

Module Code: KE 3 - Fundamentals of Taxation and Law

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Part A : Fundamentals of Taxation

A1. Introduction to Taxation (Syllabus Weighting 5%)			
Knowledge Component	Knowledge Dimension	Knowledge Process	Learning Outcome
1.1 Functions and principles of taxation	Factual	Remember	1.1.1 State the economic and social functions of taxation. 1.1.2 State the principles of taxation and the difference between direct taxes and indirect taxes.
1.2 Tax system in Sri Lanka	Factual	Remember	1.2.1 State the role of the following tax authorities in Sri Lanka: - Department of Inland Revenue - Provincial Departments of Revenue - Department of Customs and Excise Department 1.2.2 Identify the following major taxes in Sri Lanka: - Income Tax - Value-Added Tax (VAT) - Nation Building Tax (NBT) - Economic Service Charge - Stamp Duty - Share Transfer Levy - Excise Duty and Taxes on Imports

A2. Income Tax Liability of a Resident Individual (Syllabus Weighting 20%)			
Knowledge Component	Knowledge Dimension	Knowledge Process	Learning Outcome
2.1 Imposition of income tax	Factual	Remember/ Comprehension	2.1.1 Identify the statutory and other components of law applicable to income tax. (Inland Revenue Act, Case Law and “Rulings”) 2.1.2 Explain the “chargeability” of income tax to a “person” under the “charging section” of the Inland Revenue Act. 2.1.3 Explain the meaning of “person”, year of assessment, sources of profits & income and the “residence rule”.

Knowledge Component	Knowledge Dimension	Knowledge Process	Learning Outcome
2.2 Statutory income from sources of profits & income listed in the Inland Revenue Act	Conceptual	Remember/ Comprehension	<p>2.2.1 Calculate statutory “income” from a small- or medium-scale “trade, business, profession or vocation”, taking into consideration “allowable and disallowable expenses, capital allowances” and disposal of capital assets.</p> <p>2.2.2 Calculate employment income (including all cash and non-cash benefits, excluding terminal benefits).</p> <p>2.2.3 Calculate statutory income from other sources of income (including rent, net annual value, interest, dividends, royalties, annuities, winnings from lottery, betting or gambling and income from any other source).</p> <p>2.2.4 Identify the “miscellaneous exemptions” under the Inland Revenue Act (Sec. 13) applicable to an individual and capital gains.</p>
2.3 Total statutory income, assessable income and taxable income	Conceptual	Comprehension	2.3.1 Compute the total statutory income, assessable income and taxable income taking into consideration relevant statutory deductions and aggregation of child’s income.
2.4 Gross income tax and balance tax payable	Conceptual	Remember/ Comprehension	<p>2.4.1 Identify rates of income tax applicable to an individual, (including “ceiling of tax rates” introduced from time to time).</p> <p>2.4.2 Compute gross income tax liability for an individual.</p> <p>2.4.3 Compute the balance tax payable, taking into consideration the various types of tax credits.</p> <p>2.4.4 Compute tax payable by a partnership, on divisible profit and other income.</p>

A3. Introduction to Company Taxation (Syllabus Weighting 15%)

Knowledge Component	Knowledge Dimension	Knowledge Process	Learning Outcome
3.1 Basic understanding of income tax liability of a resident company (non-complex straightforward scenario)	Factual	Remember/ Comprehension	<p>3.1.1 Identify various types of companies in relation to application of different rates of income tax.</p> <p>3.1.2 Explain specific adjustments applicable to the computation of statutory income of a company, from rent, interest, dividend and profit from trade or business (other than adjustments applicable to intercompany transactions).</p> <p>3.1.3 Compute total statutory income, assessable income and taxable income of a company, by making relevant statutory deductions.</p> <p>3.1.4 Compute gross income tax liability and balance tax liability for a small- or medium-sized company.</p> <p>3.1.5 Explain the tax liability of a company on distributions and “deemed distributions”.</p>

A4. Basic Tax Administration and Payment of Tax

(Syllabus Weighting 5%)

Knowledge Component	Knowledge Dimension	Knowledge Process	Learning Outcome
4.1 Return of income	Factual	Remember	4.1.1 State the circumstances under which an individual or a company is required to furnish a "return" with due dates.
			4.1.2 State the consequences of non-compliance.
4.2 Notice of assessment and appeal settlement procedure	Factual	Remember	4.2.1 State circumstances for issue of assessments and the statutory provisions for rejection of return by the assessor.
			4.2.2 List the characteristics of a valid appeal and the steps of an "appeal settlement".
4.3 Interpretations	Factual	Remember	4.3.1 State the interpretations for tax purposes of the following terms: person, child, trade, business, executive officer and precedent partner.
4.4 Payment of tax and recovery of tax in default	Factual	Remember/ Comprehension	4.4.1 Explain the liability to settle income tax on a "self-assessment" basis, including due dates.
			4.4.2 Explain penalties and discounts applicable on the payment of tax.
			4.4.3 State briefly how a valid claim can be made for a tax refund of overpaid tax.
			4.4.4 Explain the Notice of "Tax in Default" and submission of an "objection" against such notice.
			4.4.5 List recovery actions available under the Inland Revenue Act.
4.5 Withholding taxes, including the Pay As You Earn scheme	Factual	Comprehension	4.5.1 Explain characteristics of withholding tax schemes (WHT on director fees, interest, dividends, sale of gem at auctions, lottery and other prizes) and tax credits where applicable.
			4.5.2 Explain the PAYE scheme and obligations of an employer under this scheme.
			4.5.3 Explain the concept of final tax.

A5. Taxes Payable by a Business
(Syllabus Weighting 5%)

Knowledge Component	Knowledge Dimension	Knowledge Process	Learning Outcome
5.1 Value Added Tax (VAT)	Conceptual	Remember/ Comprehension	5.1.1 Explain the applicability of VAT to small and medium-sized businesses along with the registration “threshold”. 5.1.2 Compute tax payable for a given straightforward, non-complex scenario. 5.1.3 List the supplies exempted from tax and explain the difference between exempted and zero-rated supplies. 5.1.4 Explain the due dates of payment and submission of returns.
5.2 Nation Building Tax (NBT)	Conceptual	Remember/ Comprehension	5.2.1 Explain the applicability of NBT to small and medium-sized businesses, and the registration threshold. 5.2.2 List a few excepted articles and services. 5.2.3 Compute tax payable in a straightforward, non-complex scenario. 5.2.4 Explain the due dates of payment and submission of returns.

Part B : Fundamentals of Law

B1. Introduction to the Laws and Regulatory Framework of Sri Lanka
(Syllabus Weighting 5%)

Knowledge Component	Knowledge Dimension	Knowledge Process	Learning Outcome
1.1 Constitution and the different branches of law	Factual	Remember	1.1.1 Identify the main branches of the Sri Lankan Legal system and their roles.
1.2 Legal systems	Factual	Remember	1.2.1 Identify the key legal systems applicable in Sri Lanka.
1.3 Court system, powers, functions	Factual	Remember	1.3.1 Identify the courts in Sri Lanka and their functions.
1.4 Functions of Regulatory Institutions	Factual	Remember/ Comprehension	1.4.1 Explain the regulatory role of each of these institutions: Institute of Chartered Accountants, Sri Lanka Accounting Standards Monitoring Board, Securities and Exchange Commission, Colombo Stock Exchange, Board of Investment, Registrar of Companies, Dept. of Customs, Central Bank (Exchange Control aspect). 1.4.2 Identify the main functions of each institution stated above.

B2. Law of Contracts (Basics)

(Syllabus Weighting 15%)

Knowledge Component	Knowledge Dimension	Knowledge Process	Learning Outcome
2.1 Main elements of a contract	Conceptual	Comprehension	2.1.1 Explain the requisites of a valid contract i.e. offer and acceptance, intention to create legal relations, consideration (including the concept of “LaesioEnormis”), “capacity and form”. Definition of contract, agreement, offer and acceptance, capacity to contract, form of contracts, “reality of consent”.
2.2 Terms of contracts	Conceptual	Comprehension	2.2.1 Explain what is meant by the terms of contract (conditions, warranties, exemption clauses) and the effect of exemption clauses and the Unfair Contract Terms Act No. 26 of 1997. 2.2.2 Explain mistakes, misrepresentation and undue influence & their consequences.
2.3 Legality of objects	Conceptual	Comprehension	2.3.1 Explain the effect of illegality and its consequences.
2.4 Termination of contracts	Conceptual	Comprehension	2.4.1 Explain the manner in which a contract could be discharged by performance, agreement, frustration and breach (including anticipatory breach).
2.5 Remedies for breach of contract	Conceptual	Comprehension	2.5.1 Explain the Common Law and Equitable remedies for breach of contract. 2.5.2 Explain the principle of unjust enrichment.
2.6 Other concepts of contract law	Conceptual	Remember/ Comprehension	2.6.1 Identify the periods of prescription for different types of contracts. 2.6.2 Explain the principle of privity of contract.

B3. Sale of Goods (Basics)

(Syllabus Weighting 8%)

Knowledge Component	Knowledge Dimension	Knowledge Process	Learning Outcome
3.1 Form and subject matter of the sale of goods contract	Conceptual	Comprehension	3.1.1 Discuss the difference between a contract for sale of goods and a contract for work and materials, and the classification of said goods.
3.2 Conditions and warranties	Conceptual	Comprehension	3.2.1 Explain the implied conditions and warranties which are applicable in a contract for sale of goods.
3.3 Transfer of the property between seller and buyer	Conceptual	Comprehension	3.3.1 Discuss the time at which there is a passing of risk and a transfer of title (unascertained goods, reservation of title, instalment deliveries, sales by auction, sale by person not the owner).
3.4 Remedies available to buyer and seller	Conceptual	Comprehension	3.4.1 Explain the remedies which are available to a buyer and seller, including rights of an “unpaid seller”.

Knowledge Component	Knowledge Dimension	Knowledge Process	Learning Outcome
3.5 Legal implications of hire-purchase and leasing	Factual	Remember	3.5.1 State the principles of leasing and hire-purchase agreements.
3.6 International Trade	Factual	Remember/ Comprehension	3.6.1 Identify the differences between a CIF contract and a FOB contract. 3.6.2 Explain the process of a Letter of Credit. 3.6.3 Explain the process of international sale of goods, with reference to finance and letter of credit, transportation, insurance and bill of lading.

B4. Negotiable Instruments (Basics) (Syllabus Weighting 5%)

Knowledge Component	Knowledge Dimension	Knowledge Process	Learning Outcome
4.1 Cheques, bills of exchange and promissory notes	Factual	Remember/ Comprehension	4.1.1 Define and identify differences between cheques, bills of exchange and promissory notes. 4.1.2 Explain the functions of cheques, bills of exchange and promissory notes, from a business context.
4.2 Legal principles and commercial significance of cheques	Conceptual	Comprehension	4.2.1 Explain, in respect of the following, the applicable principles of cheque law and their commercial significance (endorsements, crossings, dishonour and banker's liability).
4.3 Holder in due course and presentment	Conceptual	Remember	4.3.1 Define and explain the commercial significance of "holder in due course" and "presentment" in relation to a bill of exchange.

B5. Law of Agency and Partnership (Basics) (Syllabus Weighting 8%)

Knowledge Component	Knowledge Dimension	Knowledge Process	Learning Outcome
5.1 Creation of agency, different types of agents	Conceptual	Comprehension	5.1.1 Explain the circumstances under which a relationship of Principle-Agent would be recognised by mutual agreement, by ratification, by necessity and by estoppels.
5.2 Authority	Conceptual	Comprehension	5.2.1 Explain the circumstances under which an agent may acquire actual authority (including express authority and implied authority) and ostensible authority.
5.3 Rights and duties between Principal and Agent	Factual	Remember	5.3.1 State the duties of agent towards principal. 5.3.2 State the duties of a principal towards agent.
5.4 Termination of Agency	Conceptual	Remember	5.4.1 State the circumstances under which a contract of Agency may be terminated by the act of parties and by operation of law.

Knowledge Component	Knowledge Dimension	Knowledge Process	Learning Outcome
5.5 Liabilities of Agent	Factual	Remember	5.5.1 State the liability of agents for acts done whilst acting within actual authority, within ostensible authority and without authority.
5.6 Liability of State	Factual	Comprehension	5.6.1 Explain the liability of the state for acts done by its agents.
5.7 Creation of Partnership Relations of Partners, Change of Partners and Dissolution of Partnership	Factual/ Conceptual	Remember/ Comprehension	5.7.1 Identify the general characteristics of a partnership. 5.7.2 State the requirements to form a valid partnership. 5.7.3 Explain the formalities contained in the prevention of frauds ordinance with regard to the creation of a partnership. 5.7.4 State the registration requirements for a partnership. 5.7.5 State the relationship between partners. 5.7.6 State the relationship between partners and third parties. 5.7.7 Explain the delictual ability of partners. 5.7.8 Explain the manner in which a partnership could be dissolved.

B6. Labour Law
(Syllabus Weighting 5%)

Knowledge Component	Knowledge Dimension	Knowledge Process	Learning Outcome
6.1 Employees' Provident Fund (EPF), Employees' Trust Fund (ETF), Private Provident Funds (PPF)	Factual	Remember	6.1.1 State who should contribute to EPF and ETF, along with relevant exemptions.. 6.1.2 Identify the main differences between EPF & PPF. 6.1.3 List instances in which employee can withdraw his/her contribution to EPF & ETF.
6.2 Gratuity	Factual	Comprehension	6.2.1 Explain the entitlement of gratuity.
6.3 Shop & Office Act	Factual	Remember	6.3.1 Identify employees covered under the shop & office Act. 6.3.2 State hours of employment, weekly, annual holiday and leave. 6.3.3 Identify facilities to be provided by employers under the shop & office Act. 6.3.4 Identify maternity benefits available to employees. 6.3.5 Identify authorised deductions from remuneration.
6.4 Termination of employment	Factual	Remember/ Comprehension	6.4.1 Explain the procedure for termination of employees under the termination of employment Workmen (special Provisions) Act. 6.4.2 Identify "scheduled employment". 6.4.3 State the computation of compensation payable.

B7. Offences Related to the Business Environment and New Regulations

(syllabus Weighting 4%)

Knowledge Component	Knowledge Dimension	Knowledge Process	Learning Outcome
7.1 Main offences in business environment and defences	Factual	Remember	7.1.1 Define fraud, theft, money laundering, bribery, negligence and explain the main defences.
7.2 New regulations in business environment	Factual	Remember	7.2.1. State briefly on each of these Acts: Prevention of Money laundering Act no. 05 of 2006, Electronic Transactions Act No. 19 of 2006, Computer Crimes Act, Consumer Protection Act, Intellectual Property Act No. 36 of 2003.