



**PARLIAMENT OF THE DEMOCRATIC
SOCIALIST REPUBLIC OF
SRI LANKA**

**INLAND REVENUE (AMENDMENT)
ACT, No. 14 OF 2023**

[Certified on 08th of September, 2023]

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*Inland Revenue (Amendment)
Act, No. 14 of 2023*

[Certified on 08th of September, 2023]

L.D.-O. 45/2023

AN ACT TO AMEND THE INLAND REVENUE ACT, NO. 24 OF 2017

BE it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows: -

1. (1) This Act may be cited as the Inland Revenue (Amendment) Act, No. 14 of 2023.

Short title
and the date
of operation

(2) The provisions of this Act shall be deemed to have come into operation on April 1, 2023.

2. The First Schedule to the Inland Revenue Act, No. 24 of 2017 is hereby amended by the repeal of paragraph 8 of that Schedule and the substitution therefor, of the following paragraph: -

Amendment
of the First
Schedule to
Act, No. 24
of 2017

**“8. Tax rate for Employees’ Trust Funds,
Provident, Pension or Gratuity Funds and
Termination Funds.**

(1) The taxable income of the Employees’ Trust Fund, an approved provident or pension fund, or an approved termination fund for a year of assessment commencing on or prior to April 1, 2022 and for the first six months period of the year of assessment commencing on April 1, 2023 shall be taxed at the rate of 14%.

(2) Subject to subparagraphs (3) and (4), the taxable income of the Employees’ Trust Fund, an approved provident or pension fund or an approved termination fund for the second six months period of the year of assessment commencing on April 1, 2023 and for each year of assessment commencing on or after April 1, 2024, shall be taxed at the rate of 14%.

(3) Such part of the gains and profits received or derived by the Employees' Trust Fund, an approved provident or pension fund or an approved termination fund from treasury bonds, for the second six months period of the year of assessment commencing on April 1, 2023 and for each year of assessment commencing on or after April 1, 2024, shall be taxed at the rate of 30%.

(4) Notwithstanding anything to the contrary in the provisions of subparagraph (3), if the Employees' Trust Fund, an approved provident or pension fund or an approved termination fund has invested in eligible bonds, and the Registrar of the Public Debt Department of the Central Bank of Sri Lanka confirms that any such fund has effectively participated in the process of domestic debt optimization approved by the Parliament by Resolution dated July 1, 2023, such part of the gains and profits received or derived by such funds from the treasury bonds, for the second six months period of the year of assessment commencing on April 1, 2023 and for each year of assessment commencing on or after April 1, 2024 shall be taxed at the rate of 14%.

(5) In this paragraph -

“approved termination fund” means any thrift, savings or building society or welfare fund to which contributions are made by employees only or, any gratuity fund approved by the Commissioner-General and maintained for the purpose of payment of gratuities to employees on the termination of their service, under the Payment of Gratuity Act, No. 12 of 1983;

“effectively participated” means the submission of offers by the Employees’ Trust Fund, an approved provident or pension fund or an approved termination fund for not less than 50% of the total holding of each series of eligible bonds maturing in the year 2023, and for 100% of the total holding of eligible bonds maturing in the calendar years 2024 to 2032 (both inclusive) and acceptance of such offers by the Registrar of the Public Debt Department of the Central Bank of Sri Lanka; and

“eligible bonds” means the treasury bonds applicable for the purposes of domestic debt optimization, issued under the Registered Stocks and Securities Ordinance (Chapter 420) that are-

- (a) maturing between June 28, 2023 and December 31, 2023 (excluding the treasury bonds maturing on July 15, 2023 and September 1, 2023); and
- (b) maturing in the calendar years 2024 to 2032 (both inclusive).

(6) Notwithstanding anything to the contrary in any other provision of this Act, where any fund referred to in this paragraph uses accounts based on an alternative period of twelve months for the

computation of the income tax payable for the year of assessment commencing on April 1, 2023, the income tax rates set out in this paragraph shall be applied for such year of assessment by considering such alternative period of twelve months period.”.

Sinhala text
to prevail in
case of
inconsistency

3. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

