



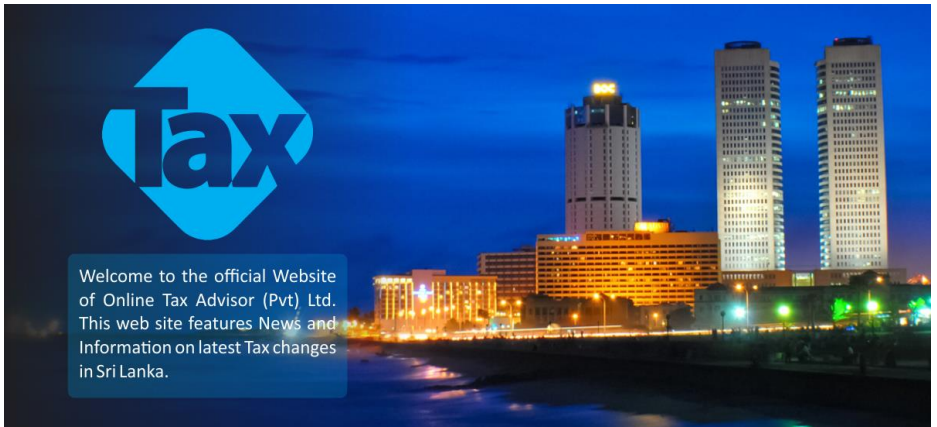
# FAQ

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**

Online Tax Advisor (Pvt) Ltd

PV-124651

No.22, Janadhipathi Mawatha, Bandaragama, Sri Lanka

[Tel:0115-525555](tel:0115-525555)

***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
7. Introducing SMS Tax advice

# Deductions

(FAQ 41-50)

## Learning Outcome

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

1. What is general deduction
2. What are the deductions that cannot be made in calculating person's income

Chapter

5

---

**41. What deductions shall be made in calculating a person's income from employment?**

**Answer**

No deduction shall be made in calculating a person's income from employment.

**42. What deductions shall not be made in calculating a person's income?**

**Answer**

- 1) Domestic expenses incurred by the person (section 197)
- 2) Tax payable under Inland Revenue Act No. 24 of 2017
- 3) Interest, penalties and fines payable to a government or a political subdivision of a government of any country for breach of any written law

- 4) Expenditure incurred by a person in deriving exempt amounts or final withholding payments
- 5) Retirement contributions, unless they are included in calculating the income of an employee or consist of a contribution by an employer to a pension, provident or savings fund or a savings society, which is approved by the Commissioner-General
- 6) Dividends of a company
- 7) Outlays or expenses for entertainment
- 8) An amount that a person has transferred, in his financial accounts, to a reserve or provision for expenditures or losses not yet incurred but expected to be incurred in a future year of assessment
- 9) Amounts incurred on lotteries, betting or gambling, other than amounts incurred from conducting a business of lotteries, betting or gambling; or
- 10) Taxes or other levies specified by the Commissioner General.

**43. What are the taxes and other levies specified by Commissioner General of Inland Revenue, which are not deductible in calculating person's income?**

**Answer**

As per the Gazette notification No -No. 2064/54

- 1) Income tax, or super tax or surtax or any other tax of a similar character in any country with which an agreement made by the Government of Sri Lanka for the avoidance of double taxation is in force (other than the excess of any such income tax, or super tax or surtax or any other tax of a similar character over such maximum amount of the credit in respect of Sri Lanka income tax as is allowed by subsection (1) of section 81); or
- 2) Economic Service Charge

- 3) Any Value Added Tax on Financial Services and any Nation Building Tax on Financial Services or
- 4) Crop Insurance Levy or
- 5) Super gain tax, Bars and Taverns Levy, Casino Industry Levy, Mobile Telephone Operator Levy, Satellite Location Levy, Dedicated Sports Channel Levy and Mansion Tax

**44. What is meant by domestic expense incurred by the person as per the Act?**

**Answer**

Where an individual incurs expenditure in respect of himself, the expenditure shall be domestic expenditure to the extent that it is incurred

- in maintaining the individual, including in providing shelter as well as meals, refreshment, entertainment or other leisure activities;
- in the individual commuting from home
- in acquiring clothing, including shoes, for the individual, other than clothing that is not suitable for wearing outside of work
- in educating the individual, other than education that is directly relevant to a business conducted by the individual and that does not lead to a degree or diploma; or
- in paying any personal debts, including credit card debts, of the individual.

**45. Mr.Dias is a TV presenter who frequently purchase clothes, which require for his profession. Can he deduct such cost in calculating his income?**

**Answer**

Yes.He can claim since it is used for the production of Income.

**46. Mr.Ponnamperuma is an IT professional and running his own consultancy firm. He love music and has completed certificate course on music too. Can he deduct cost incurred for certificate course on music in calculating his income for tax purposes?**

**Answer**

No. He cannot deduct cost incurred on certificate course on music since it is not relevant to the business.

**47. Ms.Kondadeniya is an individual income tax payer and she is planning to deduct her personal debt settlement in calculating her income. Is it possible to deduct personal debt settlement in calculating her income?**

**Answer.**

No. Personal debt settlement is a domestic expense and cannot deduct in calculating her income.

**48. Can a person deduct expenses incurred for entertainment when calculating income?**

**Answer**

No. Since such expenses are not incurred for the production of Income, you cannot deduct.

**49. Can a person deduct provisions made in the financial statements in calculating income?**

**Answer**

No.Provisions made in the financial statements cannot be deducted

**50. Can a finance company deduct NBT paid in calculating the business income (Other than NBT on Financial services)**

**Answer**

Yes. A finance company can deduct NBT paid in calculating the business income (Other than NBT on Financial services)

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.



TAXADVISOR.LK