

CA SRI LANKA - STRATEGIC LEVEL

STRATEGIC TAX PLANNING (SL - 25 - 4)

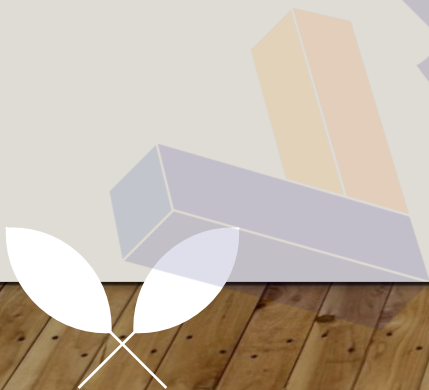
TUTORIAL 1 - INTRODUCTION TO TAXATION

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CA SL CURRICULUM 2025-30



**Strategic
Level**

**SL 25 – 4 Strategic Tax
Planning**

**Corporate
Level**

**CL 25 – 4 Corporate
Law and Taxation**

**Business
Level**

**BL 25 - 4 Business
Fundamentals, Law
and Tax**

**Business environment, Law and Taxation
Pillar**

CA SL CURRICULUM 2025-30 – STRATEGIC LEVEL

SL 25 – 4 STRATEGIC TAX PLANNING

Assessment Mode and Qualifying Eligibility

Strategic level - Technical Skills [Core Modules]

- **Paper based** examination [open book] – Three [03] hours per module – 100 Marks [pass mark 50%]
- Assessment format
 - Section A – One [01] **compulsory** mini case question - **50 Marks**
 - Section B – Attempt **Two** [02] question out of **three** [03] question - **25 Marks** each

CA SL CURRICULUM 2025-30 – STRATEGIC LEVEL

SL 25 – 4 STRATEGIC TAX PLANNING

Assessment Mode and Qualifying Eligibility

Strategic level - Power and integrity Skills

- **Online Assessment** – On - demand self Assesses objective Test questions for each skill unit [proficiency level required to complete the skill 50%]

Strategic level - Capstone

- **Verbal pith** – Deliver a physical verbal pitch based on the pre – seen information in front of a panel
- **Paper based assessment** – based on the unseen case information the written examination to assess the application skills

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SL 25 – 4 STRATEGIC TAX PLANNING

Recommended open book material

Strategic level SL 25 – 4 Strategic Tax Planning

- 1. Inland Revenue Act No. 24 of 2017 and subsequent amendments**
- 2. Value Added Tax Act No. 14 of 2002 and subsequent amendments**



CA SL CURRICULUM 2025-30 – STRATEGIC LEVEL

SL 25 – 4 STRATEGIC TAX PLANNING

Learning Aims, Leeds and Weightage

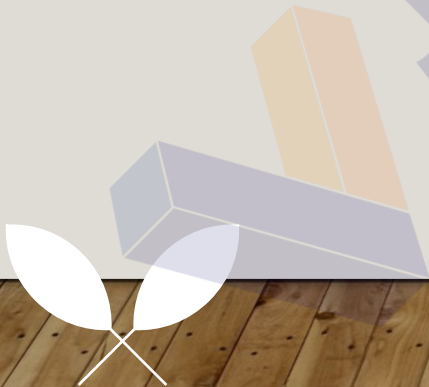
- Learning Aims : Expertise in tax and legal principles crucial for business continuity and strategic growth
- Learning Leads and weightage :

A.	Tax and Law for Business Continuity at C- Suite Level	- 40%
B.	Tax and Law for Organic Growth Decision	- 25%
C.	Tax and Law for Inorganic Growth Decision	- 25%
D.	Tax Policy and Economic Implication	- 10%





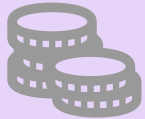
TAXATION, OBJECTIVES AND TYPE OF TAXES



TAXATION, OBJECTIVES AND TYPE OF TAXES



Tax – A **tax** is a mandatory fee or financial charge levied by any government on an Individual or an Entity



Objective of imposition of taxes

Main Objective is collecting revenue for public expenditure – Revenue and capital nature expenditure

Economic Objective – Direct or Control the economy

Social Objective – For the betterment of the society



Imposition and administration

Imposed by Government – As per Article 148 of the constitution (13th Amendments?)

Administration - Tax authorities

Type of Taxes – Direct Taxes and Indirect Taxes

TAXATION, OBJECTIVES AND TYPE OF TAXES

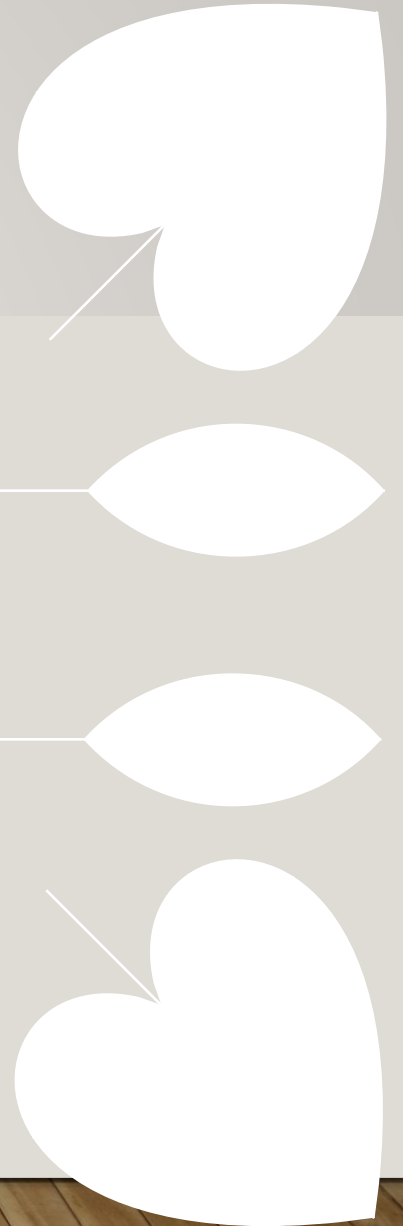
There are two types of taxes;

- Indirect tax – Consumption-based taxes

Embedded to the price of the good or services, Wider Tax based, efficient, Tax burden bear by consumer

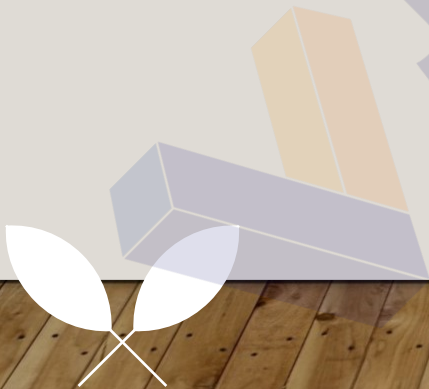
- Direct tax – profit or income of a person

Based on Income/profit, Cost of collection comparatively high





IMPOSITION OF INCOME TAX



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Legal framework of Taxation

Inland Revenue Act

The Act which is applicable to the imposition of income tax in Sri Lanka is the Inland Revenue Act, No. 24 of 2017 (IR Act). The IR Act has been introduced with effect from April 01, 2018.

Inland Revenue Act, No. 24 of 2017

Inland Revenue (Amendment) Act, No.10 of 2021

Inland Revenue (Amendment) Act, No.45 of 2022

Inland Revenue (Amendment) Act, No.04 of 2023

Inland Revenue (Amendment) Act, No.14 of 2023

Inland Revenue (Amendment) Act, No. 2 of 2025

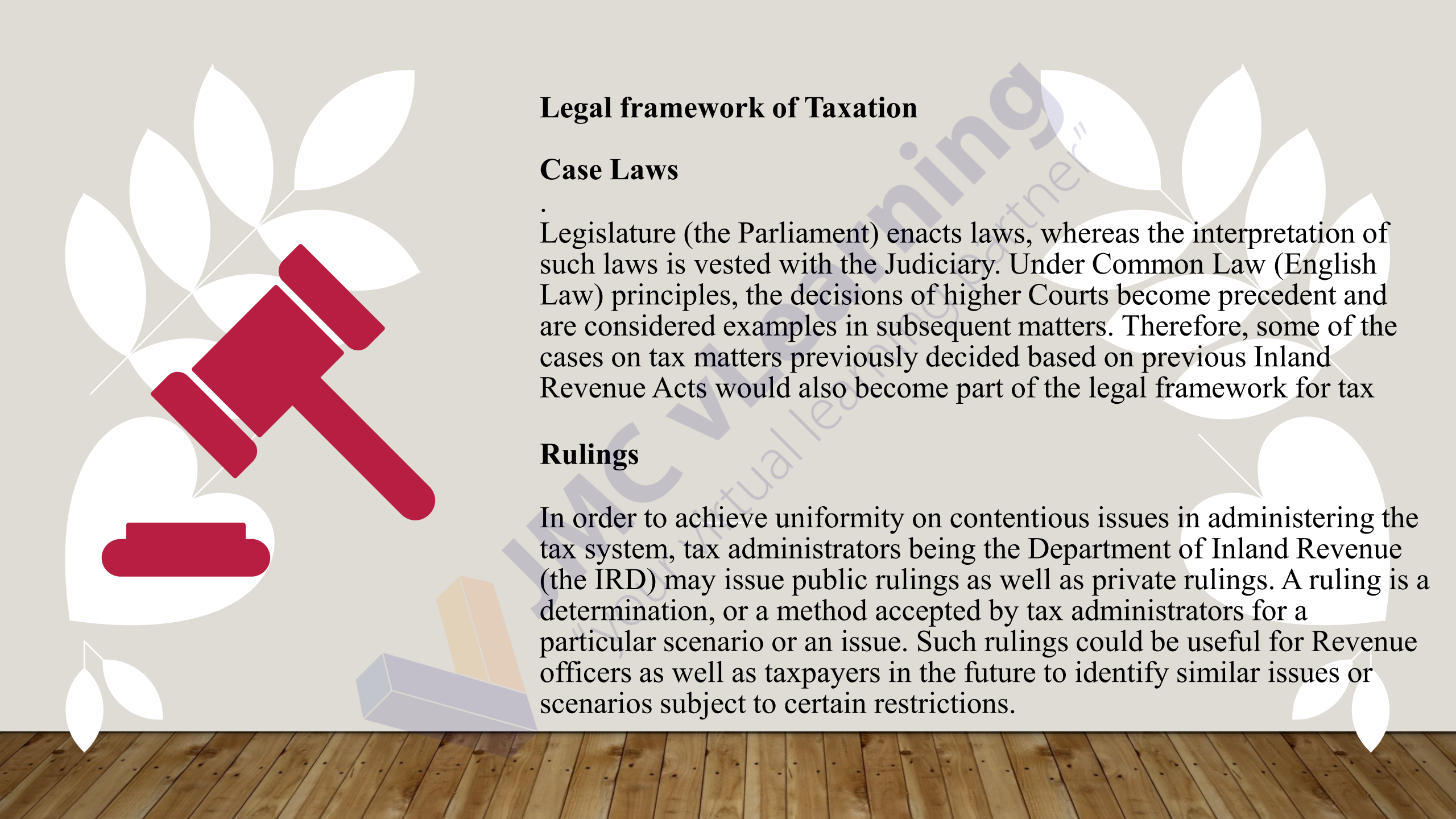
Gazette Notifications

From time to time, the Minister or administrators of income tax may issue gazette notifications with regards to the implementation of IR Act. Such gazette notifications would also become part of the legal framework for taxation

Circular

From time to time, for clarity and facilitating for the application of the tax law Tax administrators of income tax may issue circular. Such circular also consider formation of the legal framework for taxations.





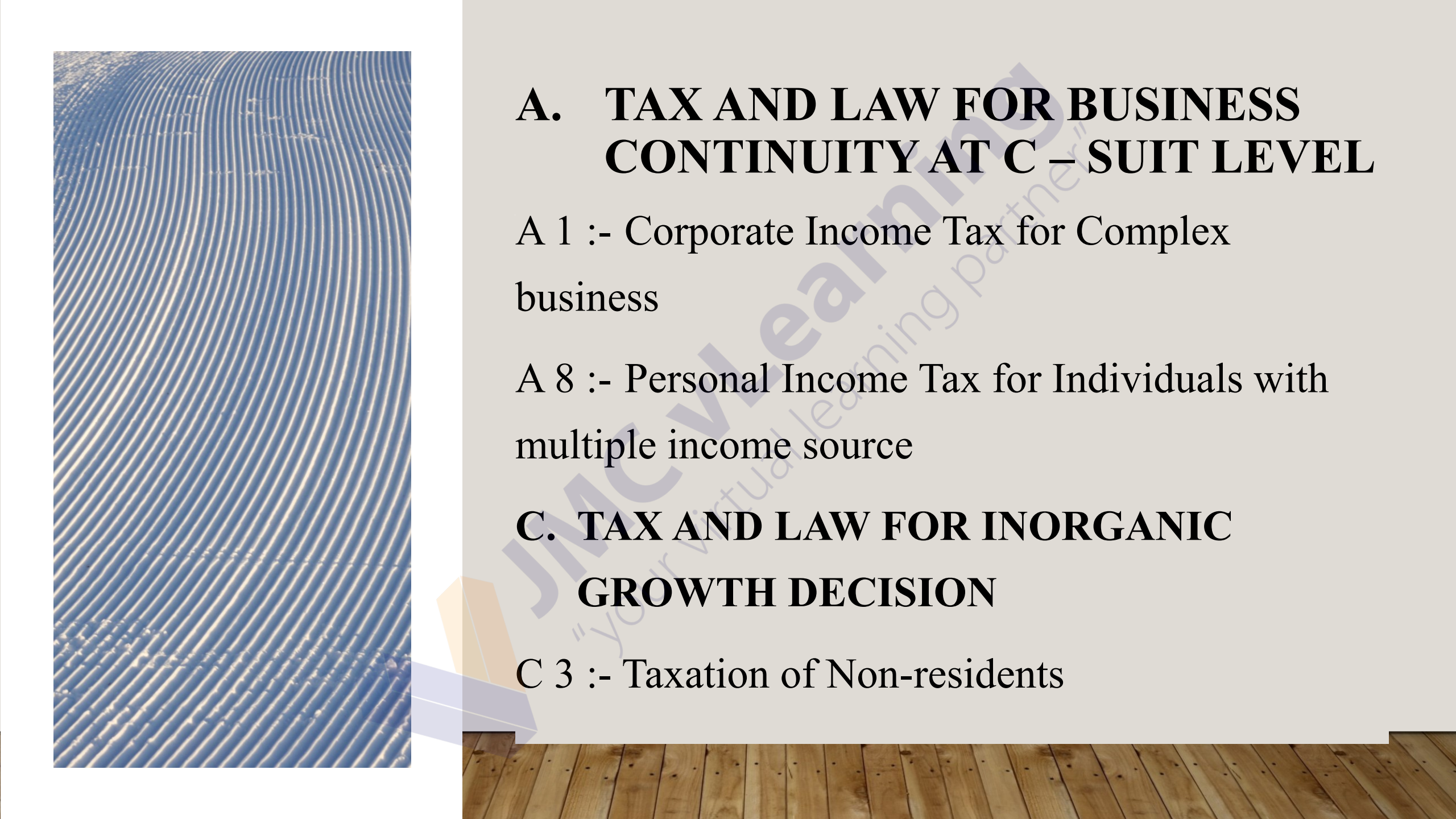
Legal framework of Taxation

Case Laws

Legislature (the Parliament) enacts laws, whereas the interpretation of such laws is vested with the Judiciary. Under Common Law (English Law) principles, the decisions of higher Courts become precedent and are considered examples in subsequent matters. Therefore, some of the cases on tax matters previously decided based on previous Inland Revenue Acts would also become part of the legal framework for tax

Rulings

In order to achieve uniformity on contentious issues in administering the tax system, tax administrators being the Department of Inland Revenue (the IRD) may issue public rulings as well as private rulings. A ruling is a determination, or a method accepted by tax administrators for a particular scenario or an issue. Such rulings could be useful for Revenue officers as well as taxpayers in the future to identify similar issues or scenarios subject to certain restrictions.



A. TAX AND LAW FOR BUSINESS CONTINUITY AT C – SUIT LEVEL

A 1 :- Corporate Income Tax for Complex business

A 8 :- Personal Income Tax for Individuals with multiple income source

C. TAX AND LAW FOR INORGANIC GROWTH DECISION

C 3 :- Taxation of Non-residents



IMPOSITION OF INCOME TAX

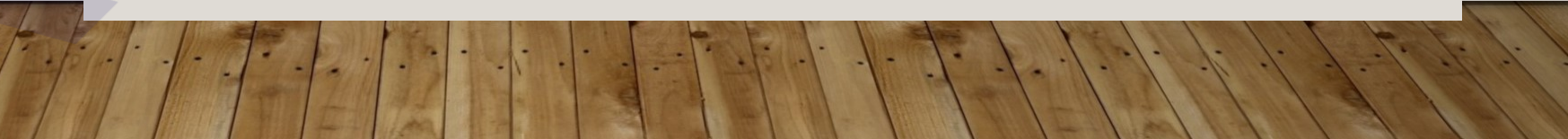
The main act which is applicable to the imposition of income tax in Sri Lanka is the Inland Revenue Act, No. 24 of 2017.

Charging Provision (Sec. 2(1))

Income tax shall be payable for each “**year of assessment**” by.

- A “**person**” who has “**taxable income**” for that year, or
- A person who receives a “**final withholding payment**” during that year.

Accordingly, a “person” is chargeable with income tax when such person has taxable income or receives final withholding payment. The period of tax is identified as “year of assessment”.



IMPOSITION OF INCOME TAX

Income Tax Payable (Sec. 2(2))

The amount of income tax payable by a person for any year of assessment shall be the total of the following:

- | | | |
|----|----------------------------------|------------|
| a) | Tax on taxable income | xxx |
| b) | Tax on final withholding payment | <u>xxx</u> |
| | | <u>xxx</u> |

Taxable income is calculated based on section 3 of the Act. The final withholding payments are defined in section 88 of the Act. The applicable tax rates are provided in the first schedule to the Act.

RELEVANT INTERPRETATIONS

Person (Sec. 195)

“**Person**” means an individual or entity and includes a body of persons Corporate or un-incorporate, an executor, non-governmental organization and charitable institution.

Entity (Sec. 195)

“**Entity**” means a company, partnership or trust, but excludes an individual.

Person - Summary

- i. an individual
- ii. an entity
 - a) Company
 - b) Partnership
 - c) Trust
- iii. a body of persons corporate or unincorporated
- iv. an executor
- v. a non-governmental organization
- vi. a charitable institution

RELEVANT INTERPRETATIONS

Body (Sec. 195)

“**Body**” means a company, partnership, trust or other body of persons whether formed in SL or elsewhere.

Company (Sec. 195)

“**Company**” means,

- a) a corporation, unincorporated association or other body of persons;
- b) includes;
 - i. a friendly society, building society, pension fund, provident fund, retirement fund, superannuation fund or similar fund or society; and

- ii. a government excluding the Sri Lankan government, a political sub-division of a government, or a public international organization; but

- a) excludes a partnership or trust; and

- b) the following shall be deemed to be a company:

- i. a partnership in which at least twenty of the partners have limited liability for the debts of the partnership; and
- ii. a unit trust or mutual fund to which Section 59 applies;

RELEVANT INTERPRETATIONS

Year of Assessment (Sec. 20)

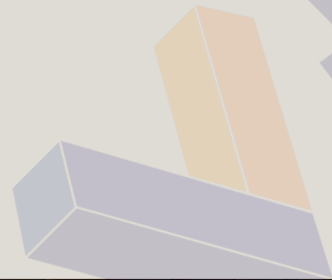
“Year of Assessment” is the period of twelve months **commencing** on the first day of April of any year and **ending** on the thirty-first day of March in the immediately succeeding year.

For example: *the year from April 1, 2025 to March 31, 2026 is the year of assessment 2025/2026.*



RELEVANT INTERPRETATIONS

Year of Assessment (Sec. 20)

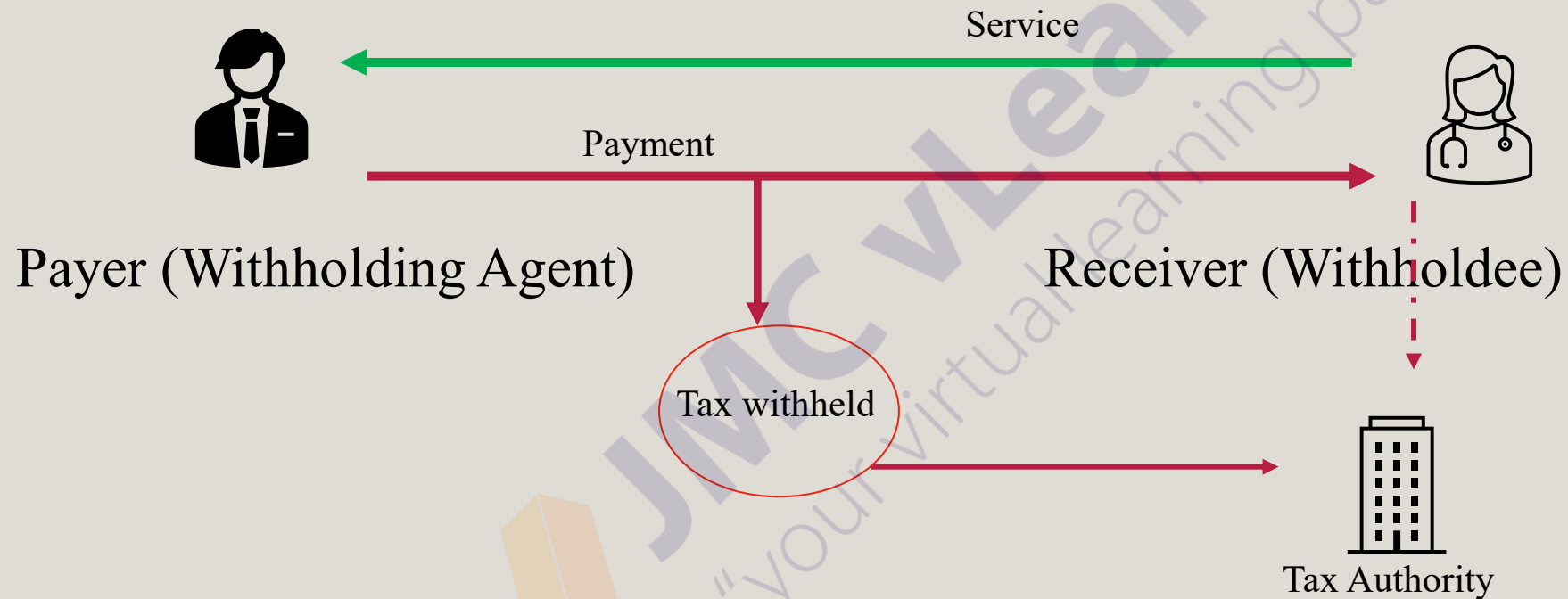


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IMPOSITION OF INCOME TAX

Tax on final withholding payment

Withholding Tax – It is a method of Tax payment



TAXABLE INCOME

Taxable Income (Sec. 3)

The taxable income shall be computed as follows.

Assessable income from “employment”	xxx
Assessable income from “business”	xxx
Assessable income from “investment”	xxx
Assessable income from “other sources”	<u>xxx</u>
Total Assessable Income	xxx
Less: Qualifying payments and reliefs under section 52 (5 th Schedule)	<u>(xx)</u>
Taxable Income	<u>xxx</u>

The taxable income of each person and the assessable income from each source shall be determined separately.

RESIDENT STATUS OF AN INDIVIDUAL

Resident Individual [Section 69(1)]

An individual shall be a resident in Sri Lanka for a year of assessment if:

- a) He resides in Sri Lanka;
- b) He is present in Sri Lanka during the year and that presence falls within a period or periods amounting in aggregate to one hundred and eighty-three days or more in any twelve-month period that commences or ends during the year;
- c) He is an employee or an official of the Government of Sri Lanka and his spouse is posted abroad during the year; or
- d) He is an individual who is employed on a Sri Lanka ship, within the meaning of the Merchant Shipping Act, during the period the individual is so employed

Change of Residency [Section 70 (1)] An individual who is resident in Sri Lanka only by reason of paragraph (b) of subsection (1) of section 69, shall be so resident from the start of the one hundred and eighty three day period. Otherwise, a person who is resident in Sri Lanka during a year of assessment shall be treated as a resident for the whole of the year

RESIDENT STATUS OF A PARTNERSHIP AND TRUST

Resident Partnership [Section 69(2)]

A partnership shall be resident in Sri Lanka for a year of assessment if –

- a) it was formed in Sri Lanka; or
- b) at any time during the year the management and control of the affairs of the partnership are exercised in Sri Lanka

Resident Trust [Section 69(3)]

A Trust shall be resident in Sri Lanka for a year of assessment if

- a) it was established in Sri Lanka;
- b) at any time during the year a trustee of the trust is resident in Sri Lanka; or
- c) at any time during the year a person resident in Sri Lanka directs or may direct senior managerial decisions of the trust, whether the direction is made alone or jointly with other persons or directly or through one or more interposed entities

RESIDENT STATUS OF A COMPANY

Resident Company [Section 69(4)]

A company shall be resident in Sri Lanka for a year of assessment if:

- a) It is **incorporated** or **formed** under the laws of Sri Lanka;
- b) Its **registered** or **principal office** is in Sri Lanka, or
- c) At any time during the year the **management and control** of its affairs of the company are exercised in Sri Lanka.

Non-Resident Company

A company deemed to be non-resident in the following circumstances:

- a) Company's **registered office** or **principal office** is in outside Sri Lanka; and
- b) The **management and control** of its business is exercised outside Sri Lanka

RESIDENT STATUS OF A COMPANY

Resident Company [Section 69(4)]

Antara Group is a group of companies headquartered in the UK operating in the field of construction and has subsidiaries across the world. Antara Constructions (Pte) Ltd (ACL) is a company incorporated in Singapore and is part of the Antara Group.

In line with the group's objective of expanding business operations in the Asian region, ACL acquired 100% of the shares of an existing loss-making company in Sri Lanka in June 2025 and re-named it Antara Lanka (Pvt) Ltd (ALP). The shares were acquired by ACL for USD 3,300,000 based on the market valuation of the shares of the company. ALP has certain ongoing housing construction projects across Sri Lanka wherein ALP shall provide construction services.

You are required to assess the residential status of the aforementioned companies for the purposes of Sri Lanka income tax.