

# **ACF 2123 – Taxation**

## **CHAPTER 12: Tax Administration**

**Lecturer:**  
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# Learning Outcomes

At the end of the lesson, the students should be able to understand:

1. Payment of income tax and due dates
2. Furnishing of income tax return
3. Type of assessment
4. Objection and appeals
5. Tax in default
6. Applicable penalties

# Payment of income tax and due dates

Payment of income tax could be categorized in to three types as follows,

1. By withholding
2. By installments
3. On assessment



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# Payment by installments (*self assessment*)

Due dates for quarterly installments if the year of assessment ends 31<sup>st</sup> March,

- ❖ *1<sup>st</sup> Quarter - On or before 15<sup>th</sup> August of that year of assessment*
- ❖ *2<sup>nd</sup> Quarter - On or before 15<sup>th</sup> November of that year of assessment*
- ❖ *3<sup>rd</sup> Quarter - On or before 15<sup>th</sup> February of that year of assessment*
- ❖ *4<sup>th</sup> Quarter - On or before 15<sup>th</sup> May of the subsequent year of assessment*

If any person has obtained approval to apply a different Y/A under sec.20, quarterly payment should be made before 15<sup>th</sup> day following end of each quarter

# How to calculate

As per the sec.90(3) of the act, installment tax payable is to be calculated using following formula:

$$\text{Installment payment} = \frac{\text{Estimate tax payable for the Y/A} - (\text{Installment payments} + \text{APIT Paid})}{\text{Remaining no. of installment for Y/A}}$$

## Statement of Estimated Income Tax Payable

As per the sec. 91 of the Inland Revenue Act No. 24 of 2017 each person who is liable to pay income tax is required to submit a statement of estimated tax payable for a year of assessment by the due date of 1<sup>st</sup> installment. If the estimate is changed subsequently a revised statement should be submit.

# Question 01

Sarath has estimated his tax liability for Y/A 2023/24 as Rs. 900,000. He has paid Rs. 225,000 for 1<sup>st</sup> installment payment and APIT credits up to 15.11.2023 is Rs. 45,000.

**Calculate** tax to be paid for second quarterly installment payment  
**State** due date for the payment



# Payment on assessment

- Tax on gains from realization of investment assets should be paid within one month from the end date of the realization month.
- Any other tax payable on assessment should be paid before the end of the six months from the end of the relevant year of assessment.

Eg:- for Y/A 2023/24 – should pay on or before 30/09/2024



# Furnishing of income tax return

- Every person chargeable with income tax for any Y/A (subject to the following exclusion) is required to furnish a return with the commissioner-General not later than eight months after the end of each year of assessment.
- Eg:- for Y/A 2023/24 – return should be submit on or before 30/11/2024.

As per the section 94 of the act, a return of income for a year of assessment **shall not be required** if,

- A. Resident individual-Who has no tax payable for the Y/A
- B. A non-resident person who has no tax payable for the Y/A



# Furnishing capital gain tax return

- Every person with taxable income consisting of gain from the realization of an investment asset shall file with the commissioner-General a capital gains tax return not later than one month after the end date of the month which asset realized.



# Assessments

- Four (04) type of assessment can be identified under the IRD Act No. 24 of 2017;
  1. Self Assessment
  2. Default Assessment
  3. Advance Assessment
  4. Amended/Additional Assessments



# Time Bar Provisions (Sec. 135)

- The assistant commissioner may amend an original assessment and issue amended/additional assessment as follows,
  - In the case of the fraud or willfully neglect by or on behalf of tax payer - **At any time**
  - Any other case - **within 30 months**



# Objection and Appeal

## Authorized representative (sec. 195)

a). In any case

- Member of ICASL
- An attorney-at-law
- An employee regularly employed by that person or,
- A member of the Sri Lanka Institute of Taxation
- Registered person as an auditor

b). In the case of individual, a relative

c). In the case of company, a director or the secretary

d). In the case of partnership, a partner of that partnership

e). In the case of body of person, a member of such body

# Appealing Order

1. Appeal to CGIR (Administrative Review)
2. Appeal to tax appeals commission
3. Appeal to court of appeal



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# Penalties – Tax default

Criteria	Penalty
Failure to pay all or part of an installment tax within 14 days of the due date - Sec. 179(2)	10% of the tax due (but not paid)
Failure to pay tax due for a tax period ; Within 14 days of the due date or By the due date per notice of assessment Sec. 179(1)	20% of the tax due but not paid
For negligent or fraudulent underpayment (Intentional conduct or negligence) Sec. 180	i) If under payment is higher than Rs. 10 million or (ii) Higher than 25% of the persons liability for the period, the penalty will be 75% of the under payment. In other cases, 25% of the under payment

# Penalties – Failure to furnished a return

Criteria	Penalty
Late filing of Return-Sec. 178	The greater of ; (a) 5% of the tax owing, plus a further 1% of the tax owing for each month or part of a month during which the failure to file continues, and (b) Rs. 50,000 plus a further Rs. 10,000 for each month or part of a month during which the failure to file continues. However, the penalties cannot exceed Rs. 400,000

# Penalties – miscellaneous offence

Criteria	Penalty
False or misleading statements to a tax official (Section 181)	The greater of ; (a) Rs. 50,000/- or (b) The amount by which tax the payable or refund would have reduced or/increased if it were determined based on such statement.
Failure to maintain documents (Section 182)	(a) Rs. 1000/= per day for each day of default.
Failure to provide facilities and assistance to a tax official (Section 182)	(a) Penalty to an amount not exceeding Rs. 10,000



# Recovery of Taxes

What are the ways of recovery of taxes in default?



# Q&A?

# Thank you

