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## **Income tax updates – 2020**

February 2020

## What is in store for taxpayers

PAYE WHT on interest, dividends, rent, and service payments to residents is abolished with effect from 1 January 2020. Following this change, you may now be required to file income tax return.

Know the answers to the frequently asked questions given below and better understand the change in the regulation.



## Frequently asked questions



Does this mean I am no longer liable to pay income tax?



You will be liable to pay income tax, if your income from all sources (refer question 5) exceeds LKR 250,000 per month (LKR 3,000,000 per annum).



Will this change increase my take-home salary?



As PAYE will no longer be deducted from your salary, your take-home amount will increase.



Can I spend the increase in my take-home salary?



If you are liable to pay income tax, you may not be able to spend the entire increase in your take-home salary.



How much should I set aside each month to meet my tax obligations?



This will depend on income you earn from all sources. You will be liable to pay tax calculated at progressive rates indicated below.

Income From 1 January 2020 to 31 March 2020	Income From 1 April 2020 (per annum)	Income tax rate
LKR 750,000	LKR 3 million	Tax free
Next LKR 750,000	Next LKR 3 million	6%
Next LKR 750,000	Next LKR 3 million	12%
Balance	Balance	18%



What do you mean by “all sources of income”?



These include employment income, interest, dividend, rent, and service fee, which will constitute your assessable income for calculating income tax.



Are any new deductions allowed when arriving at my taxable income?

**A**

Yes, the following deductions are permitted while calculating personal income tax (subject to a maximum of LKR 100,000 per month/LKR 1.2 million per annum):

- Health expenditure, including contributions to medical insurance
- Education expenditure incurred locally
- Payment of interest on house loans
- Contribution to an approved pension scheme
- Expenditure on the purchase of equity or security



How will I pay income tax?

**A**

You need to open an income tax file with the Department of Inland Revenue to pay taxes. However, this is required only if your monthly income from all sources exceeds LKR 250,000 per month (LKR 3,000,000 per annum).



When do I have to pay income tax?



The tax liability for a particular year of assessment (from 1 April of year 1 to 31 March of year 2) will have to be paid to the Department of Inland Revenue as below.

		Taxable period	Due date for payment
On self-assessment basis	1 quarter	April to June	15 August
	2 quarter	July to September	15 November
	3 quarter	October to December	15 February
	4 quarter	January to March	15 May
Actual liability	Final payment		30 September



Can I make the payment online?



No, you cannot. The Department of Inland Revenue has still not put in place a mechanism to enable tax payments online. These payments will have to be done through a cheque or cash in favour of the Commissioner General of Inland Revenue.



When do I have to file tax return?



You need to file tax return on or before 30 November of the subsequent year of assessment (year 02).





Can I file my returns online?



Yes, you can.



How can I get more information?



For more information, please contact the following people:

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