

**UNIVERSITY OF COLOMBO, SRI LANKA**  
**FACULTY OF LAW**  
**DEGREE OF MASTER OF LAWS IN COMMERCIAL LAW- 2024/25**  
**SEMESTER I END EXAMINATION**

**(Tax Law – TLLM 11318)**  
**(Three Hours)**

Total number of questions: 04

Answer **THREE (03)** questions and **no more**  
(Candidates will be penalized for illegible handwriting)

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Answer **Both A & B** Parts

1. (a) Mr. Thomas Perera is employed as the Executive Director of Aruna Holdings Pvt Ltd at a monthly salary of Rs. 600,000/-. Considering his duty requirement, he has been provided accommodation near the company and its monthly gross value is Rs. 125,000/-. Further, Mr. Perera has been provided a car and a driver, which is valued at Rs. 125,000/- per month. As he works till 10.00 pm on some days, an extra allowance of Rs. 75,000/- for night shifts has also been allocated. The course fee of Rs. 1,500,000/-, for the Master of Business Administration Degree Program that he has been enrolled in at the University of Colombo was reimbursed by the company. Furthermore, Mr. Perera had taken a laptop computer for his son, provided by the company to the children of the employees of the company at a subsidized rate of Rs. 100,000/-.

Considering all these factors for the assessment year 2023/2024, assess Mr. Perera's income tax liability.

(10 marks)

(b) Mr. M.N. Peiris is a lawyer by profession and runs his law chamber in the Hulftsdorp area of Colombo. 15 junior lawyers are working under him and 5 others are permanently employed for clerical work.

He earns a service fee of Rs. 10 million per annum. In November 2023, he sold 12 used computers, 10 writing desks, 10 file cupboards and 2 sets of sofas, a dining table and 6 chairs for Rs. 3 million to a company that

buys and resells used goods. Meanwhile, he receives the award worth Rs. 1 million for the most successful lawyer by the Bar Association of Sri Lanka for the year 2023.

Discuss the relevant income tax liability of Mr. Peiris for the assessment year 2023/2024.

(10 Marks)

**2.** LP Perera & Company is a registered software manufacturing company in Sri Lanka. The company has incurred the following expenses for the year 2023/2024. Discuss how those expenses affect the income tax assessments of the Company.

(a) Rs. 100,000/- paid by the company as penalties and fines for Corporate Tax that was left unpaid

(b) Rs. 3,000,000/- spent on the generator installed for problems caused by occasional power outages.

(c) Rs. 500,000/- paid by the company as monthly interest installment for the loan taken from a private bank.

(d) Rs. 4,000,000/- being expenses for the removal of the old staircase in the company and the newly installed elevator.

(e) Rs. 1,000,000/- being expenses spent on repairing the computer lab and the two A/C machines.

(f) The additional allowance of Rs. 2,500,000/- paid to the team of researchers for the research done for the creation of new software.

(g) Rs. 500,000/- in travel expenses of the Executive Board of the company.

(20 Marks)

**3.** Answer both A & B parts

(a) 'Every person chargeable with income tax under the Inland Revenue Act No. 24 of 2017 shall furnish to the Assistant Commissioner in accordance with subsection (2) a tax return in the specified form containing such particulars as may be specified by the commissioner – General either in writing or by electronic means within the stipulated time.' (Sec. 126, Inland Revenue Act No 24 of 2017)

Discuss with reference to the law relating to tax returns and assessments under the Inland Revenue Act No 24 of 2017.

**(b)** 'Tax appeals play a crucial role in ensuring fairness & justice in the taxation system. The ability to appeal provides taxpayers with a mechanism to challenge tax decisions made by the authorities.'

Discuss with reference to the Inland Revenue Act No 24 of 2017.

(20 Marks)

**4. Answer both A & B parts**

**(a)** 'Tax evasion is illegal. One way that people try to evade paying taxes is by failing to report all or some of their income. In contrast, tax avoidance is perfectly legal. IRS regulations allow eligible taxpayers to claim certain deductions, credits, and adjustments to income.'

Discuss with reference to the legal provisions under the Inland Revenue Act No 17 of 2024 and case law interpretations.

**(b)** 'The CGIR has the legal right to institute action to recover tax from defaulters. Once taxes have gone into default, the CGIR must commence recovery actions aligned with the Inland Revenue Act of No 24 of 2017.'

Discuss

(20 Marks)

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