

Compliance & Administration of Income Tax

INTRODUCTION

This chapter explains **compliance and administration of** the Inland Revenue Act No. 24 of 2017.

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1.1. Tax payer Registration (TIN) (Sec. 102 & 103)

Every person liable to furnish a return of income for a year of assessment (Y/A) but not already registered, shall register within 30 days from the end of Y/A by submitting specified application along with information required by the Commissioner General of Inland Revenue (CGIR).

The Minister (Minister of Finance) with the consent of the CGIR may specify any other person required to be registered. The CGIR shall register any person who the CGIR considers to have fulfilled the requirements for registration and assign a tax payee identification number (TIN) where the said TIN shall be used in all correspondence relating to administration of the Act. If CGIR refuses to register, within 14 days of refusal, shall give a written notice quoting the reasons.

CGIR may assign a TIN even to a non-taxpayer, if that person;

- : makes payments subject to tax in the hand of the recipient,
- : is/may be required to file a tax return,
- : is required under the Act/regulations made under this Act to furnish a TIN to another person, or
- : is to be registered as required by the Minister with the consent of the CGIR.

In the case of a registered person any change of name, address, place of business or nature of the taxable activity to be notified in writing to the CGIR within 30 days of change.

2.2. Accounting Method (Sec. 120 & 21)

The year of assessment shall be from 1st April to 31st March of the immediately succeeding year.

On valid grounds, only a trust or a company may apply to the Commissioner General of Inland Revenue (**CGIR**) to change its year of assessment (**Y/A**). (Section 20).

A taxpayer engaged in business or investment shall keep and maintain records and sufficient accounts in Sri Lanka at the place of business/investment activity. Only with an approval of the CGIR they can maintain accounts in a different place.

The accounts should be prepared in accordance with Generally Accepted Accounting Principles (GAAP). As applicable, an approved accountant shall attest to the accuracy and completeness of the accounts in the form as prescribed by regulations while the related records are to be retained for minimum of 5 years or if the time limit for an assessment of tax is not expired then for an extended time period.

The basis of Accounting is as follows;

- Individuals Employment & Investment Income- On cash basis (as defined in Sec.22)
 - Business Income - On accrual basis (as defined in Sec. 23)
 - Other Income - Cash/Accrual basis as appropriate
 - Change of Accounting Basis - With CGIR's prior approval
- (Without omission/duplication of income)

Where an arrangement exists between associated persons, the persons shall calculate their income tax and tax payable based on an **arm's length standard** (Section 33). The CGIR may gazette the manner of agreement that may be entered into for the determination of the arm's length price. Basically, the arm's length price should be value of a transaction with an independent person.

Further, when a person attempts to **split income** with another person (includes even the transactions with the spouse), the CGIR may issue written notice to prevent reduction of income tax. (Section 34).

If CGIR is satisfied that such a **tax avoidance scheme** (a scheme aiming for tax benefit) has been entered into/carried out, the CGIR may adjust the tax liability by issuing an assessment within 5 years from the last date of the relevant year of assessment (Y/A). (Section 35).

3.3. Filing of return of income (Sec. 93)

Every instalment payer shall file **an estimate of tax payable** (estimated tax return) with the CGIR by the due date of first tax instalment (i.e. by 15th July of each Y/A). (Sec. 91)

Every person chargeable with income tax shall furnish a **tax return** (self-assessment) signed by **the tax payee** or by the **duly authorised agent** attesting to its accuracy and completeness, in the specified form in writing or by electronic means within the stipulated time. (Sec. 126).

The CGIR may specify the following;

- : the form for return
- : information to be furnished & attachments to be filed
- : the manner of filing

Where the 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 tax payer, that other person shall also sign the return [Sec. 126(5)].

An Assistant Commissioner may require a person to file additional returns for a period, within 7 days of the notice.

As per the **definition** (Sec.195 of the Act) an **approved Accountant** means;

- : An accountant who is a member of the Institute of Chartered Accountants of Sri Lanka, or
- : A fellow member of AAT in relation to a person or any partnership other than a company whose business turnover does not exceed Rs. 100 million for the year.

Return of income in the specified form for the year be filed within 8 months from the end of the Y/A. (i.e. 30th November). The said return should contain assessable income, taxable income, gross tax payable, tax paid, balance tax to be paid & any other information as may be specified by the CGIR.

The filing of return under Sec. 93 results in a self-assessment (called as original assessment) (Sec. 95).

The return should accompany WHT certificates & any other information specified by CGIR.

Capital Gain tax return, if applicable, shall be filed within 1 month of realisation of gain.

Under the following circumstances, a return of income need not to be filed. (Sec. 94);

- In the case of a resident individual;
 - : who has no tax payable under Sec. 2 (1) (a) *
 - : whose entire taxable income comprise of employment income subject to WHT (PAYE).
- In the case of a non-resident person;
 - : who has no tax payable for the year under Sec. 2 (1) (a).*

**It is to be noted that the Sec. 2 (1) (a) refers to the persons who has “no taxable income” and not “no tax payable”. Further, the persons whose sole income comprise of income on which the final WHT is deducted (i.e. under Sec. 88) are not excluded.*

However, the CGIR may serve a written notice requiring a person to file a return. Further, in the case of an employee who ceased employment during the Y/A may be elected to file a return.

Where it appears to the CGIR that any person requiring to furnish a return, has not done so, the CGIR by notice in writing will inform that person to furnish a return within such specified time period, which is not less than 14 days from the notice. (Sec. 127)

The CGIR may extend the time limit specified for filing a tax return, where such extension to file the return shall not affect the tax payment dates. (Sec.130)

A tax payer who has made a self-assessment return, by giving the reasons, within 30 months of filing self-assessment tax return, may apply to the CGIR for making an amendment to the self-assessment (Original Assessment).

The CGIR may accept the request or refuse the request by giving the reasons.

If the CGIR has not made a decision on an application within 90 days, the CGIR is deemed to have made a decision to disallow the application and serve the notice to the taxpayer. (Sec.136).

4. Method of Income Tax (IT) Payments (Sec. 82) & Due Dates (Sec. 145 & 151)

This could be categorised in to three types as follows;

- (i) **With Holding Tax** – On employment income, investment returns, sale of gems at an auction of National Gem and Jewellery Authority and on service fees contract payments (Sec. 83 – 89). Tax payments on a monthly basis by 15th of the immediately subsequent month (Sec. 86).
- (ii) **Quarterly instalment payments** by instalment payers. (Sec. 132)
Payable on employment income, business income and on investment income on which WHT has not been deducted (Sec. 90 – 92).
 - If person's Y/A ends on 31st March, payable by 15th of August, November, February & May.
 - In other instances, payable by the 15th day after each 3-month period of the Y/A.

- Unless the CGIR excludes (the tax payers/class of the tax payers who has received a notice from CGIR under Sec. 92 of the Act stating that a filing of an estimate is not required) every instalment payer shall file an estimate of tax payable* with the CGIR by the due date of 1st tax instalment of the Y/A where a revised estimate could be filed.

- Quarterly payment (Sec. 90) =
$$\frac{\text{Estimated tax payable for the Y/A} - \text{Tax paid up to date}}{\text{Remaining number of instalments for the Y/A}}$$

- In the case where under Sec. 92 of the Act, the CGIR excludes any person from filing of an estimate, the CGIR shall make an estimate and advice in writing to the tax payer.

**It is to be noted that the method/basis of estimation is not given in the Act. However, as per the Sec. 203(5) of the Act, the tax payer may estimate the tax payable for the Y/A 2018/19 by adding 5% to the 2017/18 tax amount.*

(iii) On assessments (Sec. 93 – 96)

As per Sec. 145 (2) it is to be payable on the date stated in the notice.

Other conditions given in Sec. 145;

- Where the CGIR has reasonable grounds to believe that a taxpayer may leave the country before the payment due date, he may give written notice advancing the due date.
- If the taxpayer fails to pay tax on due date he is liable to pay the unpaid tax recovery cost as well.

Extension of Time for Tax Payment (Sec. 151);

- With good cause, upon receipt of a written request from taxpayer, the CGIR may extend the time beyond the due date of payment of tax. If CGIR did not inform his decision within 30 days, it shall be deemed to be granted. However, such extension is subject to the due interest.

5. The organization Structure of the IRD & Administration (Sec. 97)

5.1 The Organization Structure

Hierarchy of the tax administration officers of the IRD is as follows;

- Commissioner General of Inland Revenue
- Deputy Commissioner Generals
- Senior Commissioners
- Commissioners
- Senior Deputy Commissioners
- Deputy Commissioners
- Assistant Commissioners

Under Section 98 of the Act the CGIR can delegate powers or duties to tax officials as mentioned above (Sec. 98). Any act done by a tax official in good faith in the discharge of the functions under this Act shall not be personally liable in civil proceedings (Sec. 97).

All officers employed under the Act, except as provided for in the Act, shall maintain the confidentiality of all information and documents collected by him in relation to tax payers. (Sec.100).

The CGIR may publish a list of names of taxpayers who are in default, failed to file a return or penalties has been imposed. An authorised officer may enter a business premises, or other premises open to public, without prior notice for an authorised purpose (to collect information as defined in Sec. 122).

Assistant Commissioner may give notice to the taxpayer to furnish required information, to appear with documents or other information or to produce all related documents. (Sec. 123).

However, when the last day for performing an act falls on a day on which the Department is closed to the public, the performances on the immediate next opened day is valid. (Sec. 119)

The CGIR or an authorised officer may make application to the Magistrate for a search and seizure warrant. (SEC. 124).

Rulings by CGIR

The CGIR may issue public ruling and private rulings setting out the CGIR's interpretation of the application of the Act.

Public Rulings (Sec. 104 – 106)

- It is an opinion of the CGIR and not a decision for the purpose of this Act or any other law.
- Shall be binding on the CGIR until withdrawal.
- Shall not be binding on taxpayers.
- Public rulings shall contain an identification number.
- Making of public rulings be Gazetted and included in the Department's website.
- Withdrawal of public rulings be Gazetted and included in the Department's website.

Private Rulings (Sec. 107 – 111)

- On a written application made by a taxpayer, the CGIR issues a private ruling at a fee. (gazetted as Rs. 25,000/=).
- It is valid until the CGIR withdraws it under Sec. 110.
- The application shall contain full details of the transaction, relevant documents, the question on which the ruling is required and full statement of the opinion of the applicant as to the application of the Act.
- Within 90 days of the application, the ruling is to be given.
- Private ruling gives the CGIR's position regarding the application of the Act to a transaction entered into/proposed to be entered into.
- An Interpretation Committee comprising of senior officers of the Department as appointed by the CGIR issue a private ruling.

- If the taxpayer has given true disclosure of all aspects of the transaction, the private ruling shall be binding on the CGIR against the taxpayer (not against any other taxpayer).
- A private ruling is not binding against the taxpayer.
- Private ruling shall not limit the taxpayer's rights to any assessment served.
- The CGIR may refuse an application of a taxpayer by giving a written notice.
- The CGIR shall publish the private ruling on Department's website without referring the applicant.
- Upon withdrawal of any ruling, the CGIR shall publish the withdrawal in the website.

5.2 Mode of Communications of CGIR (Sec.113)

A notice or statement is issued or an agreement is entered into by CGIR or any tax officer shall be effective if it is authorised by law, in writing and signed by the official. However, except as otherwise provided in the Act or any other written law a notice or other document may be served by delivery, registered post or by transmitting electronically.

The CGIR may authorise to do some communication/documentation (application for registration, filing a tax return/document, payment of tax, refunds, servicing any document by CGIR or any other) in writing or electronically.

The CGIR shall specify the forms, notices, declarations, returns, statements, tables and other documents & publish them. (Sec. 114)

5.3 Tax Payers Rights to Information & to Appoint Authorised Representatives (Sec. 115 & 118)

The CGIR may specify the circumstances under which a taxpayer may assign an authorised representative. ("Authorised Representative" is defined in Sec. 195). It is to be noted that an "Authorised Representative" is different to a "Representative" (Sec. 146).

Tax payer has a right & upon receipt of a request by the taxpayer, an authorised officer of the IRD shall do the following;

- Inform the taxpayer the status of the taxpayer's account,
- Provide a copy of the tax return filed,
- Provide a copy of any written agreement entered into with CGIR.

6. Assessments

This could be categorized in to five types as given below;

6.1 Self-assessments (Sec. 132)

A self-assessment taxpayer who has filed a self-assessment return (original assessment) shall be treated as having made an assessment of tax payable for the tax period. Further, if the tax payer has a loss for the year, the taxpayer shall be treated as having made an assessment of the amount of the loss set out in the return. Under Section 136 of the Act could amend the tax return filed.

6.2 Default Assessments (Sec. 133)

Where a taxpayer has failed to file a tax return for a tax period, the Assistant Commissioner may make an assessment of tax payable by the taxpayer for the period, based on the evidence available and to the best of his judgement. No time limitation of issuing default assessments.

Further, even after issuing a default assessment the requirement of filing tax return will remain while a return filed after a default assessment is not a Self-Assessment.

The default assessment shall specify the following;

- Assessed tax amount
- Penalty assessed
- Interest on late payment assessed
- Related tax period
- Due date of assessed tax payment
- The manner of objecting the assessment

6.3 Advance Assessment (Sec. 134)

In the case where the taxpayer has not filed the return but the tax has been collected by assessment, the Assistant Commissioner may issue an advance assessment. It is made before the date on which the taxpayer's tax return is due.

It is to be noted that even if an advance assessment is issued it shall not relieve a taxpayer from the requirement of filing tax return.

This tax and the penalty due shall be immediately payable.

6.4 Amended or Additional Assessment (Sec. 135)

The Assistant Commissioner may amend an original assessment (filed on self-assessment) by making alterations or additions, based on evidence available and to the best of his judgement to ensure;

: to carry forward the correct amount of loss **or**

: to assess the correct amount of tax payable.

Time limit to issue amended/additional assessments is as follows;

: Fraud, or gross or wilful negligence by or on behalf of taxpayer – No time limit

: In any other case – Within 30 months *

* *In the case of self-assessment, the 30 months to be counted from the date of filing return.*

* *For any other assessment, 30 months counted from the date on which the Assistant Commissioner served the notice of assessment.*

6.5 Issuing of Further Amended Assessments;

The A/Commissioner may amend an original assessment on which an amended assessment is already issued within the specified time period.

Time limit to issue further amended assessments under Section 135 is as follows;

: For a self-assessment – **within 4years** from the date the self-assessment return is filed.
 : In any other case – **within 4years** from the date A/Commissioner served the original assessment

or

: **Within one year** from the date the A/Commissioner served the notice of amended assessment.

If no request for review is made under Sec 139 within 30 days, an assessment shall be treated as final (Sec. 143).

7. Objections & Appeals

7.1 Objections (Sec. 137)

All objections and disputes relating to the payment of tax under the Act at the Tax Appeals Commission, Courts or Tribunal or any other proceedings on any other grounds shall be in line with the provisions of Chapter XIII of the Act.

The amounts & particulars of every assessment made by the CGIR shall be treated as correct and the liability of the taxpayer shall be determined accordingly.

Appealing Order;

- (i) Appeal to the CGIR (Administrative Review)
- (ii) Appeal to the Tax Appeals Commission (Appeal from Administrative Review to Tax Appeals Commission)
- (iii) Appeal to the Court of Appeal

7.1.1 Administrative Review (Appeal to Tax Administrators) (Sec. 139)

This is a review at the tax administrators' level and hence firstly to be appealed to the CGIR. Any taxpayer dissatisfied with an assessment or other decision, may request in writing within 30 days after the taxpayer was notified of the decision to the CGIR to review the decision.

On reasonable grounds the CGIR can grant a time extension for a request to review an assessment (objection). The CGIR shall acknowledge the receipt of objection within 30 days of receipt of the same.

If the objection is against an assessment in the absence of a return, the objection shall be accompanied with a return duly made.

The objection shall be considered by an officer other than the officer who made the assessment or decision. The CGIR shall take a decision by confirming the assessment, making an amended assessment, or an additional assessment or taking such other action.

7.1.2 Appeal from Administrative Review (Appeal to non-tax administrators) (Sec. 140 - 144))

This is a review independent from the tax administrators. A person aggrieved by the decision of the administrative review may appeal against the decision to the Tax Appeals Commission with a copy to the CGIR within 30 days of the CGIR's decision. On reasonable valid grounds may obtain an extension of time to appeal.

Requirements to appeal to the Tax Appeals Commission;

- : Request for administrative review has been made,
- : A decision has been received from CGIR (decision of the administrative review) or
- : Ninety days have lapsed since the request for administrative review was made (time bared).

As the conclusion the Tax Appeals Commission may;

- : Reduce the amount of the assessment by the over charged amount or
- : Increase the amount of the assessment by the under charged amount or
- : Confirm or annul the assessment.

The burden of proof shall be on the taxpayer or the person making an objection to an assessment to show that the assessment is incorrect (Sec 141).

The appeal to the Tax Appeals Commission do not suspend the collection of tax (Sec. 142). If no valid request for review under Sec. 139 is made, an assessment shall be treated as final. However, assistant commissioner has the right to issue a new assessment under Sec. 135. (Sec.143)

7.1.3 Appeal from the Decision of the Tax Appeals Commission (Appeal to Courts) (Sec, 144)

Either party dissatisfied with the decision of the Tax Appeals Commission may, within 1 month of being notified of the decision, file a notice of appeal with the Court of Appeal. The appeal to the Court of Appeal shall be made only on a question of law.

The appealing party shall serve a copy of the notice of appeal to the Tax Appeals Commission.

The Tax Appeals Commission shall provide a written statement of the decision including summary of evidence, its findings of the facts and their conclusions on the points of law.

Requirements to appeal to the Court of Appeal;

- : An appeal request has been made to the Tax Appeals Commission,
- : A decision has been received from Tax Appeals Commission or
- : 90 days have lapsed since the request for appeal to the Tax Appeals Commission was made and no response to the request is received.

8. Refundable Tax Amounts (Sec. 150)

Where a taxpayer has paid tax in excess of the assessment and applied for a refund within 4 years of the date of payment or CGIR initiated within the specified time period, the CGIR shall set-off (*refund/credit*) the amount in the following order;

- First against assessed liability, interest, late fees, or penalties under this Act,
- Unless the taxpayer objects, retain (credit) an amount as an advance payment of tax to cover the tax due within succeeding 6 months,
- Any balance thereafter, shall be refunded to the taxpayer.

9. Recovery of default Tax (Sec. 152 & 160 – 175)

9.1 Default Notice

The CGIR may send a notice containing information required by this section to the taxpayer demanding the default payment.

The taxpayer shall be in default, 21 days after service of the notice unless a payment arrangement with the CGIR is made or received an extension under Sec. 151.

Under Sec. 154 of the Act the order of liability is as follows;

- : Interest relating to the tax
- : Penalties relating to the tax
- : Principal amount of the tax

The CGIR may apply the collected tax payment to any tax which has been assessed and due.

9.2 Recovery Action

The CGIR may take recovery action within 5 years of default against the defaulter, his properties or 3rd party debtors as applicable.

Where the CGIR is unable to recover due amount under this Act, the Minister may, on the recommendation of the CGIR and approval of the Cabinet, order the extinguishment of the liability as a debt to the Government. (Sec. 162)

The CGIR may commence proceedings with the Courts to recover the debt. (Sec. 163)

A lien in favour of the CGIR shall be created on all properties of the taxpayer and has priority as against other rights. (Sec. 164)

The CGIR can seize the properties of the taxpayer and sell those and recover the expenses, penalties, interest and tax. Excess, if any, shall be returned to the taxpayer. (Sec. 165 & 166)

The CGIR may issue a certificate containing the particulars of default tax and the name of the defaulter to a Magistrate, who shall issue a direction to the Controller General of Immigration and Emigration to take measures to prevent the defaulter leaving SL without paying tax or giving security for the payment. (Sec. 167)

The trustee in bankruptcy of an individual or liquidator of a company shall take the tax dues under this Act as a privileged debt in priority over all debts.

Where a Government Department, Institution or Ministry is about to make a payment to any person, other than in respect of wages/salaries, that Department, Institution or Ministry may apply whole or part of that payment in settlement of that person's tax in default (Sec. 169).

The CGIR may serve notice on a 3rd party debtor and upon receipt of such notice, that 3rd party debtor shall pay the default tax covered with the notice, to the CGIR, subject to the amount of debt. (Sec. 170)

The CGIR has the power to apply to the District Court for an “Asset Preservation Order” against any asset of the taxpayer. (Sec 172)

Non-arm's length transferees (on assets transferred within a period of 1 year preceding the date of the levy) shall be secondarily liable for tax to the extent of the value of the asset received (Sec. 173).

When a taxpayer has a tax liability in relation to a business carried on by him and the taxpayer has transferred all or some assets of the business to an associate, the transferee shall be personally liable for the unpaid tax of the transferor in relation to the business. (Sec. 174)

Within 14 days of appointment of a receiver, the said receiver shall be required to notify the CGIR of his appointment. Upon such notification, the CGIR may notify the receiver of the amount that appears to the CGIR to be sufficient for tax dues which the receiver is to honour out of the proceeds of sale of the assets. (Sec. 175)

10. Penalties Under the Act (Sec.176 - 185)

The CGIR may make an assessment of a penalty charge and may specify the due date (Notice of Assessment).

The burden of proof shall be on the CGIR to show the non-compliance with the provisions of the Act which resulted in the penalty.

Except for negligent or fraudulent underpayment (under Sec. 180), penalty assessments to be raised within 5 years after the violation.

On the reasonable causes shown by the person liable for penalty, the CGIR may refrain in whole or in part from assessing the penalty **or** remit or waive in whole or in part a penalty that has been assessed.

Chargeable Penalties;

- For each of the following, a penalty not exceeding Rs. 50,000/- to be paid. (Sec. 177);
 - : failure to register as required by Sec. 102 (Non-obtaining of TIN),
 - : failure to inform CGIR, the change of information relating to registration as per Sec. 103(5), **or**
 - : Failure to notify the CGIR, the appointed representative and/or any change thereon as required by Sec. 146 (4).
- The penalty on failure to file a tax return on time is the higher of the;
 - (i) 5% of the amount of the tax owing, plus 1% of the amount of tax owing for each month or part thereof
 - or**
 - (ii) Rs. 50,000/- plus Rs. 10,000/- for each month or part thereof (Sec. 178).

However, the maximum penalty on this is Rs. 400,000.00.
Such penalty shall arise by issuing a penalty assessment by CGIR.
- On failure to pay all or part of a tax due for a tax period, within 14 days of the due date or by the due date specified in the notice of assessment, it is liable to a penalty @ 20% of the amount of tax due but not paid. However, if the CGIR has granted an extension under Sec. 151, and paid the tax accordingly, a person shall not be liable to a penalty under this. (Sec. 179)
- Further, if a person fails to pay all or part of an instalment required under this Act, within 14 days of the due date of the instalment, shall be liable to a penalty equal to 10% of the amount of tax due, but not paid. (Sec. 179)
- Where the tax is underpaid, as a result of an incorrect statement or material omission in the tax return which is a result of intentional conduct or negligence on the part of the taxpayer, the tax payer shall be liable to the following penalty;
 - (i) 25% of the underpayment (if following para is not applicable),
 - (ii) 75% of the underpayment if the underpayment is;
 - : higher than Rs. 10 million
 - : higher than 25% of the person's tax liability for the period. (Sec. 180)
- A person who make a materially false or misleading statement (on deliberate action) to the tax officials, shall be liable for a penalty of not more than Rs. 50,000/-. (Sec. 181)
- A person who fails to maintain proper documents required by the Act and not complies with the CGIR's warning notice within the given time period, shall be liable to a penalty for each month or part thereof computed at Rs. 1,000/= per day for each day of failure. (Sec. 182)
- Further, a person who fails to render reasonable facilities and assistance to a tax official as required by/under the Act shall be liable for a penalty not exceeding Rs. 10,000/-. (Sec. 182)

- **Transfer Pricing Penalties** - Any person who fails to comply with the requirements of Sec. 76 & 77, the CGIR may impose **following penalties** by giving written notice requiring such associated enterprise, to pay penalty within the specified time period; (Sec. 184)
 - (i) Sum not exceeding 1% of the aggregate value of transactions enterprises, where required documents have not been maintained.
 - (ii) Sum not exceeding Rs. 250,000/- where required documents have not been submitted.
 - (iii) Sum not exceeding 2% of aggregate value of transactions with its associated enterprises, where required information has not been disclosed.
 - (iv) Sum not exceeding Rs. 100,000/- where required documents have not been submitted by the specified date, or
 - (v) A penalty of 200% of the value of additional tax where such person has;
 - : concealed the particulars of his income, or furnished incorrect particulars of such income, **and**
 - : sought to evade by reason of concealment of particulars of his income or furnishing of inaccurate particulars of such income,
- On failure to comply with a request for information properly made under this Act, within the specified time, shall be liable for a penalty of an amount not exceeding Rs. 1,000,000/-.

However, if the taxpayer has complied with the notice of warning of the CGIR within 30 days, no penalties shall be charged.

In addition to the above, Criminal Proceedings are there under this Act.



PROGRESS TEST

- 1 **State** the due date for filing of the return of income by a company for the year of assessment 2018/2019.
- 2 **State** two advantages that accrue to a tax payer by the Assistant Commissioner communicating the reasons for not accepting the return of income.
- 3 **State** whether there are discounts available on paying self-assessed tax in advance.

ANSWERS TO PROGRESS TEST

- 1** The due date for filing the return of income is November 30, 2019.
- 2** Prevent arbitrary assessments/enable the tax payer to know the reasons why the return is rejected so that he could formulate the grounds of appeal.
- 3** No discount is available on early settlement of tax under Inland Revenue Act No.24 of 2017.