

Tax Information

Income Tax

Applicable for the year of assessment 2023/24

Sources of Income

- **Employment Income**

Calculation of an individual's gains and profits from employment for a year of assessment

- **Business Income**

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

- **Investment Income**

A person's income from an investment for a year of assessment is the person's gains and profits from conducting the investment for the year.

- **Other Income**

A person's income from other sources for a year of assessment is the person's gains and profits from any source of any kind, however does not include profits of a casual and non-recurring nature.

Important return submission / tax payment due dates

Furnishing Income Tax (IT) Return/ Statement of Estimated Tax payable (SET)

- **Due Date for Furnishing SET:**

On or before 15th day of the month of August of the current year of assessment – 15 August 2023

- **Due Date for Furnish Returns :**

On or before 30th day of the month of November, of the next succeeding year of assessment. – 30 November 2024

Payment Due Dates and period codes - Income Tax

The estimated tax shall be paid in quarterly instalments by the following dates using following period codes

Tax Instalment	Due Date of payment	Payment Period Code
First Instalment	15th August 2023	23241
Second Instalment	15th November 2023	23242
Third Instalment	15th February 2024	23243
Fourth Instalment	15th May 2024	23244
Final Instalment	30th September 2024	23240

Tax Rates

a) Individuals

Standard rates

Taxable Income Range (Rs)	Tax on Taxable Income equal to the lowest of the range	Tax rate on the excess taxable income over the lowest of the range
First 500,000	30,000	6 %
Next 500,000	60,000	12 %
Next 500,000	90,000	18 %
Next 500,000	120,000	24 %
Next 500,000	150,000	30 %
Balance	-	36 %

Special Rates

- on gains and profits from manufacture and sale or import and sale of any liquor or tobacco products - 40%
- on gains and profits from conducting betting and gaming - 40%

Capital Gain tax (gains from the realization of investment assets) – 10%

When an individual sells an investment assets, a capital gain tax is applicable on the difference between the selling price and the cost. If asset is purchased before 30 September 2017, the market value of the asset as at that date is considered as the cost.

Following exemptions are available for capital gain tax from 1 April 2018;

- Capital gains made by a resident individual which are less than LKR 50,000 from a single transaction and the aggregate value for the year is less than Rs. 600,000.
- The principal place of residence of an individual, provided it has been owned by the individual continuously for three years before disposal and lived in for at least two of those three years.
- The sale of shares of companies listed on the Colombo Stock Exchange.

b) Companies

- (i.) On gains and profits from conducting betting and gaming - 40%
- (ii.) On gains and profits from manufacture and sale or import and sale of any liquor or tobacco products - 40%
- (iii.) On remainder of the taxable income of a company including gains from the realization of investment assets - 30%

c) Partnerships

Taxable income exceeding Rs. 1,000,000 – 6%

d) Charitable Institutions - 14%

b) Trusts – 30%

e) Unit Trust or Mutual Funds – 30%

f) NGO - 30%

g) Employees Trust Fund, Employees Provident Fund, and approved Gratuity Fund, Pension Fund and Termination Fund -14%

Tax rates on retirement benefits effective from 1 January 2020;

- On the first LKR 10 million – Nil
- On the next LKR 10 million – 6%
- On the balance – 12%

Qualifying payments

Donations to Approved Charitable Institution

Tax Payer	Maximum amount deductible as qualifying payment
Individual	(a) 1/3 of the taxable income of the individual for that year of assessment; or (b) Rs. 75,000 whichever is lower
Entity	(a) 1/5 of the taxable income of the entity for that year of assessment; or (b) Rs. 500,000 whichever is lower

- Donations to Government or other specified institutions
- Any sum paid to the Consolidated Fund or President's fund ? Contribution made by a resident individual to establish a shop for a female individual who is from Samurdhi beneficiary family
- Expenditure incurred by any financial institution by way of cost of acquisition, partial acquisition, absorption of business or merger of, any other bank licensed under the Banking Act, No. 30 of 1988, finance company licensed under the Finance Business Act, No. 42 of 2011 or finance leasing company registered in terms of paragraph (c) of section 3 of the Finance Leasing Act, No. 56 of 2000 where such cost is ascertained by considering all the facts on case-by-case basis and as confirmed by the Central Bank of Sri Lanka.
- Deduction is restricted to one third of the approved amount as confirmed by the Central Bank of Sri Lanka. Expenditure incurred by any person
 - in the production of a film at a cost not less than five million rupees
 - in the construction and equipping of a new cinema at a cost of not exceeding twenty-five million rupees
 - in the upgrading of a cinema at a cost of not exceeding ten million Rupees

The deduction of this expenditure is restricted one third of the taxable income.

Reliefs

Personal Relief

Resident individuals or citizen individuals are entitled to a personal relief of Rs. 1,200,000 for each year of assessment. However, this relief does not apply to an individual in his capacity as a trustee, receiver, executor or liquidator. The relief may be deducted from the Assessable income of an individual except to the extent that the Assessable income comprises gains from the realization of investment assets.

Rent Relief

Resident individuals are entitled to deduct 25% of the total rental income from an investment asset for the year of assessment unless it is intended to be claimed for any actual expenditures incurred by the taxpayer for the repair, maintenance, and depreciation of the investment asset.

Other Relief

Resident individuals who have acquired solar panels to fix on their premises and connected to the national grid are entitled to deduct Rs. 600,000 for each year of assessment, up to the total expenditure made on such solar panels or up to the amounts paid to a bank in respect of any loan obtained to acquire such solar panels.

WHT

Payments liable for WHT

WHT will apply as follows in respect of payments (excluding exempt payments) having a source in Sri Lanka

Payment	WHT rate
Payment of interest (excluding exempt interest) by a bank or financial institution or discounts and income received from an Islamic financial institution	5%
Payment of interest (excluding exempt interest) and discounts that have a source in Sri Lanka, paid or payable to any non-resident person	5%
Winning from lottery, reward, betting, or gambling (exceeding	14%

LKR 500,000)	
Sale price payable to the seller of any gem sold at an auction conducted by the National Gem and Jewellery Authority	2.5%
Payments of amounts by a resident person as charge, natural resource payment, rent, royalty, premium, retirement payment, or other similar payment (excluding exempt amounts), which has a source in Sri Lanka, paid or payable to any non-resident person	14%
Payments by a resident person to a non-resident person with respect to land, sea, air transport, or telecommunication service	2%

Application of the double tax avoidance agreement (DTAA) for payments to non-residents

If the DTAA rate is lower than the domestic law payment, the lower rate in the DTAA could be availed in respect of that payment to a non-resident.

Time of deduction

The tax will be deducted at the time the relevant amount is paid, credited, re-invested, accumulated, capitalised, or made available to the person by the bank, financial institution, or WHA

Value Added Tax (VAT)

With effect from 1 January 2024 the VAT threshold for businesses has reduced to an annual turnover of LKR 60 million (from LKR 80 million) and LKR 15 million per taxable period (from LKR 20 million)

Current VAT rate is 18%

Social Security Contribution Levy (SSCL)

Social Security Contribution Levy (SSCL) has been imposed with effect from October 01, 2022 by the Social Security Contribution Levy Act, No. 25 of 2022. Every registered person shall account for the levy on an accrual basis.

Scope of liability

SSCL is payable by every taxable person (individual or entity includes a body of persons corporate or unincorporated, an executor, non- governmental organization and charitable institution) who:

- Imports any article
- Carries on the business of manufacture of any article
- Carries on the business of providing a service of any description
- Carries on the business of wholesale or retail sale of any article including importation and sale of such article (other than a sale by the manufacturer of that article being a manufacture to whom item no. 2. applies).

Threshold for Registration

With effect from a January 2024 the threshold of the Social Security Contribution Levy (SSCL) is Rs. 60 million a year.

Current SSCL rate is 2.5%