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இலங்கை உள்நாட்டு இறைவரி

Sri Lanka Inland Revenue

SET- E 2022/2023

INSTRUCTIONS FOR COMPLETION THE STATEMENT OF ESTIMATED TAX PAYABLE AND PAYMENT OF QUARTERLY INSTALMENTS YEAR OF ASSESSMENT 2022/2023

In terms of Sections 90 and 91 of the Inland Revenue Act, No. 24 of 2017 and as amended by amendment Act, No. 10 of 2021 (IR Act), a person who is an “instalment payer” shall pay income tax on the **estimated taxable income** as computed in the **Statement of Estimated Tax Payable**, by quarterly instalments on the 15th of August, 15th of November and 15th of February in that year of assessment and the 15th of May of the next succeeding year of assessment and is required to submit the **Statement of Estimated Tax Payable** by the date for payment of the first tax instalment i.e. 15th August 2022.

It is strongly advised to read this set of instructions before completing the Form for **Statement of Estimated Tax Payable (SET)**.

This sets of instructions consist of;

- General Instructions
- Instructions to Complete the SET and
- Calculation of Quarterly Installments of income tax payable

1. GENERAL INSTRUCTIONS

The SET consists of three parts, PART I, II and PART III. All instalment payers should complete all three PARTS of the SET.

1.1 Issuance and Submission

• Issuance

SET will be issued by the Commissioner General of Inland Revenue to persons who are chargeable with income tax. Those who have not received the SET (Individuals whose estimated assessable income exceeds more than Rs. 3,000,000 for the Year of Assessment 2022/2023) shall make a request to obtain a SET from the Customer Supporting and Promotion Unit at the IRD Head Office or from any Regional Office.

• Submission

Duly completed SET could be hand delivered or sent through **registered post** to the **Central Document Management Unit (CDMU) at the Head Office of the Inland Revenue Department (IRD)**, Sir Chittampalam A Gardiner Mawatha, Colombo 02 or to **any Regional Office**.

1.2 Payment of Estimated Tax

- **Payment Due Dates and period codes**

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	15 th August 2022	22231
Second Instalment	15 th November 2022	22232
Third Instalment	15 th February 2023	22233
Fourth Instalment	15 th May 2023	22234

- **Payment of Tax**

The payments of quarterly instalments of tax should be made using paying-in-slips issued by the IRD and posted to the taxpayers. The Paying -in-slips can also be collected from Customer Supporting & Promotion Unit at the IRD Head Office, all Regional Offices and from any branch of the Bank of Ceylon.

In addition, payment can be made through Online Tax Payments Platform (OTPP). For further details, please refer to Public Notice Number PN/PMT/2021 dated 08.06.2021 (Revised) dated May 05, 2022 PN/PMT/2022 .01 or log into IRD's web portal for the user guide (*e-Services/Overview and Quick Guides/Payments and Refunds*).

- **Bank to which the payments should be made**

To any branch of the Bank of Ceylon.

2. INSTRUCTIONS TO COMPLETE THE SET - 2022/2023

Mark “✓” at the relevant cage to indicate whether the Statement is the Original Statement, or Revised Statement. The first SET furnished by a person for a year of assessment is treated as “Original Estimate”. Original estimate shall remain in force for the whole year of assessment unless a revised estimate is submitted by the taxpayer.

If the estimated tax payable is varied from the original SET, a revised SET could be submitted and subsequent instalment payments should be made accordingly. Further,

in the event of submitting a revised estimate, it is important to mark “✓” in the cage of, “Revised Statement” of the SET.

Also indicate the Income tax type. Persons other than Individuals and Partnerships should mark the cage of Corporate Income Tax.

(Please mark “✓” at the relevant cage)

STATEMENT TYPE:	Original Statement	<input type="checkbox"/>	Revised Statement	<input type="checkbox"/>
INCOME TAX TYPE:	Corporate Income Tax	<input type="checkbox"/>	Individual Income Tax	<input type="checkbox"/>
	Partnership	<input type="checkbox"/>		

2.1 PARTS – I and II : CALCULATION OF ESTIMATED TAX PAYABLE

I. The amounts of **estimated income** from each source of income should be declared in cages (10), (20), (30) and (40) of the SET.

II. Cage 50 - Estimated Assessable Income.

a) Total estimated income from employment, business, investment (other than the gain from realization of investment assets) or other income source would be the total estimated assessable income of a person.

Enter total of all income enumerated under cages 10 to 40 in the cage 50.

b) When calculating estimated assessable income, final withholding payments and exempt amounts should not be included.

III. Cage 60 – Estimated Qualifying Payments

Enter all estimated qualifying payments to be made during the year (subject to following restrictions).

- Donations to Approved Charitable Institution

Type of donor	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
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- 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 or merger of any other financial institution. 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.

IV. Cage 70 – Estimated Reliefs

Enter Estimated Reliefs that you are entitled for the year of assessment (subject to following restrictions).

- Personal Relief

Resident individuals or citizen individuals are entitled to a personal relief of Rs. 3,000,000 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.

- Expenditure Relief

Resident individuals are entitled to deduct following expenditure up to a total sum of Rs. 1,200,000, incurred during a year of assessment.

- (a) health expenditure including contributions to medical insurance;
- (b) vocational education or educational expenditure incurred locally, by such individual or on behalf of his children;
- (c) interest paid on housing loans;
- (d) contributions made by an employee to any local pension scheme, other than for a scheme under the employer or on behalf the employer;
- (e) Expenditure incurred for the purchase of shares or any other financial instrument listed in the Colombo Stock Exchange or treasury bonds under the Registered Stocks and Securities Ordinance or treasury bills under the Local Treasury Bills Ordinance

- 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.

V. Cage 80 – Estimated Taxable Income

Deduct total of deductions in cage 60 and 70 from Estimated Assessable income in cage 50 to get at the Estimated Taxable Income.

VI. Cage 90 – Estimated Tax Liability

Estimated tax liability should be computed by applying the different income tax rates. Accordingly, fill the Part II of the SET first and enter the value in cage 90.10 to the cage 90.

The following income tax rates are applicable on following persons.

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 3,000,000	180,000	6 %
Next 3,000,000	360,000	12 %
Balance	-	18 %

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%
- An individual's gains and profits from the consideration received in respect of gems and jewellery shall be taxed at the maximum rate of 14%.
- An individual's gains and profits from the amounts received on the supply of electricity to national grid generated by using renewable energy resources shall be taxed at the maximum rate of 14%.

b) Companies

- (i.) on taxable income of a company - 24%
- (ii.) Such part of the gains and profits of a company for a year of assessment from following specific businesses - 14%

- Small and Medium enterprises
- Exporting goods
- Specified Undertaking
- Educational services
- Promotion of tourism
- Construction services
- Agro processing
- Health care services
- Dividends received from a resident company
- Providing health protective equipment and similar products supplied to the Ministry of Health, Department of Health Services, Sri Lanka Army, Sri Lanka Navy, Sri Lanka Airforce, Sri Lanka Police and COVID Center by any export company which is registered with the Board of Investments of Sri Lanka.
- Gem and jewellery business
- from the supply of electricity to national grid generated using renewable energy resources
- A company lists its shares on or after January, 1 2021, but prior to December 31, 2021, in the Colombo stock Exchange liensed by the Sri Lanka, (only for three years of assessment commencing from April 1, 2022) – 14%

- (iii.) on gains and profits from Manufacturing - 18%
- (iv.) on gains and profits from conducting betting and gaming - 40%
- (v.) on gains and profits from manufacture and sale or import and sale of any liquor or tobacco products - 40%
- (vi.) 50% reduction in aggregate income tax payable by any company (including BOI companies) which lists its shares on or after January, 1 2021, but prior to December 31, 2021, in the Colombo Stock Exchange.
- (vii.) 50% reduction of income tax payable on gains and profits from dividends by any multi-national company subject to the condition of increasing the exports (other than specified undertakings) by fifty per centum in the year of assessment 2022/2023 compared to the year of assessment 2020/2021 and that status should maintain in the subsequent year of assessment..
- (viii.) 25% reduction from the portion of tax payable related to the agro processing or manufacturing business activity in Sri Lanka, for five years from the year assessment 2020/2021 Subject to the condition of a person utilize agro farming produce produced by himself for his agro processing or manufacturing business activity in Sri Lanka upon to the proportion of utilization of total amount of agro farming produce.

c) Partnership

Taxable income (Rs.)	Tax payable
Exceeding 1,000,000	6%

d) Charitable Institutions - 14%

e) Trusts – 18%

f) Unit Trust or Mutual Funds – 24%

a) NGO-24%

b) Employees' Trust Fund, Eemployees'' Provident Fund, and approved Gratuity Fund, Pension Fund and Termination Fund -14%

VII. Cage 100 - Estimated Foreign Tax Credit

- ❖ Enter any Foreign Tax Credit, if any, in Cage 100. A Foreign Tax Credit is limited to the amount of tax on such part of profits or income to which foreign tax credit relates.

VIII. Cage 110 – Estimated Advance Personal Income Tax

An employee whose employment income is subject to APIT (if it is a compulsory deduction or the consent has been granted by the employee) shall enter the estimated APIT for the year of assessment in Cage 110.

IX. Cage 120 – Estimated Tax Payable

Deduct foreign tax credit declared in cage 100 and Estimated APIT declared in 110 from Estimated Tax Liability in cage 90 to arrive into the Estimated Tax Payable. Specify that value in cage 120

2.2 PART – III – DECLARATION

Taxpayer or the taxpayer's duly authorized agent, should sign the SET declaring that the SET does not contain any incorrect, false or misleading information.

3. CALCULATION OF INCOME TAX QUARTERLY INSTALMENT PAYMENTS

3.1 The quarterly instalment payment is calculated by using the following formula.

$$\text{Quarterly Instalment Payment (E)} = \frac{\text{A} - \text{C}}{\text{B}}$$

Where,

A	Estimated Tax Payable (Amount declared in Cage 120)
B	Number of instalments remaining including the current instalment*
C	Tax payments made prior to this instalment **

*** Number of instalments remaining including the current instalment - B**

Instalment	1st	2nd	3rd	4th
“B”	4	3	2	1

**** Tax payments made prior to that instalment – (C)**

Following payments are considered as payments for above C;

- Previous instalment payments, and
- any withholding tax (WHT) payments including Advanced Income Tax (AIT) paid /withheld prior to the due date of the payment of the current instalment payment.

3.2 Calculation of Net Quarterly Instalment payment

Deduct advance payments of Quarterly Instalment Payment and other relevant Credits from the Quarterly Instalment Payment to arrive into Net Quarterly Instalment Payment.

$$\text{NET QUARTERLY INSTALLMENT PAYMENT} = E - F$$

Where,

E	Quarterly Instalment Payment
F	Advance payments/ other tax credits

Following payments are considered under (F).

1. Any deductible Economic Service Charge (ESC) paid under ESC Act, No. 13 of 2006, (brought forward from the Year of assessment 2020/2021)
2. Any advance instalment payment for the relevant quarter
3. Share of the instalment paid by the Partnership (for partners of a partnership).

4. PENAL PROVISIONS APPLICABLE ON SET AND INSTALMENT PAYMENTS

4.1 Penal Provisions for late filing and non-submission of the SET and submission of incorrect or misleading SET.

- I** A person who **fails to submit** the SET as instructed by the Commissioner General of Inland Revenue may subject to pay a penalty up to one million rupees under Section 185 of the IR Act.
- II** Where tax is underpaid, as a result of an **incorrect SET and material omission in the SET**, penalty will be imposed under section 180 of the IR Act in the amount of-
 - (a) 25% of the underpayment, if (b) does not apply;
 - or
 - (b) 75 % of the underpayment, if the amount of the underpayment is-
 - higher than ten million rupees or
 - higher than the 25% of the person's tax liability for the period.
- III** The SET form considered as a statement to a tax official and accordingly, penalty will be imposed under section 181 of the IR Act on a **false or misleading**

statement. The penalty will be the amount equal to Rs. 50,000/- or the amount understated whichever is higher due to the false or misleading statement.

IV A person who willfully makes a **false or misleading SET** shall be liable on conviction to a fine up to one million rupees or to imprisonment for a term up to one year or to both such fine and imprisonment under section 190 of IR Act.

4.2 Penal provision for nonpayment /late payment of instalment payments and evading of instalment payments.

I. Penalty for nonpayment /late payment - (Under Section 179 (2) of the IR Act)

A person who fails to pay all or part of an instalment required under this Act, within 14 days of the due date for the instalment shall be liable to a penalty equal to 10% of the amount of tax due but not paid.

II. Fine and imprisonment - (Under Section 189 of the IR Act)

A person who willfully evades making instalment payments shall be liable on conviction to a fine up to ten million rupees or to imprisonment for a term up to two years or to both such fine and imprisonment under section 189 of IR Act.

III. Interest on under payment (Under Section 159 (1) of the IR Act).

In the event of an instalment or part thereof not paid on due date, **1.5% interest** per month or part of a month shall be charged on such default instalment or part of the instalment.

5. ILLUSTRATIONS

Example 01:

Mr. Ruwan is the CFO of the company “ABC”. His expected income for the year of assessment 2022/2023 is as follows;

- Employment income Rs. 5,500,000 (He has not given his consent to deduct **APIT**)
- Interest income Rs. 2,200,000 (He has not given the consent to deduct **AIT**).
- Business income (after deducting the allowable expenses) Rs. 1,000,000.

Employment income includes the estimated cash and non-cash benefits. He has insured for a medical insurance and annual insurance fee is Rs. 275,000. He expects to invest in shares -value of Rs. 600,000 and the amount of Rs. 500,000 for school fees of his children is payable for the year. Also, he used to donate Rs. 100,000 to the Cancer Hospital annually. A female

individual from a samurdhi beneficiary family in Mr.Ruwan's village has consulted him on establishing a handicraft shop in the town. Mr. Ruwan wishes to give her financial contribution also amounting to Rs. 100,000/- (Confirmation from the Samurdhi Department is required).

Calculation of Estimated Tax Payable

		Rs.
Employment Income		5,500,000
Interest Income		2,200,000
Business Income		1,000,000
Estimated Assessable Income		8,700,000
Less - Reliefs		
<ul style="list-style-type: none"> Expenditure Relief 	(275,000+600,000+500,000 = 1,375,000 limits to 1,200,000)	(1,200,000)
<ul style="list-style-type: none"> Personal Relief 		(3,000,000)
Less – Qualifying payments		
<ul style="list-style-type: none"> Donations to the Cancer Hospital 		(100,000)
<ul style="list-style-type: none"> Contribution made to establish a shop for a female individual from samurdhi beneficiary family 		(100,000)
Estimated Taxable Income		4,300,000
Estimated Tax Liability	3,000,000 x 6% = 180,000	
	1,300,000 x 12% = 156,000	336,000
Estimated Tax Payable (A)		336,000

Calculation of Quarterly Instalment Payable

$$\begin{aligned}
 \text{Quarterly Instalment Payment (E)} &= \frac{A - C}{B} \\
 &= \frac{336,000 - 0}{4} \\
 \text{1st Instalment payable} &= \underline{\underline{\text{Rs. 84,000}}}
 \end{aligned}$$

Example 2

Professor Mahees is attached to the University of Colombo Sri Lanka. Meanwhile, he provides service to the Faculty of Graduate Studies also and receives a monthly payment. His expected income for the year of assessment 2022/2023 is as follows;

- Employment income from the University of Colombo (primary employment) is Rs. 4,680,000 (He has given his consent to deduct APIT)
- Employment income from the Faculty of Graduate Studies (secondary employment) is Rs. 200,000 (He has given his consent to deduct APIT. Since the monthly income from the primary employment is within the range of Rs.250, 001 – 500,000 applicable tax rate is 12%)
- Interest income is Rs. 700,000 (Consent has not been given to deduct AIT)
- Rent income is Rs. 900,000 (Consent has not been given to deduct AIT)

Employment income includes estimated cash and non-cash benefits. He has to pay for medical insurance amounting to Rs. 100,000 annually, Rs. 150,000 for housing loan interest and Rs. 145,000 for tuition fees for his child. He also expects to invest in shares amounting to Rs. 400,000 in the stock market. The professor has spent Rs. 1,200,000 during the month of May 2022 to acquire solar panels to fix on his premises and connected to the national grid.

Calculation of Estimated Tax Payable

		Rs.
Employment Income (primary + secondary)		4,880,000
Investment Income		
• Interest Income		700,000
• Rent Income		900,000
Estimated Assessable Income		6,480,000

Less – Reliefs		
• Rent Relief (900,000*25%)		(225,000)
• Expenditure Relief(100,000+150,000+145,000+400,000)		(795,000)
• Personal Relief		(3,000,000)
Less – Qualifying payments		
• Expenditure on solar panels		(600,000)
Estimated Taxable Income (ETI)		1,860,000
Gross Estimated Tax Liability	$1,860,000 \times 6\% = 111,600$	111,600
Less: Estimated APIT **		(124,800)
Estimated Tax Liability		

****Calculation of Estimated APIT (Deductible by the Employer)**

Description		Estimated Taxable Income (ETI)		Deducted amount of Tax
Primary employment Income	4,680,000			
Less - Personal Relief	(3,000,000)	1,680,000	$1,680,000 \times 6\% = 100,800$	
Secondary employment income	200,000	200,000	$200,000 \times 12\% = 24,000$	124,800

In calculating the estimated tax payable, estimated APIT relevant to the income for which consent has been given to deduct APIT should be calculated separately and such amount shall be deducted from Gross estimated tax liability.

In this example, as the estimated APIT is more than the gross estimated tax liability, the estimated tax liability does not arise.

Example 03:

Dr. Narmadha is a medical consultant attached to the National Hospital. Also, she provides her service in a leading private hospital as a consultant. Her **expected** income for the year of assessment 2022/2023 is as follows;

- Employment income is Rs. 7,200,000 (Consent has been given to deduct APIT)
- Business (Professional) income is Rs. 21,000,000.
- Interest income is Rs. 3,000,000 (Consent has been given to deduct AIT at the rate of 12%. AIT on interest has been deducted on 15.07.2022 (1st quarter) amounting to Rs. 120,000 (1,000,000 x 12%)
- Dividend income is Rs. 500,000 (Consent has been given to deduct AIT at the rate of 12%. AIT on dividend has been deducted on 15.01.2023 (3rd quarter) Rs. 12,000 (100,000 x 12%)
- Rent income is Rs. 900,000 (Consent has not been given to deduct AIT)

Employment income includes estimated cash and non-cash benefits. She has to make annual payment of Rs. 275,000 for medical insurance. She expects to invest Rs. 5000,000 in the stock market this year and to expend Rs. 500,000 for school fees for her children. Also she used to donate Rs. 200,000 to an approved charity.

Calculation of Estimated Tax Payable

		Rs.
Employment Income		7,200,000
Business Income		21,000,000
Investment Income		
• Interest Income		3,000,000
• Rent Income		900,000
• Dividend Income		500,000
Estimated Assessable Income		32,600,000
Less - Reliefs		
• Rent Relief	900,000*25%	(225,000)
• Expenditure Relief	(275,000+500,000+500,000 = 1,275,000 limits to 1,200,000)	(1,200,000)

• Personal Relief		(3,000,000)
Less – Qualifying payments		
• Donation to approved charity (Deductible subject to 1/3rd of the Taxable Income or Rs. 75,000 whichever is less		(75,000)
Estimated Taxable Income		28,100,000
Gross Estimated Tax Liability	3,000,000 x 6% = 180,000	
	3,000,000 x 12% = 360,000	
	22,100,000 x 18% = 3,978,000	4,518,000
Less: Estimated APIT **		324,000
Estimated Tax Liability		4,194,000
Estimated Tax Payable (A)		4,194,000

****Calculation of estimated APIT**

Employment Income - Primary	7,200,000
Less – Personal Relief	(3,000,000)
Estimated Taxable Income	4,200,000
Estimated APIT Liability - First 3,000,000 6% = 180,000 - Balance 1,200,000 * 12% = 144,000	324,000

Calculation of Quarterly Instalment Payments

	1st Quarter (Rs.)	2nd Quarter (Rs.)	3rd Quarter (Rs.)	4th Quarter (Rs.)
A	4,194,000	Rs. 4,194,000	Rs. 4,194,000	Rs. 4,194,000
B	4	3	2	1

C	120,000	1,138,500 (120,000+1,018,500)	2,169,000 (1,138,500+1,018,500 +12,000)	3,181,500 (2,169,000+1,012,500)
Quarterly Instalment payment (E)	1,018,500	1,018,500	1,012,500	1,012,500
Deductions (F)	-	-	-	-
Final Quarterly payment (E- F)	1,018,500	1,018,500	1,012,500	1,012,500

Example 4:

Mr. Perera is engaged in the business of manufacturing soft toys. His **expected** income for the year of assessment 2022/2023 is as follows;

- Business income (after deducting allowable expenses) Rs. 15,000,000
- Interest income Rs. 1,000,000 (consent has been given to deduct AIT at the rate of 6%. Accordingly, deducted AIT on interest prior to 15.08.2022 is Rs. 750,000 x 6% = Rs. 45,000).

He wishes to expend Rs. 240,000 for health expenses and insurance, Rs. 100,000 for housing loan interest. He made an advance payment of Rs. 200,000 for 1st instalment on 5th June 2022.

Calculation of Estimated Tax Payable

		Rs.
Business Income		15,000,000
Investment Income		
• Interest Income		1,000,000
Estimated Assessable Income		16,000,000
Less - Reliefs		
• Expenditure Relief		(340,000)
• Personal Relief		(3,000,000)
Estimated Taxable Income		12,660,000

Estimated Tax Payable	$3,000,000 \times 6\% = 180,000$	
	$3,000,000 \times 12\% = 360,000$	
	$6,660,000 \times 18\% = 1,198,800$	1,738,800

Calculation of quarterly instalment payable

$$\begin{aligned}
 \text{Quarterly Instalment Payment (E)} &= \frac{A - C}{B} \\
 &= \frac{1,738,000 - 45,000}{4} \\
 &= 423,250
 \end{aligned}$$

$$\begin{aligned}
 \text{Payable 1st Instalment} &= E - F \\
 &= 423,250 - \text{Advance payment} \\
 &= 423,250 - 200,000
 \end{aligned}$$

$$\text{Net Quarterly Instalment} = \underline{\underline{\text{Rs. } 223,250}}$$

Example 5

Amal and Bimal are partners of AB Enterprises, sharing partnership profits on equal basis. The partnership is engaged in the business of manufacturing garment products. During the year of assessment 2022/2023 estimated gains and profits of the partnership is as follows.

- Business income (after deducting allowable expenses) Rs. 22,000,000
- Interest income Rs. 2,500,000. (Consent has been given to deduct AIT at the rate of 6%. Accordingly, deducted AIT prior to 15.08.2022 is Rs, $500,000 \times 6\% = 30,000$)
- Rent Income - Rs. 2,400,000 (consent has not been given to deduct AIT)

Partnership wishes to donate Rs. 100,000 for an approved charity.

Calculation of Estimated Tax Payable of the Partnership

		Rs.
Business Income		22,000,000
Investment Income		

• Interest Income		2,500,000
• Rent Income		2,400,000
Estimated Assessable Income		26,900,000
Less – Qualifying Payments		
• Donations to approved charity (1/5th of the Taxable Income or Rs. 500,000 of the donations made whichever is less)		(100,000)
Estimated Taxable Income		26,800,000
Estimated Tax Payable	$1,000,000 \times 0\% = 0$	
	$25,800,000 \times 6\% = 1,548,000$	1,548,000

Calculation of quarterly instalments payable by the Partnership

	1 st Quarter (Rs.)	2 nd Quarter (Rs.)	3 rd Quarter (Rs.)	4 th Quarter (Rs.)
A	Rs. 1,548,000	Rs. 1,548,000	Rs. 1,548,000	Rs. 1,548,000
B	4	3	2	1
C	30,000*	409,500 (379,500+30,000)	789,000 (409,500+379,500)	1,168,500 (789,000+379,500)
Quarterly Instalment payment(E)	379,500	379,500	379,500	379,500
Deductions(F)	-	-	-	-
Final Quarterly payment (E- F)	379,500	379,500	379,500	379,500
Amal's PIT tax credit (50%)	189,750	189,750	189,750	189,750
Bimal's PIT tax credit (50%)	189,750	189,750	189,750	189,750

* Cumulative AIT deducted by the withholding agent prior to the date of each instalment, can be included to C.

Note:

Partnerships shall allocate the share of partnership tax to the partners. Subject to the payment of Partnership Income Tax, partners are entitled to deduct share of partnership tax as a credit. (Include such amount to “F” in the given formula).

However, any excess share of partnership tax is not entitled to a refund but allowed to be carried forward to the next year of assessment. Partners are entitled to deduct such excess amount against the future instalment payable (include such amount to “F” in the given formula).

Estimated distribution of share of income, qualifying payments and Tax credits (Rs.)

	Amal (Partner 1)	Bimal (Partner 2)
Share of Business Income	11,000,000	11,000,000
Share of Investment Income		
• Interest	1,250,000	1,250,000
• Rent Income	1,200,000	1,200,000
Share of Qualifying Payment on Donations to approved charity	50,000	50,000
Share of AIT	15,000	15,000
Share of Partnership Income Tax (amount of tax credit would be paid tax prior to instalment due date)	759,000	759,000

Calculation of Mr. Amal’s estimated tax payable

Mr. Amal receives Rs 2,000,000 as an interest income (consent has not given to deduct AIT) and wishes to expend Rs. 200,000 for health expenses and insurance, Rs. 150,000 for housing loan interest and Rs 750,000 for purchase of shares

		Rs.
Business Income		11,000,000
Investment Income		
• Interest Income	(1,250,000+2,000,000)	3,250,000
• Rent Income		1,200,000
Estimated Assessable Income		15,450,000
Less - Reliefs		
• Rent relief	1,200,000*25%	(300,000)
• Expenditure Relief	(200,000+150,000+750,000)	(1,100,000)
• Personal Relief		(3,000,000)
Less – Qualifying Payments		
• Donation to approved charity (Deductible subject to 1/3rd of the Taxable Income or Rs. 75,000 of the donation made whichever is less)		(50,000)
Estimated Taxable Income		11,000,000
Estimated Tax Payable	3,000,000 x 6% = 180,000	
	3,000,000 x 12% = 360,000	
	5,000,000 x 18% = 900,000	1,440,000

Calculation of Quarterly Instalments Payments

	1 st Quarter (Rs.)	2 nd Quarter (Rs.)	3 rd Quarter (Rs.)	4 th Quarter (Rs.)
A	1,440,000	1,440,000	1,440,000	1,440,000
B	4	3	2	1
C	15,000	371,250 (15,000+356,250)	727,500 (371,250+356,250)	1,083,750 (727,500+356,250)

Quarterly Instalment payment(E)	356,250	356,250	356,250	356,250
Deductions(F)				
Share of partnership income tax	189,750	189,750	189,750	189,750
Set off for current instalment tax payable (F)	189,750	189,750	189,750	189,750
Carried forward for future instalment tax payable	-			
Net Quarterly payment (E-F)	166,500	166,500	166,500	166,500

For further details please contact;

1. 1944 – Inland Revenue Call Centre
2. 011-2134250 – Senior Commissioner – Business Consultation Unit
3. 011-2134205 - Commissioner - Customer Supporting and Promotion Unit
4. 011-2134204 - Commissioner– Business Consultation Unit
5. Commissioners of all Regional & Metro Units