

FIRST SCHEDULE

(Section 2)

TAX RATES

1. Tax rates for resident and non - resident individuals.

(1) Subject to the provisions of subparagraph (2), the taxable income of a resident or non-resident individual for a year of assessment shall be taxed at the following rates:

<i>Taxable Income</i>	<i>Tax Payable</i>
Not Exceeding Rs. 600,000	4% of the amount in excess of Rs. 0
Exceeding Rs. 600,000 but not exceeding Rs. 1,200,000	Rs. 24,000 plus 8% of the amount in excess of Rs. 600,000
Exceeding Rs. 1,200,000 but not exceeding Rs. 1,800,000	Rs. 72,000 plus 12% of the amount in excess of Rs. 1,200,000
Exceeding Rs. 1,800,000 but not exceeding Rs. 2,400,000	Rs. 144,000 plus 16% of the amount in excess of Rs. 1,800,000
Exceeding Rs. 2,400,000 but not exceeding Rs. 3,000,000	Rs. 240,000 plus 20% of the amount in excess of Rs. 2,400,000
Exceeding Rs. 3,000,000	Rs. 360,000 plus 24% of the amount in excess of Rs. 3,000,000:

(2) Where an individual's taxable income includes gains from the realisation of investment assets or the types of income referred to in subparagraphs (3) or (4), then –

- (a) those gains from the realisation of investment assets shall be taxed at the rate of 10%;
- (b) the types of income from employment referred to in subparagraph (3) for a year of assessment shall be taxed at the following rates:—

- (i) where the period of contribution or the period of employment is 20 years or less:

<i>Total Income from Employment</i>	<i>Tax Payable</i>
Not exceeding Rs. 2,000,000	0% of the amount in excess of Rs. 0
Exceeding Rs. 2,000,000 but not exceeding Rs. 3,000,000	5% of the amount in excess of Rs. 2,000,000
Exceeding Rs. 3,000,000	Rs. 50,000 plus 10% of the amount in excess of Rs. 3,000,000

- (ii) where the period of contribution or the period of employment is more than 20 years:

<i>Total Income from Employment</i>	<i>Tax Payable</i>
Not exceeding Rs. 5,000,000	0% of the amount in excess of Rs. 0
Exceeding Rs. 5,000,000 but not exceeding Rs. 6,000,000	5% of the amount in excess of Rs. 5,000,000
Exceeding Rs. 6,000,000	Rs. 50,000 plus 10% of the amount in excess of Rs. 6,000,000

- (c) the type of business income referred to in subparagraph (4) shall be taxed at 40%; and
- (d) only the remainder of the individual's taxable income shall be taxed at the rates referred to in subparagraph (1)
- (3) The types of income from employment referred to in subparagraph (2) shall be –
- (a) amount received in commutation of a pension;
- (b) amount received as a retiring gratuity;
- (c) amount received as compensation for loss of office or employment under a scheme which the Commissioner-General considers to be uniformly applicable to all individuals employed by the employer;

- (d) amount paid to a person at or after the time of retirement from employment from a provident fund approved by the Commissioner-General that does not represent the person's contributions to that provident fund;
- (e) amount paid to a person from a regulated provident fund that does not represent the contributions made by the employer to that provident fund before April 1, 1968, and the interest which accrued on such contributions made by the employer, if tax has been paid by the employer at 15% on such contributions made and the interest accruing thereon; and
- (f) amount paid to a person at or after the time of retirement from employment from the Employees' Trust Fund, established by the Employees' Trust Fund Act, No. 46 of 1980.

(4) The type of income referred to in subparagraph (2) (c) shall be income from a business consisting of betting and gaming, liquor or tobacco.

2. Tax rate for partnerships.

Where a partnership's taxable income includes gains from the realisation of investment assets, those gains shall be taxed to the partnership at the rate of 10%.

3. Tax rates for trusts.

(1) Subject to the provisions of subparagraph (2), the taxable income of a trust for a year of assessment to which subsection (1) of section 57 applies shall be taxed at the rate of [24%].

(2) Where a trust's taxable income includes gains from the realisation of investment assets, then –

- (a) those gains, shall be taxed to the trust at the rate of 10%; and
- (b) only the remainder of the trust's taxable income shall be taxed at the rate referred to in subparagraph (1).

(3) Where a trust's taxable income (not otherwise covered by this paragraph) includes gains from the realisation of investment assets, those gains shall be taxed to the trust at the rate of 10%.

4. Tax rates for companies.

(1) Subject to subparagraphs (2) and (3), the taxable income of a company for a year of assessment shall be taxed at the rate of 28%.

(2) The taxable income of a company for a year of assessment shall be taxed at the following rates:—

- (a) in the case of an Small and Medium Enterprises – 14%;
- (b) in the case of a company predominantly conducting a business of exporting goods and services – 14%;
- (c) in the case of a company predominantly conducting an agricultural business – 14%;
- (d) in the case of a company with income from a business consisting of betting and gaming, liquor and tobacco (excluding such income which is merely incidental to another business) – 40%;
- (e) in the case of a company predominantly providing educational services – 14%;
- (f) in the case of a company predominantly engaged in an undertaking for the promotion of tourism- 14%; and
- (g) in the case of a company predominantly providing information technology services-14%.

(3) In this paragraph –

- (i) providing information technology means –
 - (a) software development services; or
 - (b) the provision of information technology services under a business process outsourcing arrangement or a knowledge process outsourcing arrangement;
- (ii) undertaking for the promotion of tourism means an undertaking for the operation of-
 - (a) any hotel or guest house approved by the Ceylon Tourist Board;
 - (b) any restaurant graded by the Ceylon Tourist Board as being in “Class A” or “Class B”;
 - (c) any business of travel agent who provides travel management services for domestic travel in Sri Lanka;
 - (d) any business of transporting tourists only; or

(e) any business approved by the Ceylon Tourist Board for providing facilities for recreation or sports;

(iii) “predominantly” means 80% or more calculated based on gross income

(4) Where a company’s taxable income includes gains from the realisation of investment assets, then –

(a) those gains, shall be taxed to the company at the rate of 10%; and

(b) only the remainder of the company’s taxable income shall be taxed at the rate referred to in subparagraph (1).

5. Tax rates for unit trusts or mutual funds.

(1) Subject to the provisions of subparagraph (2), the taxable income of a unit trust or mutual fund to which section 59 applies for a year of assessment shall be taxed at the rate of [28%].

(2) Where a unit trust’s or mutual fund’s taxable income includes gains from the realisation of capital assets then –

(a) those gains, shall be taxed to the unit trust or mutual fund at the rate of 10%; and

(b) only the remainder of the unit trust’s or mutual fund’s taxable income shall be taxed at the rate referred to in subparagraph (1).

6. Tax rates for charitable institutions.

(1) Subject to subparagraph (2), the taxable income of a charitable institution for a year of assessment shall be taxed at the rate of [14%].

(2) Where a charitable institution’s taxable income includes gains from the realisation of investment assets, then –

(a) those gains shall be taxed to the charitable institutions at the rate of 10%; and

(b) only the remainder of the charitable institution’s taxable income shall be taxed at the rate referred to in subparagraph (1).

7. Tax rates for non-governmental organizations.

(1) Subject to subparagraph (2), the taxable income of a non-governmental organization for a year of assessment shall be taxed at the rate of [28%].

(2) Where a non-governmental organization's taxable income includes gains from the realisation of investment assets, then –

- (a) those gains, shall be taxed to the non-governmental organization at the rate of 10%; and
- (b) only the remainder of the non-governmental organization's taxable income shall be taxed at the rate referred to in subparagraph (1).

(3) The rate of tax payable by a non-governmental organization on amounts received in a year of assessment by way of grant, donation or contribution or in any other manner under section 68 shall be [28%].

8. Tax Rates for Employees Trust Funds, Provident or Pension Funds and Termination Funds.

(1) The taxable income of an employees trust fund, an approved provident or pension fund, or an approved termination fund for a year of assessment shall be taxed at the rate of [14%].

(2) For this paragraph, “approved termination fund” means any thrift, saving 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 purposes of payment under the Payment of Gratuity Act, No. 12 of 1983, of gratuities to employees on the termination of their services.

9. Remittance tax rate.

The rate of tax payable by a non-resident person who has remitted profits under section 62 shall be [14%].

10. Withholding tax rates.

(1) The rates of tax to be withheld from payments shall be –

- (a) for payments to which section 83 applies –
 - (i) in the case of a resident withholder - at the rates specified by the Commissioner General and published in the Gazette; and
 - (ii) in the case of a non-resident withholder - at the rates specified by the Commissioner General and published in the Gazette;
- (b) for payments to which section 84(1)(a)(i) applies –
 - (i) in the case of interest or discount paid to a person (other than to an individual who is a senior citizen in relation to a bank deposit account) - 5%;

- (ii) in the case of interest paid to a senior citizen - at the rate and in the manner prescribed in regulations;
 - (iii) in the case of rent paid to a resident person – 10%; and
 - (iv) in all other cases – 14%;
- (c) for payments to which section 85 applies –
- (i) in the case of service fees referred to in section 85(1)(a) - 5% on amounts exceeding Rs. 50,000 per month;
 - (ii) in the case of service fees referred to in section 85(1)(b) - 14%; and
 - (iii) in the case of insurance premiums referred to in section 85(1)(b) - 14%.
- (2) The rate of tax to be withheld from each partner's share of any partnership income under section 53(9) and section 84(1) (a) (ii) shall be 8% of the amount.
- (3) The rate of tax to be withheld from payments to which section 84 (2) applies - 2.5%.

SECOND SCHEDULE

INVESTMENT INCENTIVES

Enhanced Capital Allowances

1. (1) A person who invests in Sri Lanka (other than the expansion of an existing business) during a year of assessment shall be granted enhanced capital allowances computed in accordance with this paragraph, in addition to the capital allowances computed under the Fourth Schedule.

(2) A capital allowance of 100% of the expenses incurred by a person on depreciable assets, other than intangible assets during a year of assessment shall be granted to that person for that year if the total expenses incurred by that person during that year on depreciable assets (other than intangible assets) that are used in a part of Sri Lanka other than the Northern Province exceeds USD 3 million but does not exceed USD 100 million.

(3) A capital allowance of 150% of the expenses incurred by a person on depreciable assets other than intangible assets during a year of assessment shall be granted to that person for that year if the total expenses incurred by that person during that year on depreciable assets (other than intangible assets) that are used in a part of Sri Lanka other than the Northern Province exceeds USD 100 million.

(4) A capital allowance of 200% of the expenses incurred by a person on depreciable assets other than intangible assets during a year of assessment shall be granted to that person for that year where the total expenses incurred by that person during that year on depreciable assets (other than intangible assets) that are used in the Northern Province exceeds USD 3 million.

(5) A capital allowance of 150% of the expenses incurred by a person on assets or shares of a state owned company during a year of assessment shall be granted to that state owned company for that year if the total expenses incurred by that person during that year on assets of a state owned company that are used in a part of Sri Lanka exceeds USD 250 million.

(6) Capital allowances arising under a subparagraph of this paragraph 1 with respect to a particular year of assessment cannot be accumulated with another subparagraph and shall be taken in that year and shall be deferred to a later year of assessment.

Extended Period for Deducting Unrelieved Losses

(7) Subject to the provisions of subparagraph (9), and despite subsection 19(1), where enhanced Capital allowances computed under