

**A
GUIDE
TO
CEYLON INCOME TAX**

**BY
S. SUBRAMANIAM**

**A BOOK EVERY TAXPAYER
SHOULD READ**

657
SUB
SLIPR

Price Rs. 2.50

**A
GUIDE
TO
CEYLON INCOME TAX**

**BY
S. SUBRAMANIAM**

**A BOOK EVERY TAXPAYER
SHOULD READ**

Price Rs. 2.50

Printed and published by
THE TIMES OF CEYLON COMPANY, LIMITED,
PRINTERS AND PUBLISHERS,
COLOMBO, CEYLON

1941

PREFACE

In this book the author has endeavoured to set out the substance of the Income Tax Law of Ceylon in an easily intelligible form and, wherever necessary, has given examples to make the more intricate sections of the Ordinance as clear as possible. It is not intended that this treatise should be a complete survey of all the provisions of the Income Tax Ordinance. It is meant chiefly to serve the needs of the individual tax-payer both resident and non-resident. The large majority of tax-payers attend to their income tax affairs themselves, and it is hoped that this book will be found to be of help to them, as most of the difficulties they are likely to encounter are explained in its pages. Whether one likes it or not, income tax has come to stay, and it behoves those who pay the tax as well as those who are near the border line to make themselves acquainted with the provisions of the Ordinance.

In view of the writer's official position he desires to make it clear that this book contains his personal views and not those of the Income Tax Department.

S. S.

Colombo, March, 1941.

CONTENTS

| CHAPTER | | PAGE |
|---------------------------------------|--|------|
| I. GENERAL | ... | 1 |
| | Basis of liability | 1 |
| | Disclosure of liability | 1 |
| | Liability of residents | 2 |
| | Estimated assessments | 2 |
| | Authorised representative | 3 |
| | Exemptions | 3 |
| | Classification of income | 4 |
| | Basis other than normal preceding year | 4 |
| II. AGRICULTURE | ... | 9 |
| | Mature area, immature area, new clearing | 9 |
| | Expenses | 9 |
| | Proceeds of sale of coupons | 9 |
| | Travelling... | 9 |
| III. EMPLOYMENT | ... | 12 |
| | What are "Profits from employment" ? | 12 |
| | Leave pay... | 12 |
| | Rental value of free house | 13 |
| | Commission and bonus | 13 |
| | Withdrawals from provident fund | 14 |
| | Travelling allowance | 14 |
| | Retirement from service... | 14 |
| IV. TRADE, BUSINESS, PROFESSION, Etc. | ... | 15 |

| CHAPTER | PAGE |
|--|------|
| V. INTEREST | 16 |
| Basis | 16 |
| Interest in arrear | 16 |
| Irrecoverable interest | 16 |
| Deductions from interest | 17 |
| Interest received by money-lenders | 17 |
| VI. DIVIDENDS | 18 |
| Dividends paid by companies resident in Ceylon | 18 |
| Dividends paid by sterling companies which pay Ceylon tax | 19 |
| VII. RENT OF LAND AND BUILDINGS | 21 |
| Annual value, net annual value, and rental value | 21 |
| VIII. DEDUCTIONS | 24 |
| Allowable deductions | 24 |
| Expenses not allowable | 25 |
| IX. STATUTORY INCOME, ASSESSABLE INCOME, AND TAXABLE INCOME | 26 |
| Statutory income... .. | 26 |
| Assessable income | 26 |
| Taxable income | 28 |
| Proportionate allowance... .. | 30 |
| X. PARTNERSHIP | 31 |
| Firm not assessable | 31 |
| XI. RESIDENCE | 33 |
| "Resident" although absent from Ceylon for twelve months | 33 |
| To be a "resident" six months' stay in Ceylon required | 33 |

| CHAPTER | PAGE |
|--|------|
| XII. SEPARATE ASSESSMENTS | 35 |
| Income of wife is income of husband | 35 |
| Resident spouse agent of non-resident spouse... .. | 35 |
| Both spouses resident | 36 |
| One spouse resident and the other non-resident | 41 |
| XIII. RATES OF TAX | 43 |
| XIV. DEDUCTION AT SOURCE | 48 |
| Deduction by resident companies | 48 |
| Deduction from rent, annuity, etc., payable to person out of Ceylon | 48 |
| XV. EXECUTORS... .. | 50 |
| XVI. NON-RESIDENTS | 52 |
| Services rendered outside Ceylon | 52 |
| Income for past services rendered in Ceylon | 52 |
| Non-resident individuals | 52 |
| Business transacted on behalf of non-resident | 52 |
| XVII. TEMPORARY RESIDENTS | 53 |
| XVIII. PROVIDENT AND PENSION FUNDS | 54 |
| Provident funds | 54 |
| Pension funds | 54 |
| XIX. DOUBLE TAX RELIEF | 55 |
| Double tax relief—United Kingdom tax—section 45 (1) | 55 |
| Double tax relief—Empire tax—section 46 | 55 |
| British India and Burma | 56 |
| Australia and New Zealand | 57 |
| Relief under section 45 (2) | 57 |
| XX. PAYMENT OF TAX | 62 |

| CHAPTER | PAGE |
|---|------|
| XXI. APPEALS | 63 |
| Appeal to the Commissioner | 63 |
| Appeal to the Board of Review | 64 |
| Appeal to the Supreme Court | 64 |
| Appeal to the Privy Council | 64 |
| APPENDICES | |
| Form of income tax return applicable to resident individuals—Form No. I | |
| Form of income tax return applicable to partnerships—Form No. 1A | |
| Form of income tax return for the use of non-resident individuals resident outside the British Empire—Form No. 1C | |
| Form of income tax return for the use of non-resident individuals resident in the British Empire—Form No. 1D | |
| INDEX | 67 |

CHAPTER I

GENERAL

1. Income tax is charged in respect of the profits and income—

- (a) wherever arising, in the case of a person resident in Ceylon, and
- (b) arising in or derived from Ceylon, in the case of every other person.

The phrase “profits and income arising in or derived from Ceylon” includes all profits and income derived from services rendered in Ceylon, or from property in Ceylon, or from business transacted in Ceylon, whether directly or through an agent.

Basis of Liability

2. The income tax year commences on 1st April and ends on the following 31st March. For this year the tax payable is based on the profits and income which arose during the preceding year, *i.e.*, for the income tax year 1941-42 tax is payable on the profits and income which arose during the year 1st April 1940 to 31st March 1941. This is the normal basis. There are circumstances in which this basis is not adopted, and such departure from the normal basis is dealt with in paragraph 9.

Disclosure of Liability

3. On 1st April each year all persons known to the department as possibly having income chargeable with tax are furnished with printed forms in which to declare their

income. If by 30th June a person who has income chargeable with tax has not been furnished with a form, it is his duty to give notice to the Commissioner, within fourteen days thereafter, that he is so chargeable. If he fails to do so he will be guilty of an offence and be liable on summary trial and conviction by a Magistrate to a fine not exceeding Rs. 500. The Commissioner, however, has power to compound any such offence.

Liability of Residents

4. The term "person" includes a company, any body corporate, any society of persons whether corporate or unincorporate, and any Hindu undivided family. In the case of an individual resident in Ceylon, he is not liable to pay tax unless his total assessable income for the year exceeds Rs. 2,400. The phrase "assessable income" is used for the first time and the reader is advised to refer to Chapter IX in which he will find how "assessable income" is arrived at. Under the Income Tax Ordinance the income of a married woman is deemed to be the income of her husband and therefore in determining whether he is liable to pay income tax a married man must also include in his income the profits and income of his wife. A common mistake made by individuals whose total income is just under Rs. 2,400 is to leave out of reckoning the net annual value (see Chapter VII) of their residence if they live in their own house. They overlook that when they live in their own house they are in effect paying rent to themselves.

Estimated Assessments

5. In the case of a person who has not disclosed his liability and/or has not furnished a return of income, the

Assessor may estimate the amount of assessable income of such person and assess him accordingly. This, however, does not preclude the Commissioner from taking legal action against such person for his failure to report liability or to furnish a return of income.

Authorised Representative

6. A tax-payer who has neither the time nor the inclination to conduct his income tax affairs himself may deal with the department through an "authorised representative." In the case of an individual an "authorised representative" may be—

- (a) an accountant approved by the Commissioner ;
- (b) an advocate or proctor ;
- (c) an employee regularly employed by the person concerned ; or
- (d) a relative.

Exemptions

7. Among incomes exempt from tax are the following :—

- (a) the income of any institution or trust of a public character established solely for charitable purposes ;
- (b) the income of any religious body or institution whether established under any instrument in writing or not ;
- (c) the annual value of any place of public worship and its premises ;
- (d) wound and disability pensions granted to members or ex-members of His Majesty's Forces ;
- (e) any capital sum received by way of retiring gratuity (other than a sum received in commutation of pension) or death gratuity or as consolidated compensation for death or injuries ;

- (f) interest paid to an individual in respect of Ceylon Savings Certificates ;
- (g) interest paid or credited to an individual on deposits with the Ceylon Savings Bank and the Ceylon Post Office Savings Bank ;
- (h) interest on any Ceylon Government loan issued prior to 1st April 1932.

Classification of Income

8. For levying income tax, income is classified under the following heads, and in the printed forms issued to individuals, both resident and non-resident, cages are provided to return income classified under these heads :—

Agriculture,
Employment,
Trade, Business, and Profession,
Interest,
Ceylon dividends,
Dividends, etc., from the United Kingdom and India,
Dividends, etc., from countries other than Ceylon,
United Kingdom, and India,
Annual Value of Residence,
Rents,
Other Profits.

Basis Other Than Normal Preceding Year

9. The following are cases in which the normal preceding-year basis is not adopted for the computation of statutory income :—

(a) A person who usually makes up the accounts of a trade, business, profession, etc., to some day other than the 31st March is allowed by the department to compute the income from that source on the profits of the year ending on that day in the year preceding the year of assessment.

(b) If a person commences a trade, business, profession, or employment, say, on 1st June 1941, his statutory income

from that source for the assessment year 1941-42 is the income from 1st June 1941 to 31st March 1942. For the next assessment year 1942-43 his statutory income is the income from 1st June 1941 to 31st May 1942. For each subsequent year from 1943-44 the statutory income is the income of the preceding year subject, of course, to paragraph 9 (a). If, however, the person ceases to exercise the trade, business, or profession, say, on 31st May 1950, the statutory income of the year 1950-51 is the income of the two months 1st April to 31st May 1950. For the year of assessment immediately preceding that in which the cessation takes place, viz., 1949-50, the statutory income from this source is either the income of the year 1st April 1948 to 31st March 1949 (subject to paragraph 9 (a)) or the income of the year 1st April 1949 to 31st March 1950, whichever is the greater.

(c) Section 11 (5) of the Ordinance extends a concession to a person who has commenced a new trade, business, etc. Assuming that a business commenced on 1st August 1940, under the foregoing paragraph the liability from this source would be—

| | | | |
|---------|-----|-------------|--------------------|
| 1940-41 | ... | Income from | 1.8.40 to 31.3.41, |
| 1941-42 | ... | „ | 1.8.40 to 31.7.41, |
| 1942-43 | ... | „ | 1.4.41 to 31.3.42, |

What section 11 (5) says is that for the second and third years of assessment after the commencement of a trade, business, etc., i.e., in this case for 1941-42 and 1942-43, the liability must be on the profits of the period 1st April 1941 to 31st March 1942 and 1st April 1942 to 31st March 1943 respectively, if these happen to be lower than the profits of the period 1st August 1940 to 31st July 1941 and 1st April 1941 to 31st March 1942, respectively.

(d) If a person becomes a resident on a day within a year of assessment, his statutory income for that year of assessment from all sources other than trade, business, profession, vocation, or employment (which are dealt with in (b)) is the income from that day to the end of the year of assessment, and the statutory income for the following year of assessment is the income for one year from that day. For each subsequent year of assessment the statutory income is the income of the preceding year. If a person ceases to be resident in any year of assessment, the statutory income for that year from the sources referred to is the income from 1st April to the day on which he ceases to be resident. This, however, does not apply to any source of profit retained by such person after he ceases to be resident. Income from such a source is assessed on the normal preceding-year basis, but he is taxed as a resident from 1st April to the date on which he ceases to be resident and thereafter as a non-resident.

(e) If a person dies, his statutory income for the year of assessment in which death occurs is the income of the period beginning on 1st April of that year and ending on the day of death. From the date of death the liability is that of the executor, and this is dealt with in Chapter XV.

10. The following are a few examples to illustrate the somewhat confusing bases of assessment contained in paragraph 9 :—

A is a Government servant retiring on 1st August 1941. His statutory income from employment for the year of assessment 1941-42 would be—

Salary from 1.4.41 to 31.7.41,
Pension from 1.8.41 to 31.3.42,
Commuted pension, if any.

For the assessment year 1942-43 his statutory income would be pension from 1st August 1941 to 31st July 1942.

For the assessment year 1940-41 the liability would be on salary from 1st April 1940 to 31st March 1941 or on that from 1st April 1939 to 31st March 1940, whichever is the greater.

B is a European planter resident in Ceylon for a number of years. He retires from planting with effect from 1st August 1941 and decides to leave Ceylon. His income for the year ended 31st March 1940 taxed in 1940-41, consisted of—

Agriculture (tea estate),
Salary,
Profession (Visiting Agent),
Ceylon Interest,
Ceylon Dividends,
United Kingdom Dividends.

He proposes to sell all his Ceylon shares. The tea estate is not to be sold and the moneys lent on interest are not to be called back.

His liability for 1941-42 is as follows :—

| | Income from— |
|-------------------------|--------------------|
| Agriculture | 1.4.40 to 31.3.41, |
| Salary | 1.4.41 to 31.7.41, |
| Profession... .. | 1.4.41 to 31.7.41, |
| Ceylon Interest | 1.4.40 to 31.3.41, |
| Ceylon Dividends | 1.4.41 to 31.7.41, |
| U.K. Dividends | 1.4.41 to 31.7.41, |

For 1940-41 he would normally have been taxed on income from all sources for the year ended 31st March 1940. This assessment would be allowed to remain undisturbed unless his income from salary and profession from 1st April 1940 to 31st March 1941 happened to be greater than that for the period 1st April 1939 to 31st March 1940 in which event the

income from these sources for the former period would be substituted for the income for the latter period and an additional assessment made.

C is an individual resident in Ceylon. He dies on 31st July 1941. His sources of income are—

Agriculture,
Profession,
Ceylon Interest,
Rents.

His liability for 1941-42 is as follows :—

| Income from— | | | |
|-----------------|-----|-----|--------------------|
| Agriculture | ... | ... | 1.4.41 to 31.7.41, |
| Profession... | ... | ... | 1.4.41 to 31.7.41, |
| Ceylon Interest | ... | ... | 1.4.41 to 31.7.41, |
| Rents | ... | ... | 1.4.41 to 31.7.41, |

As regards 1940-41, the assessment made on the basis of the year to 31st March 1940 would not be changed unless the income from agriculture and/or profession for the year ended 31st March 1941 exceeded the income from these sources for the year ended 31st March 1940 in which case an additional assessment would be made for the difference.

CHAPTER II

AGRICULTURE

11. In the form of income tax return the case for agriculture is divided into two sections (a) and (b). (a) is meant for income from estates under permanent crops such as tea, rubber, and coconut, while (b) is for income from paddy, tobacco, etc.

Mature Area, Immature Area, New Clearing

12. For each estate a separate Income and Expenditure Account is necessary. The income and expenditure of each estate should be prepared in three sections—

- (1) income and expenditure of mature area,
- (2) income and expenditure of immature area,
- (3) expenditure on new clearings (which is all capital expenditure and therefore not allowable as a deduction).

13. In the case of immature area the excess of expenditure over income is not always allowable as a deduction in full. The net expenditure on immature area of all the estates of a tax-payer is allowable subject to a maximum of 15 per cent. of the net income from mature areas of all the estates.

14. In allocating expenditure between mature and immature areas the cost of manure, labour, and all sundry

expenses can be charged accurately to each area. Overhead expenditure like superintendent's salary should be charged proportionately on an acreage basis.

15. In computing the income of small estates the owners of which do not keep separate accounts for mature and immature areas, the Assessor allocates the expenditure on immature area on a *pro rata* acreage basis.

Expenses

16. Some of the expenses which tax-payers erroneously claim are survey fees, litigation expenses (except those connected with the recovery of income), and the cost of erecting new buildings (large or small). Renewals of buildings are allowed, provided that that part of the cost which represents improvements is capital and therefore not allowable. Depreciation on estate plant, machinery, and fixtures is allowed. (See paragraph 45).

Proceeds of Sale of Coupons

17. The proceeds of sale of coupons are income. In the case of estates which are on a care-and-maintenance basis, sales of coupons effected in any accounting year should be shown in full in the revenue account of that year. In the case of estates which sell tea and rubber with their own coupons and (a) purchase coupons from outside to sell their excess produce, and also (b) use for the sale of their produce their own coupons relating to a subsequent accounting year, the cost of (a) and the market value of (b) are allowed, but the value of (b) should be credited in the subsequent year's accounts under sales.

Travelling

18. Section 10 of the Income Tax Ordinance reads as follows:—

“For the purpose of ascertaining the profits or income of any person from any source, no deduction shall be allowed in respect of—

(a) domestic or private expenses, including the cost of travelling between residence and place of business or employment ;

.....”

The term “business” has been defined in the Ordinance as including an agricultural undertaking. Therefore when the owner of an estate leaves his residence and goes to inspect or supervise the work of his estate he goes to his “place of business,” and under the section quoted above the expenses of such travelling cannot be allowed as a deduction from the income of the estate. In *Rajapakse vs. Commissioner of Income Tax* (36 N.L.R. 258) the Supreme Court held that the expenses of travelling between his house and the Law Courts claimed by an advocate who resided in Colombo and had his chambers in his house did not come within the provisions of the section quoted above. This decision rests on the ground that the advocate's “place of business” is the room or rooms in his house set apart for professional purposes. Similarly, owners of large estates who have actually set apart a room or rooms in their houses as an office, in which books of accounts are kept, dealers interviewed, and sales effected, can claim the expenses of travelling to estates from their offices. Owners who do not fulfil this condition cannot legally claim such expenses. Owners of more than one estate can, however, claim the expenses of travelling from one estate to another.

CHAPTER III

EMPLOYMENT

What Are "Profits from Employment" ?

19. "Profits from employment" includes salary or wages, leave pay, fee, pension, commission, bonus, gratuity or perquisite ; any sum received in commutation of pension ; rental value of place of residence provided rent-free by the employer ; the excess of the rental value over the rent paid—this occurs mostly in the case of bungalows occupied by Government officers ; any other allowance granted in respect of employment whether in money or otherwise.

Leave Pay

20. Before the Amending Ordinance No. 25 of 1939, which came into force on 17th June 1939, was passed the leave pay granted by a non-resident employer to an employee who left Ceylon on the termination of his service in Ceylon was not taxable for the period commencing from the date of his departure, as it was deemed to be a payment by one non-resident to another non-resident. Under the amended law, "leave pay" is included in "profits from employment," and "any employment carried on or exercised by any person whether resident or non-resident shall not be deemed to cease by reason only of the grant of leave to that person." This means that, in the case of employees of banks and non-resident companies who leave Ceylon for good on the termination of their service in Ceylon, the leave salary paid after their departure from Ceylon is now taxable. If the leave salary granted is in respect of a term of service

both elsewhere and in Ceylon, the amount of salary taxable in Ceylon is in the proportion of the service in Ceylon to the whole term of service in respect of which the leave is granted.

Rental Value of free house

21. The rental value of houses situated outside rating areas (see paragraph 42) shall not be more than twenty-five per cent. of the total of salary, fee, bonus, commission, etc. By arrangement with planting interests the department assesses the rental value of estate bungalows at ten per cent. of the salary, bonus and commission subject to a maximum of Rs. 1,800 per annum ; if, however, any case is brought to notice in which the accommodation and amenities of the bungalow are not commensurate with the rental value arrived at by this method, the department is not averse to making a reduction after due enquiry.

Commission and Bonus

22. Commission is part of the remuneration which the employer has contracted to pay the employee. It is of course a variable amount, depending, for instance, in the case of planters, on the state of the market for agricultural produce and the successful conduct of business. It arises and accrues day by day and the aggregate amount payable for the year arises on the last day of the account year. Bonus, on the other hand, is a gift of a voluntary nature and arises on the date on which the employer sanctions it. This is a point which employees should bear in mind. It sometimes happens, especially in the case of estate employees, that the commission and the bonus which should be declared in any year's income tax return are not in respect of the same

season. In the return for the year of assessment 1941-42 the profits from employment of the majority of planters would be—

Salary ... April 1940 to March 1941 ;
 Commission for the year ended 31st December 1940;
 Bonus Company meetings generally take place in March, and bonus for 1941-42 assessment would be for 1940, sanctioned in March, 1941.

Withdrawals from Provident Fund

23. Amounts withdrawn from “approved” provident funds during the year are taxable as “profits from employment” and should therefore be declared in the return.

Travelling Allowance

24. Travelling allowance is not taxable as it is deemed to be fully spent. There may be cases in which the travelling expenses incurred are in excess of the allowance granted, and in such cases the excess or part of the excess claimed may be allowed by the department provided proof is forthcoming that the allowance paid is meant to cover only part of such expenses and that the salary paid includes an addition for travelling.

Retirement from Service

25. Retiring from service and commencing to draw pension are regarded as the cessation of one employment and the commencement of another. For the basis of liability for the year of assessment in which retirement takes place and for the rate at which commuted gratuity is taxed, see paragraphs 10 and 79.

CHAPTER IV

TRADE, BUSINESS, PROFESSION, ETC.

26. The net profit from trade, business, profession, etc., carried on individually and in partnership should be entered in the form in cages A3 and A4 respectively. Trading and Profit and Loss Accounts in the case of trade, and Income and Expenditure Accounts in the case of profession, should be attached to the returns. The expenses permissible are those broadly indicated in Chapter VIII. The accounts must be on an accrual basis in the case of trade and business, but in the case of profession the department usually accepts accounts rendered on a cash basis. If he adopts the cash basis, the tax-payer should show in his accounts only what was received in cash, no matter to what year the income actually relates, instead of including as income the whole amount earned and claiming as expense the bad and doubtful debts.

27. Owners of businesses in which competent full-time accountants are not employed are advised to hand over their income tax affairs to accountants approved by the department for that purpose. They should be entrusted with the duty of drawing up a Trading and Profit and Loss Account and Balance Sheet, preferably after a full or part audit. This, of course, means the payment of a fee, but that expense is worth while incurring because this course would in the long run be in the interests of the tax-payer.

CHAPTER V

INTEREST

Basis

28. Cage A5 of the form is meant for interest on moneys invested on mortgages, or debentures, or promissory notes. Income from interest should be declared on the basis of the preceding year subject to paragraphs 9 (d) and 9 (e). The full amount which fell due should be declared whether received or not. If any part of the interest so declared has not been actually received, a statement to that effect should be made in the return.

Interest in Arrear

29. The interest not received will not be included in the assessment. If in subsequent years this interest is received, an additional assessment will be made in respect thereof.

Irrecoverable Interest

30. If any interest has been included in the assessment and tax paid thereon and if it be subsequently found that that interest is unpaid and cannot be recovered, the assessment which includes that interest may be reduced by the amount of the interest shown to be irrecoverable and the tax paid thereon refunded.

Deductions from Interest

31. No deduction of any sort is allowed from interest, such as bad debts, legal expenses, charges for collection, etc.

Interest Received by Money-lenders

32. Interest received by money-lenders is treated as income from trade and should therefore be returned in cage A3 or A4 of the form of income tax return, as the case may require.

CHAPTER VI

DIVIDENDS

33. The income arising from a dividend paid by a company in Ceylon, in the United Kingdom, or in any other part of His Majesty's dominions where the legislature has provided for relief in respect of tax on income charged both in that country and in Ceylon, is the gross dividend, *i.e.*, where the income tax payable in these countries is deducted at the time of the payment of the dividend, the amount of the dividend returnable is the amount before the deduction is made ; where no such deduction is made, the income arising is the amount of the dividend increased by an amount on account of such tax corresponding to the extent to which the profits out of which the said dividend has been paid have been charged with such tax.

Dividends Paid by Companies Resident in Ceylon

34. Income from Ceylon dividends should be shown in the return of income in the manner required in cage A7 and the total of net income and tax deducted should be cast in the last column. The gross amount of the dividends will be included in the assessment and the tax due calculated on the total income. From the tax so arrived at the amount of tax certified by the company as having been deducted from the dividends at the time these were paid will be deducted and the balance only demanded in the notice of assessment. If, however, the tax deducted from dividends is more than the tax found to be payable, the difference will be refunded.

35. A resident individual who has furnished a return of income which includes a Ceylon dividend from which tax has been deducted at the source will be refunded the tax so deducted if his total assessable income is found to be below Rs. 2,400.

36. If a person has the upper half of a dividend warrant on which the tax deducted is certified and if he is not one who furnishes a return of income, his total income being far below the taxable level of Rs. 2,400, he may apply to the Commissioner for a refund of the tax so deducted.

Dividends paid by Sterling Companies which pay Ceylon Tax

37. Some sterling companies operate only in Ceylon and consequently the whole of their income is subject to Ceylon tax. If a dividend from such a company is included in the return of a shareholder resident in Ceylon, the gross dividend will be further grossed by the addition thereto of tax paid in Ceylon at 18 per cent. and the amount so arrived at will be included in the assessment. Tax at 15 per cent. of the amount so included will be set off from the tax due from this person. Sterling companies are taxed at 18 per cent. and hence the grossing is done at 18 per cent. ; but the set-off of tax is only at 15 per cent. because the rate of 18 per cent. includes 3 per cent. to compensate for loss of estate duty on sterling company shares as these are not subject to estate duty, and this 3 per cent. is expressly excluded from the calculation of the set-off. There are other sterling companies which carry on business in Ceylon as well as in other countries and in such cases a part only of the profits from which the dividend is declared would have borne

Ceylon tax. If a dividend from such a company is included in a resident shareholder's return, the department will add Ceylon tax at 18 per cent. to that part of the dividend which bears the same proportion to the whole dividend as the Ceylon income of the company bears to the total income from which the dividend is paid, and include the total amount thus obtained in the assessment. The assessee will be credited with tax at 15 per cent. of the grossed Ceylon share of the dividend.

Example :

A London company owns tea gardens in Ceylon and Assam. It was found that 90 per cent. of the profits from which it declared a dividend was derived from Ceylon and 10 per cent. from Assam. A Ceylon shareholder returned a net dividend from this company of £140, tax deducted £60.

| | |
|--|------|
| Gross sterling dividend | £200 |
| Ceylon share | £180 |
| Assam share | £ 20 |
| Add Ceylon tax @ 18% to Ceylon share : | |

| | | |
|--------------------------------------|---|-----------|
| £ $\frac{180 \times 100}{82}$ | = | £219.10.3 |
|--------------------------------------|---|-----------|

| | |
|---|-----------|
| Total dividend taxable is £219.10.3 + £20 | |
| = | £239.10.3 |
| = | Rs. 3,193 |

| | |
|--|--------------|
| Set-off of tax due is 15% of £219.10.3 | |
| or Rs. 2,927 | = Rs. 439.05 |

38. Dividends from sterling companies received by a non-resident individual are not regarded as income arising in Ceylon.

CHAPTER VII

RENT OF LANDS AND BUILDINGS

39. To determine correctly the income returnable from rent of lands and buildings thereon it is necessary to understand clearly the meaning of the following terms :—

- (a) Annual Value,
- (b) Net Annual Value,
- (c) Rental Value.

Annual Value, Net Annual Value and Rental Value

40. The assessment which a local authority fixes for the purpose of recovering rates is called the annual value. In Colombo and other principal towns, the annual value is twelve months' rent less rates. The net annual value of houses in these towns is arrived at by deducting from the annual value 20 per cent. thereof for repairs, etc. What is called rental value is twelve months' gross rent, *i.e.*, the nett annual value plus the allowance deducted for repairs, etc., plus rates.

41. Each local authority has its own method of fixing annual value. In some towns the annual value is twelve months' rent less a percentage for repairs, no deduction being allowed for rates ; in others it is twelve months' rent less rates less a percentage for repairs ; in yet others it is twelve months' rent without any deduction for repairs or rates. In arriving at the net annual value, the correct course is to work out the gross rent for twelve months on which the annual value is based and then to deduct the rates paid and 20 per cent. of the balance for repairs, etc.

42. Income returnable from rent of lands and buildings in rating areas should be the rent received less rates less 20 per cent. of the balance for repairs, but should never be less than the net annual value, subject, of course, to proportionate reduction for periods during which the houses were untenanted. This requires explanation.

Example :

A house in Colombo is rated at Rs. 1,250. This means that the owner is expected to get a monthly rental of Rs. 125. But he does not get it. He is able to get only Rs. 115 a month. In his return he will enter—

| | | | | |
|------------------|-----|-----|-----|-----------|
| Gross rent | ... | ... | ... | Rs. 1,380 |
| Rates... | ... | ... | ... | „ 250 |
| | | | | <hr/> |
| | | | | Rs. 1,130 |
| Repairs @ 20% | ... | ... | ... | „ 226 |
| | | | | <hr/> |
| Net Annual Value | ... | ... | ... | Rs. 904 |
| | | | | <hr/> |

The department will nevertheless tax him as follows:—

| | | | | |
|------------------|-----|-----|-----|-----------|
| Annual Value | ... | ... | ... | Rs. 1,250 |
| Repairs @ 20% | ... | ... | ... | „ 250 |
| | | | | <hr/> |
| Net Annual Value | ... | ... | ... | Rs. 1,000 |
| | | | | <hr/> |

This is a source of discontent among owners of house property as they are compelled not only to pay the local authority rates based on a higher rental than they actually receive but also to pay income tax on income they have not received. As the law stands income tax must be paid on rents based upon assessment for rates, and the only means of avoiding the payment of tax on a higher rental than was

actually received is to appeal against the assessment of the local authority and bring it down to a figure based correctly on the rent recovered.

The net annual value of houses situated outside the limits of local authorities shall not, under the Ordinance, exceed five per centum of the capital value.

43. If a house is rented out for an amount which is below its net annual value, the owner is taxable on the rent received without any deduction and the tenant is taxable on the difference between the rent paid and the net annual value.

Example :

A house in Colombo is rated at Rs. 1,000. The rent paid per mensem is only Rs. 60, or Rs. 720 for the year.

The net annual value is—

| | | | | |
|------------------|-----|-----|-----|-----------|
| Annual Value | ... | ... | ... | Rs. 1,000 |
| Repairs @ 20% | ... | ... | ... | „ 200 |
| | | | | <hr/> |
| Net Annual Value | ... | ... | ... | Rs. 800 |
| | | | | <hr/> |

The difference between the net annual value and the rent paid is Rs. 800—Rs. 720 = Rs. 80.

The owner is taxable on Rs. 720, and the tenant on Rs. 80.

44. Cage A10 of the form of return is meant for the net annual value of house or houses occupied or reserved for occupation by the person making the return. Cage A11 is for rents received.

CHAPTER VIII

DEDUCTIONS

Allowable Deductions

45. In ascertaining the profits or income from any trade or business (which includes agriculture), profession, vocation or employment, the Ordinance lays down that "all outgoing and expenses incurred in the production thereof" are allowable. Disagreements between tax-payers and taxing officers often arise on the question as to what is admissible expense and what is not. Each claim has to be judged on its merits, the only determining factor being whether the expense was incurred in the production of the income concerned. The following, however, are some of the expenses allowed by the Ordinance :—

(a) Depreciation by wear and tear of plant, machinery, and fixtures calculated at a fixed rate on the written-down value; depreciation is allowed only if the plant, etc., has been actually used during the year of account. If, for instance, a rubber estate is kept on a care-and-maintenance basis and the coupons are sold, no depreciation of plant, etc., is allowable. The rates of depreciation are given in the Income Tax Manual.

(b) Loss occasioned by selling or discarding any plant, etc., which represents the excess of the written-down value over the sum, if any, realised by the sale. Provided that if the sale results in a profit such profit has to be included in the revenue account.

(c) Cost of repairs to plant, etc., and the cost of renewal or repairs to premises, implement, utensil, or article employed in the business. Provided that in the case of plant, machinery, or fixtures, renewal may be claimed instead of the depreciation and loss referred to in (a) and (b).

(d) Bad and doubtful debts. Provided that recoveries on account of bad and doubtful debts previously allowed are treated as receipts and brought to account.

(e) Interest paid or payable to a banker.

(f) Contribution payable by Government officers towards Widows' and Orphans' pensions.

(g) Contribution towards teachers' pensions.

(h) Contribution to a pensions, savings, or provident fund approved by the Commissioner.

Expenses Not Allowable

46. Some of the expenses not allowable are :—

- (a) domestic or private expenses ;
- (b) expenses of travelling between residence and place of business or employment ;
- (c) expenditure of a capital nature or any loss of capital ;
- (d) cost of improvements ;
- (e) United Kingdom income tax, Ceylon income tax, or Empire tax ;
- (f) any contribution to pensions, provident, or savings funds, other than those mentioned in paragraph 45 (f), (g), and (h).

CHAPTER IX

STATUTORY INCOME, ASSESSABLE INCOME,
AND TAXABLE INCOME

47. Before income tax is levied income is made to pass through three stages, viz., statutory income, assessable income, and taxable income.

Statutory Income

48. The amounts of income entered in the various cages of income tax forms after all allowable deductions therefrom have been made are called statutory income.

Assessable Income

49. From the total of the statutory income so arrived at further deductions are allowable under the following categories :—

- (a) interest other than that referred to in paragraph 45 (e),
- (b) annuity,
- (c) ground rent,
- (d) royalty,
- (e) loss in business, trade, etc.

50. Deductions (a), (b), (c), and (d) are normally on the basis of the preceding year. If the bases of assessment are different (see paragraph 9), the deductions are for the period which forms the basis. These deductions are not allowable if the payments are made by one non-resident to another non-resident. Furthermore, if these payments have not been and will not be made, they will not be allowed as

deductions. These sums should be entered in cages B (1) to B (4) of the return—Form No. 1. At the foot of page 6 of that form is cage B¹. This cage should be filled up carefully as the allowance of the interest claimed depends upon the information furnished in this cage. If interest claimed is found to be unpaid the Assessor will normally not allow it. If such interest is paid later the tax-payer must make a written application to the Assessor within twelve months of the payment, furnishing proof of payment, for a re-assessment of the income of the year in which the interest was not allowed. The Assessor will thereupon make a re-assessment regardless of any time-limit and refund the tax overpaid.

51. Deduction (e) is allowable mostly under section 13 (1) (c) and in some cases under section 13 (1) (d).

If the loss under section 13 (1) (c) allowable against the statutory income of the first year of assessment after that in which the loss was incurred is too large to be worked off in that year, the balance may be carried forward and claimed in the following year or the following two years as the case may be. Any balance left at the end of the third year becomes time-barred. There is one peculiarity about loss, viz., that it is always allowed on the basis of the preceding year April to March or the year adopted for purposes of accounting.

Loss under section 13 (1) (b) is of a different character. If, for instance, the assessment for the year 1941-42 based upon the accounts of the preceding year 1940-41 results in tax payable but the tax-payer finds that his business during the year of assessment shows a large loss, he may claim that the loss incurred during the year of assessment be deducted

from the assessable income for that year. If the tax-payer elects to do this, he must give notice of such intention in writing within six months of the end of the year of assessment, viz., in this case before 30th September, 1942. Any loss so allowed on the actual-year basis is, of course, not allowable again in the following year under section 13 (1) (c).

52. The balance of the statutory income after the foregoing deductions have been made is called assessable income.

Taxable Income

53. Taxable income is arrived at by deducting from the assessable income the allowances authorized in section 16. These allowances are given only in the case of resident individuals, which means that in the case of every "person" other than a resident individual the taxable income and the assessable income are the same.

54. The authorized allowances are—

- (a) Earned income relief,
- (b) Personal allowance,
- (c) Wife allowance,
- (d) Child allowance,
- (e) Dependent relative allowance.

(a) Earned income relief is an allowance from income derived by the personal exertion of the tax-payer. It is one-fifth of the income from employment, profession, trade, business, or vocation, and one-tenth of the income from agriculture, after deducting any loss allowable. The total allowance, however, should not exceed either one-fifth of the total assessable income or Rs. 4,000, whichever is less.

(b) Personal allowance—Rs. 2,000.

(c) Wife allowance—Rs. 1,000, if the tax-payer had at any time during the preceding year a wife who was not living apart from him under the decree of a competent court or duly executed deed of separation.

(d) Child allowance—Rs. 1,000 for the first unmarried child and Rs. 500 for each such subsequent child the tax-payer had at any time during the preceding year—the total allowance under this head not to exceed Rs. 3,000—provided that no allowance is due in respect of a child who—

- (i) was over eighteen years of age, or
- (ii) had during the preceding year an income of Rs. 1,000, or
- (iii) carried on or exercised during the preceding year a trade, business, profession, vocation, or employment.

The term "child" includes a step-child but does not include an adopted or illegitimate child. If, however, a child was between eighteen and twenty-two years of age and was receiving full-time instruction at a college or other educational establishment, the allowance is due.

(e) Dependent relative allowance—Rs. 250 in respect of each relative who lived with and was maintained by the tax-payer *throughout* the preceding year. "Relative" means a parent, brother, sister, or child, but does not include a child for whom allowance under (d) is claimed: provided that—

- (i) no allowance is due in respect of a relative who had during the preceding year an income exceeding Rs. 250;

- (ii) the total allowance under this head does not exceed Rs. 1,000; and
- (iii) the total of this allowance and the allowance under (d) does not in the aggregate exceed Rs. 3,000.

Proportionate Allowance

55. If a tax-payer is resident during only a part of a year of assessment the allowances under (b), (c), (d), and (e) are proportionate to the number of days the tax-payer was deemed resident in the year of assessment; and in the case of the allowance under (a) the relief on the earned income proportionate to the number of days the tax-payer was deemed resident should not exceed the figure of Rs. 4,000 reduced in the same proportion.

CHAPTER X

PARTNERSHIP

56. The precedent partner of a firm is responsible to the Commissioner for furnishing returns of income of the partnership; if no active partner is resident in Ceylon, the return of income has to be furnished by the agent of the partnership in Ceylon.

Firm Not Assessable

57. A firm is not assessable as such. The share of profit or loss of each partner is computed and carried to his personal return and is assessable in his hands together with his income from other sources.

58. Partnership income is income from trade or business and consequently earned income relief is allowable on it unless, of course, the partner is a sleeping partner.

59. The return of income is for any period of twelve months immediately preceding the year of assessment for which accounts are kept subject, of course, to paragraph 9. Interest, annuity, ground rent, or royalty payable has to be deducted for the same period, before the income of the partnership is determined.

60. In computing the share of each partner's profit or loss, the salary drawn, interest on capital, etc., should be added to each partner's share.

61. The tax payable by a non-resident partner on the partnership income is recoverable from the partnership, or

from a resident partner, or from the agent of the partnership in Ceylon.

62. Where no return of income has been furnished by a partnership or where the return of income furnished has not been accepted by the Assessor, an assessment of estimated income may be made on the partnership. This is done with a view to enabling the partnership to appeal against the assessment and to have the actual income of the partnership settled in appeal. If this method is not resorted to, as many estimated assessments as there are partners are necessary, followed by as many appeals.

CHAPTER XI

RESIDENCE

“ Resident ” Although Absent from Ceylon for Twelve Months

63. An individual who has been resident throughout a period of twenty-four consecutive months can be out of Ceylon and yet be deemed a resident provided he is not continuously absent from Ceylon for an unbroken period of twelve months. If his absence exceeds twelve months, he is deemed non-resident from the date on which such absence commenced.

Six Months' Stay in Ceylon Required Before an Individual is Deemed a “ Resident ”

64. To be deemed “ resident ” an individual who arrives in Ceylon for the first time must remain in Ceylon for a period or periods aggregating to six months during the year commencing from the date of his arrival and if he is in Ceylon at the end of that year he is deemed resident throughout that year. If he is out of Ceylon at the end of that year, but his absence from Ceylon from the date of last departure is for a period less than three months he is yet deemed a resident for the whole year. If his absence is for a period longer than three months he is deemed a resident from the date of first arrival till the date of last departure and non-resident thereafter.

65. If an individual who has been resident in Ceylon for two or more consecutive years leaves Ceylon permanently but dies within twelve months of his departure, according to what has been stated above he remains a resident up to the date of death. If in such a case the tax payable by the deceased person for the period from 1st April up to the date of death exceeds the tax which would have been payable if he had continued to live and become a non-resident, the Commissioner may direct that, as a measure of relief, he be assessed as a non-resident for such period.

CHAPTER XII

SEPARATE ASSESSMENTS

Income of Wife is Income of Husband

66. If a married woman is not living apart from her husband under the decree of a competent court or duly executed deed of separation, normally her income is deemed to be the income of her husband and is taxed accordingly. It is, however, open to a husband or wife to give notice in writing to the Commissioner before the 1st of June in any year of assessment requesting that tax on their incomes for that year of assessment be assessed and recovered separately.

67. It is not necessary that notice should be given each year. If separate assessments are desired until further notice, the Commissioner may be so informed.

68. If the Commissioner finds it difficult to collect from the husband the tax on the joint income, he has power to collect from the wife that portion of the tax which is due in respect of her income.

Resident Spouse Agent of Non-Resident Spouse

69. If one spouse is a resident and the other non-resident, the resident spouse is deemed to be the agent of the non-resident spouse for all purposes of income tax, including the payment of the tax whether assessed jointly or separately.

Both Spouses Resident

70. Separate assessments may be desired for personal reasons, but this does not mean any reduction in the amount of tax payable because, whether assessed jointly or separately, the tax payable is the same. On the other hand, there is the possibility of the total tax on separate assessments being higher than the tax on the joint income as, for instance, in cases in which the "loss" claimed by one spouse is larger than the statutory income of that spouse.

Examples :

(1) A's income is as follows :—

| | | | | |
|---------------|-----|-----|-----|---------------|
| Employment... | ... | ... | ... | Rs. 18,000.00 |
| Rent ... | ... | ... | ... | „ 3,000.00 |

His wife's income is Rs. 10,000 from agriculture. They have three children in respect of whom allowances are due.

The joint assessment would be—

| | | | | |
|-----------------|-----|-----|-----|----------------------|
| Agriculture ... | ... | ... | ... | Rs. 10,000.00 |
| Employment... | ... | ... | ... | „ 18,000.00 |
| Rent ... | ... | ... | ... | „ 3,000.00 |
| | | | | <u>Rs. 31,000.00</u> |

| | | |
|------------------------------|--------------|----------|
| Less Earned Income Relief... | Rs. 4,000.00 | |
| Personal Allowance ... | „ 2,000.00 | |
| Wife Allowance ... | „ 1,000.00 | |
| Child Allowance ... | „ 2,000.00 | 9,000.00 |

Taxable Income ...Rs. 22,000.00

| | | |
|-----------------------|-----|---------------------|
| Tax : Rs. 6,000 @ 7½% | ... | Rs. 450.00 |
| Rs. 16,000 @ 15% | ... | „ 2,400.00 |
| | | <u>Rs. 2,850.00</u> |

A's assessable income is Rs. 21,000.

His wife's assessable income is Rs. 10,000.

A will be assessed as follows :—

| | | | |
|---------------------------|-----|-----|---------------|
| Assessable Income ... | ... | ... | Rs. 21,000.00 |
| Less Earned Income Relief | | | |

$$\text{Rs. } 4,000 \times \frac{18,000}{23,000} = \text{Rs. } 3,130.00$$

Personal, Wife, and
Child Allowances

$$\text{Rs. } 5,000 \times \frac{21,000}{31,000} = \text{Rs. } 3,387.00 \quad \text{„} \quad 6,517.00$$

Taxable Income ...Rs. 14,483.00

His wife will be assessed as follows :—

| | | | |
|---------------------------|-----|-----|---------------|
| Assessable Income ... | ... | ... | Rs. 10,000.00 |
| Less Earned Income Relief | | | |

$$\text{Rs. } 4,000 \times \frac{5,000}{23,000} = \text{Rs. } 870.00$$

Personal, Wife, and
Child Allowances

$$\text{Rs. } 5,000 \times \frac{10,000}{31,000} = \text{Rs. } 1,613.00 \quad \text{„} \quad 2,483.00$$

Taxable Income ...Rs. 7,517.00

Tax :

A's share—

| | | |
|-------------------------------------|-------------------|---------------------|
| Rs. 6,000 × $\frac{14,483}{22,000}$ | = Rs. 3,950 @ 7½% | = Rs. 296.25 |
| Balance Rs. 10,533 | @ 15% | = „ 1,579.95 |
| | | <u>Rs. 1,876.20</u> |

His wife's share—

$$\begin{aligned} \text{Rs. } 6,000 \times \frac{7,517}{22,000} &= \text{Rs. } 2,050 @ 7\frac{1}{2}\% = \text{Rs. } 153.75 \\ \text{Balance Rs. } 5,467 & @ 15\% = \text{Rs. } 820.05 \\ \text{Rs. } & \underline{973.80} \end{aligned}$$

$$\text{Rs. } 1,876.20 + \text{Rs. } 973.80 = \text{Rs. } \underline{2,850.}$$

Note.—To enable the reader readily to follow the foregoing calculation, especially the manner in which earned income relief and other allowances given in the joint assessment have been apportioned between the husband and wife in the separate assessments, sections 22 (1) and 22 (2) of the Income Tax Ordinance are quoted hereunder :—

“ 22. (1) Notwithstanding the provisions of section 21, any husband or wife may give notice in writing to the Commissioner before the first day of June in any year of assessment requiring that tax for that year shall be assessed, charged, and recovered separately on the income of the husband and on the income of the wife as if they were not married, and all the provisions of this Ordinance shall thereupon apply to each of them accordingly.”

“ 22. (2) Where tax is assessed separately as a result of a notice under sub-section (1), the incomes of the husband and the wife shall be aggregated for the purpose of the allowances from assessable income under Chapter VI and for the purpose of calculating the sums chargeable at the unit rate and at twice the unit rate, and the total tax payable in respect of the incomes of husband and wife shall not be less than the amount which would have been payable if no notice had been given under this section.

“ The allowances under Chapter VI and the amounts chargeable at the unit rate and at twice the unit rate shall be apportioned between the husband and the wife by the Commissioner in his discretion, the allowance in respect of earned income being apportioned by reference to the amount of the earned income of each, the other allowances from assessable income in proportion to the assessable income of each, and the amounts chargeable at the unit rate and at twice the unit rate in proportion to the taxable income of each :

“ Provided that where an assessment is reduced or increased after such apportionment has been made, the Commissioner shall make a fresh apportionment, and any consequent adjustment shall be made by additional assessment or reduction or repayment of tax, as the case may require.”

Earned income of the husband is... Rs. 18,000.00

Earned income of the wife is half of
Rs. 10,000, as income from agriculture
is regarded as earned income only to
the extent of one half Rs. 5,000.00

Total ...Rs. 23,000.00

Earned income relief given in the joint
assessment is the maximum Rs. 4,000.00

Relief to the husband is Rs. $4,000 \times \frac{18,000}{23,000}$

Relief to the wife is Rs. $4,000 \times \frac{5,000}{23,000}$

Other allowances given are in proportion to the assessable income of each.

Due to the husband Rs. $5,000 \times \frac{21,000}{31,000}$

Due to the wife ... Rs. $5,000 \times \frac{10,000}{31,000}$

(2) B's income is as follows :—

| | | | | |
|---------------|-----|-----|-----|---------------|
| Employment... | ... | ... | ... | Rs. 20,000.00 |
| Interest | ... | ... | ... | „ 3,600.00 |

His wife's income from rent is Rs. 2,000, but she has loss on agriculture of Rs. 5,000.

Joint Assessment

| | | | | |
|---------------|-----|-----|-----|---------------|
| Employment... | ... | ... | ... | Rs. 20,000.00 |
| Interest | ... | ... | ... | „ 3,600.00 |
| Rent | ... | ... | ... | „ 2,000.00 |

| | | | | |
|---------------------|-----|-----|-----|---------------|
| | | | | Rs. 25,600.00 |
| Loss on Agriculture | ... | ... | ... | „ 5,000.00 |

Assessable Income ...Rs. 20,600.00

| | |
|---------------------------|--------------|
| Less Earned Income Relief | Rs. 3,000.00 |
| Personal Allowance | „ 2,000.00 |
| Wife Allowance | „ 1,000.00 |
| | „ 6,000.00 |

Taxable Income ...Rs. 14,600.00

Tax : Rs. 6,000 @ $7\frac{1}{2}\%$...Rs. 450.00

Rs. 8,600 @ 15% ... „ 1,290.00

Rs. 1,740.00

Separate Assessments

B's assessable income is Rs. 23,600.

His wife's assessable income is nil, as when the loss of Rs. 5,000 is deducted from Rs. 2,000 the result is a minus quantity.

The tax is therefore due only from the husband, and it amounts to Rs. 2,040 as follows :—

Assessable IncomeRs. 23,600.00

Less Earned Income Relief Rs. 4,000.00

Personal Allowance ... „ 2,000.00

Wife Allowance ... „ 1,000.00 „ 7,000.00

Rs. 16,600.00

Tax : Rs. 6,000 @ $7\frac{1}{2}\%$...Rs. 450.00

Rs. 10,600 @ 15% ... „ 1,590.00

Rs. 2,040.00

One Spouse Resident and the Other Non-Resident

71. If the husband or wife is non-resident, the resident spouse may give notice of separate assessment and ask therein that under section 22 (3) the income from Ceylon of the non-resident spouse be deemed to be the income of the resident spouse. If this is done the resident spouse will be taxed on his or her income from sources both in Ceylon and out of Ceylon plus the income of the non-resident spouse from sources in Ceylon. The allowances which are given in this assessment are earned income relief, personal allowance, and dependent relative allowance. Wife allowance and child allowance are not given. This method of assessment is advantageous in cases in which the non-resident spouse has large income outside Ceylon.

Example :

C's income is salary Rs. 15,000.

His wife is a non-resident and has the following income :—

Ceylon interestRs. 3,000.00

United Kingdom dividends ... „ 8,000.00

They have one child.

Joint Assessment

| | |
|--|----------------------|
| Assessable Income | Rs. 26,000.00 |
| Less Earned Income Relief Rs. 3,000.00 | |
| Personal Allowance | 2,000.00 |
| Wife Allowance | 1,000.00 |
| Child Allowance | 1,000.00 |
| | 7,000.00 |
| | <u>Rs. 19,000.00</u> |

| | |
|--|---------------------|
| Tax : Rs. 6,000 @ $7\frac{1}{2}\%$... | Rs. 450.00 |
| Rs. 13,000 @ $1\frac{1}{2}\%$ | 1,950.00 |
| | <u>Rs. 2,400.00</u> |

Separate Assessment under Section 22 (3)

| | |
|--|----------------------|
| Assessable Income | Rs. 18,000.00 |
| Less Earned Income Relief Rs. 3,000.00 | |
| Personal Allowance | 2,000.00 |
| | 5,000.00 |
| | <u>Rs. 13,000.00</u> |

| | |
|--|---------------------|
| Tax : Rs. 6,000 @ $7\frac{1}{2}\%$... | Rs. 450.00 |
| Rs. 7,000 @ $1\frac{1}{2}\%$ | 1,050.00 |
| | <u>Rs. 1,500.00</u> |

CHAPTER XIII

RATES OF TAX

72. An individual resident in Ceylon has to pay tax on his taxable income at the following rates :—

| | |
|------------------------------|----------------------------|
| Upon the first Rs. 6,000 ... | the unit rate ; |
| Upon the next Rs. 30,000 ... | twice the unit rate ; |
| Upon the remainder ... | three times the unit rate. |

Provided that if an individual is taxable as a resident only for a part year, the said sums of Rs. 6,000 and Rs. 30,000 are reduced in the same proportion as the number of days during which he is resident bears to the number of days in the year of assessment.

73. If the taxable income of a resident individual for a year of assessment is nil, or if the tax chargeable at the unit rate on the taxable income is less than one per cent. of his assessable income, the tax payable by that individual is one per cent. of his assessable income. Provided that the difference between the tax payable by a resident individual and his assessable income is never less than Rs. 2,400.

Examples :

(1) A's assessable income is Rs. 2,500. His allowances aggregate to Rs. 3,000. His taxable income is therefore nil. As his assessable income is more than Rs. 2,400, his liability is 1% of Rs. 2,500, i.e., Rs. 25.

(2) B's income is as follows :—

| | |
|-------------------|--------------|
| Employment | Rs. 3,000.00 |
| Rent | 1,000.00 |

Assessable Income ... Rs. 4,000.00

Allowances :

| | | | | |
|----------------------|-----|-----|----------|-------------|
| Earned Income Relief | ... | Rs. | 600.00 | |
| Personal Allowance | ... | ,, | 2,000.00 | |
| Wife Allowance | ... | ,, | 1,000.00 | ,, 3,600.00 |

Taxable Income ... Rs. 400.00

Tax @ $7\frac{1}{2}\%$ of Rs. 400 = Rs. 30.

But the tax of Rs. 30 is less than 1% of Rs. 4,000.
Therefore the correct liability is 1% of Rs. 4,000,
i.e., Rs. 40.

(3) C's assessable income is Rs. 2,418. His allowances amount to Rs. 3,000. Taxable income is therefore nil. Tax at 1% of assessable income is Rs. 24.18. But if the tax of Rs. 24.18 is deducted from the assessable income of Rs. 2,418 the balance is less than Rs. 2,400. Therefore the correct liability is Rs. 2,418—Rs. 2,400, i.e., Rs. 18.

74. An individual not resident in Ceylon has to pay tax on his taxable income at the following rates:—

Upon the first Rs. 50,000 twice the unit rate ;

Upon the remainder ... three times the unit rate :

Provided that where a non-resident individual is taxable as a non-resident for a part year only, the said sum of Rs. 50,000 is reduced in the same proportion as the number of days during which he is non-resident bears to the number of days in the year of assessment.

75. Companies registered in Ceylon pay tax at twice the unit rate on the whole of their taxable income.

76. Companies not registered in Ceylon and Hindu undivided families pay tax at twice the unit rate plus an additional three per cent. on the whole of their taxable income.

77. Mutual insurance companies, whether resident or non-resident, pay tax at the unit rate.

78. The tax payable by all other persons not dealt with in the foregoing is at twice the unit rate.

79. Commuted pensions are taxed at a special rate. This rate is obtained by dividing the tax paid for the year of assessment preceding that in which the officer retired by the assessable income of that year. The amount of the commuted pension taxed at the special rate is limited to the difference between (1) the taxable income arrived at from the assessable income inclusive of this pension, and (2) the taxable income arrived at from the assessable income exclusive of this pension. In the case of non-residents the assessable income is also the taxable income and hence the entire commuted pension is taxable at the special rate.

Example :

A retires on 1st July, 1941. His salary from 1st April 1941 to 30th June 1941 is Rs. 2,400. Pension from 1st July 1941 to 31st March 1942 is Rs. 3,600; commuted gratuity Rs. 16,000; agriculture Rs. 1,500; rent Rs. 2,000. He has a wife and one child.

His assessment without including the commuted gratuity is—

| | | | | | |
|-------------|-----|-----|-----|-----|----------|
| Agriculture | ... | ... | ... | Rs. | 1,500.00 |
| Employment | ... | ... | ... | ,, | 6,000.00 |
| Rent | ... | ... | ... | ,, | 2,000.00 |

Assessable Income ... Rs. 9,500.00

| | |
|---------------------------|--------------------|
| Less Earned Income Relief | Rs. 1,350.00 |
| Personal Allowance | ,, 2,000.00 |
| Wife Allowance | ,, 1,000.00 |
| Child Allowance | ,, 1,000.00 |
| | ,, <u>5,350.00</u> |

Taxable Income ... Rs. 4,150.00

His assessment including the commuted gratuity is—

| | | | | |
|-------------------|-----|-----|-----|---------------|
| Agriculture | ... | ... | ... | Rs. 1,500.00 |
| Employment | ... | ... | ... | „ 22,000.00 |
| Rent | ... | ... | ... | „ 2,000.00 |
| Assessable Income | | | | Rs. 25,500.00 |

| | | |
|---------------------------|----------------|---------------|
| Less Earned Income Relief | Rs. 4,000.00 | |
| Personal Allowance | „ 2,000.00 | |
| Wife Allowance | ... „ 1,000.00 | |
| Child Allowance | ... „ 1,000.00 | „ 8,000.00 |
| Taxable Income | | Rs. 17,500.00 |

The difference between Rs. 4,150 and Rs. 17,500, i.e., Rs. 13,350, is taxable at the special rate. The special rate is arrived at as follows :—

The year of assessment preceding the year in which retirement takes place is 1940-41. The assessment for that year was :—

| | | | | |
|-------------------|-----|-----|-----|---------------|
| Agriculture | ... | ... | ... | Rs. 1,400.00 |
| Employment | ... | ... | ... | „ 9,600.00 |
| Rent | ... | ... | ... | „ 2,000.00 |
| Assessable Income | | | | Rs. 13,000.00 |

| | | |
|---------------------------|----------------|--------------|
| Less Earned Income Relief | Rs. 2,060.00 | |
| Personal Allowance | „ 2,000.00 | |
| Wife Allowance | ... „ 1,000.00 | |
| Child Allowance | ... „ 1,000.00 | „ 6,060.00 |
| Taxable Income | | Rs. 6,940.00 |

| | | |
|-----------------------|-----|------------|
| Tax : Rs. 6,000 @ 7½% | ... | Rs. 450.00 |
| Rs. 940 @ 15% | ... | „ 141.00 |
| | | Rs. 591.00 |

$$\frac{591.00}{13,000} \times 100 = 4.55\%$$

The taxable income of Rs. 17,500 is therefore taxed as follows :—

| | | |
|--------------------|-----|------------|
| Rs. 4,150 @ 7½% | ... | Rs. 311.25 |
| Rs. 13,350 @ 4.55% | ... | „ 607.42 |
| | | Rs. 918.67 |

CHAPTER XIV

DEDUCTION AT SOURCE

Deduction by Resident Companies

80. Every resident company is entitled to deduct from the amount of dividend which becomes payable to any shareholder tax at twice the unit rate in force for the year preceding the year of assessment in which the sum is payable. This deduction is made for the purpose of enabling the company to transfer to the shareholders the tax which it has to pay on its profits. In the case of any particular shareholder the Commissioner may require the company to deduct from the dividend payable to that shareholder tax at a rate higher than twice the unit rate, but not exceeding three times the unit rate. The tax so deducted in excess of tax at twice the unit rate should be remitted to the Commissioner.

81. A company which deducts tax in the manner aforesaid must attach to the dividend warrant a statement showing—

- (a) the gross amount of the dividend ;
- (b) the rate and the amount of tax deducted ; and
- (c) the net amount paid.

Deduction from Rent, Annuity, etc., Payable to Person Out of Ceylon

82. If any person in Ceylon pays or credits to any person out of Ceylon any sum falling due being—

- (a) interest on debentures, mortgages, loans, deposits, or advances ; or
- (b) rent, ground rent, royalty, or annuity, which is payable either in respect of property in Ceylon or out of income arising in Ceylon,

whether such sum is due from him or from another person, he is entitled to deduct tax therefrom at twice the unit rate for the year preceding the year of assessment in which the sum falls due. The Commissioner may require that from the sums paid or credited to a particular person tax be deducted at a rate higher than twice the unit rate, but not exceeding three times the unit rate. The tax so deducted is payable forthwith to the Commissioner. Tax, however, is not deductible from any interest on any loan or advance made by a banker or on any interest paid out of income not arising in Ceylon.

83. The person who deducts tax in the manner aforesaid from any sum paid or credited to a person out of Ceylon should issue to such person a statement showing—

- (a) the gross amount of such payment ;
- (b) the rate and amount of tax deducted ; and
- (c) the net amount actually paid.

84. If the assessable income of a person includes income from which tax has been deducted either under paragraph 80 or under paragraph 82 the tax so deducted and shown in the statement issued to him will be set off against the tax payable by him.

CHAPTER XV

EXECUTORS

85. The statutory income of the executor of any deceased person from the estate of that person is as follows :—

(a) For the year of assessment in which the death occurs, the income from the date of death to the end of the year of assessment.

(b) For the year of assessment next following that in which the death occurs, the income for one year from the date of death.

(c) For any subsequent year of assessment, the income of the year preceding the year of assessment.

(d) For the year in which the distribution to the beneficiaries of the capital amount of their several interests in the estate is completed, the income from the first of April of that year to the day on which the distribution is completed.

86. Any part of the income of the estate received by, distributed to, or applied to the benefit of, any beneficiary during the period when the income of the estate is the statutory income of the executor, is deductible by the executor from such income.

87. The statutory income of any beneficiary of the estate of a deceased person administered by an executor is the amount of profits or income received by or distributed to him or applied to his benefit during the year preceding the year of assessment.

88. When the beneficiary of the estate of a deceased person has received the capital assets due to him, his profits or income from such assets is assessable on him on the normal preceding-year basis, provided that income from trade or business is taxed in the manner set out in paragraph 9 (b).

89. The executor pays tax at twice the unit rate on income of the estate remaining in his hands undistributed. If the income of the estate were fully distributed and taxed in the hands of beneficiaries, part of it might bear tax at more than twice the unit rate, part at less than twice the unit rate, and part might not be taxed at all, the rate of tax depending on the total assessable income of the beneficiary—wherefore in section 26 there is provision by which, after the capital assets of the estate are fully distributed, an adjustment could be made by which the department refunds to the beneficiaries any tax collected in excess or collects from them any additional tax due. The amount of such tax is the difference between (a) the tax paid by the executor in respect of the beneficiary's share of the income of the estate for the period extending from the date of death to the date on which the beneficiary received the capital amount of his interest in full plus the tax paid by the beneficiary, and, (b) the tax which would have been payable by the beneficiary if his assessable income for each year of assessment had included his full apportioned share of the income of the estate which arose in that year.

90. The executor of a deceased person is liable to tax for all periods prior to the date of death of that person. No assessment, however, can be made in respect of a period prior to the date of death after the expiry of two years from the date of death.

CHAPTER XVI

NON-RESIDENTS

Services Rendered Outside Ceylon

91. A non-resident person who is employed by a resident person and performs services outside Ceylon is not liable to pay tax on his income from that source.

Income for Past Services Rendered in Ceylon

92. A non-resident person who derives income from Ceylon for past services rendered in Ceylon is taxable on such income.

Non-Resident Individuals

93. If the assessable income for any year of assessment of an individual not resident in Ceylon consists solely of earned income and does not exceed one thousand rupees, such income is not taxable. This means that if the assessable income is wholly unearned or partly earned and partly unearned, it is taxable however small the amount may be.

Business Transacted on Behalf of Non-Resident

94. If a person in Ceylon acting on behalf of a non-resident person effects any insurance or sells any property whether in Ceylon or outside Ceylon and whether the moneys arising therefrom are paid to or received by the non-resident person directly or otherwise, the profits derived from any such insurance or sale are deemed to be profits derived by the non-resident person from business transacted in Ceylon and the person in Ceylon who acts on his behalf is deemed to be his agent for all purposes of the Ordinance.

CHAPTER XVII

TEMPORARY RESIDENTS

95. Visitors to Ceylon who come to spend a holiday are not chargeable with tax unless they spend six months in the Island and have become "resident." If visitors perform services, for however short a period, whether for a Ceylon employer or non-Ceylon employer, they are taxable on the income earned, provided it exceeds one thousand rupees.

96. If a non-resident person visits Ceylon on contract with a resident person, the latter is the agent of the non-resident person and as such becomes liable to pay the tax due from such person. It is in the interests of the resident person therefore to see to it that the non-resident person settles his income tax liability before he leaves the Island.

CHAPTER XVIII

PROVIDENT AND PENSION FUNDS

Provident Funds

97. If a provident fund is approved by the Commissioner under section 9 (1) (g) of the Income Tax Ordinance, the contribution made to such a fund by a member is allowed as a deduction from his income and the contribution made by the employer is also allowed as a deduction from his profits. If a member withdraws any portion of the moneys to his credit whilst being a member, the amount so withdrawn is added to his income and taxed. When he finally retires and seeks to withdraw the whole amount to his credit in the fund, the tax for which he is liable is deducted before the amount is paid to him.

98. No tax is due in respect of withdrawals by members whose services were performed outside Ceylon whether for a resident employer or a non-resident employer.

Pension Funds

99. What is said in paragraph 97 about contribution of employees and employers applies to pension funds as well. Pensions paid by resident employers are liable to tax wheresoever the recipient may be resident. If, however, the pension is paid to a non-resident member who has not rendered services in Ceylon even though for a resident employer, such pension is not taxable. Pensions paid by non-resident companies are taxed only if the members are resident in Ceylon.

CHAPTER XIX

DOUBLE TAX RELIEF

Double Tax Relief—United Kingdom Tax—

Section 45 (1)

100. Any person (whether resident or non-resident) who has paid Ceylon tax for any year of assessment on any part of his income and has paid United Kingdom income tax for that year on the same part of his income is entitled to relief from Ceylon tax.

101. The relief would be the excess of Ceylon tax paid over half the United Kingdom tax paid on that part of the income which is taxed in the two countries. As the Ceylon rate of tax is less than half the United Kingdom rate, no relief is due at present from Ceylon. Whatever relief is due is from the United Kingdom.

102. In the case of Ceylon residents who return income which has borne United Kingdom tax and which under Ceylon law is also taxed in Ceylon, the department furnishes to the tax-payer, at the time the notice of assessment is served on him, a certificate to enable him to claim double tax relief in the United Kingdom.

Double Tax Relief—Empire Tax—Section 46

103. Any person who has paid both Ceylon tax and Empire tax for any year of assessment on income from any source is entitled to relief in Ceylon of one half of the Ceylon tax or Empire tax paid or payable on that income, whichever is the less.

104. " Empire tax " means any income tax and super tax charged under any law in force in any part of His Majesty's dominions (other than the United Kingdom and Ceylon) including protectorates and mandated territories where the legislature has provided for relief in respect of tax charged on income both in that country and in Ceylon which appears to the Commissioner to correspond to the relief granted by section 46 (1). In practice this relief is given mostly to those who pay tax in Ceylon and in British India and in a few instances to those who have income taxed both in Ceylon and in Burma, or Australia, or New Zealand.

105. The departmental arrangement to enable taxpayers to obtain relief from "Empire tax" is as follows:—

British India and Burma.—A resident or non-resident who has paid both Ceylon tax and British Indian tax for any year of assessment on income from any source should first apply to the officer dealing with his income tax in the country in which he is resident, giving particulars of the income doubly taxed and forwarding at the same time, in proof of the tax paid in the other country, the notice of assessment and connected receipts where tax is paid by direct assessment and certificates of deduction where tax is paid by deduction at the source. The officer will thereupon grant the applicant the relief to which he is entitled and also issue to him a certificate stating what the amount of that relief is. That certificate, when produced by the applicant to the officer dealing with his income tax in the other country, will be accepted by the latter and the relief due given. Claims to any refund of double tax must be made in British India within one year from the last day of the year in which tax in British India or in Ceylon was recovered, whichever is later.

The income tax law of Burma is the same as that of British India and what has been stated in the case of a person who has paid Ceylon and British Indian tax applies to an applicant for double tax relief who has paid tax in Ceylon and in Burma.

Australia and New Zealand.—Under the Commonwealth law Australian residents who have income which has borne Ceylon tax are exempted from tax on such income. Consequently there is no question of double tax relief from Ceylon in respect of such income. Ceylon residents who have income arising in Australia and pay tax on such income are not given any double tax relief by the Commonwealth Government. If, however, such income is also taxed in Ceylon the tax-payer is entitled to relief from double tax in Ceylon. To obtain this relief the Australian notices of assessment and receipts for tax paid should be produced to the Assessor. No relief is due in respect of tax paid in the Australian States.

The law of New Zealand is almost the same as that of the Commonwealth of Australia and what has been stated about persons who pay Ceylon tax and Commonwealth tax applies to those who pay tax on the same income both in Ceylon and in New Zealand.

Relief Under Section 45 (2)

106. Non-resident individuals who derive income from Ceylon can be divided broadly into two classes, viz., those who derive income from pension or agricultural profits, and those who derive income from investments, *e.g.*, dividends, interest, rent, etc. Those who receive pensions or agricultural profits are normally taxable by direct assessment at twice the unit rate, while those who receive investment income are taxed at source also.

non-resident individuals who are British subjects resident in the British Empire (which includes any British protectorate or protected state or any territory in respect of which a mandate on behalf of the League of Nations has been accepted by His Majesty) are entitled to certain relief from the tax so paid. To obtain this relief a special form (No. 1D) should be filled up by the tax-payer. Whenever a direct assessment has to be made the department sends out a copy of this form to the assessee. If this form duly completed is returned to the department within the time prescribed, the tax payable will be restricted to the amount due after deduction of the relief. Otherwise, the direct assessment will be made at twice the unit rate on the entire income as representing the normal liability, in which case, of course, the tax-payer concerned will be free to claim the relief within three years from the end of the year of assessment. In the case of those who are taxed at source, they must send in a written application for the relief, on receipt of which a copy of the form will be sent out to them. Ceylon income, non-Ceylon income and particulars of the claim for allowances, should be entered in this form. The relief is designed to substitute for tax at twice the unit rate on the Ceylon income the tax that would be payable by the individual on his total income from all sources if he were resident in Ceylon and entitled to the various allowances, reduced in the proportion $\frac{\text{Ceylon income}}{\text{Total income}}$.

Examples :

(1) A is a Ceylon pensioner living in the United Kingdom. His pension is Rs. 12,000. His United Kingdom income from investments is £187.10.0, i.e., Rs. 2,500. He is married and has two children.

The tax due as a non-resident is Rs. 12,000 at 15%, i.e., Rs. 1,800.

The tax that would be due if he were a resident of Ceylon is—

| | |
|---------------------------|----------------------|
| Ceylon Income | Rs. 12,000.00 |
| Non-Ceylon Income | „ 2,500.00 |
| Total Income ... | Rs. 14,500.00 |
| Earned Income Relief ... | Rs. 2,400.00 |
| Personal Allowance | „ 2,000.00 |
| Wife Allowance | „ 1,000.00 |
| Child Allowance | „ 1,500.00 |
| Taxable Income ... | Rs. 7,600.00 |

| | |
|--|-------------------|
| Tax : Rs. 6,000 @ $7\frac{1}{2}\%$... | Rs. 450.00 |
| Rs. 1,600 @ 15% | „ 240.00 |
| | Rs. 690.00 |

The tax payable is—

$$\text{Rs. } 690 \times \frac{12,000}{14,500} = \text{Rs. } 571.00$$

The relief is—

$$\text{Rs. } 1,800 - \text{Rs. } 571 = \text{Rs. } 1,229.00$$

(2) B is a United Kingdom resident and has Ceylon dividends of Rs. 12,000; tax paid at source Rs. 1,440. His non-Ceylon income is—

Trade £187.10.0, i.e., Rs. 2,500.

United Kingdom dividends, £375.0.0, *i.e.*, Rs. 5,000. He is married and has two children.

The tax that would be payable if he were resident in Ceylon is—

| | | | | |
|-------------------|-----|-----|-----|---------------|
| Ceylon Income | ... | ... | ... | Rs. 12,000.00 |
| Non-Ceylon Income | ... | ... | ... | „ 7,500.00 |
| Total Income | ... | ... | ... | Rs. 19,500.00 |

| | | | |
|----------------------|-----|------------|------------|
| Earned Income Relief | ... | Rs. 500.00 | |
| Personal Allowance | ... | „ 2,000.00 | |
| Wife Allowance | ... | „ 1,000.00 | |
| Child Allowance | ... | „ 1,500.00 | „ 5,000.00 |

Taxable Income ... Rs. 14,500.00

| | | |
|-----------------------|-----|--------------|
| Tax : Rs. 6,000 @ 7½% | ... | Rs. 450.00 |
| Rs. 8,500 @ 15% | ... | „ 1,275.00 |
| | | Rs. 1,725.00 |

$$\text{Rs. } 1,725 \times \frac{12,000}{19,500} = \text{Rs. } 1,062.00$$

| | | | | |
|--------------------|-----|-----|-----|--------------|
| Tax paid at source | ... | ... | ... | Rs. 1,440.00 |
| Tax due | ... | ... | ... | „ 1,062.00 |
| Tax refundable | ... | ... | ... | Rs. 378.00 |

If the tax-payer had been resident in the British Empire for only a part of the year of assessment, he would be entitled only to proportionate relief. It must be noted that this relief is not double tax relief but a special relief.

107. As it is at present, British subjects resident in British India or Burma are entitled both to this relief and to the double tax relief under section 46 (see paragraphs 103-105). Where the two reliefs are claimed by any such individual, the relief under section 46 is limited to one-half of the Ceylon tax paid after deduction of the relief granted under section 45 (2), provided, of course, that this one-half does not exceed one-half of the corresponding tax paid in British India or Burma.

CHAPTER XX

PAYMENT OF TAX

108. The tax charged by any assessment should be paid in the manner directed in the notice of assessment on or before the date or dates specified in such notice. As a rule tax is payable in two equal instalments. If the tax due on a specified date is not paid, the person by whom such tax is payable will be deemed to be a defaulter, and the Commissioner may order that a penalty not exceeding twenty per centum of the amount in default be added to the tax and recovered forthwith.

109. Individuals whose principal source of income is the profits of an employment are allowed to pay the tax due by them, as far as possible, in twelve equal instalments. Those who wish to avail themselves of this concession should make a written application not later than twenty-one days after the date of the notice of assessment requesting that the tax due by them be deducted from their salary.

110. The mere fact that an appeal has been lodged against an assessment does not entitle the person assessed to withhold payment of the tax on the due date—see paragraph 112.

CHAPTER XXI

APPEALS

Appeal to the Commissioner

111. Any person aggrieved by the amount of an assessment may appeal to the Commissioner in writing stating precisely the grounds of his objection. This should be done within twenty-one days from the date of the notice of assessment. The Commissioner may, however, entertain a late appeal if he is satisfied that the delay in appealing was due to sickness, or absence from Ceylon, or other reasonable cause. If the assessment appealed against had been made in the absence of a return of income, the notice of objection would not be valid unless and until the return has been duly made.

112. On receipt of the notice of appeal, the Commissioner usually causes further inquiry to be made by the Assessor who made the assessment and informs the appellant that he has done so. At the same time he informs the appellant if the collection of the whole or any portion of the tax in dispute is not to be made. If the appellant is not told that any portion of the tax need not be paid pending the settlement of the appeal, he must pay the tax as directed in the notice of assessment. Otherwise penalties would be added.

113. If the Assessor and the tax-payer have not come to an agreement, the Commissioner will hear the appeal

at a fixed time and place. The tax-payer or his authorised representative should attend at the hearing. The Commissioner will record his determination in writing and announce it orally.

Appeal to the Board of Review

114. If the appellant or his authorised representative is dissatisfied with the determination by the Commissioner he should declare such dissatisfaction orally immediately after the announcement by the Commissioner of his determination or communicate it in writing to the Commissioner within one week from the date of such determination. The Commissioner will, within one month of the date of his determination, transmit in writing to the appellant or his representative his determination and the reasons therefor. Within one month of the transmission of such determination the appellant may give notice of appeal to the Board of Review. Such notice will not be entertained unless it is given in writing to the Clerk to the Board of Review and is accompanied by a copy of the Commissioner's determination, together with a statement of the grounds of appeal therefrom. Thereupon the Clerk to the Board fixes a time and place for the hearing of the appeal, and gives fourteen clear days' notice to the appellant and to the Commissioner.

Appeal to the Supreme Court

115. The decision of the Board is final; provided that either the appellant or the Commissioner may make

an application requiring the Board to state a case on a question of law for the opinion of the Supreme Court. Such application will not be entertained unless it is made in writing and delivered to the Clerk to the Board, together with a fee of fifty rupees within one month of the date of the Board's decision.

Appeal to the Privy Council

116. An appeal from the order of the Supreme Court may also be made to the Privy Council.

FILE No.
Please quote File No. in any
communication relating to this
return.

FORM No. 1
(2 L*) 1/40

To.....

.....

.....

CEYLON INCOME TAX

Year of Assessment, 1941-42

By virtue of the Income Tax Ordinance (Cap. 188), you are hereby required to make a true and correct return of your income for the year ended March 31, 1941, on this form, which must be delivered to me within one month from this date.

If you find difficulty in completing this form, or wish for any further information, you are invited to write to me or call at this office.

ආදායම් වෙළුම් ආදායම් ප්‍රකාර 1941 මාර්තු මස 31 වෙනිදිනින් අවසන්වූ වසරකුල සුචනයෙන් ආදායම් සම්බන්ධයෙන් සැලැස්වූ තොරතුරු මාර්ගයෙන් මේ ආකෘති පත්‍රයෙහි සවිස්තරයෙන් ලේඛන සිටි මාසයක් තුළදී සුචනයා විසින් මා මෙකු තොරතුරු සැලැස්වීමේදී දක්වනු ලැබේ.

මේ ආකෘති පත්‍රය සම්පූර්ණයෙන්ම අපහසුකමින් තිබේනම් හෝ තවදුරටත් කරුණු දැනගැනීමට කැමතිනම් සුචනයා විසින් එම සැක මා වෙත ලියා එවනලෙස හෝ මේ කාර්යාලයට පැමිණි කළුබවස්කරුන් හා ලෙස හෝ දන්වමි.

1941-ம் ஆம் ஆண்டின் 31-ம் தேதியிலன்று முடிந்த வருஷ உமது வருமானக் கணக்கை இந்தப் பத்திரத்தில் உண்மையாயும் சரியாயும் எழுதிமுடித்து அதை இந்தத் தேதியிலிருந்து ஒரு மாதத்திற்குள் என்னிடம் ஒப்புவிக்க வேண்டுமென்று வருமான வரி சட்ட அதிகாரத்தைக்கொண்டு உமக்கு அறியத்தருகிறேன்.

இந்தப் பத்திரத்தை எழுதி முடிப்பதில் உமக்கு வில்லங்கமிருந்தால், அல்லது ஏதும் அறியவிரும்பினால், எனக்கு எழுதியாவது இக்கத்தோருக்கு வந்தாவது அறிந்தகொள்ளலாம்.

Dated this day of , 194

Income Tax Office,
Colombo,

PENALTIES

Under Sections 83 and 87 of the Income Tax Ordinance (Cap. 188), heavy penalties are incurred by every person who—

- (a) fails to comply with the requirements of a notice to make a return,
- (b) makes an incorrect return without reasonable excuse,
- (c) makes a false return with a fraudulent intent to evade tax.

(c) If there is not sufficient room to include full details in any space, the full details should be entered either on a separate sheet or on page 8 of this form and the totals carried back to the appropriate space.

Particulars must be given of all your lands, whether a profit was made or not. An account should, if possible, be enclosed showing how the figures entered below have been arrived at.

Where your lands were cultivated on payment to you of a share of the crops, the value of such share should be shown below.

If a loss was made, "None" should be entered in the "Profits" column, and the loss claimed in space B (4) on page 6. The cost of upkeep of immature areas must not be deducted in arriving at profits.

[illegible]

(b) Other Cultivation (Paddy, Tobacco, etc.)—

| | |
|---|----------|
| Total income from other cultivation | Rs. |
| Add total from permanent cultivation (above) | Rs. |
| Total income from agriculture to be carried forward to page 1 | Rs. |

Rs.

(3)

Total brought forward from page 2 ...

A 2. EMPLOYMENTS exercised by me or my wife

The full income for the year ended March 31, 1941, must be returned. "Other remuneration" includes the following:—

- (a) Gratuities and perquisites:
- (b) Sums received in commutation of pension:
- (c) Rental value of any place of residence provided rent free by the employer:
- (d) Excess of the rental value over the rent paid for a house provided by the employer:
- (e) Free board, Servant, or "Cooly" allowance, etc. (indoor, "Coolies" only):
- (f) Any other allowance granted in respect of your employment whether in money or otherwise, excluding holiday warrants or passage money.

A Directorship is considered an employment, and any remuneration therefrom should be entered below. Details should be given of all expenses claimed in earning the remuneration.

Contributions to (a) The Ceylon Government Widows' and Orphans' Pension Fund, and (b) your Employers' Pension or Provident Fund, if that Fund has been approved, are allowable as expenses.

No deduction can be allowed in respect of (a) domestic or private expenses, and (b) the cost of travelling between your residence and your place of business.

(a) *Principal Employment*—

Description :
Employer's Name :

| Salary or Pension Rs. | Fees Rs. | Bonus Rs. | Commis- sion Rs. | Allowances or other Remuneration | | Total Gross Remuneration Rs. |
|--------------------------|-------------|--------------|------------------------|----------------------------------|--------|------------------------------------|
| | | | | Nature | Amount | |
| | | | | | | |

Expenses incurred in the above Employment :

| Provident or Pension Fund Contributions (see note above) | | Other Expenses | | Total Expenses Rs. |
|---|---------------|----------------|---------------|-----------------------|
| Name of Fund | Amount Rs. | Nature | Amount Rs. | |
| | | | | |
| Net Income from Principal Employment .. | | | | |
| <i>Other Employments</i> — | | | | |
| | | Nature | | Amount |
| | | | | |
| Total Gross Remuneration from other Employments..... | | | | |
| Expenses incurred in other Employments, viz.:— | | | | |
| | | | | |
| Net Income from other Employments .. | | | | |
| Total carried forward to page 4 .. | | | | |

A

(4)

Rs.

Total brought forward from page 3

3. TRADES, BUSINESS, and PROFESSIONS carried on by me or my wife individually

The full income of the year ended March 31, 1941, should be shown unless you make up accounts to a different date.

In the latter case the income of the year ended on that date, prior to March 31, 1941, should be entered and the date stated.

The income returned must be calculated without deducting any interest, except interest to a banking company, but after deducting all expenses incurred by you in the production of the income.

A statement showing how your figures have been arrived at should be enclosed with this form, if a copy of your accounts has not already been sent to the Income Tax Office.

Where a loss was incurred the word "None" should be entered and the loss claimed in space B (4) on page 6.

| Nature of Trade, etc. | Where carried on |
|-----------------------|------------------|
| | |
| | |
| | |
| | |

4. TRADES, BUSINESS, and PROFESSIONS carried on by me or my wife in partnership

The precedent partner of the partnership should make a separate return of the firm's income on a special form.

Your share of the partnership income should be entered here.

Where a loss was incurred the word "None" should be entered and the loss claimed in space B (4) on page 6.

| Partnerships Name | Nature of Trade, etc. | Where carried on |
|-------------------|-----------------------|------------------|
| | | |
| | | |
| | | |

5. MORTGAGE, LOAN, or DEBENTURE INTEREST derived from Ceylon by me or my wife

The amount of interest which *fell due*, whether paid or not, must be returned. If you have reason to suppose that any interest will not be received, a note of the circumstances should be entered on a separate sheet, or on page 8.

| Debtors' Name and Address | Amount of Loan Rs. | Rate of Interest |
|---------------------------|--------------------|------------------|
| | | |
| | | |
| | | |

6. BANK INTEREST derived by me or my wife

The full amount credited in the year ended March 31, 1941, must be returned. The amount returned must include interest both on current and deposit account from any bank whether in Ceylon or elsewhere.

Total carried forward to page 5

Rs.

(5)

Total brought forward from page 4

A**7. PREFERENCE or ORDINARY DIVIDENDS derived by me or my wife from Ceylon Companies**

Dividends declared during the year to March 31, 1941, should be entered. Vouchers need not be enclosed, but should be available, if called for. The gross income should be entered in the final column.

| Name of Company | Number of Shares and whether Preference or Ordinary | Net Income | Tax Deducted |
|-----------------|---|------------|--------------|
| | | | |
| | | | |
| | | | |
| | | | |

8. INTEREST, DIVIDENDS, ANNUITIES, etc., derived by me or my wife from the United Kingdom or India

The full amount arising, whether remitted to Ceylon or not, should be entered. The gross income should be entered in the final column.

| Particulars of the Source of Income | Net Income Rs. | Tax Deducted Rs. |
|-------------------------------------|----------------|------------------|
| | | |
| | | |
| | | |
| | | |

9. INTEREST, DIVIDENDS, ANNUITIES, etc., derived by me or my wife from Countries outside Ceylon other than the United Kingdom and India

The full amount arising, whether remitted to Ceylon or not, should be entered. The net amount, after the deduction of Income Tax, if any, should be entered in the final column.

Particulars of the Source of Income

10. ANNUAL VALUE of the Residence owned by me or my wife

If the residence was assessed by a local authority for rating purposes, enter the assessment less than 20 per cent. for repairs and other expenses. If the residence was not so assessed, enter your estimate of the annual value.

| Situation of Property | Rating Assessment | |
|-----------------------|-------------------|------------|
| | Number | Amount Rs. |
| | | |
| | | |
| | | |

Total carried forward to page 6

11. RENTS receivable by me or my wife

The gross rent which was receivable and has been or can be recovered should be entered. The expenses allowed are :—

(a) The rates borne by the owner.

(b) Where the owner undertakes to bear the cost of repairs, 20 per cent. of the gross rent *after* deducting rates borne by the owner.

Where the full rent for a year is not entered the reason should be stated.

[illegible]

12. OTHER PROFITS or INCOMES of me or my wife not included in the preceding 11 paragraphs

If your wife has a substantial income not arising in Ceylon and is not resident in Ceylon, certain relief may be claimed, under section 22, provided that notice in writing is sent to the Commissioner before **June 1, 1941**.

..... Total Income (gross)

22

CLAIMS FOR DEDUCTIONS FROM TOTAL INCOME

No losses of Capital nor allowances of a voluntary nature should be entered

(1) *Interest PAYABLE on Mortgages or Loans—*

| Amount of Debt Rs. | Rate of Interest | Security | Creditor's Name | Creditor's Address |
|---|------------------|----------|-----------------|--------------------|
| (2) Interest on Bank Loans or overdrafts not deducted elsewhere— | | | | |
| (3) Ground Rent, Annuity, or other Annual Payment charged on Income— | | | | |
| (4) Losses incurred in Agriculture, Trade, Business, or Profession— | | | | |
| Total deductions | | | | |
| Total income (net) | | | | |

15

STATEMENT OF INTEREST, ETC., PAID

All actual payments of interest, ground rent, or annuity made between April 1, 1940, and the date of making this return should be entered here.

N.B.—No payments of capital should be entered.

| Amount Paid Rs. | Date of Payment | Name of Payee | Nature of payment : whether interest, annuity, etc. | Period in respect of which payment was made | Loan or other trans- action in respect of which payment was made |
|--------------------|-----------------|---------------|---|---|--|
| தமிழ்ச் | | | | | |

C CLAIMS FOR ALLOWANCES

WIFE (full name of wife) :

I declare—

- (a) that the above-named was my wife during the year ended March 31, 1941.
 (b) that she was not living apart from me under a decree of a competent Court or duly executed deed of separation and
 (c) that I have included the whole of her income on this form.

D CHILDREN (including step-children, but not adopted children) who were living during the year ended March 31, 1941.

| Full name of any child who was living during year to March, 31, 1941, and under 18 years on April 1, 1940, or who, if over that age and under 22 years on April 1, 1940, was receiving full-time instruction at an educational establishment | Date of Birth | Total income of child in year to March 31, 1941 | Had the child any Business, Estate or Employment in the year to March 31, 1941? | Name and Address of the Educational Establishment in case of a child over 18 years and under 22 years on April 1, 1940 |
|--|---------------|---|---|--|
| I | 2 | 3 | 4 | 5 |

I declare that the above are my children or step-children and that they were living and unmarried during the year ended March 31, 1941.

E DEPENDENT RELATIVES—

This applies only to a parent, brother, sister, or child (for whom no allowance is due under space D) of yourself or of your wife, living with you.

| Full Name 1 | Relationship 2 | Total Income of Relative in year to March 31, 1941 3 |
|----------------|-------------------|---|
| | | |
| | | |

I declare that the above Dependent Relatives were living with me and maintained by me throughout the year ended March 31, 1941.

F CHANGE IN BUSINESS, ETC., AND EMPLOYMENT

If since March 31, 1940, you commenced or ceased to carry on a trade, business, profession, or employment, full particulars should be given below. Particulars should also be given if you are aware that you will cease to carry on a trade, business, profession, or employment prior to March 31, 1942.

G DECLARATION

(To be completed in all cases)

I declare that to the best of my judgment and belief all the statements contained in this return are true and correct and that I have disclosed the whole of the income of myself and of my wife.

Dated this.....day of....., 194.....

Full Name :

Unusual Signature :

(N.B.—If a woman, state whether spinster, married, or widow)

* Residence :

*Please give your private residence and not your business address. If in Colombo, please give the street number. This is specially required for Departmental purposes.

FILE No.....
Please quote File No. in any
communication relating to this
return.

FORM No.1 A
(L*) 1/41

To.....

.....

.....

CEYLON INCOME TAX

Year of Assessment, 1941-42

By virtue of the Income Tax Ordinance (Cap. 188), you are hereby required to make a true and correct return of your income for the year ended March 31, 1941, on this form. If the accounts of the partnership are made up to a date other than March 31, 1941, the return must be completed in respect of the year ending on that date immediately prior to March 31, 1941.

This form duly completed must be delivered to me within one month from this date.

Dated this.....day of....., 194.....

Income Tax Office,
Colombo.

You should send with this return a copy of the Profit and Loss Account and Balance Sheet, unless one has already been sent to me.

This return must be completed by the precedent partner of the partnership. Precedent partner means the partner who, of the active partners, resident in Ceylon,—

(a) is first named in the agreement of partnership ; or

(b) if there is no agreement, is specified by name or initials singly or with precedence to the other partners in the usual name of the partnership ; or

(c) is first named in the statement made under section 4 of the Registration of Business Names Ordinance (Cap. 120) Where no active partner is resident in Ceylon, the return must be furnished by the agent of the partnership in Ceylon.

PENALTIES

Under Sections 85 and 87 of the Income Tax Ordinance (Cap. 188), heavy penalties are incurred by every person who—

(a) fails to comply with the requirements of a notice to make a return,

(b) makes an incorrect return without reasonable excuse, or

(c) makes a false return with a fraudulent intent to evade tax.

A FULL DESCRIPTION OR STYLE OF THE PARTNERSHIP

.....
.....
.....
.....
.....
.....

Notes and Instructions

1. It is not sufficient to leave a space blank. Where no income was received, or no interest was paid, enter "NONE."
2. If there is not sufficient room to include full details in any space, the full details should be entered on a separate sheet and the totals carried back to the form.
3. Where a loss, incurred in trade, business, agriculture, etc., was made, "NONE" should be entered and the loss claimed at the bottom of page 3.

B

1. Full instructions will be found on page 4 which must be completed if you had any lands during the year to March 31, 1941.

-
2. If the income is not based on accounts for the year ended March 31, 1941, state up to what date the accounts have been prepared.
The income returned must be calculated without deducting any interest except interest to a banking company but after deducting all expenses incurred by you in the production of the income.

-
3. Full details of all the other income of the partnership should be entered.

In the case of interest the name and address of the debtor should be given, and the amount of interest which fell due, whether paid or not must be returned. If you have reason to suppose that any interest will not be received a note of the circumstances should be entered on a separate sheet.

C

CHANGE IN BUSINESS, ETC.

(To be completed in all cases where applicable)

If any of the partners commenced as partners or ceased as partners since March 31, 1940, full particulars should be given below.

If since March 31, 1940, you commenced to carry on or exercise, or ceased to carry on or exercise a trade, business, profession, vocation, or employment, full particulars should be given below.

B STATEMENT OF INCOME

| | | Rs. |
|--|------------------|---------|
| 1. <i>Agriculture</i> —Total from E on page 4 | | |
| 2. <i>Trades, business, and professions</i> — Description | Where carried on | |
| 3. <i>Other income</i> — | | |
| Total Income | | |

CLAIM FOR DEDUCTIONS FROM STATUTORY INCOME

| 1. <i>Interest on mortgage or loan</i> — | | | | Rs. |
|---|------------------------|----------|-----------------------------|---------|
| Amount of Debt Rs. | Rate of Interest | Security | Creditor's Name and Address | |
| | | | | |
| | | | | |
| | | | | |
| 2. <i>Ground rent, annuities, or other annual payments, charged on income</i> — | | | | |
| 3. <i>Losses incurred in agriculture, trade, business or profession</i> — | | | | |
| Total deductions | | | | |

D NAMES AND OTHER PARTICULARS OF THE SEVERAL PARTNERS

| 1 Names of Partners | 2 Is the Partner resident in Ceylon ? | 3 Permanent residence of the Partner | 4 Whether Active or Sleeping Partner | Particulars of distribution of Profits | | | 8 Basis of distribution of balance (fractional share or other basis) |
|------------------------|--|--|---|---|---------------------------------------|------------------------------------|--|
| | | | | 5 Salary Rs. | 6 Interest on Capital Rs. | 7 Share of balance Rs. | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

Notes.—1. The declaration at the foot of page 4 must be signed.
2. No space is to be left blank. Enter the word "NONE" where applicable.

E**INCOME FROM AGRICULTURE**

(Particulars must be given of all your lands whether a profit was made or not.)

*If a loss was made, "None" should be entered and the loss claimed at the bottom of page 3.

(a)—*Permanent cultivation*—(Tea, coconut, rubber, cocoa, etc.).

| 1 | 2 | 3 | Acreage | | | 7 | 8 | 9 |
|--|-----------|----------------------------------|---------|-------|-------|--------|--|---|
| Name of Estate | Situation | Nature of Crop grown (tea, etc.) | 4 | 5 | 6 | Total | *Profits of Mature areas (before deducting interest except to a Banking Company) Rs. | Upkeep expenses of immature areas (less receipts, if any) Rs. |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| Total Rs. | | | | | | | | |
| Allowance for immature areas. Either the total of column 9 or 15 per cent. of the total of column 8, whichever is the less | | | | | | | | |
| Total income from permanent cultivation | | | | | | Rs. .. | | |

—*Other cultivation* (paddy, tobacco, etc.)—

| Name of Land | 2 | 3 | Acreage | | | 7 |
|--|-----------|----------------------|--------------|------------------|-------|---|
| | | | 4 | 5 | 6 | |
| | Situation | Nature of Crop grown | Culti- vated | Not Culti- vated | Total | *Profit (before deducting interest except to a Banking Company) Rs. |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| Total income from other cultivation | | | | | | Rs. .. |
| Add total income from permanent cultivation (above) | | | | | | Rs. .. |
| Total income from Agriculture to be carried back to paragraph 1 on page 3 Rs. .. | | | | | | |

DECLARATION TO BE FILLED UP IN ALL CASES

I declare that I am *

and that the foregoing particulars are in every respect fully and truly stated according to the best of my judgment and belief

Dated this.....day of....., 194.....

Signature :

*State whether precedent partner or agent

FILE No.....
Please quote File No. in every
communication relating to this
return.

FORM No. 10
(F 2*) 1/38

(NON-RESIDENT INDIVIDUALS)

To.....
.....
.....

CEYLON INCOME TAX

Year of Assessment, 1941-42

By virtue of the Income Tax Ordinance, 1932, you are hereby required to make a true and correct return of your income arising in or derived from Ceylon for the year ended March 31, 1941, on this form, which must be delivered to me within two months from this date.

Dated this.....day of..... 194.....

Income Tax Office,
Colombo.

N.B.—This form is applicable to any individual not resident in Ceylon, except a British subject resident in the British Empire. Special relief is due to the latter if his income from all sources is less than about Rs. 50,000. If this form is received by such an individual he should return it blank and apply for a form No. 1D.

INCOME FROM ALL SOURCES IN CEYLON

General Notes

1. It is not sufficient to leave a space blank. Where no income was received, or no interest was paid, enter "None."
2. If there is not sufficient room to include full details in any space the full details should be entered on a separate sheet and the totals carried back to the form.
3. All income should be returned without deducting any interest paid, except to a banking company.
4. In entering dividends and interest subject to Ceylon, United Kingdom or Indian income tax, the gross amount before deduction of tax should be given. In other cases the nett amount should be entered.
5. Where a loss incurred in trade, etc., was made, "None" should be entered and the loss claimed at the bottom of page 2.
6. The income of your wife, arising in Ceylon, must be included.

1. Agriculture

Rs.

Total carried forward

[P. T. O.

FILE No.....

Please quote File No. in any communication relating to this return.

FORM No. 1D
(U*) 1/40

(RESIDENTS IN BRITISH EMPIRE)

To.....

.....

.....

CEYLON INCOME TAX

Year of Assessment, 1941-42

By virtue of the Income Tax Ordinance (Cap. 188), you are hereby required to make a true and correct return of income for the year ended March 31, 1941, on this form which must be delivered to me within two months from this date.

Dated this.....day of....., 194.....

Income Tax Office,
Colombo.

Notes

1. Page 2 should be completed in all cases.
2. Pages 3 and 4 should be completed by—
 - (a) persons resident in Ceylon, and
 - (b) British subjects resident in the British Empire, who wish to claim the relief described in notes 3 and 4 below.
3. A person not resident in Ceylon is chargeable, in the first instance, at a flat rate of 15 per cent. on his total Ceylon income.
4. An individual who is a British subject resident in the British Empire is entitled to certain relief from Ceylon Income Tax, if his total income from all sources is less than about Rs. 50,000.
5. The relief is arrived at in the following manner :—

Calculate the tax which would be due on the total income from all sources if the individual were resident in Ceylon and entitled to the various allowances granted to Ceylon residents. This may be called A. The relief is to substitute for the tax otherwise due the following amount, viz. :—

$$\frac{\text{Ceylon Income.}}{A \times \text{Total Income.}}$$

STATEMENT OF TOTAL INCOME FOR THE YEAR ENDED MARCH 31, 1941

General Notes

1. The income of your wife should be entered in the various spaces, and a note made indicating that it is your wife's income.
2. If there is not sufficient room to include full details in any space, the full details should be entered on a separate sheet and the totals carried back to the form.
3. It is not sufficient to leave a space blank. Where no income was received, or no interest paid, enter "None."
4. Where any Income Tax has been deducted from dividends, interest, etc., the gross amount *before* deduction of tax should be entered.
5. All income must be returned without deducting any interest paid, except to a Banking Company.

| Income from Sources in Ceylon | | Rs. |
|-------------------------------|--|--------|
| 1. | <i>Agriculture</i> | |
| 2. | <i>Trades, Business, and Professions</i> | |
| 3. | <i>Employments (including Pensions)</i> | |
| 4. | <i>Annual Value of Residence</i> | |
| 5. | <i>Rents</i> | |
| 6. | <i>Dividends, Interests, etc.</i> | |
| 7. | <i>Other Profits not included above</i> | |
| Total | | Rs. .. |

[illegible]

***I declare that to the best of my judgment and belief all the statements contained in this return are true and correct and that I have disclosed the whole of the income from sources in Ceylon of myself and my wife.**

Dated this.....day of....., 194.....

Signature:

Private Residence:

N.B.—If a woman state whether spinster, married, or widow

*This declaration need not be completed by persons who complete pages 3 and 4

STATEMENT OF TOTAL INCOME FOR THE YEAR ENDED MARCH 31, 1941—Contd.

| 1. ARE YOU A BRITISH SUBJECT?.....(State "Yes" or "No") 2. ARE YOU RESIDENT IN THE BRITISH EMPIRE?.....(State "Yes" or "No") | | Rs. |
|---|--|-----|
| Income from Sources out of Ceylon | | |
| 1. <i>Trades, Business, and Professions</i> | | |
| 2. <i>Employments (including Pensions)</i> | | |
| 3. <i>Annual Value of Houses and Land</i> | | |
| 4. <i>Profits from the Occupation of Land</i> | | |
| 5. <i>Dividends, Interests, etc.</i> | | |
| 6. <i>Other Profits not included above</i> | | |
| Total Rs. .. | | |

Claims for Deductions from the above Income

[illegible]

N.B.—This page is to be completed by (a) persons resident in Ceylon, and (b) British subjects resident in the British Empire who wish to claim the relief described in notes 3 and 4 on page 1.

CLAIMS FOR ALLOWANCES

A.—WIFE (full names of wife) :

I declare that—

- (a) the above named was my wife during the year ended March 31, 1941,
(b) that she was not living apart from me under a decree of a competent Court or duly executed deed of separation, and
(c) that I have included her income on pages 2 and 3 of this form.

B.—CHILDREN (including step-children, but not adopted children) who were living during the year ended March 31, 1941.

Full Names of any child who was living during the year to March 31, 1941, and under 18 years on April 1, 1940, or who, if over that age and under 22 years on April 1, 1940, was receiving full-time instruction at an educational establishment

| 1 | Date of Birth 2 | Total Income of child in year to March 31, 1941 3 | Had the child any Business, Estate or Employment in year to March 31, 1941? 4 | Name and Address of the Educational Establishment in the case of a child over 18 years and under 22 years on April 1, 1940 5 |
|---|--------------------|--|--|---|
| | | | | |

I declare that the above children were living and unmarried during the year ended March 31, 1941.

C.—DEPENDENT RELATIVES—

This applies only to a parent, brother, sister, or child (for whom no allowance is due under paragraph B), of yourself or your wife, living with you

| Full Name 1 | Relationship 2 | Total Income of Relative in year to March 31, 1941 3 |
|----------------|-------------------|---|
| | | |

I declare that the above relatives were living with me and maintained by me throughout the year ended March 31, 1941.

DECLARATION

I declare that to the best of my judgment and belief all the statements contained in this return are true and correct and that I have disclosed the whole of the income of myself and my wife (a) on page 2 from sources in Ceylon and (b) on page 3 from sources out of Ceylon.

Dated this.....day of....., 194.....

Signature :.....
Private Residence :.....

N.B.—If a woman state whether spinster, married, or widow

INDEX

| | Paragraphs |
|--|------------------------------|
| Accounts | 9 (a) |
| Agent, of non-resident business man | 94 |
| „ „ „ partner | 56, 61 |
| Agriculture, expenses | 16 |
| „ „ „ general | 11 |
| „ „ „ mature area, immature area, new clearing ... | 12-15 |
| „ „ „ proceeds of sale of coupons... .. | 17 |
| Allowance, child | 54 (d) |
| „ „ „ dependent relative | 54 (e) |
| „ „ „ personal | 54 (b) |
| „ „ „ proportionate... .. | 55 |
| „ „ „ wife | 54 (c) |
| „ „ „ travelling | 24 |
| Annual value | 40, 41 |
| Annuity paid | 49 (b), 50 |
| Appeal to the Board of Review | 114 |
| „ „ „ Commissioner | 111-113 |
| „ „ „ Privy Council | 116 |
| „ „ „ Supreme Court | 115 |
| Assessable income | 49-52 |
| Assessments, estimated | 5 |
| Authorized representative | 6 |
| Bad and doubtful debts | 45 (d) |
| Banker, interest paid to | 45 (e) |
| Basis of liability | 2, 9 |
| Beneficiary | 88, 89 |
| „ „ „ statutory income of | 87 |
| Bonus | 22 |
| British subjects resident in British Empire | 106 |
| Business, accounts of | 26, 27 |
| „ „ „ commencement or cessation of... .. | 9 (b), 9 (c) |
| Child, allowance | 54 (d) |
| „ „ „ definition of... .. | 54 (d) |
| Commission... .. | 22 |
| Commuted pension, rate of tax on | 79 |
| Companies, mutual insurance | 77 |
| „ „ „ non-resident | 76 |
| „ „ „ resident | 75 |
| Contributions to pensions, savings, or provident funds... .. | 45 (b), 46 (f) 97, 98, 99 |
| Contributions towards teachers' pensions | 45 (g) |

| | Paragraphs |
|--|--------------------|
| Coupons, proceeds of sale of | 17 |
| Debts, bad and doubtful | 45 (d) |
| Deductions, allowable | 45 |
| Deduction of tax at source... | 80-84 |
| " " by resident companies | 80, 81 |
| " " from interest, rent, annuity, etc., to non-residents | 82, 83 |
| Dependent relative allowance | 54 (e) |
| Depreciation of plant, machinery, etc. | 45 (a), 45 (c) |
| Dividends, income arising from | 33 |
| " , paid by resident companies | 34 |
| " " sterling companies paying Ceylon tax | 37 |
| Dividends, refund of tax deducted from | 34-36 |
| Double tax relief, Empire tax | 103-105, 107 |
| " " United Kingdom tax | 100 |
| Earned income relief | 54 (a) |
| Empire tax, definition of | 104 |
| " , double tax relief | 103-105, 107 |
| Employment, commencement or cessation of | 9 (b), 9 (c), 10 |
| " " profits from | 19 |
| Executors | 85-90 |
| Exemptions | 7 |
| Expenses, not allowable | 46 |
| " , travelling | 18 |
| Ground rent paid | 49 (c), 50 |
| Income, assessable | 49-52 |
| " , classification of | 8 |
| " , exempt from tax | 7 |
| " , from partnership... | 57-62 |
| " , statutory | 48 |
| " , taxable | 53, 54 |
| Income tax, charged in respect of | 1 |
| " year | 2 |
| Interest, basis for returning | 28 |
| " , deduction from | 31 |
| " , in arrear | 29 |
| " , irrecoverable | 30 |
| " paid | 49 (a), 45 (e), 50 |
| " received by money-lenders | 32 |
| Leave pay | 20 |
| Liability, basis of | 2 |
| " basis other than normal preceding year | 9 |
| " disclosure of | 3 |
| " of non-resident persons | 53, 91-94 |
| " of resident individuals | 4 |
| Loss in business | 49 (e), 51 |
| Machinery, depreciation of | 45 (a), 45 (c) |
| " , loss by selling | 45 (b) |
| Net annual value | 40-43 |

| | Paragraphs |
|---|----------------|
| Non-resident companies—rate of tax | 76 |
| " individuals, exemption of | 93 |
| " " rates of tax | 74 |
| " persons, business on behalf of | 94 |
| " " past services in Ceylon of | 92 |
| " " services outside Ceylon of | 91 |
| Partnership | 56-62 |
| Payment of tax | 108-110 |
| Pension Funds | 99 |
| Person, becoming resident... | 9 (d) |
| " , ceasing to be resident | 9 (d) |
| " , death of a | 9 (e), 10c |
| " , definition of | 4 |
| Personal allowance | 54 (b) |
| Plant, depreciation of | 45 (a), 45 (c) |
| " , loss by selling | 45 (b) |
| Profession, accounts of | 26 |
| " , commencement or cessation of | 9 (b), 9 (c) |
| Profits or income arising in or derived from Ceylon | 1 |
| Provident funds | 97 |
| Provident funds, withdrawals from | 23, 97, 98 |
| Rate of tax, Ceylon companies | 75 |
| " , commuted pensions | 79 |
| " , Hindu undivided family | 76 |
| " , mutual insurance companies | 77 |
| " , non-resident companies | 76 |
| " , non-resident individuals | 74 |
| " , resident individuals | 72, 73 |
| " , others | 78 |
| Refund of tax deducted at source | 34-36 |
| Relief, British subjects resident in British Empire | 106, 107 |
| " , earned income | 54 (a) |
| " from double tax | 100-105, 107 |
| Renewal | 45 (c) |
| Rent of lands and buildings | 39-44 |
| Rental value, definition of | 40 |
| " , of free house... | 21 |
| Repairs, cost of | 45 (c) |
| Residence | 63-65 |
| Resident, absent from Ceylon for 12 months | 63 |
| " , if stay in Ceylon is for 6 months | 64 |
| Resident individual, allowances due to | 53-55 |
| " " liability of | 4 |
| " " rates of tax | 72, 73 |
| Resident spouse, agent of non-resident spouse | 69 |
| " treated as non-resident | 65 |
| Retirement from service | 10, 25, 79 |
| Separate assessment, both spouses resident | 70 |
| " " husband and wife | 66-71 |
| " " notice of | 66, 67 |

| | Paragraphs |
|---|--------------|
| Separate assessment, only one spouse resident | 71 |
| Statutory income | 48 |
| Sterling dividends, how assessed | 37 |
| " " , received by non-resident individuals | 38 |
| " " , set off of tax paid on... .. | 37 |
| Taxable income | 53, 54 |
| Tax deducted at source, refund of... .. | 34-36 |
| " " , set off of | 34, 37, 84 |
| Tax, payment of | 108-110 |
| Temporary residents | 95, 96 |
| Tenant, income of | 43 |
| Trade, accounts of | 26, 27 |
| " , commencement or cessation of | 9 (b), 9 (c) |
| Travelling | 18 |
| United Kingdom tax, double tax relief | 100 |
| Wife allowance | 54 (c) |
| Wife, income of | 4, 66 |
| Wife's income, tax due on | 68 |

04
78/02

210/-