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இலங்கை உள்ளநாட்டு இறைவரி
Sri Lanka Inland Revenue

**GUIDE TO CORPORATE INCOME TAX RETURN
YEAR OF ASSESSMENT - 2015/2016**



In terms of the provisions in the Inland Revenue Act No.10 of 2006, every Resident or Non-resident Company or any Corporation (including BOI Company, Public Corporation, Unit Trust or Mutual Fund) is required to furnish a Corporate Income Tax Return (Form No.Asmt_CIT_001_E) for the year of assessment 2015/2016 together with audited financial statements and Schedules (Form No.Asmt_CIT_002_E), to the Return required under Section 106 of the Inland Revenue Act on or before **30th November, 2016**.

E-filing can be done via IRD Portal. Please refer the quick guide available in the Portal (www.ird.gov.lk)

In terms of Regulations 9 and 10 of the Transfer Pricing Regulations published in Gazette Extraordinary No. 1823/5 of 12.08.2013 and subsequently amended by the Gazette Extraordinary No. 1960/42 and No. 1960/39 of 31.03.2016 it is required that the persons having international transactions with associated undertakings to submit Transfer Pricing Disclosure Form and Certificate of the Director/ Principal Officer/ Precedent Partner along with the Income Tax Return. The aforesaid disclosure form and Certificate of the Director/ Principal Officer/ Precedent Partner are available in the IRD Portal.

Any company filing a Return without relevant audited financial statements or aforesaid Schedules as required or requested, or with estimated figures of income etc., will be deemed not to have furnished a Return for the purpose of Inland Revenue Act.

The Return entails thirteen Schedules namely; Schedule 1, 2, 3, 3A, 3B, 4, 5, 6, 6A, 6B, 7,7A & 7B. This time the Tax Computation Sheet, to facilitate computing the respective entries is not provided in printed form but available in IRD Portal for downloading.

The outlines of Schedules are as follows.

Schedule 1 – Profits and income exempt from tax

Exempt profits and income during the year of assessment from each source, should be declared in this Schedule.

Schedule 2 – Profits from Trade or Business

Turnover and adjusted profits earned during the year of assessment from each business, should be declared in this Schedule with the respective activity code. The correct activity code should be indicated in the relevant cage. The list of activity codes is available in the IRD Portal.

Schedule 3 - Losses

Schedule 3 A - Losses From the Business of Life Insurance

Loss from the business of life insurance should be included in this Schedule. Any loss incurred in a business of life insurance including any brought forward losses respectively can



be deducted only from profits from such business (without any limitation) and any unabsorbed losses if any, can be carry forward to the next year of assessment.

Schedule 3 B - Losses from the Business of Finance Leasing

Losses from the business of finance leasing should be included in this Schedule. Any loss incurred in a business of finance leasing including any brought forward losses respectively can be deducted only from profits from such business (without any limitation) and any unabsorbed losses if any, can be carry forward to the next year of assessment.

To facilitate set-off of losses in accordance with the relevant provisions of the Act, you are advised to furnish a break up of current year losses, brought forward losses and unabsorbed losses as at 31.03.2016 which could be carried forward, if any, using the Schedule 3, 3A, and 3B.

Schedule 4 - Qualifying Payments

Every qualifying payment made during the year of assessment, any brought forward balance of such payment from the previous year and the deductible amount of such qualifying payment for the year of assessment 2015/2016 should be declared in this Schedule.

Schedule 5 - Tax on Taxable Income

Taxable income liable at normal rates and special rates should be declared in this Schedule.

Normal rates are specified in PART – B of the SECOND SCHEDULE to the Inland Revenue Act.

In certain circumstances taxes are levied at special rates. For instance, reduced rates have been specified for certain BOI Undertakings, Venture Capital Companies, Unit Trusts etc. which is specified other than a rate specified in PART – B of the SECOND SCHEDULE to the Inland Revenue Act. The correct code for special rates should be indicated in the relevant cage. The list of codes is available in the IRD Portal.

Schedule 6 - Dividend Declared

This Schedule is applicable in respect of each dividend distributed during the year of assessment.

Schedule 6A - Tax on Remittances

This Schedule is applicable only to Non Resident Companies.

Schedule 6B - Tax on Distributable Profits

Where any company has not distributed at least 10% of its distributable profits of 2014/2015 for the year of assessment 2014/15 on or before 30.09.2015, such company is required to complete this Schedule.

Schedule 7 - Tax Credit

The break up of tax credits including Self Assessments payments, Double Tax Relief, Economic Service Charge (ESC), Dividend Tax paid etc should be declared in this Schedule.

Schedule 7A - Economic Service Charge

This Schedule facilitates the computation of the amount of income tax against which ESC paid can be set off and the balance amount of ESC that can be carried forward.

Schedule 7B - Notional Tax Credit

Particulars of Notional Tax Credit should be included in this Schedule.

Payment of Tax

The tax for the year of assessment was due in equal installments, on or before:

- 1st Installment - 15th of August, 2015
- 2nd Installment - 15th of November, 2015
- 3rd Installment - 15th of February, 2016, and
- 4th Installment - 15th of May, 2016.

However, penalty will not be levied for delayed payments, if an amount not less than one fourth of the income tax liability for the previous year of assessment (2014/15), was paid on or before each due dates and the balance, if any, is paid on or before September 30, 2016 so that the aggregate of four instalments and the final payment is equal to the total tax liability for the year of assessment 2015/16.

Penalties

Failure to pay tax on due dates or not furnishing the return on or before the due date or furnishing of an incorrect return will be subjected to penalties as follows:

- Penalty up to Rs.50, 000/- for failure to furnish a Return on or before the stipulated date, i.e. November 30, 2016.
- Penalty for non-payment by due dates, amounting to 10% of tax payable and further 2% of the outstanding balance for each month, accumulates up to a maximum of 50%.
- Penalty for making an incorrect Return, of a sum not exceeding the aggregate of 200% of the additional tax and Rs.2000/-.



SECTION 1

1. Cage 10 - Profits and Income Exempt from Tax

In Schedule 01:

1. enter exempt profits and income from investments made on or after 1.4.2011 in new undertakings (income exempt under Section 16 C, 16D or Section 17A of the Inland Revenue Act) in Cage 10.01,
2. enter exempt profits of BOI companies that are exempt under BOI Law in Cage 10.02
3. Enter any other exempt profits in Cage 10.03 to 10.07. Also indicate the relevant section of the Inland Revenue Act in the first column.

The total of exempt profits and income from all sources included in Cage 10.08 should be entered in Cage 10 of the Return.

2. Cages 20 to Cage 70 - Profits and Income Liable to Tax

2.1. Cage 20 - Profits from Trade or Business

The total adjusted profits from trade or business chargeable to income tax should be declared in Cage 20. If a loss is incurred from any trade or business, which is deductible, enter that amount as provided for in Schedule 3, 3A or 3B as the case may be. (See item 5.1 of this Guide).

2.2. Cage 30 - Interest

Interest arising or accruing to any company (other than any company referred to in paragraph (a), (c), (d), or (g) of Section 7 of the Inland Revenue Act) from any –

- (i) deposit made in a Bank or Financial Institution;
- (ii) secondary market transaction in dealing with any Security or Treasury Bill, Treasury Bond or any Central Bank Security;
- (iii) corporate debt security as specified in the Act, issued by any Company; or
- (iv) other manner;

should be entered in Cage 30. Where the trade or business of the company is mainly money lending then the interest is to be entered in Cage 20. (Enter the tax withheld at 10% in Cage 220.07 of Schedule 07.

Interest from which 10% withholding tax has been deducted and which is final (e.g. interest on compensation payable by the Government, LRC etc) should be included under Cage 90, income not forming part of Total Statutory Income.)

Where a "notional tax credit" is claimed in respect of any interest from secondary market transactions in dealing with any Security, Treasury Bill, Treasury Bond or any Central Bank Security, the appropriate amount of interest and the amount of notional tax credit to be claimed thereon, should be declared in Cage 220.08 of Schedule 07.



If there is any credit in excess of its income tax liability, such excess can be carried forward to be set off against any future income tax liability but that excess cannot be refunded. **A certificate from Auditors to this effect should be attached.**

Exempt interest should be included in Cage 10. (not in Cage 30)

Note: When computing the statutory income from trade or business of a Primary Dealer, any interest received or accruing to such dealer from any primary market transaction on any Security, Treasury Bonds or Treasury Bills should be entered in Cage 90 if tax has been deducted at the Primary issue.

2.3. Cage 40 - Dividends received

The amount of gross dividends other than any dividend not forming part of Total Statutory Income, received from both resident and non-resident companies should be entered in Cage 40. Do not include any bonus shares or distribution of capital unless it can be treated as a dividend according to the definition of dividends.

Any dividend (gross) not forming part of total statutory income should be included in Cage 90. Please see the item 4 of this Guide.

2.4. Cage 50 - Rents

Please note that the income from letting or leasing premises including any land by a company is treated **as income from business**. In such a case the deduction of expenses for repairs related to a premise is limited to 25% of the gross rent. Such income should be included in Cage 20. Only the other forms of rents should be entered in Cage 50.

2.5. Cage 60 - Income from Annuities and Royalties

The total amount of income from annuities and royalties received or receivable should be entered in Cage 60.

2.6. Cage 70 - Income from any other source

In Cage 70 enter the total profits or income of the company, from any source other than from primary trade or business, any interest, dividend, rent, annuity or royalty. Indicate the nature of the source of income.

3. Cage 80 - Total Statutory Income

The total of the amounts declared in Cages 20, 30, 40, 50, 60 and 70 should be entered in Cage 80 as the Total Statutory Income.

4. Cage 90 - Income not forming part of the Total Statutory Income

Income not forming part of the Total Statutory Income if any, should be declared in this Cage.



Eg. a dividend received from another resident company after deducting tax at 10%; dividends exempt under Section 10; dividend declared by a resident company out of dividends received by that company from another resident company; dividend declared by a Quoted Public Company; interest received from Land Reform Commission on compensation for acquisition of properties and tax has been deducted, in the case of a primary dealer, interest received for primary market transaction etc.

If the declaration contains more than one source please attach a separate Schedule.

5. Cages 100 &110 - Deductions from the Total Statutory Income

5.1. Cage 100 - Deductible Losses (Schedule 3, 3A and 3B)

A loss incurred in any trade, business, profession or vocation other than in the business of life insurance and finance leasing will be allowed as a deduction, if instead of a loss it was a profit, it would have been assessable. However, the deduction of the total of such deductible losses and deductible losses brought forward is subject to a maximum of thirty five percent (35%) of the total statutory income for this year of assessment (i.e. 35% of the amount in Cage 80). Any loss that cannot be so deducted can be carried forward to the next year of assessment and so on, and deducted on the same basis.

Any loss of any business of a bank, financial institution or leasing company which is consolidated, acquired or merged as per the guidelines issued by the Central Bank of Sri Lanka subject to the conditions specified in the guidelines issued by Commissioner General of Inland Revenue (CGIR) can be deducted if it would have been claimed under section 32 prior to such consolidation, acquisition or merger subject to a maximum of thirty five percent (35%) of the total statutory income for this year of assessment.

Where any sum paid as Annuity, Interest not deductible from the profits & income of trade, business, profession or vocation is more than the Total Statutory Income, then the excess shall be treated in the same manner as a loss incurred during that year and it can be carried forward as a loss.

Please note that any loss incurred by a company in which there had been a change of ownership, otherwise than by way of testate or intestate succession, cannot be deducted except against the statutory income of such trade or business of the company as that in which the loss was incurred.

Any loss incurred in a business of life insurance or finance leasing including any brought forward losses respectively can be deducted only from profits from such business (without any limitation).

The total of amounts in Cages 100.10 (total of all deductible losses mentioned above) in Schedules 3 should be entered in Cage 100 of the Return.



5.2. Cage 110 - Interest or Annuities paid

The total of any annuity, interest paid is deductible from the total statutory income and this sum is to be entered in Cage 110.

The “interest” deductible here is any interest paid under a legal or contractual obligation to a Bank, Financial Institution or any other Institution recognized by the Commissioner General, on any loan obtained for the construction or purchase of any building, or for the purchase of a site for the construction of a building, or utilized in the business (pre-commencement interest), and which is not deductible under section 25 of the Act. However the excess of interest referred to in paragraph (x) or (y) of section 26(1) is not deductible.

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

6. Cage 120 – Subtotal of deductions from the Total Statutory Income

The total of the amounts declared in Cages 100 and 110 should be entered in Cage 120 as the total deductions from Total Statutory Income.

7. Cage 130 - Assessable Income

Assessable Income is the total statutory income after deducting there from the allowable deductions as per section 32. Subtract the amount in Cage 120 from the amount in Cage 80 and enter the result in Cage 130 unless the result is a negative figure in which case the Assessable Income is Zero.

8. Cage 140 - Qualifying Payments

All qualifying payments made during the year or any un-claimed balance brought forward should be included in this Schedule.

1. Qualifying Payments:

- (i) Donation made in money or otherwise to –
 - (a) the Government;
 - (b) a Local Authority;
 - (c) a Fund established by the Government;
 - (d) a Fund established by a local authority or by a provincial council and approved by the Minister;
 - (e) the Buddhist and Pali University or any Higher Educational Institution established under the Universities Act or under the Buddhist and Pali University Act;
 - (f) the Sevena Fund;
 - (g) the Api Wenuwen Api Fund (from 01-01-2008); or
 - (h) National Kidney Fund established under the National Kidney Foundation of Sri Lanka (Incorporation) Act, and
 - (i) any un-deducted brought balance of such expenditure



- (ii) Expenditure approved by the Minister and incurred during the year, by any person, on any project included in a development plan of the Government, or any un-deducted balance of such expenditure brought forward from previous year;
- (iii) Donations made in money to an Approved Charity which is established for the provision of institutionalized care for the sick or the needy;
- (iv) Expenditure incurred in producing a film at a cost not less than 5 million Rupees. (Cost of production includes any promotional expenses incurred within 90 days from the date of completion).
 - (a) Expenditure incurred in producing a film on or after 01.04.2007 but prior to 31.03.2008
 - (b) Expenditure incurred in producing a film on or after 01.04.2008 ;
- (v) 50% of any investment, of not less than rupees five hundred thousand, in the purchase of ordinary shares, other than existing shares, issued by a Venture Capital Company during the period that the company is exempted from income tax under Section 23 of the Act;
- (vi) Any investment made in a new undertaking referred to in Section 20(2) of the Inland Revenue Act located in any area outside the administrative districts of Colombo and Gampaha. [Such investment should not be less than thirty million rupees and be in any plant, machinery, furniture, building or (land, as well if such undertaking is an agricultural undertaking), used in such undertaking];
- (vii) Any expenditure incurred in the relocated undertaking referred to in Section 21(2) of the Inland Revenue Act in the administrative districts of Colombo and Gampaha. [Such relocation expenditure should not be less than one hundred million rupees];
- (viii) Expenditure not exceeding Rs.25 million incurred in the construction and equipping of cinema, which 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;
- (ix) Expenditure not exceeding Rs.10 million incurred in the upgrading of cinema, which the exhibition of cinematographic films 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;
- (x) Any expenditure incurred in a relocated undertaking referred to in section 21A of the Inland Revenue Act in any area outside the administrative district of Colombo and Gampaha (such relocation expenditure should not be less than Rs.100 million);
- (xi) Expenditure incurred in constructing houses for low income families referred to in section 13(zzz) of Inland Revenue Act;
- (xii) Expenditure incurred in on any Community Development Project carried on in any economically marginalized village as identified & published by the Gazette by the Commissioner General;



- (xiii) 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 or 17 A (as a new undertaking) and engaged in specified activities. 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;
- (xiv) Investment made in any undertaking engaged in the manufacture of fabric, pharmaceutical, milk powder or cement , being an investment not less than respective amounts specified under section 16 D & such undertaking would be qualified for exemption under that section , if it had commenced business on or after April 1, 2012; and
- (xv) Expenditure incurred by any Bank, Financial Institution, or any Leasing Company by way of cost of acquisition or merger of any other Finance Institution or any other Leasing Company where such cost is ascertain in accordance with the guide lines issued by the Central Bank of Sri Lanka in the manner specified by the Commissioner General.

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

2. Limitations of Deductions in respect of qualifying payments:

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

- (i) No restriction in the deduction of qualifying payments referred to in item **1. (i), 1.(vii),and 1.(xi)** of sub-paragraph 1.
- (ii) Deduction in respect of the aggregate of all qualifying payments referred to in item 1. **(iii)** is limited to 1/5 of the assessable income or Rs.500,000 which ever is the lesser
- (iii) Deduction in respect of any qualifying payment referred to item **1.(iv)** (i.e. cost of a film) is limited to
- (iv)(a)** - Rs. 25 million per film
(iv)(b) - Rs. 35 million per film
- (iv) Deduction in respect of qualifying payments referred to in item **1. (ii), 1.(v)** and **1.(x)** is limited to 1/5 of the assessable income or actual expenditure incurred which ever is the lesser amount
- (v) Deduction in respect of qualifying payment referred to in item **1.(vi)** of sub-paragraph 1 is limited to Rs. 100 million or actual expenditure incurred which ever is the lesser amount
- (vi) Deduction in respect of qualifying payment referred to in **1.(viii)** of sub-paragraph 1 is limited to Rs 25 million or actual expenditure incurred whichever is the lesser



- (vii) Deduction in respect of qualifying payment referred to in item 1. (ix) is limited to Rs 10 million or actual expenditure incurred which ever is the lesser
- (viii) Deduction in respect of qualifying payment referred to in item 1.(xii) is limited to 10 Mn or actual expenditure incurred which ever is the lesser amount
- (ix) Deduction in respect of qualifying payments referred to in items 1.(xiii) & 1.(xiv) are limited to 25 % of qualifying payment.
- (x) Deduction in respect of qualifying payment referred to in item 1.(xv) is limited to 1/3rd of assessable income or Rs.300,000,000 whichever is higher

3. Carry forward of un-deducted qualifying payments:

The balance, if any, of any qualifying payment referred to in:

- item 1.(i), 1.(ii), 1.(iv)(a) ,1.(iv) (b), 1.(vi), 1.(vii),1.(viii), 1.(ix), 1.(xi) & 1.(xv) of sub-paragraph 1 can be carried forward and deducted until the full amount of that qualifying payment is deducted.
- item 1.(xiii) and 1.(xiv) (the balance 75%) can be carried forward and deducted in equal amounts over a period of three years.
- Any other item cannot be carried forward.

9. Cage 140 - Total of Qualifying Payments

The total of amounts in Cage 140.08 of the Schedule 4, should be entered in Cage 140 of the Return.

10. Cage 150 - Taxable Income

Taxable Income is the difference between the Assessable Income and the deductible qualifying payments. Deduct the amount in Cage 140 from the amount in Cage 130 and enter the result in Cage150. Please note that the taxable income cannot be a negative amount, in which case enter "o".

11. Cage 160 - Tax on Income taxable at rates other than normal rates [Special Rates] (Schedule 5)

Special rates represent, rates other than any rate specified in Part – B of Second Schedule to the Inland Revenue Act. Some of such items are listed below;

- 1) Profits from educational services are chargeable tax at 10%.
- 2) Profits from agricultural undertaking referred to in section 16 of the Inland Revenue Act are chargeable to tax at 10% (Section 48A).
- 3) Profits from agriculture, manufacture of animal feed, promotion of tourism or construction work (Section 46 of the Inland Revenue Act) are chargeable to tax at 12%.
- 4) Qualified export profits and income (Section 51 and 52 of the Inland Revenue Act) are chargeable to tax at 12%.



- 5) An Undertaking with annual turnover not exceeding seven hundred and fifty million rupees (other than buying and selling) [Section 59B of the Inland Revenue Act] is chargeable to tax at 12%. (not applicable for the holding company, a subsidiary company, or an associate company of a group of companies)
- 6) A Venture Capital Company is chargeable to tax at 12%.
- 7) Unit Trusts, Mutual Funds or Unit Trust Management is chargeable to tax at 10% on its taxable income
- 8) Profits and income from manufacture and sale or import and of sale of any liquor or tobacco, any lottery or betting or gaming activity conducted is chargeable to tax at 40%.
- 9) Profits from locally manufactured handloom products is chargeable to tax at 12 %
- 10) Profits from health care services is chargeable to tax at 12 %
- 11) Profits of a grower or manufacturer of tea who has established a joint venture with a tea exporter is chargeable to tax at 12 %
- 12) Profits from poultry farming is chargeable to tax at 10 %
- 13) Profits and income from the sale of goods by an export oriented company is chargeable to tax at 12 % (Section 56 A)
- 14) Profits from supply of goods or services to foreign ships is chargeable to tax at 12%(Section 56B)
- 15) Profits and income from supply of sewing, assembly of any garments or any other service which results improvement of value of any garment to garment exporter registered with TQB, tax at 12% (Section 58)

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 under relevant Cage in Schedule 5.

Enter the amount in Cage 160.06 of the Schedule 5 in Cage 160 of the return

12. Cage 170 - Tax on Balance Taxable Income

The tax on balance taxable income should be computed as follows:

- (1) Companies other than any company engaged in manufacturing and service business, the taxable income of which does not exceed Rs. 5,000,000 –**

If the taxable income of a company (other than Unit Trust, Mutual Fund, Venture Capital Company or the holding company, subsidiary company or an associated company of a group of companies) does not exceed Rs. 5,000,000, the rate of income tax applicable to its taxable income is 12%;



(2) Companies, which do not fall under item (1) above or concessionary rate specified in any other provisions of the Act;

The profits and income of such company is chargeable to tax at 28% unless taxable under any specific rate under any other provisions of the Act.

However, if the tax (computed under provisions of the Inland Revenue Act) attributable to the excess taxable income over Rs. 5,000,000 is more than that excess taxable income, of a company referred to in item (1) of paragraph 12 then such part of tax which is more than the excess taxable income should be disregarded.

Example: If the taxable income is Rs. 5,800,000/-, the amount of tax payable is – Rs.

Tax on the taxable income of Rs. 5,800,000 @ 28%	=	1,624,000
Tax on Rs 5,000,000 @ 12%	=	600,000
Excess of tax over the amount of tax over Rs. 5Mn.		1,024,000 (A)
Taxable income over Rs 5,000,000	=	(5,800,000 - 5,000,000)
		800,000 (B)

As (A) > (B);

Tax Payable	=	(Tax on Rs 5,000,000+ Taxable income over Rs 5,000,000)
	=	<u>(600,000 + 800,000)</u>
	=	<u>Rs. 1,400,000/-</u>

If the entire taxable income is taxed at 28% and, such taxable income exceeds Rs. 5,000,000 but does not exceed Rs. 6,111,111, then the amount of tax payable is the amount of taxable income that exceeds Rs. 5,000,000, plus Rs. 600,000.

But in cases where the entire taxable income is not taxable at 28% this method is not applicable.

(3) Following concessionary tax rates are applicable for any undertaking referred to in Section 48 where applicable.

- Tax rates are applicable to the year of assessment immediately succeeding end of the period for which the profits & income are exempt from income tax being a year of assessment commencing on or after 01/04/2008 -5%
- End of the post exemption year -10%
- End of the second post exemption year – 15%

13. Cage180 - Tax on Gross Dividends

- (1) Every resident company (other than a Unit Trust or Mutual Fund) irrespective of whether a quoted public company or not, is required to pay income tax equal to 10% on the amount of gross dividend distributed to its shareholders during the year of assessment.



- (2) However, the Company is not required to pay tax when such dividend is distributed out of the profits other than the “relevant part”. Relevant Part means balance of gross dividends after deducting there from any dividend distributed ;
- to any company or body of persons which exempt from income tax under paragraph (a) of Section 7;
 - to any local authority or government institution referred to in sub-paragraph (c) of Section 7;
 - to any unit trust or mutual fund;
 - to any shareholder who is exempt from income tax under Section 10 in respect of such dividend;
 - to any Co-operative Society;
 - Api Wenuwen Api Fund; or
 - out of any dividend received from another resident company.
- (3) Every resident company is required to pay 10% tax on any dividend distributed in the form of shares or debentures as well, even though companies are not empowered to deduct tax on such dividends from the shareholder.
- (4) The company is required to deduct tax from dividend at the time when it is paid. Complete separate **copies of Schedule 6** (photocopied) for each distribution when there are several distributions of dividend during the year.
- (5) Company is required to remit the tax so deducted and the tax on dividends referred to in item 2 above, to the CGIR within 30 days from the date of distribution. Furthermore, it is required to send a return on dividend bi-annually. i.e on or before April 30th in respect of dividends distributed from 1st of October to 31st March and on or before October 31st in respect of dividends distributed from 1st of April to 30th September.

The amount in Cage 180.07 of the Schedule 06 should be entered in Cage 180 of the Return.

14. Cage 190 - Tax on Remittances (Schedule 6A)

Tax on remittances is applicable to non-resident companies only, and it is computed at 10% on total remittances made during the year.

- “**Remittance**” means
- sums remitted or retained abroad out of the profits and income chargeable to tax other than sums remitted out of the dividend received.
 - proceeds of sale abroad and retained abroad of products exported
 - market value of the products exported but not sold at all

Enter the amount in Cage 190.06 of Schedule 6A in the Cage 190 of the Return



15. Cage 200 - Tax on Distributable Profits (Schedule 6 B)

Enter the distributable profit in Cage 200.01 of Schedule 6 B.

Distributable Profits means, the book profits of the company for the year of assessment 2014/15, reduced by the aggregate of:

- (i) the income tax payable on the taxable income for the year of assessment 2014/15
- (ii) the cost incurred by the company, if any, in the acquisition of any land or any other capital asset in 2014/15; and
- (iii) any notional profit on revaluation of any capital asset which included in the book profits and,

increased by the aggregate of:

- (i) any depreciation allowance deducted in arriving at book profits in respect of capital assets, acquiring in 2014/15; and
- (ii) any notional loss on revaluation of capital assets which included in book profits.

Enter the amount of gross dividend distributed out of distributable profits of the Y/A 2014/15, on or before September 30, 2015 in Cage 200.02.

In Cage 200.03, enter the amount equals to 10% of the distributable profit of the Y/A 2014/15, i.e. the amount in Cage 200.01

In Cage 200.04, enter the amount equals to 33 1/3% of the distributable profit of the Y/A 2014/15, i.e. the amount in Cage 200.01.

In Cage 200.05, enter the excess of amount in Cage 200.04 over amount in Cage 200.02.

Then, if the amount in Cage 200.02 is less than the amount in Cage 200.03, compute the tax payable on (excess) distributable profit (i.e.15% of the amount in Cage 200.05) and enter in Cage 200.06.

If the amount in Cage 200.02 is greater than the amount in Cage 200.03, then no tax payable on distributable profit, and enter zero in Cage 200.06. Tax on distributable profits of Government institutions should be entered in Cage 200.07.

The amount in Cage 200.08 of the Schedule 6B should be entered in Cage 200 of the Return.

16. Cage 210 - Total Tax Payable

The total of the amounts in Schedule 7 (220.01 to 220.09) should be entered in Cage 210 of the Return as the total of tax payable

17. Cage 220 - Total Tax Credits

The explanations in relation to each Cage in the Schedule 7 are given below in the same order.

17.1. Cage 220.01 - Remittance Tax Paid

Applicable for non-resident companies

Enter the total amount of Remittance Tax paid in Cage 190.06 of Schedule 6A, in Cage 220.01 of Schedule 7



17.2. Cage 220.02 - Double Tax Relief

Any credit allowable for tax paid in a foreign country with which a Double Tax Avoidance Agreement has been entered in to by Sri Lanka, may be claimed in Cage 220.02. 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.**

17.3. Cage 220.03 - ESC Deductible

Enter in this Cage the amount entered in the Cage E of the Schedule 7A as deductible amount of ESC in Cage 220.03

17.4. Cage 220.04 - Self Assessment Tax Payments (SA Tax Payments)

Enter only the total amount of Income Tax paid under self assessment as quarterly installments and the final payment for the relevant year of Assessment (i.e. 2015/2016) in Cage 220.04

17.5. Cage 220.05 - Dividend Tax Paid

Dividend tax paid by the company during the year, if any, should be entered in this Cage.

17.6. Cage 220.06 - Tax on Distributable Profit

Tax on distributable profit paid by the company during the year, if any, should be entered in this Cage.

17.7. Cage 220.07 - Withholding Tax on Interest

Enter the amount of any withholding tax on interest which is not final.

17.8. Cage 220.08 - Notional Tax Credits

Enter the amount of any notional tax credits on any interest from secondary market transactions in Cage D of Schedule 7B as deductible amount of ESC in Cage 220.08

17.9. Cage 220.09 - Enter the amount of any other relief with its description

Any other tax credit (such as WHT paid under Section 160) or relief which is deductible but not claimed elsewhere in the return form or Schedules, should be entered in this Cage. Please give the full details of such claims in a separate sheet.

18. Cage 220.10 - Total Tax Credits

The total of the amounts in Cage 220.01 to 220.09 should entered in Cage 220.10 of Schedule 7 and Cage 220 of Return.

18.1. Cage 230 or Cage 240 - Calculation of Amount of Tax Payable or Refundable

If the figure in Cage 210 is greater than the figure in Cage 220, enter the difference between the two figures in Cage 230 as amount payable. If the figure in the Cage 220 is greater than that in Cage 210, enter the difference between the two figures in Cage 240 as refund claimed.



SECTION 2

Enter the details of Turnover, Gross Profit and other Comprehensive Income in the relevant cages provided in the section 02 of the Return.

SECTION 3

The name of the Secretary or the Principal Officer and the Managing Director of the company must be given in Section 2 of the Return. The Managing Director, a Director, the Secretary or Principal Officer of the company is required to sign (and date) the Return indicating his/her name and designation.

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

Sinhala or Tamil translation of this guide can downloaded from the IRD Portal www.ird.gov.lk



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*Inland Revenue Department
Colombo 02.*