

# Taxation of miscellaneous Undertakings

## AAT Level III Corporate & Personal Taxation (CPT)

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# Taxation

Mahinda Danawardana

- Person
- Individual
- Entities , includes Company ,Partnership, Trust
- Body of Person
- Non Government Organization
- Trustee
- Charitable Institute

## Taxation of Other Person & Entities

- Other Person & Entities
- **1.Charitable institute**
- **2.Non – governmental organizations (NGO)**
- **3.Trust and Beneficiaries.**
- 4.Trustees / Executors/Administrators
- **5.Unit Trust - Eligible Investment/ Not doing eligible investment**
- 6.Receivers

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- YMCA ( Approved Charity)2020/2021
- Donation received Rs.50,000,000.
- Investment income from Fixed Deposit Rs.3,000,000.
- Rent Income Rs.1,200,000.
- Profit from realization of investment property Rs. 800,000.
- Donation to Government of Sri Lanka Rs.600,000. Tax credits from self assessment Rs.120,000.
- Calculate Tax payable and Balance Tax payable.

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## Taxation of Other Person & Entities

- **Common features**
- Calculate applicable sources of income according to tax rules applicable to entities such as companies.
- Qualifying payment rules applicable to company may applicable and claim accordingly.
- Thereby we can calculate **taxable income** of these entities.
- **Tax payable** shall calculate by applying **relevant tax rate**.
- Then claim any tax credit available and find out balance payable or refund due.

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## Taxation of Other Person & Entities

- **Tax rate applicable.**

Other Entity	Tax rate
Charitable Institute	14%
Non – governmental organization	24%
Trust and Trustees	18%
Unit Trust – <b>Non eligible investment</b>	14%
Receiver ( Where <b>company</b> under winding up)	24%

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- **Trust / Trustee**

- A person looking after others estate.
- If personal appointment – Executor.
- If appointed by court – Administrator.
- They will be acting upon trust deed.
- If it is Government case will be under Public trustee.
- Tax rate 18%.Capital Gain 10%.
- **But if all income distributed among beneficiaries then trustee or trust is not liable.**

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- The father of Warun and Arun create a trust .Which called as WA Trust.
- According to trust deed trustee fee Rs, 600,000 for the year.
- As up to age 18 Warun and Arun shall receive Rs.900,000 and 600,000 respectively from the trust.
- Trust income for 2020/2021.
- Business – Rs.1,500,000. Rent Income Rs. 2,400,000.
- Fixed Deposit Income Rs. 900,000.
- Calculate tax payable by Trust.

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- **WA Trust 2020/2021**

- Tax Computation

- Business Income 1,500,000 Then Tax payable  $2700,000 \times 18\%$

- Investment income 3,300,000 **486,000**

- Total Income 4,800,000

- Trustee Fee 600,000

- AI=Taxable 4,200,000

- Deduct – Distribution (1,500,000)

- Taxable Income **2,700,000**

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## Taxation of Other Person & Entities

- Tax rate applicable to other entities on realization of investment assets is commonly 10%

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## Taxation of Other Person & Entities

- **Special treatment on Non- governmental organization**
- **In addition to normal calculation NGO is liable to pay additional tax on their receipts from grant, donation . It does not include any receipt from Government of Sri Lanka.**
- **3% of such donation income will take as liable to tax.**
- **Other income and QP are same like applicable to companies.**
- **Then on Capita Gain 10% .**
- **Balance Taxable Income 24%.**

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## Taxation of Other Person & Entities

- Tax Computation in such situation

Detail	Amount
Grant donation received during the year	*****
Taxable	3%
Taxable amount	*****
Other Income	*****
Assessable Income	*****
Taxable Income	*****
Tax rate ( If capital Gain 10%) Normal	24%
Tax payable	*****

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- NGO 2020/2021
- Donation Rs.45,000,000. Its include donation received from government of Sri Lanka Rs.2,000,000.
- Interest Income Rs.1,200,000.
  
- Donation paid to approved charity Rs. 700,000
- Calculate Tax Payable

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- NGO
- 2020/2021

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