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இலங்கை உள்ளநாட்டு இறைவரி
Sri Lanka Inland Revenue

**GUIDE TO FILL
THE STATEMENT OF PARTNERSHIPS
INCOME AND SCHEDULES**

**YEAR OF ASSESSMENT
2018/2019**



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GUIDE TO FILL THE STATEMENT OF PARTNERSHIP INCOME AND SCHEDULES

YEAR OF ASSESSMENT 2018/2019

In terms of the provisions of the Inland Revenue Act, No. 24 of 2017 (IR Act), partnerships shall not be liable to pay income tax with respect to taxable income but liable to pay withholding tax on share of partnership income allocated to its partners at the rate specified in the First Schedule to the IR Act.

It is strongly advised to read this set of instructions before completing the Statement and Schedules.

This set of instructions consists of;

- GENERAL INSTRUCTIONS
- INSTRUCTIONS TO COMPLETE THE STATEMENT OF PARTNERSHIP INCOME AND SCHEDULES

Part 1 **GENERAL INSTRUCTIONS**

- Every partnership must file the Statement of Partnership Income to report the income, deductions, gains, losses, etc., from its operations, but is not liable to pay income tax on such income. Instead, partnership is liable to deduct **Withholding Tax** on **share of partnership income allocated to the**

partners. Each partner is required to declare his or her share of partnership's income or loss on his or her Individual Tax Return.

- Resident Partnerships and Nonresident Partnerships are required to declare the income from Business, Investment and Other sources for the **period from 01.04.2018 to 31.03.2019** in the Statement for Year of Assessment 2018/2019.
- The Assessable Income of a resident partnership would be the income of the partnership from Business, Investment or Other sources for that year of assessment, **wherever arises** and in the case of a non-resident partnerships, the income of the partnership from the Business, Investment or Other source for that year of assessment, **to the extent that the income arises in or is derives from a source in Sri Lanka.**
- This Statement has been sent to you in the language of your choice [If you desire to receive correspondence and tax returns in different language next time, should immediately inform the **Inland Revenue Department – Customer Information Update Unit/ Tax Payer Service Unit**].
- Precedent partner or a partner of a partnership is required to file the Statement, Schedules and Assets & Liabilities of the partnership for the year of assessment 2018/2019.

(For further information you could read the Guide to Individual Income Tax Return-2018/2019 as well)

- In case of any cage in the Statement or Schedules are not required to be filled, then mark the relevant cage or Schedule with **only a hyphen**. If the space provided in a Schedule is not adequate to fill the information, then you are required to provide it as an attachment in the same format provided.
- The duly completed Statement along with the Schedules and other required documents should be posted or delivered to **IRD Head Office or any Regional Office on or before 30th November, 2019**.
- The Statement is considered as filed on the date it is stamped, as received by the Department of Inland Revenue (IRD) or, in the case of filing by post, within four days from the postmark date.
- IRD has provided the facilities to submit the Statement of Partnership Income through e-Service via IRD Portal e-Services facility. e-Filing can be done in two ways.
- **Online submission:**
Submission of Statement, by the taxpayer using the interfaces given in IRD portal e-Service.
- **Offline submission:**

Submission of Statement by downloading the specified forms in soft copies from IRD portal, complete them offline and submit by uploading to IRD portal using e-Services facility.

NOTE: - The law provides for the imposition of penalty on any person who fails to furnish the Statement as at due date, or makes an incorrect Statement.

PART II

INSTRUCTIONS TO FILL THE STATEMENT OF PARTNERSHIP INCOME AND SCHEDULES

The set of forms provided to you comprises three parts namely;

- 1. Statement of Partnership Income,**
- 2. Schedule to the Statement of Partnership Income,**
- 3. Statement of Assets & Liabilities.**

1. Statement of Partnership Income consist of two sections;

- **Section 01**
 - **1.1 - Calculation of Withholding Tax (WHT) on Partnership Income,**

- 1.2 - **Gains from Realization of Investment Assets.**
- **Section 02**
 - **Declaration**

2. Schedules to the Statement of Partnership Income

The Statement entails eleven schedules:

- Schedule 01 : Details of the Partners
- Schedule 02A : Distribution of Partnership Income and Exempt Amounts
- Schedule 02B : Distribution of Partnership Capital Gain Tax & Final WHT Payments
- Schedule 03A : Details of WHT Payments from Partnership Income and Capital Gains
- Schedule 03B : Details of WHT Deducted by the Withholding Agent (Other than Final)
- Schedule 03C : Details of WHT Failed to Deduct by the Withholding Agent (Other than Final)
- Schedule 03D : Details of Final WHT Payment Failed to Deduct by Withholding Agent
- Schedule 03E : Details of Final WHT Payments not Subject to Deduct by the Withholding Agent
- Schedule 04A : Tax Credit Allocation
- Schedule 04B : Allocation of CG Tax Payments/Final WHT and Qualifying payment (QP)
- Schedule 05 : Details of Partnership Business

1. Statement of Partnership Income

Section -01

1.1: Calculation of WHT on Partnership Income

- You are required to calculate assessable income from business, investment and other sources of **income** of the partnership in terms of the provisions of the IR Act and declare such income in the Statement as follows;

Cage 10 - Business Income

Cage 20 - Investment Income

Cage 30 - Other Income

- ❖ It should be noted that the following arrangements between the partnership and its partners shall not be recognized and therefore should add back to the relevant profits. [Section 53(7) of the Act]
 - (a) Loans made by a partner to a partnership and any interest paid with respect thereto; and
 - (b) Services provided by a partner to a partnership (including by way of employment) and any service fee or income from employment payable with respect thereto.
- The total of amounts declared in Cages 10, 20 and 30 should be entered in “**Cage 40**” as “**Total Partnership Income**”.

- From the Total Partnership Income [Cage 40], 8% Partnership Withholding Tax to be calculated and entered in “**Cage 50**”.
- Use “**Cage 80**” to declare the **Final Withholding Tax (WHT) payable** by the Partnership (withholdee) on amount of final withholding payments received, **on which WHT has not been deducted by the withholding agent/s.**

(The total of “**Cage 233**” and **Cage 238** of “**Schedule 3D**” and “**Schedule 3E**” respectively to be taken to “**Cage 80**”.)

- From the above amount of “Final WHT payable by the Partnership on amount of final withholding payments received, on which WHT has not been deducted by the withholding agent/s” the **WHT paid by the Partnership** (withholdee) to be entered in “**Cage 90**”.

(The total of “**Cage 235**” and “**Cage 240**” of the “**Schedule 3D**” and “**Schedule 3E**” should be entered in “**Cage 90**”).

1.2: Gains from Realization of Investment Asset

Declare any gains from realization of Investment Asset (Capital Gain) by the partnership calculated according to the provisions of chapter IV of the IR Act. (Cumulative values of the capital gain return submitted during the year of assessment).

Even though this capital gain income will form part of the investment income for this year of assessment, you are **not required** to include the same under the investment income in “**Cage 20**” of this Statement.

Section – 02

1.3: Declaration

- **Part A**

In terms of section 126 (5) of the IR Act, where the Return or part of the Return was prepared for reward by some other person, including by an approved accountant, other than a full-time employee of the taxpayer, that other person shall also sign the Return.

Therefore, the Approved Accountant or any other Authorized Person is required to sign the Return indicating his/her name and designation in Part A of the Section 02 of the Return.

- **Part B**

In terms of section 126(4) of the IR Act, a taxpayer or the taxpayer’s duly authorised agent, shall sign the Return, attesting to its accuracy and completeness.

Therefore, the taxpayer (precedent partner or a partner) or the taxpayer’s duly authorised agent is required to sign the Statement indicating his/her name in Part B of Section 02 of this Statement.

2. Schedules to the Statement of Partnership Income

The Statement entails eleven Schedules namely Schedule 1, 2A, 2B, 3A, 3B, 3C, 3D, 3E, 4A, 4B, 5.

2.1 SCHEDULE 01– Details of the Partners

Complete Schedule 01 by entering required details of the partners – **name of the partner, Taxpayer Identification Number (TIN), National Identity Card number (NIC), and the partner's percentage share of the partnership's profit/loss.**

2.2 SCHEDULE 02A and 2B - Distribution of Partnership Income

➤ 02A- Distribution of Partnership Income and Exempt Amounts

- **Distribution of Business income to partners (Use separate line in the columns for each partner in the same sequence as in “Schedule 01”)**

Column 205: Enter the details of **salaries, wages or fees for services paid** to a partner or his / her spouse, by the partnership, separately under the given lines of this column.

Column 206: Enter the details of any **interest on loans or capital** paid to partners by the partnership separately under the given lines in this column.

Column 207: Enter each partner's allocation of **balance income by Partnership** based on the profit sharing ratio of the partnership.

Column 208: Enter **cumulative values of each line** (in case of each partner) in **Column 205 + Column 206 + Column 207** under "**Column 208**". The total of 208 excluding payments made to a partner's spouse should be matched with "**Case 10**" of the Statement.

- **Distribution of Investment and Other Income**

Declare Investment Income and Other Income of partnership to each partner in the same sequence as in the schedule 01 in "**Column 209**" and "**Column 210**" respectively.

Column 211: Enter total distributed partnership income of each partner from Business Income (Column 208), Investment Income (Column 209), and Other Income (Column 210), in "**Column 211**" separately for each partner in the same sequence as in "Schedule 01.

Declare the **total of “Column 211”** in the **“Cage 40”** of the Statement.

Any loss incurred by partnership from **Business or Investment** during the year should be indicated, in Cage 207 and 209 with **minus signs**.

Balance Income from Business										
207										
Rs						Cents				
		-	3	4	1	0	0	0	0	

- Allocation of Partnership Exempt Income

Declare the exempt gains and profits from each source, in terms of the “Third Schedule” of IR Act, in **“Column 212”**. Please mention details of exempt income in the Tax Computation.

➤ **SCHEDULE 2B: Distribution of Partnership Capital Gains & Final WHT Payments**

Enter details of distribution of **gains from, realization of investment asset of the partnership**, in the given lines under **“Column 213”**, distribution of **final withholding payments on which tax has been deducted by the WHT Agent** under **“Column 214”** and distribution of **final withholding payments on which tax has not been deducted by the WHT Agent** under **“Column 215”**.

2.3 SCHEDULE 3 - Tax Paid on Partnership Income

This Schedule consist of five sub schedules namely; 3A, 3B, 3C, 3D and 3E.

➤ **SCHEDULE 3A: Details of Payments (WHT on Partnership Income and CG)**

Column 216 and 217 : Enter details of payment - date and amount of Withholding Tax paid at the rate of 8% on partnership income.

Column 218 and 219 : Enter details of payment - date and amount of Capital Gain Tax paid at the rate of 10% on gain on realization of investment assets by the partnership.

➤ **SCHEDULE 3B: Details of WHT Deduct by the Withholding Agent (Other than on Final Withholding Payments)**

Declare details of the WHT payments received by the partnership on which WHT has been deducted by WHT Agent.

➤ **SCHEDULE 3C:Details of WHT Failed to Deduct by the Withholding Agent (Other than Final)**

Declare details of the WHT payments received by the partnership on which WHT has not been deducted by WHT

Agent and WHT has been paid by the partnership as a withholdor (in terms of Section 86 of the IR Act.) in this Schedule using “**Column 226 to 230**”.

➤ **SCHEDULE 3D: Details of Final WHT payments on which WHT Agent Failed to Deduct WHT**

Enter details of each final withholding payment received by the partnership on which withholding tax **has not been deducted by the Withholding Agent and Partnership had paid/is liable to pay** as per Section 86 of the IR Act, in the given rows in the “**Columns 231 to 235**”.

➤ **SCHEDULE 3E: Details of Final WHT Payments Not Subjected to WHT by the WHT Agent**

If partnership receives any final WHT payments, which are not subject to final withholding tax by Withholding Agent, such tax should be paid by the partnership as a withholdor. This tax should be **paid by way of installment and assessment** [As per subsection (3) of Section 88 of the IR Act].

Enter such WHT payment under this Schedule from “**Columns 236 to 240**”.

Please note that the responsibility of tax payment under “**Schedules 3D and 3E**” to be borne by the partnership or can be transferred to the partners of the partnership. If it is borne by the partners, due date of tax on such a WHT payments would be counted from the original date of WHT payment received by partnership.

Column 245 : Allocate the total of “**Column 235**”, “**Column 240**” and **Final withholding Tax deducted on final withholding payments by WHT Agent.**

Column 246 : Since partnerships are not liable for Income Tax on share of partnership income, Partnerships cannot claim any qualifying payments made from the partnership. Hence Partnerships should allocate such qualifying payments to the partners in order to claim a deduction under respective individual partner’s income tax returns.

2.5 SCHEDULE 05: Details of Partnership Business

Enter the required particulars of the partnership business as per Partnerships’ Statement of Accounts.

Attached following Documents with the Statement of Partnership Income

(1) Statement of Accounts

(2) Tax Computation

Should provide a detailed disclosure of income/loss distribution among partners along with the Tax Computation.

Example:

- (I) If a Partnership Business Income/loss is liable to tax at **different income tax rates**, show the allocations of these income/loss among partners from each part separately.

Allocation of Business Income or Loss is required to be classified as follows:

- Business of betting and gaming, liquor or tobacco.
- Business of any service rendered in or outside Sri Lanka to any person to be utilized outside Sri Lanka, to income earned in foreign currency (Business of rendering Foreign Service).
- All other businesses

- (II) If a Partnership Investment Income/loss is liable to tax at different income tax rates, show the allocations of these income/loss among partners from each part separately. Allocation of Investment Income is required to be classified as follows:

- Interest Income
- Rent Income
- Gain on Realization of Investment Assets
- All other Investment

(3) Comma separated value(CVS) Verified Schedule on WHT Credit Claimed

Please contact the **Commissioner Secretariat** or **Commissioner of the relevant Regional Office** for more details.

Head Office	- Secretariat	- 011 2135412
Metropolitan Branch	- Colombo City	- 011 2504390
Metropolitan Branch	- Colombo Central	- 011 2505274
Metropolitan Branch	- Colombo South	- 011 2502564
Unit 1 & 2	- NawamMawatha	- 011 2302249
Regional Office	- Anuradhapura	- 025 2235512
Regional Office	- Badulla	- 055 2222490
Regional Office	- Batticaloa	- 065 2222087
Regional Office	- Dambulla	- 066 2283655
Regional Office	- Galle	- 091 2222504
Regional Office	- Gampaha	- 033 2234246

Regional Office	- Jaffna	- 021 2222076
Regional Office	- Kalutara	- 034 2222216
Regional Office	- Kandy	- 081 2223590
Regional Office	- Kegalle	- 035 2222493
Regional Office	- Kurunegala	- 037 2222798
Regional Office	- Maharagama East	- 011 2802433
Regional Office	- Maharagama West	- 011 2803125
Regional Office	- Matara	- 041 2222933
Regional Office	- Negombo	031 2228322
Regional Office	- N Eliya	- 052 2222520
Regional Office	- Rathnapura	- 045 2222040

