

# Introduction to Taxation

## Chapter Introduction

This lesson is to;

Explain the principles of taxation and direct & indirect taxes.

Identify Tax Authorities in Sri Lanka.

Identify the components of the legal framework of taxation in Sri Lanka.

Explain the imposition of income tax (charging section).

Differentiate between resident & non-resident persons for charging of tax in Sri Lanka and identification of the resident status of a person for taxation in Sri Lanka.

The syllabus Weightage of this chapter is 5%.



## Learning Outcomes

At the end of each topic you should be able to;



Understand the principles applicable to taxation



Identify Direct & Indirect taxes



Recognize the main tax authorities that operate in Sri Lanka



Identify the Legal Framework of different taxes that operate in Sri Lanka (Acts, Gazettes & case law) & relevance of Rulings issued & paper notices published by tax authorities



Understand the imposition of income tax (charging section)



Apply the residence rule in relation to taxation

# Sources of Income

## Chapter Introduction

This lesson is to;

explain different sources of income identified by the Act.




learn the methodology of computing different sources of income in line with the Act.

The syllabus weightage of this chapter is 30%.



## Learning Outcomes

At the end of each topic you should be able to;

-  Compute the Income from employment
-  Compute the Income from business
-  Compute the income from other sources

# Taxation of Individuals & Companies (Resident)









## Chapter Introduction

- This lesson is to explain the taxation of resident individuals & companies and we will cover;
- Assessable income (AI) of an individual & companies.
- Deductions from Assessable income (AI) and arriving of Taxable Income.
- Application of relevant tax rates and computation of gross tax liability.
- Deductions of tax credits & arriving of balance tax to be paid / overpaid.



## Learning Outcomes

At the end of each topic you should be able to;

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|  Know the composition of Assessable income (AI).                  |
|  Know how to compute the Taxable income.                          |
|  Identify the qualifying payments and reliefs.                   |
|  Identify relevant tax rates of individuals & companies.        |
|  Compute gross income tax liability of individuals & companies. |
|  Identify the tax credits & deductions available                |
|  Compute balance income tax payable/overpaid.                   |
|  Summary of exempt income and final WHT payments                |

# Taxation of Miscellaneous Undertakings

## Chapter Introduction

This lesson is to explain the taxation of miscellaneous undertakings and under this we will cover;

- Partnerships
- Non-governmental Organizations (NGO)
- Trusts
- Unit Trusts
- Charitable institutions

Weightage of the syllabus is 10%.



## Learning Outcomes

At the end of each topic you should be able to;



Taxation of Partners



Taxation of Non-Governmental organizations (NGO)



Taxation of Trusts



Taxation of Unit Trusts and mutual funds



Taxation of Charitable institutions



# Obligations and Procedures

## Chapter Introduction

This lesson is to explain the **obligations & procedures** of income tax law of Sri Lanka and under this we will cover;








- Self assessment scheme with the due dates.
- Submission of tax returns (obligation of furnishing periodical returns relating to income tax and capital gains and due dates of filing those returns and laws relating to acceptance or rejection of such returns).
- Self assessments, default assessments and advance assessment and time bar for assessment.
- Appeals against an assessment (requirements for a valid appeal and the appeal settlement procedure).
- Tax in default and recovery of taxes.
- Refund of excess tax.
- Penal provisions (in the situations of non submission, late submitting & submission of incorrect returns & non-payment on time).

Weightage of the syllabus is 10%.



## Learning Outcomes

At the end of each topic you should be able to;

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|---|--|
|    | Understand the self assessment scheme & due dates of Income tax payments |
|    | Understand the obligation of filing tax returns on due dates & validity  |
|   | Understand the possibility & requirements of issuing a valid assessment  |
|  | Understand how to lodge a valid appeal & finality of same                |
|  | Understand what is a tax in default & recovery actions                   |
|  | Understand the possibility of a tax refund                               |
|  | Understand the penal provisions  |

# Concepts and Applications

## Chapter Introduction

This lesson is to explain the concepts & applications relating to income tax law of Sri Lanka and under this we will cover;

Withholding tax and final tax including PAYE tax

Capital gains & tax treatment thereon

A few important case laws

Weightage of the syllabus is 10%.



## Learning Outcomes

At the end of each topic you should be able to;



Know the applicable withholding income taxes



Know what a capital gain is & tax treatment



Learn a few important case law of taxation

# Business Taxes

## Chapter Introduction

This lesson is to give the knowledge on following business (sales) taxes.

- Value Added Tax (VAT)
- Nation Building Tax (NBT)
- Economic Service Charge (ESC)
- Stamp Duty Governed by the Department of Inland Revenue (SD)
- It mainly covers registration requirements & methods, basis of computation, other obligations of non-complex situations including computation of tax and other important points.
- Weightage of the syllabus is 15%.



## Learning Outcomes

At the end of each topic you should be able to;



Know the applicability of different business (sales) taxes



Know the registration, computation and different obligations of VAT



Know the basics of the S-VAT scheme



Know VAT on Financial Institutions



Know the registration, computation and different obligations of NBT



Know the registration, computation and different obligations of ESC



Know the registration, computation and different obligations of Stamp Duty