



ASSESSABLE INCOME FROM EMPLOYMENT

Strategic Level – CA Sri Lanka

Strategic Tax Planning (SL 25 - 4) –

Tutorial 02

Resource Person:

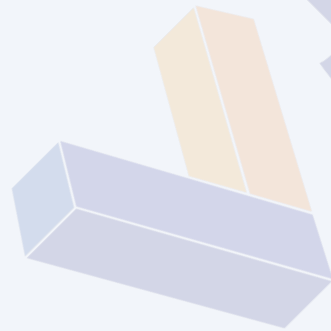
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COMPUTATION OF TAX PAYABLE BY AN INDIVIDUAL

Tax credits

- APIT – On employment income
- WHT/AIT on Investment return
- WHT/AIT on Service fee – (See the final WHT provision applicable to a Non-resident person)
- Installment Tax payments
- Foreign Tax credits (if such income is in the taxable income)



ADVANCE PERSONAL INCOME TAX (APIT)

A.P.I.T. TAX TABLES AND INSTRUCTIONS FOR THEIR USE APPLICABLE WITH EFFECT FROM 01.04.2025

Tax Table No.

01 - Monthly Tax Deductions from Regular Profits from Primary Employment

02 - Rates for the Deduction of Tax from Lump-sum-Payments

03 - Rates for the Deduction of Tax from Once-and-for all Payment (Terminal Benefits – All employees)

04 - Rates for the Deduction of Tax from any Profits from Employment made to Non Resident Employees who are Non-Citizens in Sri Lanka.

05 - Deduction of Tax on Cumulative Gains and Profits from Employment

06 - Tax-on-Tax Rates

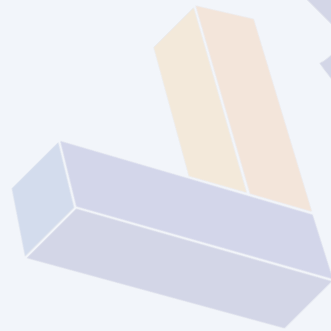
07 - Rates for the Deduction of Tax from the Secondary Employment

08 - Rate for the deduction of tax from the employment income received from foreign Employer

COMPUTATION OF TAX PAYABLE BY AN INDIVIDUAL

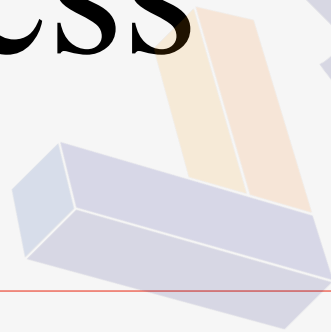
Tax credits

- WHT/AIT– refer the tax credits [Sec 84 A (1A) and Sec 85A (1A), Sec 85 (1A) , 85 (1B) 85 (2) and Sec 88 (1A) (aa)]



Calculate Assessable Income from Business

Assessable Income from Business



Calculate Assessable Income from Business

Calculation of the Assessable income from business

“Business” (Sec. 195)

- a) includes;
 - i. a trade, profession, vocation or isolated arrangement with a business character however short the duration of the arrangement;
 - ii. a past present or prospective business, but
- b) excludes; an employment.

If an activity amounts to a business, it cannot also be an investment. This is the incorporation of the **dominancy principle** in the provisions of the Act. One is dominant over the other. Hence, a person is just passively holding assets, in that case, he has an “investment” rather than a “business”. Accordingly, it is very important to understand what constitutes a business.

Any income that a person might derive from an asset without active engagement, it is considered as investment income. However, if an amount is derived in the context of a business which is “effectively” connection with a business, it is treated as business income irrespective of whether it is mentioned in section 7 which explains as the investment income.

Calculate Assessable Income from Business

What constitutes a business? (Sec. 6)

Business Income in calculating person's gains and profits from conducting a business the following shall be included:

- a) Service Fee
- b) Consideration received in respect of trading stock
- c) Gains from the realization of capital assets & liabilities of the business
- d) Realization of depreciable assets of the business
- e) Consideration for accepting a restriction of business capacity - *sometimes a person may receive some amount for agreeing not to do a business*
- g) Gifts received in respect of business - *it is to be considered as a part of the business income, However, if the gift is in kind of a trading stock, a depreciable asset or business asset, then it will have a cost equal to the amount included in the income.*
- h) Amounts derived that are effectively connected with the business and that would otherwise be included in calculating the person's income from an investment
- i) Other amounts required to be included under the Act

But excludes;

- a) Exempt amounts and final withholding payments
- b) Amounts included in calculating persons employment income

Calculate Assessable Income from Business

Calculation of the Assessable income from business

“Trade”

The term “trade” is not defined in the Act, therefore, in order to decide whether there is any trade or not, we must see that;

- a) whether a person has purchased some **commercial quantities** of items which are **more than enough** for him,
- b) if such articles are **held for a short period**,
- c) transactions are **repetitive**
- d) anything has been done to have a **saleable** item,
- e) any such **motivation to make profits**, etc.

If so, it can be determined that there is a trade.

Calculate Assessable Income from Business

Relevant case laws

Commercial quantities of items which are **more than enough** for domestic requirement

Holding period of the assets

Repetitive nature

Activities taken for make the asset for sale

Profit motive



Computation of gains and profits from business

In order to arrive at the assessable income from business, **all expenses incurred in the production of income** are **allowed as deductions (Sec. 11)**, including certain specific expenditure but prohibiting the deduction of certain other specified expenditure mentioned in the Inland Revenue Act.

Therefore, it is required to adjust the book profit / accounting profit to fit into the provisions of the Act to arrive at the assessable income for tax purposes. Accordingly, assessable income is computed as follows:

	(+)	(-)
Net profit before tax	xxx	
Less: exempt income/ final withholding payments, Other amounts that are included in the employment		xxx
Add: Disallowable expenses	xxx	
Less: Allowable expenses		xxx
Total	xxx	(xxx)
Assessable income from business	xxx	

Method of Accounting (Sec. 21)

Unless otherwise provided by the Act, the timing of inclusions and deductions in calculating a person's income shall be made according to generally accepted accounting principles.

“Generally accepted accounting principles” (Sec. 195):

“Generally accepted accounting principles” means;

- a) those adopted, from time to time, by CA Sri Lanka; and
- b) the International Financial Reporting Standards (IFRS);



Income from Business (Sec. 21(3))

An individual or entity conducting business shall account for income tax purposes on an accrual basis.



Disallowable and Allowable expenses

- **Sec. 10: General Deduction**

Refers to **disallowable expenses** and **rules** relating to expenses be disallowed.

- **Sec. 11:** All **expenses** to the extent they **are incurred during the year in the production of income** from the business is allowable to deduct when ascertaining the income from business.
- **Sec. 11(2): No deduction** is allowed for an expense of **capital nature**, “Capital nature” includes an expense that secures a benefit capable of lasting longer than twelve months.
- **Sec. 12 to 19:** Are **special deduction rules** relating to certain specific expenses which will **override the main deduction rule**.



DISALLOWABLE EXPENSES



Disallowable expenses

General Deduction (Sec. 10):

Sec 10 (1) (a) No deduction shall be made in calculating a person's income from employment.

Sec 10 (1) (b) In calculating income from any source, following are not allowed.

- i. Domestic expenses (Sec. 197).
 - ii. Tax payable under the Inland Revenue Act and taxes or other levies specified by the CGIR
 - iii. Interest, penalties and fines payable for breach of any written law in any country,
 - iv. Expenditure or any other deduction incurred in deriving exempt or final WHT amounts,
 - v. Retirement contributions (by the employer): (if the benefit is taxing on the employee or contributed to a fund approved by the CGIR, such contributions are allowed)
 - vi. Dividends of a company,
 - vii. Outlays or expenses for entertainment,
 - viii. Reserve or provision for expenditures or losses not yet incurred but expected to be incurred in a future year of assessment;
-

Disallowable expenses

Sec. 10: General Deduction

Sec 10 (1) (b) In calculating income from any source, following are not allowed....

- ix. Expenses incurred on lotteries, betting or gambling unless in the course of conducting such a business.
- x. Taxes or other levies specified by the Commissioner-General and any tax or levy which is not allowed to be deducted in calculating a person's income in terms of any other written law.

Sec 10 (2) Where a person is allowed a deduction for a payment from which the person is required to withhold tax under Division II of Chapter VIII, the deduction shall not be allowed until the tax withheld has been paid to the Commissioner- General



Disallowable expenses

Sec. 10: General Deduction

Sec 10 (2 A) Where a person pays to another person, a sum of money amounting in the aggregate to Rs. 500,000 or more, in a day, or in respect of a single transaction, or in respect of a series of single transactions relating to one event, otherwise than by way of

- an account payee cheque or
 - account payee bank draft or
 - by the use of a credit card, debit card or
 - electronic payment system through a bank account
- a) Any deduction shall not be allowed in respect of such payments
- b) The amounts paid shall not be considered as cost of an asset



Disallowable expenses

Sec. 10 : General Deduction

Sec 10 (2A) This provisions shall not apply to-

1. any payment by the Government of Sri Lanka or any Government institution;
2. any payment by a bank or financial institution; and
3. such classes of persons or payments as may be prescribed by the Minister.

(c) For the this purpose

“Bank account” means any account maintained in a bank or financial institution in Sri Lanka;

“Government institution” means any Department or undertaking of the Government of Sri Lanka and includes any public corporation; and

“Single transaction” means the purchase or procurement of any goods or services, on a single invoice, receipt or statement.”.



Disallowable expenses

Domestic expenses to be disallowed:

- a) Where an individual incurs expenditure for himself:
 - i. In maintaining him, including in providing shelter as well as meals,
 - ii. refreshment, entertainment or other leisure activities;
 - iii. In the individual commuting from home;
 - iv. In acquiring clothing, including shoes, for him, other than clothing that is not suitable for wearing outside of work;
 - v. In educating him, other than education that is directly relevant to a business conducted by him and that does not lead to a degree or diploma; or
 - vi. In paying any personal debts, including credit card debts, of the individual.
 - vii. In paying any interest incurred with respect to money borrowed by him and used for himself,

It is considered as domestic expense.

Disallowable expenses

Domestic expenses to be disallowed:

- b) Where **another person** incurs expenditure in **making payment** to or **providing any other benefit** for an individual, the **expenditure is domestic** except to the extent that:
 - i. the payment or benefit is **included** in calculating the **income of the individual**;
 - ii. provides consideration of an **equal market value** for the payment or benefit; or
 - iii. the amount of the expenditure is **so small** as to make it **unreasonable or administratively impracticable** to account for it.



Disallowable expenses

Exception for Domestic expenses :

- Example for the payment or benefit is included in calculating the income of the individual;
- Example for provides consideration of an equal market value for the payment or benefit;
- Example for the amount of the expenditure is so small as to make it unreasonable or administratively impracticable to account for it.



Disallowable expenses

Taxes to be disallowed:

- a) Income tax payable under the Inland revenue Act (Instalments, interest, penalty, WHT including PAYE/APIT paid by any employer in respect of the employment income of any employee) or any income tax or similar tax payable to another country.
- b) VAT on Financial Services
- c) SSCL on Financial Services
- d) Crop Insurance Levy
- e) Supper gain tax, Bars and Taverns Levy, Casino Industry Levy, Mobile Telephone Operator Levy, Satellite Location Levy, Dedicated Sports Channel Levy and Mansion Tax (*charged on large houses costing over 150 million rupees to build*).

Disallowable and Allowable expenses



Disallowable and Allowable expenses

Main Deduction (Sec. 11)

- Sec. 11 (1) In calculating a person's income from a business or investment for a year of assessment, expenses to the extent they are incurred during the year by the person and in the production of income from the business or investment, shall be deducted [**Expenses to the extent they are incurred during the year in the production of income** from the business is allowable to deduct when ascertaining the income from business].
- **Sec. 11(2): No deduction** is allowed for an expense of **capital nature**, “expense of a capital nature” includes an expense that secures a benefit capable of lasting longer than twelve months.
- **Sec. 12 to 19: Are special deduction rules** relating to certain specific expenses which will **override the main deduction rule**.

Special deduction/treatment rules



Special deduction rules

Certain expenses are specifically mentioned as allowable deductions. In such a situation, the conditions specific in such specific deduction provisions should be fulfilled and thereby the general deduction rule under Section 11 is not applied.

10.1 Interest Expense (Sec. 12)

Interest expenses incurred by a **person** during a year of assessment under a debt obligation is deductible if;

- a) Money borrowed under such debt obligation was used during the year or was used to acquire an asset that is used during the year in the production of income; and
- b) In any other case, the debt obligation was incurred in the production of income

[The money borrowed was **utilized for the production of income or to acquire an asset for business and the assets was used during the year in the business**].

Deductions which are specifically allowed

10.2 Deductible amount of financial cost - Thin Capitalization (Sec. 18)

This is applicable to business or investment income of an **entity** other than a financial institutions.

Deductible amount of financial cost attributable to the financial instrument is to be limited to the formula for the Y/A 2025/2026:

$$\left. \begin{array}{l} \text{Deductible amount of} \\ \text{allowable financial cost} \\ \text{Attributable to financial} \\ \text{Instruments} \end{array} \right\} = \frac{\text{Total Allowable Finance Cost}}{\text{Total Cost of borrowing Instruments} \\ \text{(Relevant to allowable finance cost)}} \times \boxed{4} \times \begin{array}{l} \text{Issued Share Capital} \\ \text{and} \\ \text{Reserves} \end{array}$$

“Reserves” exclude reserves arising from the revaluation of any asset.

Deductions which are specifically allowed

10.2 Financial Cost - Thin Capitalization (Sec. 18) – Contd.,

Any residue of the financial cost that could not be deducted in a year, can be C/F for six years applying the same formula.

- The above formulae can be applied where a share capital exists only.
- Financial instrument is defined in section 198, and it covers any interest payable on the debt obligations including accounts payable and obligation arising under deposits, debentures, stocks, treasury bills, promissory notes, bills of exchange and bonds any derivative instrument or foreign currency instrument. It appears that overdraft also is covered.
- Financial cost also includes losses with respect to financial instruments. Such as loss incurred in the settlement of debt obligation etc.

Deductions which are specifically allowed

10.2 Financial Cost - Thin Capitalization (Sec. 18) – Contd.,

- Financial cost incurred for the period can be deducted based on the formular for the Y/A 2025/2026 if there is any unreducible amount, it may be carried forward and treated as incurred during any of the following six years of assessment, but only to the extent of any unused limitation as above formular.
- In the case where there is no financial cost incurred during the year, in calculating the unused limitation for the above purpose, the limit shall be calculated by using the same amounts of the immediately preceding year and so on.



Deductions which are specifically allowed

10.3 Allowance for Trading Stock (Cost of Sales) – (Sec. 13)

The deduction for the allowance for trading stock is allowed and for determining the allowance for trading stock it needs to follow the generally accepted accounting principles. A formula has been given in section 13.

The opening value of trading stock of the business for the Y/A	XXX
Add:	
Expenses incurred during the year that are included in the cost of trading stock of the business	<u>XXX</u>
Less:	
Closing value of trading stock of the business for the year	<u>(XX)</u>
Allowance for trading stock	<u>XXX</u>

Deductions which are specifically allowed

10.3 Allowance for Trading Stock (Cost of Sales) – (Sec. 13)

The opening value of trading stock of a business for a year of assessment shall be the closing value of trading stock of the business at the end of the previous year of assessment.

The closing value of trading stock of a business for a year of assessment shall be the lower of –

- (a) the cost of the trading stock of the business at the end of the year; or
- (b) the market value of the trading stock of the business at the end of the year.



Deductions which are specifically allowed

10.4 Capital allowances and balancing allowance – (Sec. 16)

In calculating a person's income from a business for a year of assessment –

- (a) the Capital allowances shall be deducted; and
- (b) the balancing allowances shall be deducted;

Capital allowances are –

- (a) granted in respect of **depreciable assets owned and used by a person at the end of a year of assessment in the production of the person's income from a business**; and
- (b) calculated in accordance with the Fourth Schedule to the Act

Capital allowances granted with respect to a particular year of assessment shall be taken in that year and shall not be deferred to a later year of assessment

Deductions which are specifically allowed

10.4 Capital allowances and balancing allowance – (Sec. 16)

Where a depreciable asset owned by a person is only partly used in the production of income from a business at the end of a year of assessment, the cost of and consideration received for the asset shall be apportioned according to the market value of that part of the asset that is used in the production of income from that business and that part not

Capital allowance shall be calculated according to the straight-line method using the following formular

Depreciation basis of asset at the end of the year of assessment

Number of years

Depreciation basis of a depreciable asset mean:

- Depreciation basis of the asset at the end of the previous year of assessment, and
 - Amounts added to the depreciation basis of the asset during the year of assessment in respect of additions to the cost of asset
-

Deductions which are specifically allowed

10.4 Capital allowances and balancing allowance – (Sec. 16)

Class	Description	Years
1	Computers and data handling equipment together with Peripheral devices	5
2	Buses and minibuses, goods vehicles; construction and earthmoving equipment, heavy general purpose or specialized trucks, trailers and trailer-mounted containers; plant and machinery used in manufacturing	5
3	Railroad cars, locomotives, and equipment; vessels, barges, tugs, and similar water transportation equipment; aircraft; specialised public utility plant, equipment, and machinery; office furniture, fixtures, and equipment; any depreciable asset not included in another class	5
4	Buildings, structures and similar works of a permanent nature	20
5	Intangible assets, excluding goodwill	The actual useful life of the intangible asset, or where the intangible asset has an indefinite useful life, 20
6	Milking machines with latest technology, used to manufacture local liquid milk related products.	2

Deductions which are specifically allowed

10.4 Capital allowances and balancing allowance – (Sec. 16)

No Capital allowance shall be granted to a person in respect of a road vehicle, other than—

- (a) a commercial vehicle;
- (b) a bus or minibus;
- (c) a goods vehicle;
- (d) a heavy general purpose or specialised truck or trailer; or
- (e) a motor cycle

“commercial vehicle” means—

- (a) a road vehicle designed to carry loads of more than half a tone or more than 13 passengers; or
 - (b) a vehicle used in a transportation or vehicle rental business
-

Deductions which are specifically allowed

10.4 Capital allowances and balancing allowance – (Sec. 16)

Balancing allowances are made in respect of

- i. Depreciable assets realized during a year of assessment; and
- ii. Which Capital allowances have been granted in that year or an earlier year

Computation of Balancing allowances

Written down value of the asset at the time of realization of the asset	XXXX
Less.	
Consideration received by the person during the year of assessment for the asset	<u>(xxx)</u>
Balancing allowance	<u><u>xx</u></u>

“Written Down Value” of an asset at the time of realisation of the asset means the expenses incurred by a person in acquiring the asset reduced by all Capital allowances granted to the person

Deductions which are specifically allowed

10.4 Capital allowances and Assessable charges – (Sec. 16)

assessable charges are recognized in respect of

- i. Depreciable assets realized during a year of assessment; and
- ii. Which Capital allowances have been granted in that year or an earlier year

Computation of Assessable charges

Consideration received by the person during the year of assessment for the asset xxxx

Less.

Written down value of the asset at the time of realization of the asset (xxx)

Assessable charges xx

Note.

Where a depreciable asset, was entitled for enhanced capital allowances is realized, an assessable charge included in calculating the person’s income for the year shall be equal to the consideration received for the asset. No balancing allowance shall be granted for such asset.

Deductions which are specifically allowed

10.4 Enhanced Capital Allowances – (Sec. 16)

Person who invests in Sri Lanka (other than the expansion of an existing business) during a year of assessment enhanced capital allowances shall be granted. This is an investment incentive, and such allowance is granted in addition to the capital allowances granted for depreciable assets. Investment shall be made on depreciable assets other than intangible assets.

Investment	Area	Allowance
Exceeds USD 3 million but does not exceed USD 100 million.	Used in a part of Sri Lanka other than the Northern Province	100% of the expenses incurred by a person on depreciable assets
Exceeds USD 100 million.	Used in a part of Sri Lanka other than the Northern Province	150% of the expenses incurred by a person on depreciable assets
Exceeds USD 3 million.	Used in the Northern Province	200% of the expenses incurred by a person on depreciable assets

Deductions which are specifically allowed

10.4 Enhanced Capital Allowances – (Sec. 16)

Commencing from the first date of investment on a depreciable asset, three years of project implementation period shall be provided to a person who has not made his intended total investment.

Enhanced Capital allowance shall be deducted in that year of assessment in which he has completed the total intended investment, but before the expiration of such project implementation period.

BOI Approved investments.

A person who has entered into an agreement with the Board of Investment of Sri Lanka established under the Board of Investment of Sri Lanka Law, No. 4 of 1978 and invests in Sri Lanka in the expansion of his existing undertaking, during any year of assessment in addition to the capital allowances enhanced capital allowances shall be granted.



Deductions which are specifically allowed

10.4 Enhanced Capital Allowances – (Sec. 16)

“existing undertaking” means any undertaking conducted by a person, prior to the first date of investment on depreciable assets

“expansion” does not include

- a) the transfer, purchase or exchange of a depreciable asset of an existing undertaking of a person or an associate of a person; or
- b) the purchase of a depreciable asset to replace an existing depreciable asset of an undertaking of a person;



Deductions which are specifically allowed

10.4 Enhanced Capital Allowances – (Sec. 16)

“New undertaking” does not include—

- a) the existing undertaking; or
- b) an undertaking formed by splitting-up or re-construction of an existing undertaking of a person or an associate of a person.

Improvements on Leasehold Lands

Any building, structure, or similar work of a permanent nature constructed or made in a leasehold land by the person who made the investment shall not be deemed as an intangible asset but deemed as a depreciable asset.

A person who has entered into an agreement with the Board of Investment of Sri Lanka established under the Board of Investment of Sri Lanka Law, No. 4 of 1978 and invests in Sri Lanka in the expansion of his existing undertaking, during any year of assessment shall be granted enhanced capital allowances, in addition to the capital allowances

Deductions which are specifically allowed

10.5 Repair, Maintenance and improvement expenses – (Sec. 14)

Expenses for the repair/Maintenance or improvement of depreciable assets incurred during the year for the production of income of a person shall be deducted irrespective of whether they are of a capital nature or not.

However, **improvements expenses** for any year of assessment, with respect to a depreciable asset of a person shall not exceed,

Class of the Assets	Maximum amount allowed for a year
Class 4 :- Buildings, structures and similar works of a permanent nature	Five percent of the written down value of the asset at the end of the previous year
All other Class of assets	Twenty percent of the written down value of the asset at the end of the previous year

Excess amount incurred over the maximum allowable amount shall be added to the **depreciation basis** of the asset at the end of the year

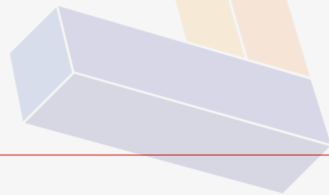
Deductions which are specifically allowed

10.5 Repair, Maintenance and improvement expenses – (Sec. 14)

In the event, where written down value for a depreciable asset is zero, the deduction for improvement expenses shall be equal amounts apportioned over-

- a) Twelve years of assessment, for a Class 4 depreciable asset
 - b) Three years of assessment, for other Classes of depreciable assets
- commencing from the year of assessment in which the expenditure was incurred.

“Improvement” means the expenditure incurred by a person to make additions or alterations to a depreciable asset which enhances the value of such asset, but excludes the expenditure incurred to maintain or repair a depreciable asset which temporarily enhances the value of such asset.



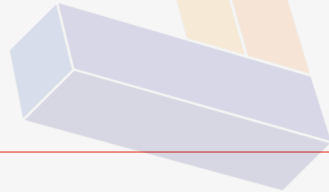
Deductions which are specifically allowed

10.6 Research and development expenses and agricultural start up expenses – (Sec. 15)

Research and development expenses and agricultural startup expenses may be deducted irrespective of whether they are of a capital nature or not.

“Agricultural startup expenses” means expenses incurred by the person in –

- Opening up any land for cultivation or for animal husbandry;
- Cultivating land with plants;
- The purchase of livestock or poultry to be reared on land; or
- Maintaining tanks or ponds or the clearing or preparation of any inland waters for the rearing of fish and the purchase of fish to be reared in such tank, pond or inland waters



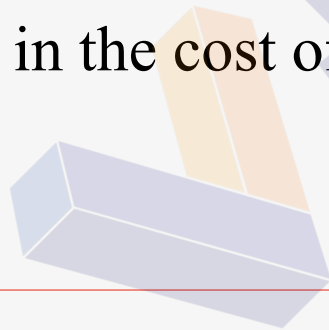
Deductions which are specifically allowed

10.6 Research and development expenses and agricultural start up expenses – (Sec. 15)

“Research and development expenses” means expenses incurred by the person in –

- Carrying on any scientific, industrial, agricultural or any other research for the upgrading of the person’s business through any institution in Sri Lanka (or for any innovation or research relating to high value agricultural products, by the person or through any research institution in Sri Lanka); or
- The process of developing the person’s business and improving business products or process,

which shall be beneficial to Sri Lanka but shall exclude expenses incurred that are otherwise included in the cost of an asset.



Deductions which are specifically allowed

10.7 Marketing and communication expenses – (Sec. 15 A)

In calculating a person's income from a business, marketing and communication expenses incurred by such person in the production of income during the year of assessment shall be deducted irrespective of whether they are of a capital nature or not.

“Marketing and communication expenses” means, any expenses incurred by any person in-

1. Carrying out a market research by such person or any institution in Sri Lanka on his behalf;
 2. The development or production of marketing, advertising and communication campaign to the extent that such development or production is carried out in Sri Lanka;
 3. Advertising on mainstream media or social media including television, radio, print or as outdoor advertising;
 4. Product launches or campaign activation carried out by such person or by any local institution on his behalf;
 5. Development and printing of point-of-sale material by such person or by any local institution on his behalf.
-

Deductions which are specifically allowed

10.8 Losses on realization of business assets and liabilities. – (Sec. 17)

For the purposes of calculating a person's income from a business for a year of assessment, a loss of the person from the realization during the year of assets and liabilities shall be deducted.

The assets and liabilities are –

1. Capital assets of a business to the extent to which the assets were used in the production of income from the business; and
 2. Liabilities of a business to the extent to which –
 - i. in the case of a liability that is a debt obligation incurred in borrowing money, the money was used or an asset purchased with the money was used in the production of income from the business; and
 - ii. in the case of any other liability, the liability was incurred in the production of income from the business.
-

Deductions which are specifically allowed

10.9 Business or investment losses – (Sec. 19)

In calculating the income of a person from a business for a year of assessment, the following shall be deducted:—

1. An unrelieved loss of the person for the year from any other business; and
2. An unrelieved loss of the person for any of the previous Six years of assessment from the business or any other business.

The person may choose the income calculation or calculations in which an unrelieved loss or part of the loss is deducted. However, where a loss can be deducted it shall be deducted.

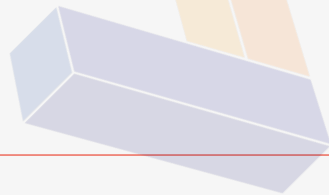
Where a person makes a loss and if the loss were a profit it would be taxed at a reduced rate, the loss shall be deducted only in calculating income taxed at the same reduced rate, a lower reduced rate or exempt amounts. If the loss were a profit and the profit would be exempt, the loss shall be deducted only in calculating exempt amounts:

Deductions which are specifically allowed

10.9 Business or investment losses – (Sec. 19)

In calculating income from an investment :—

1. Unrelieved losses from a business may be deducted in calculating income from an investment;
2. Unrelieved losses from an investment shall be deducted only in calculating income from an investment; and
3. Unrelieved losses from an investment shall be deducted only within the six years of assessment commencing on the first date of the year of assessment immediately succeeding the year of assessment in which such losses were incurred.
4. A gain from the realization of an investment asset shall not be reduced by any loss on the disposal of another investment asset by any loss.



Deductions which are specifically allowed

10.10 Exchange Gain/(Loss) – (Public ruling)

