



INLAND REVENUE DEPARTMENT

PUBLIC RULING NO - PR/IT/2019/01



The application of Inland Revenue provisions in respect of the taxpayers who have already obtained the approval from Commissioner General to make up their accounts for a period other than the year of assessment

APRIL 29, 2019
INLAND REVENUE DEPARTMENT
Sri Lanka

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COMMISSIONER GENERAL'S PUBLIC RULING

This Public Ruling as provided for under section 104 of the Inland Revenue Act, No. 24 of 2017 is issued for the purpose of providing guidance to the general public and officers of the Inland Revenue Department. It sets out the interpretation of the Commissioner General of Inland Revenue in respect of the relevant provisions of the tax law, and the policy and the procedure that is to be applied.

A Public Ruling may be withdrawn, either wholly or in part, by notice of withdrawal or by publication of a new ruling.

Commissioner General of Inland Revenue

Inland Revenue Department.

1. Objective

The objective of this Public Ruling (PR) is to specify: -

The application of Inland Revenue provisions in respect of the taxpayers who have already obtained the approval from Commissioner General to makeup their accounts other than the twelve-month period commencing from the first day of April, 2018 and ending on the thirty first day of March, 2019, in order to ascertainment of income tax payable for the year of assessment 2018/2019, since Inland Revenue Act, No. 24 of 2017 (IR Act) is coming in to operation with effect from April 01, 2018.

2. Relevant Provisions of tax statutes

Sections 1, 20, and 203 of the IR Act, section 28 of the Inland Revenue Act, No. 10 of 2006 (former IR Act) and paragraph 13 of the Extraordinary Gazette No. 2064/53 (dated April 01, 2018)

3. Interpretation

The following interpretations are relevant for this PR:

- (i) “person” means an individual or entity and includes a body of persons corporate or unincorporate, an executor, non-governmental organization and charitable institution; (section 195 -IR Act)

- (ii) “taxpayer” means—
 - (a) a person who is required to pay tax under this Act including a person who has zero chargeable or taxable income or a loss for a year of assessment; or
 - (b) a person who is required to withhold tax and pay it to the Department;(section 195 – IR Act)

- (iii) “year of assessment” means the period of twelve months commencing on the first day of April of any year and ending on the thirty-first day of March in the immediately succeeding year (section 217 - former IR Act & section 20 – IR Act)

4. Application of tax statutes

- a) Short title and the effective date of the IR Act is specified in section 1 of the IR Act, and the “year of assessment” is defined in subsection (1) of section 20 of the IR Act.**

Accordingly, IR Act is coming in to operation with effect from April 01, 2018 and the year of assessment means the period of twelve months commencing on the first day of April of any year and ending on the thirty first day of March in the immediately succeeding year.

- b) Changing the accounting period (S.28 (4) of the former IR Act)**

According to section 28(4) of the former IR Act, where any person is unable to make up the accounts of any trade, business, profession or vocation carried on or exercised by him for each successive period of twelve months ending on the thirty-first day of March of each year, he shall give notice in writing to the Commissioner-General setting out the reasons for his inability to comply with such provisions. The Commissioner-General may, if satisfied with the reason set out in such notice, direct such person to make up the accounts of that trade, business, profession or vocation for such periods as may be specified in that direction, and it shall be the duty of such person to comply with the direction:

- c) Transitional Provisions (S.203(3) of The IR Act)**

Section 203(3) shall apply where a person’s year of assessment under the repealed Act is (at the time the repealed legislation ceases to have effect) a period of twelve months other than the year ending 31 March. The person shall be deemed to have been granted approval by the Commissioner General under section 20(2) to use that period as the person’s year of assessment under this Act.

- d) Transitional provisions to continuation of the approval granted by the CGIR (Extraordinary gazette No. 2064/53)**

According to Paragraph 13 of the Extraordinary Gazette No. 2064/53, where a direction is issued by the Commissioner General of Inland Revenue under section 28 of the Inland Revenue Act, No. 10 of 2006, such direction shall continue to be in force.

5. Clarification

According to section 28(4) of the former IR Act, CGIR was authorized to direct certain taxpayers subject to conditions specified therein to prepare accounts in respect of any trade, business, profession or vocation for periods other than the year of assessment for performing their tax obligations.

With effect from April 01, 2018, the former IR Act has been repealed by the implementation of IR Act, in which no such provision is available in order to comply with the directions already given. Even in the transitional provisions referred to in section 203(3) have no application to such persons who have been directed by the CGIR to prepare accounts in such manner, since former IR Act were not permitted to change the year of assessment. Therefore, a provision has been made under paragraph 13 of the Extraordinary Gazette No. 2064/53. The effect is that where a direction has already been issued by the CGIR under section 28 of the former IR Act, such direction shall continue to be in force.

However, the issue has arisen with the IR Act implementation with effect from April 01, 2018, since, IR Act provisions are applicable to the taxpayers who has already obtained the approval to make up their accounts other than the year of assessment, from first of April, 2018. The issue is that the period before the first of April 2018 of the twelve-month period are covered by the former IR Act and the balance months are covered by the IR Act.

Therefore, based on the responses and the requests made by the taxpayers, following decisions were taken for the purpose of avoidance of any doubt in applying the provisions of Inland Revenue Act in respect of the taxpayers who has already obtained the approval from the Commissioner General to makeup the accounts other than the year of assessment, in order to ascertainment of income tax payable.

1. For the taxpayers who are willing to apply provisions of both former IR Act and IR Act, to ascertainment of income tax payable for the year of assessment 2018/2019.
 - a) For the period before the first day of April 2018 – Ascertain the income tax payable based on the provisions of former IR Act.
 - b) For the period from first of April, 2018 - Ascertain the income tax payable based on the provisions of IR Act.


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2. For the tax payers who are willing to apply the provisions of IR Act for the whole year of assessment 2018/2019 - Ascertain the income tax payable based on the provisions of IR Act.

6. Effective Date

This ruling is effective for the year of assessment 2018/2019.


Commissioner General of Inland Revenue
Inland Revenue Department

Nadun Guruge
Commissioner General
Department of Inland Revenue,
Sir Chittampalam A.Gardiner Mawatha,
Colombo 02.