



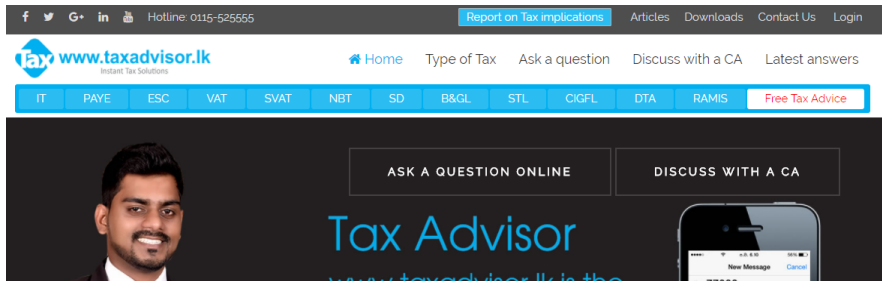
# FAQ

Inland Revenue Act, No.24  
of 2017

Online Tax Advisor (Pvt) Ltd

TAX ADVISOR.LK

## Introduction



www.taxadvisor.lk is the **first** and **largest** online tax advisory website in Sri Lanka.

We are a team of dynamic Chartered Accountants dedicated with 100% commitment to cater to a much-needed niche with the combination of professional skills of our team together with unparalleled experience in tax laws and practices. We guarantee our clients a very high level of specialization in all aspects of tax services.

www.taxadvisor.lk provides a platform to quench your thirst of tax-related queries with professionally qualified Chartered Accountants

### Company Profile

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***Board of Directors are members of the Institute of Chartered Accountants of Sri Lanka.***

## Our steps

The purpose of this material is to build awareness on provisions of the Inland Revenue Act, No. 24 of 2017 (New IR Act) among the subscribers of TAX ALERT. We have already initiated the following steps to educate our subscribers.

1. Simplification of the provisions of New IR Act via "TAX ALERT"- From 01<sup>st</sup> November 2017
2. Publication of several articles in our website in connection with the highly technical matters in the New IR Act.
3. On the request of number of subscribers, we have opened a platform to ask any question on New IR Act free of charge at given period.
4. "A report on implications of New IR Act to your business" - upon request of subscribers. [www.taxadvisor.lk/tax-implications](http://www.taxadvisor.lk/tax-implications)
5. "Ask a question online" and "Discuss with a CA" options.
6. FAQ –New IR Act

# Other Income & exemptions

(FAQ 31-40)

## Learning Outcome

By the end of this chapter, you should be able to understand

1. What is other income
2. What are the exemptions under 3<sup>rd</sup> Schedule
3. Questions on 3<sup>rd</sup> schedule of the new Act.

Chapter

4

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## Other Income

### 31. What is other income?

#### Answer

A person's income from other sources for a year of assessment shall be that person's gains and profits from any other source whatsoever for the year, not including profits of a casual and non-recurring nature.

Ex: Tip received by a waiter

### **32. What shall be excluded when calculating a person's other income?**

#### **Answer**

- Exempt amounts and final withholding payments
- Amounts that are included in calculating income from employment, business or investment.

### **33. Where do you refer to find out exempt amounts?**

#### **Answer**

Third Schedule to the Act

### **34. As per the Third Schedule to the Act what shall be exempt from the payment of tax?**

#### **Answer**

1. Amounts derived by -
  - 1.1. the Government of Sri Lanka or a local authority, including any Government department
  - 1.2. the Central Bank of Sri Lanka, including the Monetary Board
  - 1.3. any University which is established or deemed to be established under the Universities Act, No. 16 of 1978 or the Buddhist and Pali University of Sri Lanka Act, No. 74 of 1981
  - 1.4. any Government assisted private school other than that incorporated under the Companies Act, No. 7 of 2007 which is registered with the Ministry of Education and mandated to follow the Circulars and mandated to follow the Circulars issued by Government and the Ministry of Education
  - 1.5. any registered society within the meaning of the Co-operative Societies Law, No. 5 of 1972
  - 1.6. the Government of a foreign country of foreign territory to the extent specified under a diplomatic immunities law or a similar law

- 1.7. an international organization to the extent specified under a diplomatic immunities law or a similar law or an agreement between the organization and the Government of Sri Lanka, provided that the exemption provided under the agreement shall be broader than that provided under diplomatic immunities law or a similar law
2. capital sums paid to a person as compensation or a gratuity in relation to
  - 2.1. personal injuries suffered by the person; or
  - 2.2. the death of another person
3. 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
4. An amount paid to an employee at the time of retirement from
  - 4.1. any pension fund or the Employees Trust Fund established by the Employees Trust Fund Act, No.46 of 1980, as represents income derived by that fund, for any period commencing on or after April 1, 1987, from investments made by it;
  - 4.2. a provident fund approved by the Commissioner General;
5. The income of an individual entitled to privileges to the extent provided for by
  - 5.1. a diplomatic immunities law or a similar law
  - 5.2. 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 the United Nations
  - 5.3. regulations made under this Act relating to an international organisation, or a law or Act referred to in subparagraph (i) or (ii);
6. A gain made by a resident individual from the realisation of an investment asset that does not exceed Rs. 50,000 and where the total gains made by the resident individual from the realisation of investment assets in the year of assessment do not exceed Rs. 600,000, except
  - 6.1. where the Commissioner-General is satisfied that an investment asset has been realised in two or more parts for the purpose of taking advantage of this paragraph, any gain arising from the realisations shall be exempt under this paragraph only if the total gain from the realisation of all parts does not exceed Rs. 50,000 and the total gains

made by the resident individual from the realisation of investment assets in the year of assessment do not exceed Rs. 600,000

- 6.2. in the case of the realisation of an investment asset that is jointly owned, this paragraph applies only if the total gain made by all owners of the investment asset on realisation of the asset does not exceed Rs. 50,000 and the total gains made by the resident individual in the year of assessment do not exceed Rs. 600,000
7. A gain made by a resident individual on the realisation of the individual's principal place of residence, provided it has been owned by the individual continuously for the three years before being realised and lived in by the individual for at least two of those three years (calculated on a daily basis)
8. Gain made on realisation of an asset consisting of shares quoted in any official list published by any stock exchange licensed by the Securities and Exchange Commission of Sri Lanka
9. The interest derived by a charitable institution, where it is proved to the satisfaction of the Commissioner-General that such interest is applied solely for the purpose of providing care to children, the elderly or the disabled in a home maintained by such charitable institution
10. Any prize received by a person as an award made by the President of the Republic of Sri Lanka or by the Government in recognition of an invention created, or any research undertaken, by such person
11. Any sum received by a person from the President's Fund established by the President's Fund Act, No. 7 of 1978 or National Defence Fund established by the National Defence Fund Act, No. 9 of 1985
12. An amount equal to the interest or the discount paid or allowed, as the case may be, to any non-resident person or to any licensed commercial bank in Sri Lanka, by the issuer of any sovereign bond denominated in foreign currency, issued on or after October 21, 2008, by or on behalf of the Government of Sri Lanka.
13. Any amount derived by a senior citizen from an annuity for life for a period of not less than ten years purchased from a bank or an insurance company registered under the Regulation of Insurance Industry Act, No. 43 of 2000

14. Any winning from a lottery, the gross amount of which does not exceed Rs. 500,000
15. A dividend paid by a resident company to a member to the extent that dividend payment is attributable to, or derived from, another dividend received by that resident company or another resident company that was subject to withholding under section 84
16. Benefits received or derived by an employee of the government of Sri Lanka from a road vehicle permit issued to that employee
17. The profits and income from any property donated by royal or other grant before March 2, 1815, to any place of public worship administered by a charitable institution, in so far as such profits and income are applied to the purposers for which such grant was made
18. Dividends from and gains on the realisation of shares in a non-resident company where derived by a resident company with respect to a substantial participation in the non-resident company. In this paragraph, "substantial participation" means
  - 18.1. holding 10 percent or more of the value of shares in the company, excluding redeemable shares; together with
  - 18.2. control, either directly or indirectly, of 10 percent or more of the voting power in the company;
19. Any amount derived by a person from the sale of any gem on which tax has been deducted under subsection (2) of section 84

**35. Is income of Urban councils of Sri Lanka liable for income tax as per the Act No.24 of 2017?**

**Answer**

No. It's a government local authority and not liable for income tax.

**36. Mr. Wickrama, an employee of XYP PLC has met with an accident last year and severely injured. The company paid him Rs.500,000 for the injury. Is this receipt liable for income tax?**



**Answer**

No. capital sums paid to a person as compensation to personal injuries suffered by the person is not liable for Income tax.

**37. Mrs.Gunawathi , a government employee is planning to retire on July 2018. She has a doubt whether her pension income will tax in future ?**

**Answer**

No. Pension income received from the Government of Sri Lanka or a department of the Government of Sri Lanka is not liable.

**38. Mr.X is planning to sell his investment property in two instances to avoid the tax on realization of investment assets. Is this possible?**

**Answer**

No. If an investment asset has been realized in two or more parts for the purpose of taking advantage, any gain arising from the realizations shall be exempt only if the total gain from the realization of all parts does not exceed Rs. 50,000 and the total gains made by the resident individual from the realization of investment assets in the year of assessment do not exceed Rs. 600,000.

**39. Mr.Athapaththu is planning to migrate after selling his residential House which he is residing more than twenty years. Is the gain on sale of his residential house liable for tax?**

**Answer**

No. If the principal place of residence has been owned by him continuously for three years before being realized and lived in by him for at least two of those three years, gain on realization of such asset is not liable for tax.

**40. Is any interest income of a charitable institution exempt from income tax?**

**Answer**

No. The interest derived by a charitable institution, where it is proved to the satisfaction of the Commissioner-General that such interest is applied solely for the purpose of providing care to children, the elderly or the disabled in a home maintained by such charitable institution is only exempt from income tax and all other cases interest income of a charitable institution is liable for income tax.

This publication was prepared to present latest and time sensitive information affecting our subscribers. Hence, it has been prepared for general informational purposes only and no one should act upon such information without appropriate professional advice from Online Tax Advisor (Pvt) Ltd after a thorough examination of the particular situation.

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