

Business Income – Special Provisions

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Bad Debts

- Bad debts write offs can be claimed as allowable expense.
- However, this to be allowed, the business should have taken all the possible steps to recover the debt prior to writing off.
- As a result if there is any subsequent recoveries of such bad debt occurs that is liable for income tax.

Business Losses (Section 19, AA 11)

- There can be a loss from a business when the taxable income from the business is less than the deductible expenses.
- If there is any such loss the below steps can be followed.
 - Set off against the business income from other businesses in the same year, if any.
 - Carry forward and deduct against the future business income up to **six years**.
- If the loss was a profit, if it was taxable at a reduced tax rate then the can be claimed only under a business income at the same tax rate, a lower tax rate or exempt amounts.
- However, if the unrelieved loss was incurred when the company was taxed as a SME and was supposed to be taxed at a reduced rate and the current year profit is taxed at a higher rate, the unrelieved loss shall be deemed to be taxed at the current year tax rate.

Business Losses (Section 19, AA 11)

- Any unrelieved loss from business can be claimed against **Investment Income** as well.
- But a loss from investment income can only be claimed against income from an investment only.
- If the business loss is as a result of an enhanced capital allowance, the loss can be carried forward for 10 years instead of standard six years. *(Second Schedule)*
- If the investment in depreciable asset other than intangible assets is more than USD 1,000Mn or enhanced capital allowance is granted for investment above USD 250Mn on government entity, the unrelieved loss can be carried forward for a period of 25 years.