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இலங்கை உள்நாட்டு இறைவரி
Sri Lanka Inland Revenue

GUIDE TO FILL
RETURN OF INCOME - PARTNERSHIP
AND SCHEDULES

YEAR OF ASSESSMENT
2021/2022

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This set of instructions consists of;

A. General instructions

B. Instructions to complete return of income - partnership and schedules

It is strongly advised to read this set of instructions before completing the Return and Schedules. Visit IRD web portal – www.ird.gov.lk to download Schedules and Guide.

A. GENERAL INSTRUCTIONS

1. A partnership itself is liable to income tax on the taxable income of the partnership, in addition to the liability to tax on any gains from the realization of any investment asset.

2. Issuance and Submission of Return

Issuance

The Return of Income of a partnership is issued by the Commissioner General of Inland Revenue to persons who are chargeable with income tax for the Year of Assessment 2021/2022.

This Return has been sent to you in the language of your choice (If you wish to receive correspondences and tax returns in different language, should immediately inform the **Inland Revenue Department -Taxpayer Service Unit).**

Submission

The duly completed Return (Return of Income-partnership and Mandatory Schedules) and other required documents should be posted or hand delivered to any Regional Office or the Head Office of the Inland Revenue Department (IRD), on or before **30th November, 2022**.

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3. Calculation of Tax

Income tax payable on taxable income (other than any gains from the realization of any investment assets) of the partnership shall be calculated by applying the relevant tax rates set out below.

Taxable Income (Rs.)	Tax Rate
First 1,000,000	0
Balance	6%

4. Payment of Tax

The estimated tax should have been paid in quarterly installment. Following table describes the due dates for quarterly tax payments and payment codes for the year of assessment 2021/2022.

Tax Instalment	Due Date of payment	Payment Period Code
First Instalment	15th August 2021	21221
Second Instalment	15th November 2021	21222
Third Instalment	15th February 2022	21223
Fourth Instalment	15th May 2022	21224

The aggregate of four installments, the final payment and applicable tax credits should be equal to the total tax liability of the year of assessment 2021/2022.

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5. Precedent partner or a partner of a partnership is required to file the Return of Income and Schedules of the partnership for the year of assessment 2021/2022.

6. In case where any Cage in the Return of Income - partnership or Schedules are not required to be filled, then mark the relevant Cage in the Return of Income or Schedule with **only a hyphen (-)**. If the space provided in a Schedule is not adequate to fill the information, then you are required to provide it as an attachment in the same format provided.

If there is any schedule that is not required to fill, then mention **Nil** across the relevant schedule.

Part A – INCOME LIABLE TO TAX		Rs.										Cents	
Business Income (Cage 253.3 of Schedule 4A)	10				1	0	0	0	0	0	0	0	0
Investment Income (other than Gains from the Realization of Investment Assets) (Cage 254.3 of Schedule 4A)	20				-	-	-	-	-	-	-	-	-
Other Income (Cage 255 .3 of Schedule 4A)	30					5	0	0	0	0	0	0	0
Gains from the Realization of Investment Assets (Cage 256.1 of Schedule 4A)	40					-	-	-	-	-	-	-	-

7. Penal Provisions

Penal provisions for late filling and non-submission of Return and incorrect or misleading Return.

- Penalty for late filing of Return is equal to the greater 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 Rs.50,000/- plus a further ten thousand rupees for each month or part of a month during

(ii) which the failure to file continues for failure to furnish a Return on or November 30, 2022.

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- A penalty for making false or misleading statement is equal to the greater of Rs. 50,000 or the amount by which would have been the tax payable reduced or refund increased, if it were determined based on such statement.

- For failure to file a Return, a partnership is liable to a fine not exceeding 1 million rupees or to imprisonment for a term not exceeding one year or both such fine and imprisonment.

Failure to pay instalments on due dates

- A penalty for a person,
  I. 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
  II. Who fails to pay all or part of an instalment required under the Act, equal to 10% of the amount of tax due but not paid.

- If an amount of tax is not paid by the due date, the taxpayer shall be liable for interest on the amount for the period from the due date subject to Section 151 (extension of time for payment), to the date the tax is paid, the interest rate shall be 1.5% per month or part month, compounded monthly.

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B. INSTRUCTIONS TO FILL THE RETURN OF INCOME OF PARTNERSHIP AND THE CONNECTED SCHEDULES

The set of Return forms provided to you comprises two parts namely;

1. **Return of Income**
2. **Schedule to the Return of Income**

I. INSTRUCTIONS TO COMPLETE THE RETURN OF INCOME

- This Part consist of two SECTIONS;
  SECTION 1 – INCOME AND TAX CALCULATION,
  SECTION 2 – DECLARATION.

SECTION 1 - INCOME AND TAX CALCULATION

- This Section comprises of four PARTS**;**
  PART **A** - Income Liable to Tax
  PART **B** - Deductions from Assessable Income
  PART **C** - Calculation of Tax Payable
  PART **D** - Exempt Amounts/Gains and Profits)

SECTION 2 – DECLARATION

- Where a return or part of a return was prepared for a payment by any person, including by an approved accountant, mark "Yes", if not mark" no". If you marked "Yes" fill **PART –A** of the **DECLARATION**, then attach the certificate/s issued by such person. In a situation where, more than one person involved, use a separate sheet to fill the above details and attach to the return.

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- In terms of Section 126(4) of the IR Act, a taxpayer or the taxpayer's duly authorised agent, shall sign the Return, attesting to its accuracy and completeness.
  Therefore, the taxpayer or the taxpayer's duly authorised agent is required to sign (and date) the Return indicating his/her name in **PART B** of the **DECLARATION**

II. INSTRUCTIONS TO COMPLETE RETURN OF INCOME - SCHEDULES

- Following Schedules are provided with the Return of Income;

SCHEDULE NO	NAME OF THE SCHEDULE
SCHEDULE - 01	Details of Partners and share of profit
SCHEDULE - 02A	Distribution Income and Capital Gains
SCHEDULE - 02B	Distribution of Partnership Exempt Amounts
SCHEDULE - 03A	Details of Capital Gains Tax Payment
SCHEDULE - 03B	Details of Advance Income Tax deducted by the Agent
SCHEDULE - 03 C	Self-Assessed Tax Payment Details
SCHEDULE - 04 A	Calculation of Tax Payable
SCHEDULE - 04 B	Tax Credit
SCHEDULE - 05 A	Self-Assessed Tax Payment and Capital Gains Tax
SCHEDULE - 05 B	Qualifying Payments and Advance Income Tax (AIT)

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SCHEDULE - 06	Details of Partnership loss adjustment
SCHEDULE - 07	Details of Partnership Business

SCHEDULES TO THE RETURN OF INCOME PARTNERSHIP

1. **SCHEDULE 1– Details of Partners**
   Complete **Schedule 1** by entering required details of the partners – name, Taxpayer Identification Numbers (TIN), National Identity Card (NIC) number, and the partner's percentage share of the partnership's profit/loss.

2. **SCHEDULE 2A and 2B - Distribution of Partnership Income.**
   Use a separate line for each partner in the same sequence as in "Schedule 01".

2.1 SCHEDULE 2A:- Distribution of Partnership Business Income.

Column 205: Enter total amount of **salaries, wages or fees for services paid** to each partner or his / her spouse, by the partnership.

Column 206: Enter total amount of any **interest on loans or capital** paid to partners by the partnership.

Column 207: Enter each partner's allocation of **balance income from business** by Partnership based on the profit sharing ratio of the partnership.

Column 208: Enter aggregate amounts of salaries, wages, fees for service, interest on capital/loan and balance business income of partnership to each partner in the column

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208.
Example : Total of cages 205.1+206.1+207.1 in to cage 208.1
Total of cages 205.2+206.2+207.2 in to cage 208.2

- **Distribution of Partnership Investment Income, Other Income and gains from the realization of investment asset.**

Column 209: Enter each partner's share of investment income. Take total investment income in cage 209.5 and enter such amount to cage 20 of the Return

Column 210: Enter each partner's share of other income. Enter total in cage 210.5 into cage 30 of the Return.

Column 211: Enter aggregate amount of business income, investment income, and other income, in to **Column 211** for each partner separately.
Example : 208.1+209.1+210.1 in to cage 211.1
208.2+209.2+210.2 in to cage 211.2

Column 212 Enter each partner's share of gains from the realization if investment asset. Take total gains from the realization of investment asset in cage 212.5 and enter such amount into cage 40 of the Return.

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2.2 SCHEDULE 2B: Distribution of Partnership Exempt Amounts/ Gains.

Column 213 Enter value of exempt amounts/gains and profit distributed (for the whole year of assessment) by the partnership to each partner.

Column 213A Declare the nature of the exempt income which is discourse in the Coolum 213.

3. SCHEDULE 3: Tax Paid on Partnership Income

This Schedule consists of seven sub schedules namely; 3A, 3B and 3C.

3.1 SCHEDULE 3A: Details of capital Gains Tax

Column 214 : Enter date of realization of capital assets in the column 214.

Column 215 and 216 : Enter payment date of Capital Gain Tax paid at the rate of 10% on gain on realization of investment assets by the partnership during the year of assessment and amount paid in the column 215 and 216 respectively.

3.2 SCHEDULE 3B: Details of Advance Income Tax (AIT) deducted by the Agent

Enter details of each AIT payment of which AIT has been deducted by the agent, in given row under Colum 217 to 222. Enter total AIT deducted in Cage 222.5

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3.3 SCHEDULE 3C: Self Assessed Tax Payment (other than CG)

Enter instalment payments and final payments dates and amount paid in given rows. Total of cage 228.2 need to enter in to cage 236 of the schedule.

4. SCHEDULE 4: Calculation of Taxable Income, Tax Liability and Tax Credits

Schedule 4A and 4B is facilitate to calculate Taxable income, tax liability and Tax credit available to partnership.

4.1 SCHEDULE 4A: Calculation of Taxable Income and Tax liability

- Partnership Taxable Income

Enter Partnership Income (other than gains from the realization of investment) in to Cage 229. Partnerships are entitled to Rs. 1,000,000 relief per annum. The balance taxable income is liable to pay income tax at the rate of 6%.

- Tax on persons who engaged in agro farming together with agro processing or manufacturing

The persons who are engaged in agro farming together with agro processing of manufacturing business activity in Sri Lanka is entitle to 25% reduction from the portion of tax payable related to such activity for five years from the year of assessment 2020/2021.

Calculate total partnership tax and proportionate tax payable amount related to agro farming business using appropriate basis and enter in to cage 232.B.1. Calculate 25% tax reduction amount and declare such amount in cage 232.B.3.

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- Tax on gain from the Realization of Investment Asset.

Enter total gains from the realization of Investment Asset in to Cage 233 and apply 10% tax rate to calculate tax liability.

4.2 SCHEDULE 4B: Tax Credit

Available tax credits could be entered in Cages given.

- **Foreign Tax Credit (Cage 234)**

If entitled to any foreign tax relief including foreign tax credit under Double Tax Avoidance Agreement, enter such amount in Cage 234 of Schedule 4B. Foreign tax credit cannot be more than the amount of tax chargeable under the domestic law on such income.

- **Tax paid on Gain from the realization of Investment Assets (Cage 235)**

Enter total tax paid for the Year of Assessment 2021/2022 on gain from the realization of Investment Assets in to Cage 235. (Amount in cage 216.5 of Schedule 3A)

- **Advance Income Tax (Cage 236)**

Allocate total deducted AIT amount by the Agent to cage 236.

- **Self-Assessed Tax payment (Cage 237)**

Enter aggregated amount of four instalments and final payment in Cage 228.2 of the schedule 3C.

Enter total tax credit in Cage 238 in to Cage 110 of the main Return.

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5. Allocation of Tax payment, Qualifying payments and Advance Income tax to Partners

5.1 SCHEDULE 5A: Instalment Payments and Capital Gains Tax

Column 239 : Allocate aggregate amount instalment payment and final payment paid by partnership to each partner. Total of column 239 should equal to total of cage 228.2 of the schedule 3C.

Column 240 : Allocate total Capital gains tax paid by the partnership to each partner. Total of column 240 should equal to total of 216.5 of the schedule 3A.

Instalment payment paid by the partnership on partnership income shall be allocated to partners. However, partners are not entitled to a refund on any excess of such share of tax allocated to partner and instead partners entitled to claim as tax credit only in next year of assessment.

5.2 SCHEDULE 5B: Qualifying Payments and Advance Income Tax (AIT)

Column 241 : Allocate aggregate qualifying payment which is paid by the partnership to the partners.

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Column 242 Allocate deducted Advance Income Tax among the partners. Total of column 242 should equal to total of cage 222.5 of the schedule 3B.

6. SCHEDULE 6: Details of Partnership loss Adjustment

Enter details of business, investment and exempt losses for the year of assessment 2021/2022 using Cage 243.2, 244.2 and 245.2 respectively. Enter deductible loss from the Year of Assessment 2021/2022 from each source of income of the partnership using Schedule 06.

7. SCHEDULE 7: Details of Partnership Business

Use Cage 246 to 253 to declare particulars using Profit and Loss accounts and use Cage 254 to 260 Balance Sheet of the Partnership.

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