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# INLAND REVENUE DEPARTMENT

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**PUBLIC RULING NO - PR/IT/2019/02**



**Guidance with regard to the application of excluded item stated in paragraph (c) of subsection (3) of section 5 of the Inland Revenue Act, No. 24 of 2017, in the event of calculating an individual's income from employment**

**JUNE 28, 2019**  
**INLAND REVENUE DEPARTMENT**  
**Sri Lanka**

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**COMMISSIONER GENERAL'S PUBLIC RULING**

This Public Ruling as provided for under section 104 of the Inland Revenue Act, No. 24 of 2017 is issued for the purpose of providing guidance to the general public and officers of the Inland Revenue Department. It sets out the interpretation of the Commissioner General of Inland Revenue in respect of the relevant provisions of the tax law, and the policy and the procedure that is to be applied.

A Public Ruling may be withdrawn, either wholly or in part, by notice of withdrawal or by publication of a new ruling.

**Commissioner General of Inland Revenue**

**Inland Revenue Department.**

### **1. Objective**

The objective of this Public Ruling (PR) is to provide: -

The guidance of the application of excluded item stated in paragraph (c) of subsection (3) of section 5 of the Inland Revenue Act, No. 24 of 2017 (IR Act), in the event of calculating an individual's income from employment income since there is an ambiguity with regard to the definition of "equal terms" and application of the provisions of this paragraph.

### **2. Relevant Provisions of tax statute**

Paragraph (c) of subsection (3) of section 5, subsection (1) of section 20 and section 195 of the IR Act

### **3. Interpretation**

The following interpretations are relevant for this PR:

(1) "employment" –

(a) means –

- (i) a position of an individual in the employment of another person;
- (ii) a position of an individual as manager of an entity;
- (iii) a position of an individual entitling the individual to a fixed or ascertainable remuneration in respect of services performed;
- (iv) a public office held by an individual;
- (v) a position of an individual to whom any payment is made or due by or from an employer or who receives any other benefit as an employee or in a similar capacity;
- (vi) a position as a corporation or company director; and

(b) includes a past, present or prospective (section 195 of the IR Act)

(2) "person" means an individual or entity and includes a body of persons corporate or unincorporate, an executor, non-governmental organization and charitable institution; (section 195 of the IR Act)

(3) "year of assessment" means the period of twelve months commencing on the first day of April of any year and ending on the thirty-first day of March in the immediately succeeding year (subsection (1) of section 20 of the IR Act)

#### 4. Application of tax statute

As stated in paragraph (c) of subsection (3) of section 5 of the IR Act, in calculating an individual's gains and profits from an employment for a year of assessment a discharge or reimbursement of the person's dental, medical or health insurance expenses where the benefit is available to all full-time employees on equal terms shall be excluded.

#### 5. Clarification

To clarify the ambiguity lies with regard to the application of the provisions of paragraph (c) of subsection (3) of section 5 of the IR Act in calculating an individual's income from employment and, to maintain the consistency in the application of this provision, following interpretations are provided.

- (a) For the purpose of this paragraph, all full – time employees on “equal terms” shall be all full time employees in the same grade on a non – discriminatory basis. Further, it should be appeared to the Commissioner-General that the benefits among grades are just and equitable.
- (b) When applying the provisions of paragraph (c) of subsection (3) of section 5 in calculating an individual's gains and profits from an employment for a year of assessment,
  - a discharge or reimbursement of the person's dental or medical expenses and
  - a discharge or reimbursement of the person's health insurance expenses

shall be excluded if such benefits are available to all full-time employees on equal terms.

#### 6. Effective Date

This ruling is effective from the year of assessment 2018/2019.



**Commissioner General of Inland Revenue**

**Inland Revenue Department**

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