% (as per section 59F)	600,000
Tax on Rs. 500,000 X 16%	80,000

Balance relevant part of the taxable income is Rs.17, 640,000/- and which is in excess of employment income (professional) i.e Rs.2, 040,000.

Tax on Rs.2,040,000 X 16%	326,400	
Tax on Rs.1, 000,000/- X 20%	200,000	
Balance Rs. 14,600,000/- X 24%	3,504,000	
Tax Payable		**4,030,400**
Less: Tax Credits		
PAYE	(112,812)	
Self Assessment Paid	(135,000)	<u>(247,812)</u>
Balance Tax Payable		<u>**3,782,588**</u>

PART – 4
CALCULATION OF INCOME TAX PAYABLE

First compute the gross income tax payable, and then deduct applicable tax credits and calculate the amount of tax payable/(Refund due) by/(for) you for the year of assessment 2014/2015.

Computation of Gross Income Tax
Please apply the following Tax Table given below to compute the gross income tax on your taxable income.

(1) **Normal Tax Rates**
Select the taxable income range within which your taxable income falls and compute the tax accordingly.

Taxable Income Range (Rs)	Tax on the taxable income equal to the lowest of the range	Tax rate on the excess taxable income over the lowest of the range
0- 500,000	-	4%
500,000 - 1,000,000	20,000	8%
1,000,00 - 1,500,000	60,000	12%
1,500,000 - 2,000,000	120,000	16%
2,000,000 - 3,000,000	200,000	20%
3,000,000& over	400,000	24%

Eg.i) If taxable income is Rs. 250,000, the tax payable in the first range at 4% = 10,000
ii)If taxable income is Rs.1, 110,000, the tax payable is
Tax up to 1,000,000 - 60,000
Excess 110, 000 x 12% - 13,200
Total - 73,200

(2)Special Rates applicable on certain Employment Income:

Rates applicable to Once-and-for-all-receipts (Terminal Benefits from employment)
The following concessionary rates are applicable to the aggregate of uniform scheme once-and-for all employment receipts (other than such part of retiring gratuity paid in excess of Rs. 1,800,000 or the product of the monthly average salary for the last three (03) years and the number of completed years of service, whichever is higher). The excess retiring gratuity is taxed at normal progressive rates.

If the period of service or the period of contribution is 20 years or more } First Rs.5,000,000 - No tax

Or

If the period of service or the period of contribution is less than 20 years } First Rs.2,000,000 - No tax
On the next Rs. 1,000,000 - 5%
On the Balance - 10%

Any compensation for loss of office or employment is taxable at normal rates but not exceeding 16%, where such compensation has been paid under a non-uniform scheme.
Tax on Once-and-for-all receipts from employment should be entered in Cage 500 of the Return**.**

(2) Other Specific Tax Rates:
Some of the specific tax rates applicable for individuals are given below.

(a) (i) Profits from promotion of tourism, certain construction work, or certain agricultural undertakings (if not exempt), and qualified export profits etc. included in the taxable income are taxable at rates not exceeding 12%.

(ii) Dividends received from outside Sri Lanka and which form part of taxable income are exempt at 10%. (if it is not exempt under Section 10)

(b) Profits from conducting lottery, betting or gaming, profit or income from the manufacture and sale or import and sale of any liquor or tobacco products – tax rate is 40%

(c) Employment income of a professional specified in section 40 (C) and of a qualified individual mentioned in section 40 B included in the taxable income is taxable at rates not exceeding 16 %.

(d) Undertaking with annual turnover not exceeding Rs.500 Mn (manufacturing and service businesses other than buying and selling) is taxable at rates not exceeding 12 %.(Section 59 B)

(e) Profits and income from providing professional services referred to in section 59(F) is taxable as follows at rates not exceeding 16 %;

Up to Rs 25 Mn @ the rate not exceeding 12 %
Up to Rs 35 Mn @ the rate not exceeding 14%
Balance @ the rate not exceeding 16%
(Please see the example III in calculating the tax on such income.)

Note-When there are different rates applicable on several units or undertakings attach a separate schedule to enter the "Balance Tax Payable" in cage 520 of the Return.

11. Granting Tax Credits: (Schedule - 11)

Relief for Double Taxation (Cage 542 of Schedule 11)

If you are entitled to any double tax relief, please consult your Commissioner/Deputy Commissioner, (Secretariat Branch/ International Branch) to compute the relief due. (Deduction can not be more than the amount of tax chargeable in Sri Lanka on such income).

(2) Share of Partnership Tax paid at 8% (Cage 543 of Schedule 11)
If you are a partner of a partnership, enter here the share of such 8% partnership tax paid by the partnership and apportioned to you. This part can be set off only against the tax on share of profits including any salary& other income from the partnership. Calculation of tax credit is as follows:-

Step 1- Compute the value for ***(x)***

$$\frac{\text{Share of profit \& other income from the partnership}}{\text{Total Statutory Income}} \times \text{Total Tax Payable}$$

Step 2 – Share of partnership tax apportioned to the partner ***(y)***

The tax credit on the share from the partnership will be the lower of (***x***) or (***y***).

Please note that, <u>no part of the partnership tax paid can be refunded or carried forward.</u>

(3) Credit for Economic Service Charge (ESC) paid (Cages 560 of Schedule 11)

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

Cage 559 – If the amount in cage 558 is greater than the amount of income tax payable by you after deducting the amounts in cages, 542 and 543 in Schedule 11 from the gross tax payable (i.e. the amount in Cage 530 of the Return), enter the difference between those two figures (i.e. figure in cage 558 and balance after deducting the amounts in cages,542, and 543) in cage 559, which is the amount of ESC carried forward to the next year of assessment for tax credit..

Cage 560 – Enter whichever is the lesser amount in cage 558 or the gross income tax payable after deducting the amounts in cages 542 and 543.

When you claim the ESC (paid) as a Credit (Cage 560 of Schedule 11), first deduct any balance of ESC brought forward from the previous year, since any un-deducted balance of ESC paid during any year can be carried forward only to next four years of assessments, for deduction.

(4) PAYE Tax Credit

It is only those individuals who have other income sources with employment income are entitled for the tax credit of P.A.Y.E

Enter the total of PAYE Deductions. Please attach PAYE T -10 Certificates issued by your employer. **(Cage 562 of schedule 11)**

(5) (a) The tax deducted from Director Fee being the second employment under section 117. (The amount deducted at source as WHT who pays Director Fees) Please attach PAYE T -10/D)

(b)The tax deducted under section 117A by the second employer on remuneration paid by him. Please attach PAYET- 10/D ***(*****Cage 563 of Schedule 11)**

(6)Income Tax paid in installments *(*Cage 575 of Schedule 11)

If you have made any quarterly payment prior to one month from the due date you will be entitled for 10% discount for that quarter on self-assessment tax payment for that quarter (based on the tax liability in current year).

Assume that your income tax liability for the year of assessment 2013/2014 was Rs.100, 000 and for the year of assessment 2014/2015 is Rs 150,000 and you have paid tax on self-assessment basis in advance as follows:

Tax liability for the year of assessment 2014/2015	Rs. 150,000
Less: Tax credits on self-assessment payments (Cages 570 to 573 of the Schedule 11)	
1st Installmentwas made on or after15th July 2014 (100,000 / 4), therefore, the Discount is not allowed	Rs. 25,000
2nd Installmentwas made on or before 15th October2014 (100,000 / 4) less 10%	Rs. 22,500
3rd Installmentwas made on or before 15th January2015 (100,000 / 4) less 10%	Rs. 22,500
4th Installmentwas made on or before 15th April 2015 (100,000 / 4) less 10%	Rs. 22,500
Total of quarterly self-assessment payments	Rs. 92,500
Total Discount (Cage 575 of Schedule 11)	Rs. 7,500*(100,000)
Balance tax payable on or before 30th September 2015, as final payment (Cage 574 of Schedule 11)	Rs. 50,000

*Discount is limited to 10% of the current year tax liability or the available discount whichever is lower (i.e. 150,000 x 10%=15,000 or 7,500

Illustration – 2

Assume that your income tax liability for the year of assessment 2013/14 was Rs. 100,000 and for the year of assessment 2014/2015 is 80,000, and you have paid tax on self-assessment basis in advance as follows.

Tax liability for the year of assessment 2014/2015	Rs.	80,000
Less: Tax credits on self-assessment payments (Cages 570 to 573 of the Schedule 11**)**		
1st Installmentwas made on or before 15th July 2014 (100,000 / 4) less 10%	Rs.	22,500
2nd Installmentwas made on or before 15th October 2014 (100,000 / 4) less 10%	Rs.	22,500
3rd Installmentwas made on or before 15th January 2015 (100,000 / 4) less 10%	Rs.	22,500
4th Installmentwas made on or before 15th April 2015 (100,000 / 4 less 10%	Rs.	22,500
Total of quarterly self-assessment payments	Rs.	90,000
Total Discount (**Cage 575 of Schedule 11)**	Rs.	8,000*98,000
Refund due for you for the year of assessment 2014/2015	Rs	18,000

* Discount is limited to 10% of the current year tax liability. (i.e 80,000 x 10%=8,000)

Please enter the date of payment of 1st, 2nd, 3rd and 4th quarterly self-assessment tax payments in cages D1, D2, D3 and D4 of Schedule 11 respectively.

Enter any other payment of income tax, other than any such tax which is final.***(Cage 578 of Schedule 11)*** Please specify the nature of payment and attach documentary proof.

The Grand Total in Cage 580 of Schedule 11 should be entered in Cage 540 of the Return.

PART - 5

INCOME NOT INCLUDED IN THE TOTAL STATUTORY INCOME (INCLUDING INCOME EXEMPT FROM TAX)

Income not included in the Total Statutory Income

Please furnish under this, the details of interest, dividends, rewards, fines, lottery winnings etc. from which withholding tax at 10% or lesser percentage has been deducted at source and details of tax deduction at 2.5% from the sale price by the Gem and Jewelers Authority, the taxation of which were final.

Income exempt from Income Tax

Please furnish under this, the particulars of income exempt from tax. i.e. exempt income from any source of income given in cages 100 to 160, for the year ended 31.03.2015.

PART - 6
DECLARATION

Enter the particulars of your spouse and children, provide the particulars of your identity, postal addresses and contact telephone numbers, and place your signature.

STATEMENT OF ASSETS AND LIABILITIES AS AT 31.03.2015

In terms of Section 106 (6) of the Inland Revenue Act, No. 10 of 2006; you are required to declare 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).

Accordingly, you are required to fill in the form "**Statement of Assets and Liabilities**," provided to you with the Return, and submit together with the Return.

Part I

(a) Immovable Properties:

Declare all your Immovable Properties (situated in or outside Sri Lanka) as at 31-03-2015 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 31.03.2015.

(c)Property as a part of a business

The value of a property as a part of a business i.e. the balance of capital and current account as at 31.03.2015 should be declared. (Attach the copies of the balance sheet if applicable).

(d)Liabilities as at 31.03.2015

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

Part II

(a) Acquisition of any other assets

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

(b) Disposal of any assets during the year

Declare the total value of the assets disposed during the period from 01.04.2014 to 31.03.2015(sales, exchanges, gifts).