FOURTH SCHEDULE

Capital Allowances, Balancing Allowances and Assessable Charges

Types and classification of depreciable assets.

1. (1) The types and classification of depreciable assets shall be as follows:

Class	*Depreciable Assets*
1	computers and data handling equipment together with peripheral devices.
2	buses and minibuses, goods vehicles; construction and earth-moving equipment, heavy general purpose or specialised trucks, trailers and trailer-mounted containers; plant and machinery used in manufacturing.
3	railroad cars, locomotives, and equipment; vessels, barges, tugs, and similar water transportation equipment; aircraft; specialised public utility plant, equipment, and machinery; office furniture, fixtures, and equipment; any depreciable asset not included in another class.
4	buildings, structures and similar works of a permanent nature.
5	intangible assets, excluding goodwill.

(2) Where a depreciable asset owned by a person is only partly used in the production of income from a business at the end of a year of assessment, the cost of and consideration received for the asset shall be apportioned according to the market value of that part of the asset that is used in the production of income from that business and that part not.

Capital allowances.

2. (1) Subject to this paragraph, an allowance shall be granted to a person for a year of assessment for each of the person's depreciable assets equal to the depreciation for the year of that asset and calculated in accordance with subparagraph (2).

(2) Depreciation for a year of assessment for each depreciable asset shall be calculated according to the straight line method using the following formula:

A/B

where-

A is the depreciation basis of asset at the end of the year of assessment; and

B is the number of years referred to in subparagraph (3) applicable to that asset.

(3) The number of years applicable to a depreciable asset referred to in subparagraph (2) shall be:

Class	*Number of Years*
1	5
2	5
3	5
4	20
5	The actual useful life of the intangible asset, or where the intangible asset has an indefinite useful life, 20.

(4) No Capital allowance shall be granted to a person in respect of a road vehicle, other than–

(*a*) a commercial vehicle;

(*b*) a bus or minibus;

(*c*) a goods vehicle; or

(*d*) a heavy general purpose or specialised truck or trailer.

(5) For the purposes of this paragraph, "commercial vehicle" means–

(*a*) a road vehicle designed to carry loads of more than half a tonne or more than 13 passengers; or

(*b*) a vehicle used in a transportation or vehicle rental business.

Depreciation basis of a depreciable asset.

3. The depreciation basis of a depreciable asset of a person at the end of a year of assessment is shall be the sum of–

(*a*) the depreciation basis of the asset at the end of the previous year of assessment; and (*b*) amounts added to the depreciation basis of the asset during the year of assessment in respect of additions to the cost of asset.

Balancing allowances and assessable charges.

4. (1) Where a depreciable asset of a person is realised by the person before the end of a year of assessment-

(*a*) an assessable charge is included in calculating the person's income for the year calculated in accordance with the following formula:

$$A - B$$

or

(*b*) a balancing allowance is granted to the person for the year calculated in accordance with the following formula:

$$B - A$$

where –

'A' is consideration received by the person during the year of assessment for the asset; and

'B' is the written down value of the asset at the time of realisation of the asset.

(2) For the purposes of this paragraph, "written down value" of an asset at the time of realisation of the asset means the expenses incurred by a person in acquiring the asset reduced by all Capital allowances granted to the person under paragraph 2 in respect of the asset.

(3) For the purposes of this paragraph and without prejudice to section 39, a person realises a depreciable asset if the person sells the business in respect of which the expenses were incurred to another person who is not an associate.

(Section 52)

FIFTH SCHEDULE

Qualifying Payments and Reliefs

1. The qualifying payments referred to in section 52 shall be as follows:

(*a*) a donation made by an individual or entity in money to an approved charitable institution that is:

(i) a charitable institution established for the provision of institutionalized care for the sick or the needy; and

(ii) declared by the Minister as an approved charitable institution for the purposes of this sub-paragraph, subject to a maximum of –

(ii*a*) in the case of an individual, one-third of the taxable income of the individual or Rupees seventy five thousand, whichever is less;

(ii*b*) in the case of an entity, one-fifth of the taxable income of the entity or Rupees five hundred thousand, whichever is less;

(*b*) a donation made by an individual or entity in money or otherwise to the following:-

(i) the Government of Sri Lanka;

(ii) a local authority;

(iii) any Higher Education Institution established or deemed to be established under the Universities Act, No. 16 of 1978;

(iv) the Buddhist and Pali University of Sri Lanka or any Higher Educational Institution established by or under the Buddhist and Pali University of Sri Lanka Act, No. 74 of 1981;

(v) a fund established by the Government of Sri Lanka;

(vi) a fund established by a local authority and approved by the Minister;

(vii) the Sevana Fund created and administered by the National Housing Development Authority established by the National Housing Development Authority Act, No. 17 of 1979;