

Income Tax rates for Individuals

Normal Income tax rates for individuals

Based on taxable income

0 to Rs. 500,000	4%
Rs. 500,000 to Rs. 1,000,000	8%
Rs. 1,000,000 to Rs. 1,500,000	12%
Rs. 1,500,000 to Rs. 2,000,000	16%
Rs. 2,000,000 to Rs. 3,000,000	20%
Rs. 3,000,000 and over	24%

Once and for all payments on employment

- Term of service or the term of contributions paid is more than 20 years - First Rs. 5Mn – Tax free
- Term of service or the term of contributions paid is less than 20 years - First Rs. 2 Mn – Tax free

Next Rs. 1 Million will be taxed at 5% and the balance at 10%

*** for compensation received the for termination of service, tax should be calculated on normal rates up to a maximum rate of 16%.

Other Special Rates

- Following business profits included the taxable income should be taxed subjected to a maximum rate of 12%.
Promotion of tourism
Construction industry
Agriculture and production of animal food
Qualified export earnings.
- Tax on lotteries, betting and gambling business should be charged at 40%
- Pilot employed by an approved airline should pay up to a maximum of 16% rate.
- Entrepreneurship with an annual turnover less than Rs.500 million (other than buying and selling) should pay a tax up to a maximum rate of 10%
- Profits or income derived from health services should be subjected to a maximum tax of 12%

Ex. Silva had an employment income of Rs. 500,000. Rent income of Rs. 450,000 and profit from coconut estate of Rs. 3,000,000 (Turn over Rs. 4 million for 2013/14). In addition he had Interest income from fixed deposit of Rs. 150,000 (10% final tax deducted by the bank) and dividend income from X Ltd of Rs. 200,000 (10% final tax deducted by the company)

Calculate the tax liability and the final tax payable by Silva.

Tax Credits

උපලේඛනය - 11 බදු බැර (උපදෙස් පත්‍රිකාවේ 11 වන ඡේදය බලන්න)

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<ul style="list-style-type: none"> • උ.වි.ගෙ. අඩු කිරීම, (PAYE T-10 සහතිකය අමුණන්න) • අවස්ථාවෝචිත පරිදි අධ්‍යක්ෂ ශාස්ත්‍රවලින් 10% හෝ 16% බදු අඩු කල හෝ දෙවන සේවා යෝජකයා පාර්ශ්විකමත 10% හෝ 16% බදු අඩු කිරීම (PAYE T-10/D සහතිකය අමුණන්න) • වාරික වශයෙන් ගෙවූ ආදායම් බදු (ගෙවීම් පත් අමුණන්න) 			562														
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<ul style="list-style-type: none"> 1 වන වාරිකය 2 වන වාරිකය 3 වන වාරිකය 4 වන වාරිකය අවසාන ගෙවීම (තිබේ නම්) මුළු වට්ටම් ප්‍රමාණය එකතුව (570 සිට 575) • අවසානාන්තක රඳවාගැනීමේ බදු නොවන වෙනත් යම් රඳවා ගැනීමේ බද්දක් (කරුණාකර කුමක්ද යන්න දක්වන්න.) 	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%; text-align: center;">ගෙවූ දිනය</td> <td style="width: 50%; text-align: center;">ගෙවූ මුදල</td> </tr> <tr> <td style="border: 1px solid black; text-align: center;">D1</td> <td style="border: 1px solid black; text-align: center;">570</td> </tr> <tr> <td style="border: 1px solid black; text-align: center;">D2</td> <td style="border: 1px solid black; text-align: center;">571</td> </tr> <tr> <td style="border: 1px solid black; text-align: center;">D3</td> <td style="border: 1px solid black; text-align: center;">572</td> </tr> <tr> <td style="border: 1px solid black; text-align: center;">D4</td> <td style="border: 1px solid black; text-align: center;">573</td> </tr> <tr> <td></td> <td style="border: 1px solid black; text-align: center;">574</td> </tr> <tr> <td></td> <td style="border: 1px solid black; text-align: center;">575</td> </tr> </table>	ගෙවූ දිනය	ගෙවූ මුදල	D1	570	D2	571	D3	572	D4	573		574		575		576
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As per the Schedule 11 above, we can identify 7 types of tax credits which can be claimed from the tax liability.

1. Double taxation reliefs.
2. Partnership Tax paid
3. Economic service charge paid
4. PAYE tax deducted at source.
5. Withholding tax on director's remuneration or PAYE on remuneration received from the second employer.
6. Income Tax installments paid for the relevant year of assessment.
7. Any other withholding tax deducted at source which is not the final tax.

Double taxation reliefs

This is applicable when a taxable person has offshore income and profits where that person is paying income tax to the foreign government which has a double tax agreement with the Sri Lankan government.

But in this context the tax paid to the foreign government should not exceed the amount or rate of tax payable in Sri Lanka for a similar type of income. If not the maximum claim will be restricted to the amount of tax payable at the local tax rates.

Ex. Mr. Sirisena was employed in Dubai as an engineer for a period of 3 months on contract basis during the financial year 2013/14.

His annual income is as follows

Rent Income Rs. 600,000

Local Employment Rs. 1,500,000

Foreign Employment US\$ 3,000 (Rs. 130 per \$) 10% tax deducted at source.

- Calculate the amount of tax credit which he can claim for 2013/14 if his marginal rate of tax in Sri Lanka is 16%
- How would the answer differ if 20% tax was deducted at source?

Share of partnership Tax paid at 8% rate

Ex. Sunil, Nimal and Kamal are Trading as SNK Enterprises, and the profit sharing ratio is 2:2:1 respectively. SNK enterprises had a taxable profit of Rs. 3,000,000 for the year ended 31 March 2014.

In addition to the partnership income Nimal had rent income of Rs. 600,000 and employment income received from ABC Plc of Rs. 500,000

Calculate the tax payable by the partnership and the amount of tax credit claimable by Nimal.

Economic service charge paid

Economic service charge is an advance income tax payable currently by loss making businesses and tax exempt businesses who are not liable to income tax in a particular financial year, at stipulated rates if its turnover exceeds the specified amounts.

If a person has paid economic service charge (including the share of ESC paid by the partnership business) can be claimed as a tax credit. Unclaimed ESC can be carried forward up to 4 years.

PAYE tax deducted at source

If the employer has deducted PAYE from the employment income, that amount can be claimed as a tax credit to reduce the final tax payable.

Wit holding tax on director's remuneration or PAYE on remuneration received from the second employer.

Same as earlier any WHT deducted at source could be claimed as a tax credit with the proof documents attached.

Income Tax installments paid for the relevant year of assessment.

The income tax payers are liable to pay 4 self assessment tax installments for each financial year on the following basis.

1st Installment - on or before the 15th day of the month of August that relevant year

2nd Installment - on or before the 15th day of the month of November that relevant year

3rd Installment - on or before the 15th day of the month of February that next year

4th Installment - on or before the 15th day of the month of May that next year

Final Installment - on or before the 30th day of the month of September that next year

Any individuals who makes any quarterly self-assessment income tax payment, one month before the due date, is entitled to a 10% discount thereon (not exceeding such percentage on the installment based on the current year profits).

Ex. Mr. Fernando had a tax liability of Rs. 100,000 for the tax year 2012/13, and Rs. 150,000 for 2013/14. He has made installment payments on 20 July 2013, 10 October 2013, 12th January 2014 and 18th April 2014. Calculate the amount of tax credits and the final tax payable/refund. State the due date.