



**Webinar on E-Filing of Income Tax Returns Through RAMIS – Simplified IIT, PIT & CIT
Income Tax Liability of Individuals in Brief**

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1. INTRODUCTION – INCOME TAX

BASICS OF INCOME TAX (WHAT & WHY?)

What is it? – Tax is an imposition of compulsory levies on individuals and entities by the Government of a country.

Why is it? –

- Mainly to collect income to manage the Government expenses.
- Redistribution of income of a country among the citizens.
- Reduction of inequalities in income & wealth of the citizens.
- Ensuring the overall economic stability of the country.

What Types? –

- Direct Tax (Income Tax) (*Proposed Inheritance Tax, Wealth Tax*)
- Indirect Tax (VAT, SSCL, Import Duty, Excise Duty)

Principals/Canons of Taxation?

- Equity
- Certainty
- Economy
- Convenience
- Voluntary compliance
- Efficiency
- Adequacy
- Simplicity
- Broader Base
- Progressivity

Parties Involve in Taxation in Sri Lanka?

- Legislator (Parliament)
- Taxpayers
- Administrators (Authorities)

Income Tax Base?

- Tax Residents of SL on world income
- Non-residents on SL Income

How to avoid tax duplication?

- Double tax treaties (Already signed 44 agreements)

Legislation

Inland Revenue Act No. 24 of 2017, which is certified on 24.10.2017 as effective from 01.04.2018 (From Y/A 2018/19) with three subsequent amendments.

- **Inland Revenue (Amendment) Act No. 10 of 2021** (certified on 13.05.2021),
- **Inland Revenue (Amendment) Act No. 45 of 2022** (certified on 19.12.2022) and by
- **Inland Revenue (Amendment) Act No. 4 of 2023** (certified on 08.05.2023).

In addition to the Acts, **Gazettes** issued within the powers given under the Acts are also applicable.

1.1 IMPOSITION OF INCOME TAX (Charging Section - Sec.2)

Income Tax (I T) shall be payable for each year of assessment, by

- (a) a **person** who has taxable income, or
- (b) a **person** who receives a final withholding payment during the year

The Tax is equivalent to;

(a) (Taxable Income x Rate/s*) – tax credits, if any

PLUS

(b) Final withholding payment** x Rate/s*

* *Tax rates are given in First Schedule to the Act.*

** *By introducing the para (b) above, the charging of WHT by agent/s is also legalized under Sec. 2.*

A **resident person** shall pay the IT on the world income while a **non-resident person** shall pay the IT on the income arises in /from Sri Lanka. (Sec. 4). The double tax agreements, if any, are applicable on the income arises out of Sri Lanka.

Section 2 answers to the most important questions of the subject as follows;

What tax?	- <i>income tax</i>
Who is liable?	- <i>a person</i>
How frequently should the tax be computed?	- <i>for each year of assessment</i>
On what should the tax be computed?	- <i>in respect of taxable income and on receipts to be subjected to final WHT</i>
At what rate should the tax be computed?	- <i>relevant rates specified in the First Schedule</i>
What are the allowable deductions from tax?	- <i>foreign & other allowable tax credits</i>

1.2 INTERPRETATIONS RELATING TO CHARGING SECTION

- **Year of Assessment (Y/A)** means the period of 12 months commencing on the 1st day of April of any year and ending on the thirty first day of March in the immediately succeeding year. (Sec. 20)
- **Person** means an individual¹ or entity and includes a body of persons corporate or unincorporated, an executor, non-governmental organization and charitable institution. (S. 195)
- **Entity** means a company², partnership³ or trust⁴, but excludes an individual. (Sec.195)
(It is to be noted that a “Person” in the 2006 (previous) Act excluded partnerships, but under the 2017 (new) Act partnerships are included under the definition of “Person”).
- **Partnership** means an association of two or more individuals or corporations carrying on business jointly for the purpose of making profit, irrespective of whether the association is recorded in writing. (Sec. 195).
- **Company**,
 - (a) means a corporation, unincorporated association or other **body of persons**;
 - (b) includes –
 - (i) a friendly society, building society, pension fund, provident fund, retirement fund, superannuation fund or similar fund or society; and
 - (ii) a government excluding the Sri Lankan government, a political sub-division of a government, or a public international organization; but
 - (c) excludes a partnership or trust; and
 - (d) the following shall be deemed to be a company:
 - (i) a partnership in which at least twenty of the partners have limited liability for the debts of the partnership; and
 - (ii) a unit trust or mutual fund to which Section 59 applies; (Sec. 195).
- **Trust** means an arrangement under which a trustee holds assets. (Sec. 195).
- **Body** means a company, partnership, trust or other body of persons whether formed in SL or elsewhere. (Sec. 195).
- **Charitable Institution** means the trustee or trustees of a trust or corporation or an unincorporated body of persons established for a **charitable purpose only** or engaged solely in carrying out a charitable purpose. (Sec. 195).
- **Charitable Purposes** means a purpose for the **benefit of the public** or any section of the public in or outside Sri Lanka, of any of the following categories:
 - (a) the relief of poverty;
 - (b) the advancement of education or knowledge other than by any institution established for business purposes or by any institution established under the Companies Act;
 - (c) activities for the protection of the environment or eco-friendly activities;

(d) the advancement of religion or the maintenance of religious rites and practices or the administration of a place of public worship;
 (e) any other purpose beneficial to the community, not falling within any of the above categories.
 (Sec. 195).

- **Taxable Income** = Assessable Income less qualifying payments and reliefs as applicable under Sec. 52 read along with Fifth Schedule. (Sec. 3)
 - **Qualifying payments and reliefs** - Detailed in para 1.5 below.
 - **Assessable Income** = Income from ¹**employment** + ²**business** + ³**investment** + ⁴**other sources** (Sec.4) (More details are given under paragraph 4 below)
- Note** - The assessable income from each source is to be computed after deducting exempt income.

1.3 TAX RESIDENCY

Residency Rules/Conditions applicable to each person for each Y/A are as follows (Sec.69);

1.3.1 Individuals -

- : **Resides** in Sri Lanka (*permanent residency*),
- : If **present** (*physical stay*) in SL during the year and the aggregate period > 183 days in any 12 months period that commences or ends during the Y/A,
- : If a Government official/employee and/or spouse is **posted abroad** during the year, **or**
- : If **employed** on a SL ship, during the period the individual is so employed.

1.3.2 Partnerships -

- : If **formed** in SL, **or**
- : At any time during the year, the **management and control** of the affairs of the partnership exercised in SL.

1.3.3 Companies -

- : It is **incorporated or formed** under SL laws,
- : It is **registered, or the principal office** is in SL (*Note that this is different from 2006 Act*), **or**
- : At any time during the year, the **management and control** of the affairs of the company exercised in SL.

1.3.4 Trusts -

- : If it was **established** in Sri Lanka,
- : At any time, the **trustee/s is resident** in SL, **or**
- : At any time during the year, SL resident person **directs** (directly or indirectly influenced) the management decisions of the trust.

1.4 Bases of Calculation of Income (Sec. 21)

Timing of inclusions and deductions in calculating a person's income shall be made in accordance with **generally accepted accounting principles (GAAP)**.

Applicable basis (**cash/accrual**) of calculation of each source of income is as follows;

Taxpayer	Employment Income	Business Income	Investment Income	Other Income
Individual	Cash Basis*	Accrual Basis*	Cash Basis*	Proper Basis**
Other Persons	N/A	Accrual Basis*	Proper Basis**	Proper Basis**

* In these, no legal provisions to change the basis. It would have been fair if the individuals are permitted to select the basis of recognising of Employment and Investment incomes.

**When applied a “proper basis”, the CGIR is authorised to influence the selection of the basis.

In the case where the basis applied is changed, adjustments to be incorporated in the year of change to avoid **duplication and omission of income** for taxation.

1.5 Tax Computation Format - To meet the provisions of the Act, the **Tax Computation Format** could be presented as follows;

Assessable Income from Each Source;	Employment	Business	Investment	Others	Total
Income	xx	xx	xx	xx	xxx
Less;					
Exempt Income (Third Schedule)	(xx)	(xx)	(xx)	(xx)	(xx)
Final WHT Paid Income	N/A	(xx)	(xx)	(xx)	(xx)
Specific Exclusions	(xx)	(xx)	(xx)	N/A	(xx)
Especially Allowable Amounts	(xx)	(xx)	(xx)	N/A	(xx)
Allowable Losses	(xx)	(xx)	(xx)	N/A	(xx)
Add; General Disallowable Amounts	-	xx	xx	-	xx
Assessable Income (In the Y/A 2022/23 need to divide into 2 periods)	xx	xx	xx	xx	xxx
Less; (Under Sec. 52 read along with 5th Schedule)					
(i) Qualifying Payments; (Refer para 5.1 of this note)					
Donations by any person to approved charities (Subject to upper limits)					(xxx)
Donations by any person to Government/Gov. Institutions (No upper limit)					(xxx)
Any sum remitted to Consolidated Fund/President Fund by Corporation					(xxx)
Contribution to establish Samurdhi family shops of a lady by Resident individual (No limit)					(xxx)
Film production/cinema construct, equip, upgrade costs by any person (With upper limits)					(xxx)
Financial institution’s acquisition or merger costs (1/3 rd of the cost p.a. x 3 years)					(xxx)
(ii) Reliefs; (Only for Individuals) (Refer para 5.2 of this note)					
Personal Allowance (Up to 31.12.2022 Rs.3mn p.a. & thereafter Rs. 1.2mn. p.a.) (For residents & SL Citizens only)					(xxx)
25% Repair Allowance for individuals on Rent Investment Income (Actual / 25% Optional)					(xxx)
Expenditure Relief <Rs.1.2mn p.a. (Only up to 31.12.2022) (For Resident individuals only)					(xxx)
On Solar Panel cost <Rs.600,000 (For resident individuals only) (Only on Grid Connected)					(xxx)
Taxable Income					xxx
Income Tax;					
At Relevant Rate/s as per First Schedule to the Act					xx
Less; Tax Credits					
Foreign					(xx)
Local					(xx)
Balance Tax Payable/(Overpaid)					xx

2. IMPORTANT DUE DATES

Tax Type	Due date
Income Tax	
▪ Self-Assessment Payment	Payment – Self-Assessment basis in 4 quarterly instalments (within 1 1/2 months from end of each quarter) + Final (on or before 30th September of immediate subsequent Y/A) Return – Self Estimated Tax: on or before 15 th of August for the succeeding year - Final Tax Return: on or before 30 th November
▪ Withholding Tax/ APIT	Payment – On or before 15 th of the following month Return – On or before 30 th of the following month from the year of assessment ended (for WHT, other than financial institutions)
▪ Capital Gain Tax	Payment & Return: 30 th of the immediate subsequent month from the date of Realization
Value Added Tax	Payment – On or before 20 th of the following month Return – Within 30days from the taxable period ended
Social Security Contribution Levy	Payment – On or before 20 th of the following month Return – Within 20days from the taxable period ended
Notice of Assessment (Any Tax)	Submission of Appeal: Within 30 days from the date of the Assessment (Income Tax: Within postal date + 4 days + 30days)

3. INDIVIDUAL INCOME TAX RETURN – REGISTRATION AND TAX PAYMENTS

A few important highlights

What a Year of Assessment is (Y/A)?	Period starting from 01 st April of a year and ending by 31 st March of the immediate subsequent year. Eg, Y/A 2023/24,
Who should File an income tax return?	Every person chargeable with Income Tax.
Who should obtain TIN?	Every person chargeable with Income Tax and Resident individuals that are prescribed in the gazette No.2334/21 (attached below) published on 31 st May 2023.
Is every person who has obtained a TIN required to pay income tax?	No, resident person who has more than Rs.1.2 mn income for a Y/A, is required to activate the “income tax” type and comply with quarterly tax payments.
What is the minimum income of an individual to be liable to income tax?	Depends on the availability of tax reliefs & qualifying payments (QP). Taxable Income = AI – Relief & QP
When to pay IT?	Self-Assessment basis in 4 quarterly instalments (within 1 1/2 months from end of each quarter) + Final (on or before 30 th September of immediate subsequent Y/A)
How to pay IT?	By way of WHT (AIT) or on self-assessment basis.
What WHT is on remuneration?	APIT (Advance Personal Income Tax)

Is APIT mandatory?	w.e.f 01.01.2023:- Mandatory for any person.
If APIT has already been deducted, does he still need to obtain a TIN?	Yes, but no need to furnish income tax return if his sole income is from Employment.
What are the other WHTs applicable to any person?	<ul style="list-style-type: none"> • Winnings from a lottery, reward, betting or gambling – 14% Final WHT. • Gems sold by any person in a NGJA auction – 2.5% Final WHT. • Services fee to individuals @ 5% • Employment income – APIT • Dividend @ 15% • Investment Incomes (Rent 10%, interest 5%)
What tax returns to be filed?	<p>Estimated Return – on or before 15th August of the Y/A.</p> <p>Final Return – On or before 30th November of immediate subsequent Y/A.</p>
How to file tax returns?	<ul style="list-style-type: none"> • Manual (For individuals only) only till 2022/23 • Online From 2023/24 every taxable person (For individuals having only the employment and /or interest income can file the Simplified Tax Return by selecting the Y/A and the types of income. <i>(See the screen shots of the RAMIS given below).</i>
What are the initial requirements to process online filing?	<p>(i) Obtaining of a TIN. (Online/manually)</p> <p>(ii) Obtaining of PIN (Online)</p>
What are the requirements to obtain an individual's TIN?	<p>If manually;</p> <ul style="list-style-type: none"> • Application for Taxpayer Registration (TPR_002) • Application for Tax Type Registration (TPR_005) • Salary Slip • NIC Copy • Documents to prove the residential address. <p>Within a day, can collect the TIN.</p>
	<p>If Online;</p> <ul style="list-style-type: none"> • Log in to IRD Web & click access to e-service. • Click “Taxpayer Registration” link, fill the application and upload scanned copies of the above documents. <p>Within about 5 days receive the TIN through email.</p>
What are the requirements to obtain PIN?	<p>Online;</p> <ul style="list-style-type: none"> • Log in to IRD Web & click access to e-service. • Click “PIN Request” link, fill the form and submit & receive the acknowledgement. • Download the acknowledgement & email it to pr@ird.gov.lk along with the NIC copy. <p>Immediately receive the PIN through registered email.</p>
Even after receiving the hard copy of tax return can, we file online return?	Yes, no issue. (From 2023/24 onwards no manual filing option)

Online IT Return related screen shots as a guide

Year of assessment 2023/2024

If you wish to file a return, please check an assessment year and click "Proceed" button.
To delete the draft, check and click the "Remove" button.

	Year of assessment	Due date	Status
<input type="checkbox"/>	2023/2024	2024-11-30	NEW
<input type="checkbox"/>	2022/2023	2023-11-30	SUBMITTED
<input type="checkbox"/>	2021/2022	2022-11-30	SUBMITTED
<input type="checkbox"/>	2020/2021	2021-11-30	SUBMITTED
<input type="checkbox"/>	2019/2020	2020-11-30	SUBMITTED
<input type="checkbox"/>	2018/2019	2019-12-02	SUBMITTED

Proceed

Remove

Back to home

Year of assessment 2023/2024

Source of income

Please select applicable source of income (Mark the checkboxes where necessary).

1. Employment Income (Primary- 1 employment only)
2. Interest Income (AIT deducted by Bank & Finance Institutions)
3. Nil Return
4. If you have not selected any of the above 1, 2 & 3 or have qualifying payments or relief deductions (other than personal relief) use the standard return of income for individuals. (Not applicable simplified scheme)

Next

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DETAILS FOR FURTHER KNOWLEDGE

4. DIFFERENT SOURCES OF INCOME

4.1 Employment Income (Sec. 5) -

Individuals' Employment Income (EI) is the **gain and profit from the employment**. (Any income arises as a result of an employment excluding the excluded/exempted incomes)

Exempted Employment Income (Sec. 09 read along with Third Schedule)

- Capital sums paid to a person as **compensation** or a **gratuity** in relation to;
: personal injuries suffered by the person; or : the death of another person.
- The **pension** of a person where the pension income is paid by the Government of Sri Lanka or a department of the Government of Sri Lanka.
- An amount paid to an employee at the time of retirement from;
: any pension fund or the income portion (interest on or after April 1, 1987) of ETF;
: a **provident fund** approved by the CG or a regulated provident fund. (capital plus interest)
- The income of an individual entitled to **privileges** to the extent provided for **by**:
: a diplomatic immunities law or a similar law;
: an Act giving effect to the Convention on the Privileges and Immunities of the United Nations and the Convention on the Privileges and Immunities of the Specialised Agencies of UN; or
: regulations made under this Act relating to an international organisation, or a law or Act referred to in subparagraph (i) or (ii).
- Benefits received or derived by a Government employee from a **road vehicle permit**.

APIT – W.e.f. 01.01.2023 taxable employment incomes (*if exceeds Rs. 100,000 p.m.*) are subject to APIT on mandatory basis. Employer needs to apply the APIT Tables.

4.2 Business Income (Sec. 6) -

A person's income from a business for a year of assessment shall be the person's **gains and profits** from conducting the business for the year.

4.3 Investment Income including Investment Capital Gain (Sec. 7) -

A person's **income from an investment** for a Y/A shall be the person's **gains and profits** from that **investment** for the year. [Section 7(1)].

4.4 Other Income (Sec. 8) -

A person's income from other sources for a year of assessment shall be that person's **gains and profits** from any source whatsoever for the year, not including profits of a casual and non-recurring nature. (*Sec. 11-19 do not applicable to other income*).

Note:-

- (i) Assessable Income do not include exempted amounts and final WHT paid incomes.
- (ii) In calculating a person's income from business or investment, **expenses** to the extent they are incurred¹ during the year² by the person³ and in the production of income⁴ from the **business or investment**, shall be deducted. (Sec. 11)

5 QUALIFYING PAYMENTS & RELIEFS (DEDUCTIONS) (Sec. 52 read along with 5th Sch.)

6.1 Reliefs (Only for Individuals) (5th Schedule)

- (i) **Personal relief** is available for the ¹non-residents but citizens and ²residents for each year of assessment. (Rs. 500,000 from 01.04.2018 to 31.12.2019, **Rs. 3 million from 01.01.2020 to 31.12.2022** and **Rs. 1.2mn w.e.f. 01.01.2023**). This personal relief is not entitled to deduct against the gains on realization of investment assets (investment capital gains).
- (ii) **25% Repair Allowance** on Rent investment income only for **individuals** w.e.f. 01.04.2018.
- (iii) Any **resident individual** who has acquired **solar panels** to fix on his premises and connected to the national grid is entitled to claim relief up to Rs. 600,000 for each Y/A on account of;
- the **total expenditure** on such solar panels **or**
 - the amounts **paid to a bank** in respect of any loan obtained to acquire such solar panels.

6.2 Qualifying Payments (5th Schedule)

- (i) **Donations** by any person to approved charities [5th Sch. item(1)(a)] (w.e.f. 01.04.2018),
- (ii) **Donations** by any person to Government/Governmental Institutions [5th Sch. Item (1)(b)] (w.e.f. 01.04.2018),
- (iii) **Any sum paid** to Consolidated Fund (w.e.f. 01.04.2019) or to the President Fund (w.e.f. 01.04.2018) by a **public corporation** [5th Sch. item(1)(c)],
- (iv) **Contribution made by a resident individual** (in money or otherwise) to establish a shop for a female individual who is from a Samurdhi beneficiary family as recommended and confirmed by the Department of Samurdhi Development. [5th Sch. item (1)(d)], (w.e.f. 01.04.2021)
- (v) **Expenditure incurred by any financial institution** by way of cost of acquisition or merger. Claim over a period of 3 years of assessment (1/3rd of the cost per Y/A).
- (vi) **Expenditure incurred** on or after 01.04.2021, by any person;
- in the **production of a film & promotion** of it, at a cost of not less than Rs. 5 million,
 - in the **construction and equipping of a new cinema** at a cost of not exceeding Rs. 25 million,
 - in the **upgrading of a cinema** at a cost of not exceeding Rs. 10 million,
- Provided that this deduction shall be restricted to 1/3rd of the taxable income of the Y/A,

6. TAX RATES

6.1 Individuals -

(i) **Standard Rates (From 01.01.2023):**

(In Rs.)

Description	Taxable Income	IT Rate	Tax	Accu. Tax
Out of Taxable Income, 1 st	500,000	6%	30,000	30,000
Out of Taxable Income, 2 nd	500,000	12%	60,000	90,000
Out of Taxable Income, 3 rd	500,000	18%	90,000	180,000
Out of Taxable Income, 4 th	500,000	24%	120,000	300,000
Out of Taxable Income, 5 th	500,000	30%	150,000	450,000
Sub Total	2,500,000		450,000	450,000
On Balance T/Income (> 2.5mn)		36%	xx	xx

(ii) Concessionary Tax Rates on Retirement Benefits (First Schedule)

W.e.f. 01.01.2020, the tax concessions on terminal benefits (whether resident/non-resident) are expanded and taxing as follows;

Retiring Gratuity, ETF, Approved Compensation and taxable Commuted Pension:

Taxable terminal benefits (Approved/regulated)	Tax Rate
First Rs. 10 million	0%
Next Rs. 10 million	6%
Balance	12%

- **Compensation for loss of employment** (which has not been approved by CGIR), **provident funds** (which are non-regulated or non-approved by CGIR), **other payments and non-cash benefits** to be taxed at standard rates. (i.e. 6%, 12%, 18%, 24%, 30%, 36%)

(iii) The individual's betting & gaming, manufacture & sale or import & sale of any Liquor or tobacco product **business income - @ 40% flat rate.**

(iv) The **Capital Gains - @ 10%.**

6.2 Companies -

From Y/A 2022/23 (From 01.10.2022)

40%	Conducting Betting & Gaming (Only the Business Income)
40%	¹ Manufacture & sale or ² import & sale of any Liquor or Tobacco product. (w.e.f. 01.04.2019) (Only the Business Income)
30%	Any other Income (including investment capital gains)

6.3 Partnerships -

W.e.f. from 01.01.2020, the partnership's taxable income is liable to tax as follows;

Taxable Income	What part of Taxable Income	Tax Rate
Gains on realization of investment assets, if any	Gains on realization of investment assets (No exempted threshold on Investment CG)	10%
Balance taxable income	Not exceeding (up to) Rs. 1,000,000	0%
- Do -	Exceeding Rs. 1,000,000	(Only on excess) 6%

The End-

On Behalf of CMA..

Thank
you



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