

Qualifying Payments & Relief Section - 52

AAT Level III
Corporate & Personal Taxation
(CPT)

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CHAPTER 06

TAXABLE INCOME

1. Computation of Taxable Income

Taxable income is calculated after deduction qualifying payments & reliefs from total assessable income.

Assessable Income from Employment	xxxx
Assessable Income from Business	xxxx
Assessable Income from Investment	xxxx
Assessable Income from Other Sources	<u>xxxx</u>
Total Assessable Income	xxxx
Less; Qualifying payments & reliefs	<u>(xxx)</u>
Taxable Income	<u>xxxx</u>

2. Qualifying Payments

The qualifying payments referred to in section 52 shall be as follows:

- (a) a donation made by an individual or entity in money to an approved charitable institution that is:
 - (i) a charitable institution established for the provision of institutionalized care for the sick or the needy; and
 - (ii) declared by the Minister as an approved charitable institution for the purposes of this sub-paragraph, subject to a maximum of;
 - (iia) in the case of an individual, one-third of the taxable income of the individual or Rupees seventy five thousand, whichever is less;
 - (iib) in the case of an entity, one-fifth of the taxable income of the entity or Rupees five hundred thousand, whichever is less;

- (b) a donation made by an individual or entity in money or otherwise to the following:-
 - (i) the Government of Sri Lanka;
 - (ii) a local authority;
 - (iii) any Higher Education Institution established or deemed to be established under the Universities Act, No. 16 of 1978;

- (iv) the Buddhist and Pali University of Sri Lanka or any Higher Educational Institution established by or under the Buddhist and Pali University of Sri Lanka Act, No. 74 of 1981;
 - (v) a fund established by the Government of Sri Lanka;
 - (vi) a fund established by a local authority and approved by the Minister;
 - (vii) the Sevana Fund created and administered by the National Housing Development Authority established by the National Housing Development Authority Act, No. 17 of 1979; 218 Inland Revenue Act, No. 24 of 2017
 - (viii) a fund established by a Provincial Council and approved by the Minister;
 - (ix) the Api Wenuwen Api Fund established by the Api Wenuwen Api Fund Act, No. 6 of 2008;
 - (x) National Kidney Fund established under the National Kidney Foundation of Sri Lanka (Incorporation) Act, No. 34 of 2006;
- (c) profits remitted to the President's Fund established by the President's Fund Act, No. 7 of 1978 by a public corporation as required by the law by or under which such corporation is established.

3. Reliefs

Reliefs are only applicable to individuals. The reliefs referred to in section 52 shall be as follows

- ✓ Rs. 500,000 for each year of assessment, except that an individual who is a trustee, receiver, executor or liquidator shall not be entitled to deduct this personal relief as such trustee, receiver, executor or liquidator, and the relief is not available to be deducted against gains from the realisation of investment assets;
- ✓ in the case of an individual with income from employment, Rs. 700,000 for each year of assessment, up to the total of the individual's income from employment for the year;
- ✓ in the case of an individual with rental income from an investment asset, an amount equal to 25 percent of the total rental income for the year of assessment, being a relief for the repair, maintenance, and depreciation relating to the investment asset, but shall only be allowed to the extent no deduction or cost is claimed for any actual expenditures incurred by the taxpayer for the repair, maintenance, and depreciation of the investment asset;
- ✓ in the case of an individual who is a senior citizen in a year with interest income derived from a financial institution, Rs. 1,500,000 for each year of assessment, up to the total of the individual's interest income for the year;

- ✓ in the case of a resident individual or partner of a partnership with income earned in foreign currency in Sri Lanka, from any service rendered in or outside Sri Lanka to any person to be utilized outside Sri Lanka, Rs. 15,000,000 for each year of assessment, up to the total of such income for the year.

4. Transitional provisions on qualifying payments

As per the transitional provisions, any unclaimed balance of qualifying payments as at 31st March 2018, can be deducted as qualifying payment in ascertaining the taxable income of any person for any Y/A commencing after April 01, 2018.

Qualifying Payment	Maximum Claimability	C/F
01. Donation to the Government and Government Funds etc.	100%	Unlimited
02. Donation in money to an approved charity established for institutionalized care for sick or needy	<u>Individuals</u> - 1/3 rd Of AI or Rs.75,000/- Whichever lower. <u>Companies</u> - 1/5 th Of AI or Rs.500,000/- Whichever lower.	None
03. Locally paid premium on a life or medical & health policy other than special policy (Insurance policy must be for at least three years and payable either in monthly, quarterly or annual premiums.		
04. Expenditure on Government Development Plan approved by the minister	Rs.25,000/-	Unlimited
05. Premia for Policy of Special Health Insurance covers any incurable diseases	Unlimited	
06. 50% of investment not less than Rs.500,000 in purchase of shares in venture capital companies during exempt period	1/3 rd Of AI	None
07. Expenditure in the Upgrading of a Cinema or new Cinema	Rs.10 Mn	Unlimited
08. W.e.f from 1.4.2014, any individual who is professional and has incurred any expenditure of the repayment of housing loan from any licensed bank or finance company qualifying payment not exceeding 600,000.	100%	None
09. Profit from employment exceeds Rs.500,000 or Rs.250,000 whichever is less	100%	None

10. Any sum invested in construction of houses not exceeding 500 SQ Ft under a scheme approved by UDA or NHDA	100%	Unlimited
11. Expenditure incurred on any community development project	Rs.1 Mn	
12. Cost > 5Mn Incurred in producing any film	Rs.35 Mn	Unlimited



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