



ශ්‍රී ලංකා දේශීය ආදායම්
இலங்கை உள்ளநாட்டு இறைவரி
Sri Lanka Inland Revenue

**GUIDE TO CORPORATE RETURN of INCOME TAX
YEAR OF ASSESSMENT -
2018/2019**



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).

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 Company entered into agreement with Board of Investment (BOI)], Public Corporation, Trust, Unit Trust, Non-governmental Organization (NGO) or Funds etc. is required to furnish a **Return of Income** (Form No.*Asmt_CIT_001_E*) for the year of assessment 2018/2019 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 30th November, 2019**. **Please note that the type of the entity should be marked in the relevant cage of the Return of Income.**

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).

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 enterprise or other than international transactions made between associated enterprises who fulfills the requirements of provision 1 of the Gazette Notification, referred to in Section 76 and 77 of the IR Act to submit Transfer Pricing Disclosure Form along with the Return of Income Tax.

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



The Return entails fourteen **Schedules** namely Schedule 1, 2, 2B, 2C, 3, 4, 5, 6, 7, 7A, 7B, 7C, 8, 9. The mandatory Schedules are 2, 4 and 7. However, if there is value to fill in the relevant cage of the Return of Income, which is linked to the other schedules, the relevant schedule should be filled and provided with the return.

Any company who files a Tax 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.

In case of any **data filling cage in the Return or Schedule is not required** to be filled, then nothing should be written in words such as “not applicable” in that cage other than **hyphen**. If the space provided for writing in the Schedule is not enough then, should be written as refer the attachment and the attachment should be in the same format provided.

Payment of Tax

The tax for the year of assessment 2018/2019 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 th of August, 2018	18191
2	15 th of November, 2018	18192
3	15 th of February, 2019	18193
4	15 th of May, 2019	18194
Final	30 th of September, 2019	18190

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

Penalties

Furnishing of an incorrect return or fail to furnish the return on or before the due date 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, 2019).



- 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 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 01 million rupees or imprisonment for term not exceeding one 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.

The outlines of Schedules are as follows.

Schedule 01 –Exempt Amounts

Exempt 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.

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 Schedule 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 02 C- Adjustment due to change of Accounting Year up to March 31, 2018

Any Adjustment made to the assessable income due to change of accounting year up to March 31, 2018, should be declared in this Schedule.

Schedule 03- Qualifying Payments

The deductible amount of qualifying payments made for the year of assessment 2018/2019 and any brought forward balance of qualified payments as provided in the Gazette Notification No. 2064/53, dated April 1, 2018, from the previous 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 2018/2019 is liable at the rates specified in the FIRST SCHEDULE to the IR Act, should be declared in this schedule.



Schedule 05 - Tax on Remittances

A non-resident company, who has earned remitted 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 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

Any brought forward balance of Notional Tax Credit qualified for deduction as provided in the Gazette Notification No. 2064/53, dated April 1, 2018, and any Notional tax amount claimed during the period January 01, 2018 to March 31, 2018, can be declared during the year of assessment and 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.



The following instructions should be followed while you are filling the Return of Income.

SECTION 01 Statement of Gains and Profits

Part A

1. Cage 10 – Exempt Amounts (Schedule 01)

The schedule 01 consists with three sub schedules namely Schedule 01A, Schedule 01B and Schedule 01C. Before filling Schedule 01 the sub schedules should be completed.

1.1 Schedule 01A - Exempt Amounts 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.

Eg. A dividend distributed by resident company out of the dividend received from another resident company which is subject to WHT (at the rate of 14%), is exempted under Section 9.

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 Schedule 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 with BOI should be declared in the Schedule 01C by using cage 10.C.1 to 10.C.5 with the requested information.

If provided space is not enough to enter exemptions in 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



2. Cage 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 Cage 20, 30 and 40 of 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) and 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 Schedule 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.

The amount of total loss deductible from gains and profits from business and investment in Cage 20.B.0 and 30.B.0 of Schedule 02B should be entered to Cage 20.B and 30.B of this Schedule. Therefore, before filling deductible loss from business and investment of 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 amount entered in Cage 20.0, 30.0 and 40.0 of the Schedule 02 should be entered to Cage 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.

In calculating person's gains and profits from business, following amounts derived by the person during the year of assessment shall be included;

- (a) sale of any goods or article and receipts by providing a service including mixed receipts;
- (b) consideration received in respect of trading stock;
- (c) from the realisation of capital assets and liabilities of the business as calculated under Chapter IV of the Act;
- (d) amounts required to be included by the Second or Fourth Schedule of the Act on the realisation of the person's depreciable assets of the business;



- (e) amounts derived as consideration for accepting a restriction on the capacity to conduct the business;
- (f) gifts received by the person in respect of the business.
- (g) amounts derived that are effectively connected with the business; and
- (h) other amounts required to be included under this Act.

In calculating a person's gains and profits from conducting a business for a year of assessment the following payments shall be excluded,

- (a) Exempt amounts and final withholding payments; and
- (b) Amounts those are included in calculating the person's income from an employment.

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.

In calculating person's gains and profits from an investment, following amounts received or derived by the person during the year of assessment shall be included;



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

In calculating a person's gains and profits from an investment for a year of assessment the following shall be excluded:

- (a) Exempt amounts and final withholding payments; and
- (b) Amounts those are included in calculating the person's income from an employment or business.

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 (11) –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.



In calculating a person's gains and profits from any source whatsoever, the following shall be excluded:

- (a) Exempt amounts and final withholding payments; and
- (b) Amounts those are included in calculating the person's income from an employment or business.

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, the 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

As provided in the Gazette Notification No. 2064/53 dated April 1, 2018, where any provision of the Inland Revenue Act, No. 10 of 2006 provides for the deduction of any loss in ascertaining the assessable income of any person for any year of assessment, and any balance of such loss as at March 31, 2018, shall deemed to be the loss incurred for the year of assessment commencing on or after April 1, 2018 under the Inland Revenue Act, No. 24 of 2017, and be deductible in accordance with the Inland Revenue Act, No. 24 of 2017. Therefore, the brought forward losses is considered as loss of during the year of assessment (Y/A) 2018/2019 and incurred at the same rate of income tax applicable for the taxable income of the business of the year of assessment.

The brought forward business losses from the Y/A 2017/2018 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. As well as business losses incurred during the Y/A 2018/2019 should be included in Cage



20.B.11, 20.B.21 and 20.B.31 by categorizing the income tax rate applicable for business income for the Y/A 2018/2019. The total losses claimed for the Y/A 2018/2019 should be declared in Cage 20.B.12, 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 Cage 20.B.13, 20.B.23 and 20.B.33 in this Schedule by categorizing the income tax rate applicable for business income for the Y/A 2018/2019.

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).

- 1) The rules applicable under section 19 of the IR Act.
 - i. an unrelieved loss from a business shall be deducted in calculating income from any other business or from an investment income.
 - ii. an unrelieved loss from an investment shall be deducted in calculating income only from any other investment.
 - iii. an unrelieved loss of a person for any of the previous six years of assessment from the business or any other business shall be deducted when computing assessable income from the business.
 - iv. The reduced rate loss can be deducted only from gains and profits liable for income tax at same reduced rate or lower reduced rate or from exempt profit.



- 2) 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.
- 3) 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 Cage 20.B.14, 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 as shown in the following example.



SCHEDULE – 02B (1) : Business Losses																			
		14%										28%							
B/F Losses from Y/A 2017/18	20.B.10																		
		1	0	0	0	0	0	0	0	0	0								
Losses During the Y/A 2018/19*1	20.B.11																		
		3	0	0	0	0	0	0	0	0	0				5	0	0	0	0
Total Losses	20.B.12																		
		4	0	0	0	0	0	0	0	0	0				5	0	0	0	0
Gains & Profits During the Year	20.B.13																		
		9	0	0	0	0	0	0	0	0	0							-	-
Adjustment +/(-)*2																			
Losses transfer from Higher Rate to Lower Rate	20.B.14																		
		5	0	0	0	0	0	0	0	0	0				(5	0	0	0	0

Business Losses transfer to be deducted from investment income of the year of assessment should be included in Cage 20.B.15, 20.B.25 and 20.B.35 by categorizing the income tax rate 14%, 28% and 40% respectively. Further, the transferred business losses 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 Cage 20.B.16, 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 Cage 20.B.17, 20.B.27 and 20.B.37 of Schedule 02B (1). Therefore, amount of losses deductible are deductible amount of loss from the total losses declared, aggregate to 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). Please refer following Example.



SCHEDULE – 02B (1) : Business Losses																																		
	14%									28%																								
B/F Losses from Y/A 2017/18	20.B.10					1	0	0	0	0	0	0	0	0	0	0	0	20.B.20																
Losses During the Y/A 2018/19*1	20.B.11					3	0	0	0	0	0	0	0	0	0	0	0	20.B.21									5	0	0	0	0	0	0	0
Total Losses	20.B.12					4	0	0	0	0	0	0	0	0	0	0	20.B.22									5	0	0	0	0	0	0	0	
Gains & Profits During the Year	20.B.13					2	0	0	0	0	0	0	0	0	0	0	20.B.23									8	0	0	0	0	0	0	0	
Adjustment +/-(-)*2																																		
Losses transfer from Higher Rate to Lower Rate	20.B.14																20.B.24																	
Losses transfer to Investment (To 30.B.15 or 30.B.25)	20.B.15					(1	0	0	0	0	0	0	0	0	0	20.B.25																		
Specific Losses (From 20.B.63)	20.B.16															20.B.26																		
Losses Deductible	20.B.17					2	0	0	0	0	0	0	0	0	20.B.27																			
Losses Expired	20.B.18														20.B.28																			
Losses Carried Forward	20.B.19					1	0	0	0	0	0	0	0	0	20.B.29																			

The unrelieved loss of the person can be deducted within six years of assessment. Therefore, the unrelieved business losses expired after the six year of assessment should be included in Cage 20.B.18, 20.B.28 and 20.B.38 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 20.B.19, 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 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 Cage 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 Cage 20.B.60 and 20.B.61 by categorizing the number of years claimable. After deducting amount in Cage 20.B.60 and 20.B.61 from the amount in Cage 20.B.50 and 20.B.51, the amount of



unrelieved loss carried forward should be entered to Cage 20.B.70 and 20.B.71. Please refer following example.

SCHEDULE - 02B (11): Specific Loss Deductions																															
Part 1 : Investment Incentives under Second Schedule																															
Y/A	Ref.	No. of years to be Claimed	Amount of Losses Incurred								Amount of Losses Deducted								Amount of Losses C/F												
2018	2 nd Sch. Para.7	10 Y	20.B.50	5	0	0	0	0	0	0	0	0	0	20.B.60	3	0	0	0	0	0	0	0	20.B.70	4	7	0	0	0	0	0	0
		25 Y	20.B.51	-	-	-	-	-	-	-	-	20.B.61	-	-	-	-	-	-	-	-	20.B.71										
Part 11: Leasing Losses Under Transitional Provision																															
Finance Leasing Losses ³			20.B.52											20.B.62	-	-	-	-	-	-	-	20.B.72									
Total Specific losses deducted														20.B.63	3	0	0	0	0	0	0	0									

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 2018/2019, 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 2018/2019 should be declared in Cage 20. B.62.

The unabsorbed losses as at 31.03.2019 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 2018/2019, that are declared in Cage 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.26 or 20.B.36 by categorizing the relevant income tax rate.

2.3.3 Schedule – 02B (11): Investment Losses

The brought forward investment losses from the Y/A 2017/2018 should be included in Cage 30.B.10 and 30.B.20 by categorizing the rate of income tax **applicable for investment income for the Y/A 2018/2019**, which is 14% and 28% respectively. As well as, investment losses incurred during the Y/A 2018/2019 should be included in Cage 30.B.11 and 30.B.21 by categorizing the rate of income tax applicable. The total losses claimed for the Y/A 2018/2019 should be declared in Cage 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 Cage 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 Cage 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 (please refer the given example below).

Business losses transfer to be deducted from investment income of the year of assessment should be included in Cage 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 deductible amount from the 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. Please refer the following example.

SCHEDULE – 02B (111) : Investment Losses		14%										28%																		
B/F from Y/A 2017/18	30.B.10					-	-	-	-	-	-	-	-	-	-	30.B.20					-	-	-	-	-	-	-	-	-	-
Losses During the Y/A 2018/19	30.B.11					-	-	-	-	-	-	-	-	-	-	30.B.21					7	0	0	0	0	0	0	0	0	0
Total Losses	30.B.12					-	-	-	-	-	-	-	-	-	-	30.B.22					7	0	0	0	0	0	0	0	0	0
Investment Gains & Profits	30.B.13					2	0	0	0	0	0	0	0	0	0	30.B.23					5	0	0	0	0	0	0	0	0	0
Adjustment +/(-)*																														
Losses transfer from Higher Rate to Lower Rate	30.B.14					1	0	0	0	0	0	0	0	0	0	30.B.24					(1	0	0	0	0	0	0	0	0	0
Losses Transfer from Business (From: 20.B.15, 20.B.25 or 20.B.35)	30.B.15					1	0	0	0	0	0	0	0	0	0	30.B.25					-	-	-	-	-	-	-	-	-	-
Losses Deductible	30.B.16					2	0	0	0	0	0	0	0	0	0	30.B.26					5	0	0	0	0	0	0	0	0	0
Losses Expired	30.B.17					-	-	-	-	-	-	-	-	-	-	30.B.27					-	-	-	-	-	-	-	-	-	-
Losses Carried Forward	30.B.18					-	-	-	-	-	-	-	-	-	-	30.B.28					1	0	0	0	0	0	0	0	0	0
Investment Losses Deductible (30.B.16+ 30.B.26) 02B/						[Enter this value to cage B of Sch.										30.B.30					7	0	0	0	0	0	0	0	0	0

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 2017/2018 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 2018/2019 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 2018/2019 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.

(a) in the case of a foreign source loss from an investment, can be deducted only in calculating the person's foreign source income from an investment; and

(b) in the case of a foreign source loss from a business, can be deducted only in calculating the person's foreign source income from a business or investment.

Accordingly, the 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 Cage 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 Cage 20.B.85 and 30. B.45. Therefore, amount of losses deductible



are total losses declared aggregate to loss transfer from business to investment. Please refer the following example.

SCHEDULE - 02B (IV): Foreign Losses																										
		Business										Investment														
B/F from Y/A 2017/18	20.B.80																									
Losses During the Y/A 2018/19	20.B.81				4	0	0	0	0	0	0	0	0													
Total Losses	20.B.82				4	0	0	0	0	0	0	0	0													
Foreign Gains & Profits	20.B.83				1	0	0	0	0	0	0	0	0				3	0	0	0	0	0	0	0	0	0
Adjustment +/- ²																										
Business Losses Transfer to Investment	20.B.84				(2	0	0	0	0	0	0	0	0				2	0	0	0	0	0	0	0	0	0
Losses Deductible <i>[Enter these values to cage C & D of Sch. 02B]</i>	20.B.85				1	0	0	0	0	0	0	0	0				2	0	0	0	0	0	0	0	0	0
Losses Expired	20.B.86				-	-	-	-	-	-	-	-	-				-	-	-	-	-	-	-	-	-	-
Losses Carried Forward	20.B.87				1	0	0	0	0	0	0	0	0				-	-	-	-	-	-	-	-	-	-

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 Cage 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 cage loss carried forward 20.B.87 and 30. B.47.

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

3. Cage - 45 Adjustments due to change of Accounting Year up to March 31, 2018 (Schedule 02C)

Due to the reason that change of the accounting year up to March 31, 2018, the assessable income computed **in terms of the provisions of**



the Inland Revenue Act No. 10 of 2006 and amendments there on, should be included in this Schedule.

The sub schedules to the Schedule 02C which are Deductible loss from trade or business, Deductible loss of business of life insurance and Deductible loss of business of finance leasing should be filled before filling Schedule 02C.

The profits and income liable for income tax should be declared in Cage 45.1 to Cage 45.6. The total of the profits and income should be declared as total statutory income in Cage 45.7.

The income not forming part of total statutory income such as dividend income after deducting WHT should be included in Cage 45.8.

The deductions from total statutory income which are deductible loss from trade or business and interest or annuities paid should be entered to Cage 45.10 and Cage 45.11 respectively. The loss on business of life insurance and loss on business of finance leasing up to the period March 31, 2018 should be calculated using sub schedules given under schedule 02C.

The Assessable income up to the period March 31, 2018, declared in Cage 45.0 of Schedule 02C should be entered to Cage 45 of Return of Income.



3.1 Deductible Losses from Trade or Business

A loss incurred in any trade, business, profession and 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 for this year of assessment and deductible losses brought forward is subject to a maximum of thirty five percent (35%) of the total statutory income for the period up to March 31, 2018, of this year of assessment (i.e. 35% of the amount in Cage 45.d). Any loss that cannot be so deducted can be carried forward to the balance period of the year of assessment and up to six years of assessment, and deducted on the basis specified in section 19 of the Inland Revenue Act No. 24 of 2017.

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

The total deductible loss in Cage 45.j [total of deductible losses up to March 31, 2018, mentioned above, (45.j= 45.f + 45.h + 45.i)] in the sub Schedules should be entered in Cage 45.10 of the Schedule 02C.

3.2 Deductible Loss from the Business of Life Insurance

Loss from the business of life insurance should be included in this sub 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 balance period of the year of assessment 2018/2019 and thereon on the basis specified in section 19 of the Inland Revenue Act No. 24 of 2017.

3.3 Deductible Loss 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 balance period of the year of assessment 2018/2019 and thereon on the same basis [should be declared in the Schedule 02B (11)].

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, 40 and 45 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:

- I. Deductible Qualifying Payments made during the year (under Inland Revenue Act, No. 24 of 2017)
- II. 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;



- (k) any un-deducted brought forward balance of such expenditure made in terms of Inland Revenue Act No,10 of 2006; and
- (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 following payments can be deducted as qualifying payments B/F from the previous year of assessment as provided in the Gazette Notification No. 2064/53 dated April 1, 2018.

- (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) 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;
- (iv) Any investment made in a new undertaking referred to in Section 20(2) (c) of the Inland Revenue Act.
- (v) Any expenditure incurred in the relocated undertaking referred to in Section 21(2) of the Inland Revenue Act.
- (vi) 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;

- (vii) 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;
- (viii) Expenditure incurred in constructing houses for low income families referred to in section 13(zzz) of Inland Revenue Act;
- (ix) 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;



- (x) 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
- (xi) 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 ascertained 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.

5.3 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.

5.3.1 Limitation for the Qualifying Payments made during the year (Fifth Schedule of the Act, No. 24 of 2017)

- A. Deduction in respect of the aggregate of all qualifying payments referred to in item in paragraph 5.1 (i) is limited to 1/5 of the taxable income or Rs.500,000 whichever is less.



B. No restriction in the deduction of qualifying payments referred to in item specified in paragraph **5.1 (ii)**, and **(iii)**.

5.3.2 Limitation for the Qualifying Payments B/ F under Act, No. 10 of 2006

- (i) No restriction in the deduction of qualifying payments referred to in item **5.2 (i)**, **(v)** and **(viii)**.
- (ii) Deduction in respect of the aggregate of all qualifying payments referred to in item **5.2 (ii)** is limited to 1/5 of the assessable income or actual expenditure incurred, whichever is less.
- (iii) Deduction in respect of any qualifying payment referred to item **5.2 (iii)** (i.e. cost of a film) is limited to
 - (iii)(a)** - Rs. 25 million per film
 - (iii)(b)** - Rs. 35 million per film
- (iv) Deduction in respect of qualifying payment referred to in item **5.2 (iv)** is limited to Rs. 100 million or actual expenditure incurred whichever is the lesser amount
- (v) Deduction in respect of qualifying payment referred to in **5.2 (vi)** is limited to Rs 25 million or actual expenditure incurred whichever is the lesser.
- (vi) Deduction in respect of qualifying payment referred to in item **5.2 (vii)** is limited to Rs 10 million or actual expenditure incurred whichever is the lesser.
- (vii) Deduction in respect of qualifying payments referred to in items **5.2 (ix)** & **(x)** are limited to 25 % of qualifying payment **(This qualifying payment can be claimed, if**



approval has been taken from CGIR to change accounting year).

- (viii) Deduction in respect of qualifying payment referred to in item **5.2 (xi)** is limited to $1/3^{\text{rd}}$ of assessable income or Rs.300 million whichever is higher.

The limitations applicable for the qualifying payments in terms of Inland Revenue Act, No. 10 of 2006 are continued, if there are any un-deducted carried forward balances of such expenditure.

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 2018/2019, if any, referred to in paragraph **5.1 (i)**, **5.1 (ii)**, and **5.1 (iii)** **cannot be carried forward** and deducted in the future year of assessment.

5.4.2 Qualifying Payments B/ F under Act, No. 10 of 2006:

- Paragraph **5.2 (i)**, **(ii)**, **(iii) (a) & (b)**, **(iv)**, **(v)**, **(vi)**, **(vii)**, **(viii) & (xi)** can be carried forward and deducted until the full amount of that qualifying payment is deducted.
- Any other item in the paragraph **5.2** cannot be carried forward.

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)

For any year of assessment commencing on or after April 1, 2018, the following rates are applicable for companies and entities.

7.1 Special Rates Applicable for Companies

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%**.
- (h) 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.
- (i) 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.

(j) Any person who has provided Schedule 2C for the adjustment due to change of account year, when computing tax on the taxable income related for the period ending March 31, 2018, in accordance with the provisions of Inland revenue Act, No. 10 of 2006, the following steps can be applied.

- A. If there is no deduction for the qualifying payments to claim for the Y/A 2018/2019, then the assessable income declared in the Schedule 2C should be considered as taxable income and the relevant special rate as per the provisions of Inland Revenue Act No. 10 of 2006 should be applied and payable tax should be computed.
- B. If the is qualifying payments to claim for the Y/A 2018/2019, then the taxable income after deducting such qualifying payments should be apportioned in accordance with the assessable income declared for the period January 01, 2018 to March 31, 2018. Then, on the relevant part of taxable income the relevant special rate as per the provisions of Inland Revenue Act No. 10 of 2006 should be applied and payable tax should be computed.



7.2 Tax Rates Applicable for Trusts

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

7.3 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%.

7.4 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%.

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 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/ entity's taxable income includes gains from the



realisation 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

The taxable income of a company/entity for a year of assessment shall be taxed at the rate of 28%, except the taxable income liable at special rates and the taxable income which includes gains from the realisation of investment assets.

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 a year of assessment shall be taxed at the rate of 28%.

9.2 Tax rates Applicable for Non-Governmental Organizations

(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%.

Please note that the balance taxable income chargeable at 28% 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 (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).

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

The Notional tax amount on or after April 1, 2018, cannot be claimed as tax credit in the year of assessment 2018/2019. However, any brought forward balance qualified for deduction as provided in the Gazette Notification No. 2064/53, dated April 01, 2018, and the NTC available for the period January 01, 2018 to March 31, 2018, can be claimed during the year of assessment and 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, and enter the amount of any NTC on any interest from secondary market transactions during the period January 01, 2018 to March 31, 2018, in Cage B of Schedule 7C.

The deductible amount as tax credit for the Y/A 2018/2019 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 2018/2019 in Cage 140.11.

13.2.3 Cage 140.12 - Withholding Tax Credit claimed from CIT

Enter the amount of any withholding tax paid and claimed on investment return and service fee and contract payments which are not final, 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.

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 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. 2018/2019) 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

In terms of section 126(2) of the Inland Revenue Act, the Commissioner General may specify the information to be furnished on the return and attachments, if any, required to be filed with the return. Therefore, the following information should be provided with the Return of Income.

1. Schedule 8: Computation Sheets

The adjusted gains and profits from the sources business, investment and other Income should be calculated in accordance with this Schedule. The gains and profits included in the section 6 to 8 should included 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 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 2018/2019 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 Inland Revenue Act and the Extraordinary Gazette No. 2104/4 of 31.12.2018, should be entered in this Schedule.

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

