

Strategic Level Exam – June 2026

Strategic Tax Planning – Question bank 6

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– PIM USJP

Required:

Evaluate the possibility of creation of Permanent Establishment (PE) in Sri Lanka

Question 1

Best-hope (Pvt) Ltd is incorporated in Malaysia and engaged in manufacturing furniture for corporate clients. Golden-Villa (Pvt) Ltd is incorporated in Sri Lanka and engaged in the business of hospitality services. Company has imported furniture during the year 2025/26 from Best-Hope (Pvt) Ltd. Total cost to the Best-Hope (Pvt) Ltd was Rs. 150 Mn.

Question 2

Golden-Villa (Pvt) Ltd is incorporated in Sri Lanka and engaged in the business of hospitality services. Company has obtained consultancy service from KNC Interior Solution Pte Ltd a company incorporated in Australia. The Service is rendered by the Interior designed team who hold the office Melbourne and they have made their services through special digital platform. During the year 2025/26 Rs. 25Mn has been paid as consultancy fee.

Question 3

RND Construction Pvt Ltd (RND) is a company incorporated in Sri Lanka and engaged in the business of construction contract. During the year 2025/26, company has obtained employees from Indo-Manpower Pvt Ltd (IML) a company incorporated in India. During the year 2025/26, the employees are engaged at a construction project in Sri Lanka. Total bill amount for the manpower was Rs. 125 Mn and RND company has paid the same.

Question 4

Steve Pvt Ltd (SL) is incorporated in Singapore and engaged in manufacturing eco-friendly polyethylene bags for used for foods packaging. Company has entered into a contract for the supply of Polyethylene bags with Baharatha Dhal (Pvt) Ltd (BD) a company incorporated in India and engaging producing foods. Due to Leadtime gap, SL have setup a Depot in Sri Lanka. All the orders are placed by BD with SL in electronic mode and approved by the company. Approved orders are shared with the Sri Lanka Depot and goods are delivered from Sri Lanka to India. All the payment are made by BD to SL. During the year Rs. 150mn value of goods are delivered from Sri Lanka to India.

Question 5

Steve Pvt Ltd (SL) is incorporated in Singapore and engaged in manufacturing eco-friendly polyethene bags for used for foods packaging. Company has entered into a contract for the supply of Polyethene bags, with Baharatha Dhal (Pvt) Ltd (BD) a company incorporated in India and engaging producing foods. Due to Leadtime gap, SL have incorporated Steve SL (Pvt) Ltd (SLL) a subsidiary Company in Sri Lanka. All the orders are placed by BD with SLL in electronic mode and SLL is placed orders with SL. Goods are delivered to Sri Lanka and after sorting out the goods, they ate delivered from Sri Lanka to India. All the payment are made by BD to SLL. SLL keep the packaging charges and settle the balance to Singapore. During the year Rs. 500mn value of goods are delivered from Sri Lanka to India and packaging cost is 2% of the value of goods delivered. SLL has paid Rs. 2 Mn dividend to SL on 01.12.2025.

Question 6

Mr. Sudharman is a Chartered Engineer who is a resident of India. He is providing structural engineering service to KTM Construction Pvt Ltd (KTMC), a company incorporated in Sri Lanka. Mr. Narayan has visited Sri Lanka several time and stayed 190 days in Sri Lanka during the year 2025/26. Total service bill amount was Rs. 65 Mn and KTM company has paid the same..

Required:

State the chargeability for Sri Lanka Income tax for the year

Question 7

SKT Pvt Ltd (SKT) has incorporated in Singapore and engaged in manufacturing Computer Accessories. SKT have incorporated SKSL (Pvt) Ltd (SKLL) a subsidiary Company in Sri Lanka. During the year Rs. 50mn loan was obtained from SKT at an interest rate of 6%. SKSL has paid the interest to SKT on 01.03.2026.

Question 8

Mr. Narayan is a Chartered Engineer who is a resident of India. He is providing structural engineering service to DM Construction Pvt Ltd (DM), a company incorporated in Sri Lanka. Mr. Narayan has visited Sri Lanka several time and stayed 190 days in Sri Lanka during the year 2025/26. Total service bill amount was Rs. 25 Mn and DM company has paid the same. Further, Mr. Narayan has spent Rs. 5Mn as accommodation, office rent and traveling cost for the year. Consultancy agreement was for the above period, and he is never visited Sri Lanka after the above contract.

Question 9

Mr. Chaturanga, resident of Sri Lanka employed by ST Logistic Pvt Ltd (STL) a company incorporated in Sri Lanka. Mr. Chaturanga was assigned duty as the supply chain manager of SLT. He was seconded to ST Maldives Ltd a company incorporated in Maldives and he accepted the job on 01.04.2024. He was at Maldives office during the year 2025/26 and salaries were paid by Maldives Company as per the employment contract. Total gross remuneration was Rs. 12Mn for the year 2025/26. During the year he has visited Sri Lanka and spent 30 days in Sri Lanka.

Required:

- 1. Evaluate the possibility of creation of Permanent Establishment (PE) in Sri Lanka, and**
- 2. Ascertain the liability to Sri Lanka income tax by a non-resident person in respect of the Y/A 2025/26 as per the information given in the following questions. (State your assumption clearly, if any)**

Question 10

Maga Naguma (Pvt) Ltd (MNL) is a Company incorporated in Sri Lanka. The Company, Maga Naguma (Pvt) Ltd entered into an agreement with Road Development authority of Sri Lanka to construct highway project. Project period is Five (5) years. Project bid was Rs. 400Mn. They have opened an office at the project, situated in Meerigama.

Maga Naguma (Pvt) Ltd entered into a sub contract agreement with Kiyangnam Construction Ltd (KCL) is a resident company of Republic of Korea, is engaged in the business of construction services. As per the agreement, Kiyangnam Construction Ltd construct five (5) bridges which included to the highway project. Total value of the contract was Rs. 75Mn. According to the subcontract agreement machinery and equipment imported by the Kiyangnam Construction Ltd. Cost incurred by the company was Rs. 25Mn. Those machineries were fixed at the project site, and company was given an office at the project office of Maga Naguma (Pvt) Ltd.

Further, Kiyangnam Construction Ltd entered into an agreement with Koun Yong Mixture Ltd a company incorporated in Korea specialist in constructing prefabricated aluminum structures, concrete block and beams. Kiyangnam Construction Ltd imported concrete block and beams required for the project from Koun Yong Mixture Ltd. Total cost incurred for concrete block and beams was Rs. 35Mn. Kiyangnam Construction Ltd incurred Rs. 15Mn as project and office administrative cost. During the year 2025/26, all the bridges were completed and handed over to the Maga Naguma (Pvt) Ltd.

Maga Naguma (Pvt) Ltd obtained consultancy service from Mr. Rajan Kavitha, resident person in India. He has visited Sri Lanka. During the year and he spent 100 days in Sri Lanka for the

consultation, and he was given a place at the project office. Maga Naguma (Pvt) Ltd has paid Rs. 30Mn as the consultation fee and Rs. 5Mn as reimbursement of his expenditure.

Seeking your advice.

Question 11

Commissioner of Inland Revenue Department is requesting Tax Residency Certificate on the payment of cross border service fee to India tax consultant who are not holding office in Sri Lanka or not visiting Sri Lanka for consultation. However such request is not made for Service-related fee payment to consultant in Hong -Kong. Explain what the rationale behind this requirement based on your understanding of the provision of Inland Revenue Law and Double tax avoidance agreement Sri Lanka is entered with India and Hongkong