

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

**INLAND REVENUE (AMENDMENT)**   
 **ACT, No. 10 OF 2021**

**[Certified on 13th of May, 2021]**

*Printed on the Order of Government*

Published as a Supplement to Part II of the **Gazette of the Democratic Socialist Republic of Sri Lanka** of May13, 2021

PRINTEDATTHEDEPARTMENTOFGOVERNMENTPRINTING, SRILANKA   
TOBEPURCHASEDATTHEGOVERNMENTPUBLICATIONSBUREAU, COLOMBO5

**Price : Rs. 80.00**  **Postage : Rs. 45.00**

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| *Inland Revenue (Amendment)* | 1 |

*Act, No. 10 of 2021*

[Certified on 13th of May, 2021]

L.D.–O. 10/2020

AN ACTTOAMENDTHE INLAND REVENUE ACT, NO. 24 OF 2017

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

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| **1.** | (1) This Act may be cited as the Inland Revenue | Short title and the date of  operation |
| (Amendment) Act, No. 10 of 2021. | |

(2) The provisions of this Act (other than the provisions of sections referred to in *Table‘A’* and *Table ‘B’* set out in this Amendment Act) shall commence on the date on which the certificate of the Speaker is endorsed thereon.

(3) The provisions of sections referred to in *Table ‘A’* set out in this Amendment Act shall be deemed to have come into operation on April 1, 2021.

(4) The provisions of sections referred to in *Table ‘B’* set out in this Amendment Act shall be deemed to have come into operation on the respective dates specified in that Table.

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| **2.** | Section 5 of the Inland Revenue Act, No. 24 of 2017 | Amendment of section 5 of Act, No. 24 of 2017 |
| (hereinafter referred to as the “principal enactment”) is hereby amended in subsection (3) of that section as follows: - | |
| (1) | in paragraph (*c*) of that subsection, by the |

substitution for the words “on equal terms;” of the   
words “in the same grade of the service, on equal   
terms;”;

(2) in paragraph (*f*) of that subsection, by the   
 substitution for the words “provident or savings   
 fund or savings society” of the words “provident,   
 gratuity or savings fund or savings society”.

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| Amendment of section 6 of the principal  enactment | **3.** | Section 6 of the principal enactment is hereby |
| amended in paragraph (*d*) of subsection (2) of that section, by the substitution for the words “the Second or Fourth Schedule to this Act”, of the words “the Fourth Schedule to | |

this Act”.

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| Amendment of section 9 of the principal  enactment | **4.** | Section 9 of the principal enactment is hereby |
| amended in subsection (3) of that section, by the substitution for the words “commencement of this Act.” of the words and figures, “commencement of this Act or for any projects | |

approved under the Strategic Development Projects Act, No. 14 of 2008.”.

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| Amendment of  section 10 of the principal  enactment | **5.** | Section 10 of the principal enactment is hereby |
| amended in subparagraph (v) of paragraph (*b*) of subsection (1) of that section, by the substitution for the words“provident or savings fund” of the words “provident, gratuity | |

or savings fund”.

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| Amendment of  section 11 of the principal  enactment | **6.** | Section 11 of the principal enactment is hereby |
| amended by the addition immediately after subsection (3) of that section, of the following new subsection: - | |

“(4) For the purpose of this section, cost of funds   
of the financial institution incurred on the loans   
provided for new businesses commenced on or after   
April 1, 2021 by any individual after successful   
completion of vocational education from any   
Vocational Education Institution which is standardized   
under Technical and Vocational Education and   
Training concept (TVET concept) and regulated by   
the Tertiary and Vocational Education Commission,   
shall be deemed to be incurred in the production of   
income of such financial institution.”.

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| Amendment of  section 14 of the principal  enactment | **7.** | Section 14 of the principal enactment is hereby |
| amended as follows: - | |
| (1) | in subsection (2) of that section- |

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(*a*) by the substitution for the words and the   
 figure “The deductions referred to in   
 subsection (1) granted for a year of   
 assessment”, of the words and figures “The   
 deductions of improvements referred to in   
 subsection (1) granted for any year of   
 assessment commencing from April 1, 2021”;   
 and

(*b*) in subparagraph (i) of paragraph (*a*) of that   
 subsection, by the substitution for the words  
 “in the case of repair or improvement to”, of   
 the words “in the case of improvement to”;

(2) in subsection (3) of that section, by the substitution   
 for the words and figure “(paragraph (3) of the   
 Fourth Schedule)”, of the words and figure  
 “(paragraph 3 of the Fourth Schedule)”;

(3) by the addition immediately after subsection (3) of   
 that section, of the following new subsection: -

“(4) In this section, “improvement” means   
the expenditure incurred by a person to make   
additions or alterations to a depreciable asset   
which enhances the value of such asset, but   
excludes the expenditure incurred to maintain   
or repair a depreciable asset which   
temporarily enhances the value of such asset.”.

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| **8.** | The following new section is hereby inserted | | Insertion of new section 15A in  the principal  enactment |
| immediately after section 15 of the principal enactment, and shall have effect as section 15A of that enactment: - | | |
| “Marketing | | 15A. (1) For any year of assessment |
| and  communication expenses | | commencing on or after April 1, 2021, in calculating a person’s income from a business, marketing and communication expenses |

incurred by such person in the production of

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income during the year of assessmentshall be   
deducted irrespective of whether they are of a   
capital nature or not.

(2) In this section, “marketing and   
communication expenses” means, any   
expenses incurred by any person in-

(*a*) carrying out amarket research by   
 such person or any institution in Sri   
 Lanka on his behalf;

(*b*) the development or production of   
 marketing, advertising and   
 communication campaign to the   
 extent that such development or   
 production is carried out in Sri   
 Lanka;

(*c*) advertising on mainstream media or   
 social media including television,   
 radio, print or as outdoor advertising;

(*d*) product launches or campaign   
 activation carried out by such person   
 or by any local institution on his   
 behalf;

(*e*) development and printing of point-  
 of-sale material by such person or   
 by any local institution on his   
 behalf.”.

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| Amendment of  section 16 of the principal  enactment | **9.** | Section 16 of the principal enactment is hereby |
| amended as follows: - | |
| (1) | in paragraph (*b*) of subsection (2) of that section, |

by the substitution for the words “the Second or

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Fourth Schedule to this Act.” of the words “the   
Second, Fourth or Sixth Schedule to this Act.”;

(2) in paragraph (*b*) of subsection (4) of that section,   
 by the substitution for the words “the Second or   
 Fourth Schedule to this Act.” of the words “the   
 Fourth Schedule to this Act.”.

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| **10.** | Section 18 of the principal enactment is hereby | Amendment of  section 18 of the principal  enactment |
| amended by the repeal of subsection (1) and subsection (2) of that section, and the substitution therefor of the following subsections: - | |

“(1)The amount of financial costs deducted in   
calculating the income of a company (other than a   
financial institution) which is incorporated in or   
outside Sri Lanka and having an issued share capital   
as at the date on which the year of assessment ends,   
from conducting a business or investment for a year of   
assessment commencing from April l, 2021, shall not   
exceed the limit referred to in subsection (2).

(2) The limit shall be computed according to the   
following formula: -

A

|  |  |  |
| --- | --- | --- |
| -- | X | C |

B

Where:

‘A’ = financial cost of the year;

‘B’ = value of financial instruments on which the   
 financial cost incurred during the year; and

‘C’= 4 x total of the issued share capital and   
reserves of the company as at the end of the   
year.”.

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| Amendment of  section 19 of the principal  enactment | **11.** | Section 19 of the principal enactment is hereby |
| amended in subsection (3) of that section, by the substitution for the words “in calculating exempt amounts.”, of the following: - | |

“in calculating exempt amounts.

For the purpose of this subsection, where any company has an unrelieved loss from business to deduct in the current year of assessment from a period during which that company had operated as a small and medium enterprise and, if-

(*a*) the unrelieved loss was a profit in the year of   
 assessment in which that unrelieved loss was   
 incurred and which would have been taxed at a   
 reduced rate; and

(*b*) the current year business income is not taxable   
 at the same reduced rate as in the year referred to   
 in the paragraph (*a*),

that unrelieved loss shall, (subject to paragraph (*b*) of subsection (1)), be deemed to be a loss (if it would have been a taxable profit) taxed at the same rate of the current year.”.

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| Amendment of  section 20 of the principal  enactment | **12.** | Section 20 of the principal enactment is hereby |
| amendedas follows: - | |
| (1) | by the repeal of subsection (2) of that section, and |

the substitution therefor, of the following   
subsection: -

“(2) Where a trust or company is unable to   
submit the accounts for the period of twelve   
months of the year of assessment as provided   
in subsection (1), such trust or company may   
apply to the Commissioner-General   
requesting that the accounts based on an   
alternative period of twelve months be used   
to compute the income tax payable for a given

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year of assessment. The Commissioner-  
General may approve such request on such   
terms and conditions as he thinks fit. The   
Commissioner-General may revoke such   
approval if the trust or company fails to   
comply with terms and conditions attached   
to the approval.”.

(2) in subsection (3) of that section, by the substitution   
 for the words “A change in a trust or company’s   
 year of assessment shall”, of the words and the figure  
 “A change approved under subsection (2) shall not”;

(3) by the substitution for the marginal note of that   
 section, of the following marginal note: -

“Year of assessment”.

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| **13.** | Section 36 of the principal enactment is hereby | Amendment of  section 36 of the principal  enactment |
| amended by the addition immediately after subsection (4) of that section, of the following new subsection: - | |

“(5) Where**,** in any year of assessment commencing   
from April 1, 2021, an asset owned by a person is used   
in the production of different gains and profits from   
business (including losses) taxable at different tax   
rates, the cost of, and consideration received for the   
asset shall be apportioned among such gains and   
profits, according to the market value of the parts of   
the assets used to produce respective gains and   
profits.”.

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| **14.** | Section 38 of the principal enactment is hereby | Amendment of  section 38 of the principal  enactment |
| amended by the insertion immediately after subsection (1) of that section, of the following new subsection: - | |

“(1A) Notwithstanding anything to the contrary in   
subsection (1), the consideration received for the   
realisation of an investment asset of a person shall be   
the amount received or receivable by the person in

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respect of such asset or the assessed value at the time   
of realisation, whichever is higher:

Provided, however, a tax official may determine   
the consideration received for an asset in terms of   
subsection (1), if such tax official is of the opinion   
that the assessed value is not indicative of the market   
value of such asset.

For the purpose of this subsection, “assessed value”  
means the value at the time of the realisation, certified   
by a professionally qualified valuer in a valuation   
report.”.

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| Amendment of  section 53 of the principal  enactment | **15.** | Section 53 of the principal enactment is hereby |
| amended as follows: - | |
| (1) | in subsection (1) of that section, by the substitution |

for the words “a partnership”, of the words and   
figures “prior to January 1, 2020, a partnership”;

(2) by the insertion immediately after subsection (1) of   
 that section, of the following new subsection: -

“(1A) Every partnership shall be liable to pay   
income tax with effect from January 1, 2020 at the   
rate provided for in paragraph 2 of the First Schedule   
to this Act, separately from its partners.”;

(3) in subsection (9) of that section, by the substitution   
 for the words “The precedent partner”, of the words   
 and figures “Prior to January 1, 2020, the precedent   
 partner”;

(4) by the addition immediately after subsection (9) of   
 that section, of the following new subsection: -

“(10) Each partner in a partnership shall be   
responsible for performing any duty or obligation

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imposed by this Act on the partnership in relation   
to its income tax payable**.**”.

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| **16.** | Section 55 of the principal enactment is hereby | Amendment of  section 55 of the principal  enactment |
| amended in subsection (4) of that section, by the substitution for the words “as paid by them.” of the words “as paid by them without any right to a refund (but with a right to carry | |

forward to the next succeeding year to deduct as a tax credit in that year)of any excess of such share of tax attributable to such partner.”.

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| **17.** | Section 60 of the principal enactment is hereby | Amendment of  section 60 of the principal  enactment |
| amended in subsection (2) of that section, by the substitution for the words “a single company business.”, of the words “a single company business, unless different tax rates are | |

applicable to the different activities and sources of income, in which case each such different activity and source shall be treated as distinct businesses and sources.”.

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| **18.** | Section 62 of the principal enactment is hereby | Amendment of  section 62 of the principal  enactment |
| amended in subsection (2) of that section, by the substitution for the words “making such remittances.” of the following: - | |

“making such remittances:

Provided however, if a non-resident person   
retained the total income earned in any year of   
assessment commencing on or after April 1, 2021   
in Sri Lanka for a minimum period of three years   
commencing from the first day of the immediately   
succeeding year of assessment in which the income   
is earned and invested the same in Sri Lanka to   
expand its business or to acquire shares or securities   
from the Colombo Stock Exchange licensed by the   
Securities and Exchange Commission of Sri Lanka   
or to acquire any treasury bill, treasury bond or Sri   
Lanka International Sovereign Bond issued on   
behalf of the Government of Sri Lanka, the tax rate   
on remittances of such retained income invested   
shall be zero percent.”.

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| Amendment of  section 66 of the principal  enactment | **19.** | Section 66 of the principal enactment is hereby |
| amended as follows: - | |
| (1) | in subsection (2) of that section, by the substitution |

for the words “are complied with.”, of the   
following:-

“are complied with:

Provided that, where the previously   
allowed specific provision for a debt claim as   
a deduction has been reversed, reduced or   
paid during the year in full or part, the amount   
so reversed, reduced or paid shall be included   
in calculating such person’s income.”;

(2) by the repeal of subsection (3) of that section and   
 the substitution therefor, of the following   
 subsection: -

“(3) A person conducting a banking business   
shall, in addition to the records, accounts or any   
other document required to be prepared as referred   
to in any other provision of this Act, prepare and   
retain the records in respect of specific provision   
for a debt claim, in such form as may be specified   
by the Commissioner-General.”;

(3) by the addition immediately after subsection (3) of   
 that section, of the following new subsection: -

“(4) In this section-

(*a*) “banking business” means the banking   
 business of a financial institution;

(*b*) “debt claim” does not include the right   
 to receive a payment on deposits,   
 debentures, stocks, treasury bills,

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promissory notes, bills of exchange and   
bonds;

(*c*) “directives made by the Central Bank   
 of Sri Lanka” means any directives   
 issued to make specific provisions   
 relating to bad and doubtful debts   
 under subsection (1) of section 76J of   
 the Banking Act, No. 30 of 1988 or   
 under subsection (1) of section 12 of   
 the Finance Business Act, No. 42 of   
 2011 or under subsection (1) of section   
 9 of the Finance Companies Act, No.   
 78 of 1988 by the Central Bank of Sri   
 Lanka and applicable to the relevant   
 year of assessment, but excludes any   
 directives issued in relation to the   
 adaptation of Sri Lanka Accounting   
 Standards.”.

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| **20.** | Section 68 of the principal enactment is hereby | Amendment of  section 68 of the principal  enactment  Amendment of  section 70 of the principal  enactment |
| amended in subsection (1) of that section, by the substitution for the words “additional tax of three percent on amounts”of the words “additional tax on three percent of amounts”.  **21.** Section 70 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words and figures “paragraph (c) of subsection (1) of | |

section 69,” of the words and figures “paragraph (b) of subsection (1) of section 69,”.

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| **22.** | Section 75 of the principal enactment is hereby | Amendment of  section 75 of the principal  enactment |
| amended as follows**: -** | |
| (1) | by the repeal of subsection (1) of that section and |

the substitution therefor of the following   
subsection:-

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“(1) (*a*) Where Parliament by resolution   
approves any double taxation agreement or   
mutual administrative assistance agreement   
entered into between the Government of Sri   
Lanka and the Government of any other territory,   
or such agreement entered into by the   
Government of Sri Lanka with the Governments   
of any other territories, such agreement shall,   
notwithstanding anything in any other written   
law, have the force of law in Sri Lanka. Every   
such resolution which is so approved by   
Parliament, shall be published in the *Gazette.*

(*b*) Every agreement entered into between the   
Government of Sri Lanka and the Government   
of any other territory and having the force of law   
in Sri Lanka by virtue of the provisions of section   
70 of the Inland Revenue Act, No. 4 of 1963, or   
section 82 of the Inland Revenue Act, No. 28 of   
1979, or section 92 of the Inland Revenue Act,   
No. 38 of 2000, or section 97 of the Inland   
Revenue Act, No. 10 of 2006 shall be deemed   
for all purposes to be an agreement approved by   
Parliament under paragraph (a) of this   
subsection.”;

(2) in subsection (5) of that section, in the definition   
 of the expression “double taxation agreement”, by   
 the substitution for the words “international   
 agreement relating to the avoidance of double   
 taxation and the prevention” of the words  
 “international agreement for the purpose of   
 affording relief from double taxation in relation to   
 income tax under Sri Lanka law and any taxes of a   
 similar character imposed by the laws of the other   
 territory, and the prevention”.

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| Amendment of  section 76 of the principal  enactment | **23**. Section 76 of the principal enactment is hereby amended as follows: - | |
| (1) | in subsection (2) of that section- |

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(*a*) by the repeal of paragraph (*b*) of that   
 subsection, and the substitution therefor of   
 the following paragraph: -

“(*b*) “permanent establishment”, in relation   
to a country with which an agreement   
has been entered into on avoidance of   
double taxation means, a permanent   
establishment defined in an agreement   
for the relief of double taxation where   
an agreement is in force between the   
Government of Sri Lanka and the   
Government of any territory in which   
any person and their agencies, branches   
or establishments in Sri Lanka is   
resident;”;

(*b*) in paragraph (*c*) of that subsection, by the   
 substitution for the words “in Sri Lanka, in   
 which case” of the words “in Sri Lanka or   
 elsewhere, in which case”;

(2) in subsection (3) of that section-

(*a*) in paragraph (*f*) of that subsection, by the   
 substitution for the words and figures “paragraph   
 (*a*) or (*b*) of subsection (2)”, of the words and the   
 figure “paragraph (*a*) or (*b*) of subsection (3)”;

(*b*) in paragraph (*g*) of that subsection-

(i) by the substitution for the words  
 “reduce or enhance the arm’s length   
 price” of the words “reduce, enhance or   
 annul the arm’s length price”;

(ii) by the repeal of items (i) and (ii) of that   
 paragraph, and the substitution therefor,   
 of the following items: -

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“(i) a final order, where all the   
 members of the Committee are in   
 agreement; or

(ii) an interim order, where the   
 majority of the members of the   
 Committee are in agreement.”;

(*c*) in paragraph (*j*) of that subsection, by the   
 substitution for the words “Where person or   
 partner of apartnership has not”, of the words  
 “Where a person has not”;

(*d*) in paragraph (*l*) of that subsection, by the   
 substitution for the words “Such person or   
 partner of a partnership who is” of the words  
 “Such person who is”;

(3) in subsection (4) of that section, by the substitution   
 for the words and figure “under subsection (2) has”,   
 of the words and the figure “under subsection (3)   
 has”.

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| Amendment of  section 77 of the principal  enactment | **24.** Section 77 of the principal enactment is hereby amended as follows: - | | |
| (1) | in subsection (2) of that section- | |
| (*a*) | | by the repeal of item (ii) of paragraph *(f)* of |

that subsection, and the substitution therefor   
of the following item: -

“(ii) an interim order in any other   
 circumstances where the majority of   
 the members of the Committee are   
 in agreement.”;

(*b*) in paragraph (*g*) of that subsection, by the   
 substitution for the words “may be to such

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person or partner of such partnership.” of the   
words “may be to such person.”;

(2) in paragraph (*e*) of subsection (5) of that section, by   
 the substitution for the words “where a connected   
 transaction” of the words “where a controlled   
 transaction”.

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| **25.** | Section 78 of the principal enactment is hereby | Amendment of  section 78 of the principal  enactment |
| amended in subsection (3) of that section, by the substitution for the words “made by the Transfer Pricing Officer or Assistant Commissioner may”, of the words “made by the | |

Technical Review Committee may”.

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| **26.** | Section 83 of the principal enactment is hereby | | | Amendment of  section 83 of the principal  enactment  Insertion of new section 83A in  the principal  enactment |
| amended in subsection (1) of that section, by the substitution for the words “shall withhold tax”, of the words and figures“shall withhold tax prior to January 1, 2020”. | | | |
| **27**. | | The following new section is hereby inserted | |
| immediately after section 83 of the principal enactment, and shall have effect as section 83A of that enactment: - | | | |
| “Advance  Personal  Income Tax | | | 83A. (1) An employer shall deduct an Advance Personal Income Tax with effect from April 1, 2020 on any payment which falls under |

section 5 made to his employee, if such   
employee -

(*a*) is a non-resident or non-citizenof Sri   
 Lanka; or

(*b*) is a resident and citizen of Sri Lanka   
 who gives his consent,

as specified by the Commissioner-General.

(2) The obligation of an employer to   
withhold tax under subsection (1) shall not be   
reduced or extinguished when –

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(*a*) the employer has a right or is under an   
 obligation to deduct and withhold any   
 other amount from the payment; or

(*b*) any other law provides that an   
 employee’s income from employment   
 shall not be reduced or subject to   
 attachment.

(3) The provisions applicable to the   
withholding tax under this Act shall, *mutatis*   
*mutandis,* beapplicable to the Advance   
Personal Income Tax and every reference to   
the term “withholding”, “withholding tax” or  
“tax payable by withholding” in any such   
provisions of this Act shall, subject to such   
modification, be deemed to be a reference to   
the “Advance Personal Income Tax.”.

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| Amendment of  section 84 of the principal  enactment | **28.** | Section 84 of the principal enactment is hereby |
| amended in paragraph (*a*) of subsection (1) of that section as follows: - | |
| (1) | in subparagraph (i) of that paragraph, by the |

substitution for the words “retirement payment or   
pays amounts as winnings from a lottery, reward,   
betting or gambling; or” of the following: -

“retirement payment, prior to January 1, 2020;   
or”;

(2) by the insertion immediately after subparagraph (i)   
 of that paragraph, of the following new   
 subparagraph: -

“(ii) pays amounts as winnings from a lottery,   
 reward, betting or gambling; or;”;

(3) by the re-numbering of subparagraph (ii) of that   
 paragraph, as subparagraph (iii) of that paragraph;   
 and

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(4) in the re-numbered subparagraph (iii) of that   
 paragraph, by the substitution for the words “has   
 been allocated; and”, of the words and figures “has   
 been allocated prior to January 1, 2020; and”.

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| **29.** The following new section is hereby inserted immediately after section 84 of the principal enactment, and shall have effect as section 84A of that enactment: - | | Insertion of new section 84A in  the principal  enactment |
| “Advance  Income Tax | 84A. (1) Subject to section 83A and subsection (3) of section 84,with effect from |

April 1, 2020, the taxpayer who is resident in   
Sri Lanka may make a request to the   
withholding agent to deduct Advance Income   
Tax from the payment of dividend, interest,   
discount, charge, natural resource payment,   
rent, royalty, premium or similar periodic   
payment that the payment or allocation has a   
source in Sri Lanka. On the receipt of such   
request, a withholding agent shall deduct   
advance income tax as specified by the   
Commissioner-General.

(2) The provisions applicable to the   
withholding tax under this Act shall, *mutatis*   
*mutandis,* beapplicable to the Advance Income   
Tax, and every reference to the term  
“withholding”, “withholding tax” or “tax   
payable by withholding” in any such provisions   
of this Act shall, subject to such modification,   
be deemed to be a reference to the “Advance   
Income Tax.”.

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| **30.** Section 85 of the principal enactment is hereby amended as follows: - | | Amendment of  section 85 of the principal  enactment |
| (1) | in subsection (1) of that section, by the substitution |

for the words “shall withhold tax”, of the words and   
figures “shall, prior to January 1, 2020, withhold   
tax”;

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(2) by the insertion immediately after subsection (1) of   
 that section, of the following new subsection: -

“(1A) Subject to subsections (2) and (3), a   
person shall withhold tax at the rate provided   
for in paragraph 10 of the First Schedule to this   
Act, where such person pays a dividend, interest,   
discount, charge, natural resource payment, rent,   
royalty, premium, service fee or an insurance   
premium with a source in Sri Lankato a non-  
resident person.”; and

(3) in the marginal note of that section, by the   
 substitution for the words “fees and contract   
 payments.”, of the words “fees, contract payments   
 and payments to non-residents.”.

|  |  |  |  |
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| Amendment of  section 87 of the principal  enactment  Amendment of  section 88 of the principal  enactment | **31.** | Section 87 of the principal enactment is hereby | |
| amended in paragraph (*b*) of subsection (4) of that section, by the substitution for the words “of that year”, of the words“of the subsequent year”. | | |
| **32**. | Section 88 of the principal enactment is hereby | |
| amended as follows: - | | |
| (1) | in subsection (1) of that section- | |
| (*a*) | | by the substitution for the words “the |

following shall be the final”, of the words   
and figures “the following shall, prior to   
January 1, 2020, be the final”;

(*b*) in paragraph (*d*) of that subsection, by the   
 substitution for the words and figures  
 “paragraph (*b*) of subsection (2) of section   
 84”, of the words and figures “paragraph (*b*)   
 of subsection (3) of section 84”;

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(2) by the insertion immediately after subsection (1) of   
 that section, of the following new subsection: -

“(1A) For the purposes of this Act, the following   
shall, on or after January 1, 2020, be the final   
withholding payments: -

(*a*) amounts paid as winnings from a lottery,   
 reward, betting or gambling, other than   
 amounts received in conducting a business   
 consisting of betting and gaming;

(*b*) payments made to a non-resident person who   
 is not a citizen of Sri Lanka or to a non-  
 resident entity that is subject to withholding   
 under this Division, other than payments   
 derived through a Sri Lankan Permanent   
 Establishment; and

(*c*) interest paid to or treated as being derived by   
 a non-resident individual who is a citizen of   
 Sri Lanka:

Provided however, the following interest   
amounts shall not be deemed as final   
withholding payments to such non-resident   
individual who is a citizen of Sri Lanka: -

(i) such amount of interest paid and falling   
 within the relief threshold in paragraph   
 2(*a*) of the Fifth Schedule to this Act;   
 or

(ii) such amount calculated by deducting   
 the total of other sources of assessable   
 income (total assessable income other   
 than interest) from the relief threshold   
 if the total of assessable income from   
 other sources does not exceed the relief   
 threshold.”;

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(3) in subsection (3) of that section, by the substitution   
 for the words and figures “paragraph (*b*) of   
 subsection (2) of section 84”, of the words and   
 figures “paragraph (*b*) or (*d*) of subsection (3) of   
 section 84”.

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| Amendment of  section 90 of the principal  enactment | **33.** Section 90 of the principal enactment is hereby amended as follows: - | |
| (1) | in paragraph (*a*) of subsection (1) of that section, |

by the substitution for the words “a business or   
investment; or”, of the words “a business,   
investment or other income; or”;

(2) by the repeal of subsection (2) of that section and   
 the substitution therefor, of the following   
 subsection: -

“(2) An instalment payer shall pay instalments   
of tax for the year of assessmenton or before the   
fifteenth day respectively of August, November and   
February in that year of assessment and the fifteenth   
day of May of the next succeeding year of   
assessment.”;

(3) in subsection (3) of that section, by the substitution   
 for the words “payment of the instalment.”, of the   
 following: -

“payment of the instalment:

Provided however, in calculating the estimated   
tax payable by an instalment payer, the Advance   
Personal Income Tax deducted by an employer or   
to be deducted by an employer for the year of   
assessment may be deducted prior to applying the   
formula given in this subsection.”;

(4) in subsection (5) of that section, by the substitution   
 for the words “instalment for the year.” of the   
 following: -

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“instalment for the year. Notwithstanding   
anything to the contrary in section 55 (but without   
any right to a refund), a partner in a partnership   
shall be entitled to a tax credit in calculating the   
amount of current instalment of tax payable for such   
share of tax credit amount treated as being paid by   
the partner, but subject to the payment of the same   
instalment due by the partnership.”.

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| --- | --- | --- |
| **34.** Section 93 of the principal enactment is hereby amended as follows: - | | Amendment of  section 93 of the principal  enactment |
| (1) | in subparagraph (i) of paragraph (*a*) of subsection |

(2) of that section, by the substitution for the words  
“business and investment”, of the words “business,   
investment and other income”;

(2) by the repeal of subsection (3) of that section, and   
 the substitution therefor of the following   
 subsection: -

“(3) Every person with taxable income consisting   
of a gain from the realisation of an investment asset   
shall file with the Commissioner-General a capital   
gains tax return within thirty days after the end of   
the relevant calendar month in which the realisation   
occurred.”.

|  |  |
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| **35.** Section 94 of the principal enactment is hereby amended in subparagraph (ii) of paragraph (*a*) of subsection (1) of that section, by the substitution for the words and figures “subject to withholding under section 83; or”, of the | Amendment of  section 94 of the principal  enactment |

words and figures “subject to withholding under section 83 prior to April 1, 2019; or”.

|  |  |
| --- | --- |
| **36.** Section 95 of the principal enactment is hereby amended by the substitution for the words “self-assessment.”, of the following: - | Amendment of  section 95 of the principal  enactment |

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“self-assessment:

Provided however, capital gains tax returns   
filed in relation to any gains from the realisation   
of an investment asset received or derived during   
a year of assessment by a self-assessment   
taxpayer who is required to file a return of income   
under subsection (1) of section 93 for the same   
year of assessment, shall not result in a self-  
assessment.”.

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| Amendment of section 103 of the principal  enactment  Amendment of section 113 of the principal  enactment | **37.** Section 103 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words “this Act.”, of the words “this Act and in all tax related source documents or underlying documents of the taxpayer.”.  **38.** Section 113 of the principal enactment is hereby amended as follows:- | |
| (1) | in paragraph (b) of subsection (1) of that section, |
| by the substitution for the words “the filing”, of the words and figure “subject to subsection (1A), the filing”; | |
| (2) | by the insertion immediately after subsection (1) of |
| that section, of the following new subsection: - | |

“(1A) A company which is incorporated in or   
outside Sri Lanka or a public corporation shall only   
file its tax returns electronically through the use of   
a computer system or mobile electronic device.”.

|  |  |
| --- | --- |
| Amendment of section 120 of the principal  enactment | **39.** Section 120 of the principal enactment is hereby amended by the insertion immediately after subsection (1) of that section, of the following new subsection: - |

“(1A) With effect from the year of assessment   
commencing from April 1, 2021,where any person   
is engaged in business or investment activity and   
the income tax payable shall be calculated by   
applying different tax rates for such part of taxable

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income from any gains and profits from business or   
investment activity or may have exempted amounts   
as the case may be, such person shall maintain and   
prepare the financial statements to separately   
identify such part of taxable income from gains   
and profits in applying each income tax rate to   
each part of the taxable income or to identify the   
exempted gains and profits.”.

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| **40.** | Section 126 of the principal enactment is hereby | Amendment of section 126 of the principal  enactment |
| amended by the repeal of subsection (5) of that section, and the substitution therefor of the following subsection:– | |

“(5) Where a return or part of a return was prepared for a payment by any person, including by an approved accountant, such person shall certify separately specifying the extent to which he was involved in the preparation of such return and specify the documents examined by him and the information relied upon by him. Such certification shall be submitted along with the return and the said certification shall be deemed to be part and parcel of the said return.”.

|  |  |  |
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| **41.** | Section 129 of the principal enactment is hereby | Amendment of section 129 of the principal  enactment |
| amended as follows: - | |
| (1) | by the substitution for the words “returns shall apply |
| to a person required under this Act to file a return of information related”, of the words “returns, assessments, objections and appeals shall apply to a person required under this Act to file a return of information or annual statement related”; | |
| (2) | by the substitution for the marginal note to that |
| section, of the following marginal note: - | |

“Information returns and

annual statements.”.

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| **42.** | Section 139 of the principal enactment is hereby | Amendment of section 139 of the principal  enactment |
| amended as follows: - | |

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|  |  |
| --- | --- |
| (1) | by the repeal of subsection (3) of that section and the substitution therefor of the following subsection: - |

“(3) Where the request for reviewis an objection   
against an assessment which has been made in the   
absence of a return or annual statement required to   
be furnished, such request shall be sent together   
with a duly filled return or annual statement, as the   
case may be.”;

|  |  |
| --- | --- |
| (2) | by the repeal of subsection (5) of that section, and the substitution therefor of the following subsection: - |

“(5) (*a*) On receipt and acknowledgement of a   
tax payer’s request for review under subsection (4),   
Commissioner-General shall review the assessment   
or other decision and notify the taxpayer in writing   
of the Commissioner-General's decision and the   
reasons for the decision.

(*b*) The tax payer’s request for review shall be   
considered by a tax official other than the tax   
official who made the assessment or other   
decision.”;

|  |  |  |
| --- | --- | --- |
| Amendment of section 140 of the principal  enactment | (3) | in subsection (6) of that section, by the substitution |
| for the words “in accordance with this Act,” of the words and figures “in accordance with this Act, but notwithstanding the time limits specified in subsections (2) and (3) of section 135,”.  **43.** Section 140 of the principal enactment is hereby amended as follows:- | |
| (1) | in subsection (1) of that section, by the substitution |
| for the words and figures “administrative review under section 139 may appeal against the decision to”, of the words and figures “administrative review of an assessment under section 139 may appeal | |

against that decision of review to”;

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|  |  |
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| (2)  (3) | in paragraph (*b*) of subsection (2) of that section, by the substitution for the words “ninety days have lapsed”, of the words “seven months have lapsed”;  by the repeal of subsection (5) of that section, and |

the substitution therefor of the following   
subsection: -

“(5) A petition of appeal under this section shall   
be filed in writing to the Tax Appeals Commission   
with a copy to the Commissioner-General within   
thirty days from the date of receipt of the decision   
of the Commissioner-General or within thirty days   
from the date on which the period of seven months   
lapsed since the request for administrative review   
was made under section 139.”;

(4) by the repeal of subsection (6) of that section, and   
 the substitution therefor of the following   
 subsection: -

“(6) Notwithstanding anything to the contrary   
in subsection (5), the appellant may appeal against   
an assessment upon satisfying the Tax Appeals   
Commission that owing to absence from Sri Lanka,   
sickness, or other reasonable cause the appellant   
was prevented from filing a petition of appeal as   
required under subsection (2), and that there has   
been no unreasonable delay on the appellant’s   
part.”.

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| **44.** Section 157 of the principal enactment is hereby amended as follows: - | | Amendment of section 157 of the principal  enactment |
| (1) | in subsection (1) of that section, by the substitution |
| for the words and figures “an extension of time) under section 151 to the date”, of the words and figures “an extension of time under section 151) to the date”; | |
| (2) | by the substitution for the marginal note to that |
| section, of the following marginal note: - | |

“Interest on under-

payments and

late payments.”.

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| Amendment of section 158 of the principal  enactment | **45.** | Section 158 of the principal enactment is hereby |
| amended as follows: - | |
| (1) | by the repeal of subsection (1) of that section, and |

the substitution therefor of the following   
subsection: -

“(1) Where the Commissioner-General is required   
to refund a refundable amount under this Act to a   
taxpayer, an interest shall be paid on such   
refundable amount to the taxpayer from the date of   
the refund claim filed until the date on which the   
refundable amount is paid.”;

(2) in subsection (2) of that section, by the substitution   
 for the words “within sixty days of”, of the words  
 “within six months of”.

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| Amendment of section 159 of the principal  enactment  Insertion of new section 190A of the principal  enactment | **46.** | Section 159 of the principal enactment is hereby | | | | | |
| amended in subsections (1) and (2) of that section, by the substitution for the words “compounded monthly” of the words “computed monthly” respectively. | | | | | | |
| **47.** | The following new section is hereby inserted | | | | | |
| immediately after section 190 of the principal enactment, and shall have effect as section 190A of that enactment:- | | | | | | |
| “Punitive provision | | 190A.Any person who fraudulently– | | | | |
| for | | (*a*) | prepares | any | document | of |
| fraudulently | |
| prepared or certified | | information; or | | | | |
| documents | | (*b*) | certifies a document, | | | |

to be furnished to the Commissioner-General   
of Inland Revenue, commits an offence under   
this Act, and on conviction after summary trial

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before a Magistrate, be liable to a fine not   
exceeding One Million Rupees or to   
imprisonment of either description for a term   
not exceeding six months.”.

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| **48.** Section 195 of the principal enactment is hereby amended as follows: - | | Amendment of section 195 of the principal  enactment |
| (1) | by the substitution for the words and the figure “(1) |

In this Act,” of that section, of the words “In this   
Act,”;

(2) by the substitution for the definition of the   
 expression “agricultural business” of that section,   
 of the following definitions:-

“ “agricultural business” means the business   
of agro farming or agro processing, but   
excludes farming of, or processing of   
liquor or tobacco produces or products,   
as the case may be;

“agro farming” means-

(*a*) the tillage of the soil and   
 cultivation of land with plants of   
 any description, cultivation in   
 green house, bee-keeping, rearing   
 of fish, shrimp farming or animal   
 husbandry, poultry farms, hatchery,   
 veterinary or artificial insemination   
 services;

(*b*) the cleaning, sizing, sorting,   
 grading, cutting or chilling of any   
 produce produced out of any   
 activity referred to in paragraph (*a*)   
 by any person who isengaged in

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any such activity, in preparation of   
such produce for the market but   
excludes the agro or food   
processing;

“agro processing” means the processing of any   
locally produced agricultural, fishing,   
or animal product and includes an   
undertaking for the dehydrating,   
milling, packaging, canning for the   
purpose of changing the form, contour   
or physical appearance of such product   
in preparation for the market but   
excludes an undertaking of deep-sea   
fishing or manufacturing;”;

(3) in paragraph (*a*) of the definition of the expression  
 “dividend” of that section, by the substitution for   
 the words “share buy-back”, of the words “ share   
 buy-back”;

(4) in the definition of the expression “entertainment”  
 of that section, by the substitution for the words  
 “person of food, beverages, tobacco”, of the words  
 “person of liquor, tobacco”;

(5) by the insertion immediately after the definition of   
 the expression “manager” of that section, of the   
 following new definition: -

“ “manufacture” means a change in a non-living   
 physical object, article or thing-

(*a*) resulting in transformation of such   
 object, article or thing into a new and   
 distinct object, article or thing having   
 a different name, character or use; or

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(*b*) bringing into existence of a new and   
 distinct object, article or thing with a   
 different chemical composition or   
 integral structure;”;

(6) in the definition of the expression “Small and   
 Medium Enterprise” of that section–

(*a*) by the substitution for paragraph (*b*) of that   
 definition, of the following paragraph:–

“(*b*) subject to paragraph (*d*), the person does   
 not have an associate that is an entity;”;

(*b*) by the addition immediately after paragraph   
 (*c*) of that definition, of the following new   
 paragraph:–

“(*d*) the person’s or his associate’s aggregate   
 annual gross turnover is less than   
 Rs. 500,000,000, if such associate is an   
 entity or entities;”;

(7) in the definition of the expression “specified   
 undertaking” of that section, by the addition   
 immediately after paragraph *(k)* of that definition,   
 of the following new paragraphs: -

“(*l*) sale of goods manufactured in Sri Lanka by   
 an export-oriented company which has   
 entered into an agreement with the Board of   
 Investment of Sri Lanka under section 17 of   
 the Board of Investment of Sri Lanka Law,   
 No. 4 of 1978, to-

(i) any company which has entered into   
 an agreement with the Board of   
 Investment of Sri Lanka under section

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17 of the Board of Investment of   
Sri Lanka Law, No. 4 of 1978 including   
a company enjoying tax holidays under   
the Strategic Development Projects Act,   
No. 14 of 2008 and which is permitted   
to import projectrelated goods or raw   
materials on duty free basis under the   
provisions of such agreement, during   
the project implementation period; or

|  |  |
| --- | --- |
| (ii) | any person eligible to import specific goods on duty free basis under any Government Authority, |

but, up to the quantity approved by the Board   
of Investment of Sri Lanka as import   
replacement within the three years period   
commencing on April 1, 2021;

|  |  |  |
| --- | --- | --- |
| (8) | (*m*) | bunkering services provided for the supply |
| of marine fuel, including the supply of marine fuel to local bunker suppliers within a specified port premises;”;  by the repeal of the definition of the expression“Sri Lankan permanent establishment” of that section, and the substitution therefor of the following definition: - | |

“ “Sri Lankan permanent establishment” means   
any business connection or fixed place of   
business through which the business of the   
enterprise is wholly or partly carried out,   
irrespective of the number of days of such   
business being carried out in Sri Lanka;”;

|  |  |
| --- | --- |
| (9)  (10) | in the definition of the expression “tax return” of that section, by the substitution for the words“means a return,” of the words “means a return or annual statement,”;  by the insertion immediately after the definition of the expression “taxpayer” of that section, of the |

following new definition: -

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“ “Tertiary and Vocational Education Commission”  
means the Tertiary and Vocational Education   
Commission established under the Tertiary and   
Vocational Education Act, No 20. of 1990;”.

|  |  |  |
| --- | --- | --- |
| **49.** | Section 201 of the principal enactment is hereby | Amendment of section 201 of the principal  enactment |
| amended in paragraph (b) of subsection (2) of that section, by the substitution for the words “five years” of the words | |

“seven years”.

|  |  |  |
| --- | --- | --- |
| **50.** | Section 203 of the principal enactment is hereby | Amendment of section 203 of the principal  enactment  Amendment of the First  Schedule to the |
| amended in subsection (5) of that section, by the substitution for the words and figures “on or after 1 April 2017,”, of the words and figures “on or after April 1, 2018,”. | |
| **51.** | The First Schedule to the principal enactment is |
| hereby amended as follows: - | |

principal

|  |  |  |  |
| --- | --- | --- | --- |
| (1) | in paragraph 1 of that Schedule- | | enactment. |
| (*a*) | in subparagraph (1) of that paragraph, by the |

substitution for the words “for a year of   
assessment shall”, of the words and figures  
“for a year of assessment commencing on or   
after April 1, 2018 but for the period prior to   
January 1, 2020 shall”;

(*b*) by the insertion immediately after   
 subparagraph (1) of that paragraph, of the   
 following new subparagraph: -

“(1A) subject to the provisions of   
subparagraph (2), the taxable income of a   
resident or non-resident individual   
commencing from January 1, 2020 shall   
be taxed at the following rates: -

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|  |  |
| --- | --- |
| *Taxable income for a year of assessment* | *Tax payable* |
| Not exceeding Rs. 3 million | 6% of the  amount in  excess of Rs.0 |
| Exceeding Rs. 3 million but not exceeding Rs. 6 million | Rs. 180,000 plus 12% of the amount in excess of Rs. 3 million |
| Exceeding  Rs. 6 million | Rs. 540,000 plus 18% of the amount in excess of Rs. 6 million”; |

|  |  |  |
| --- | --- | --- |
| (*c*) | in subparagraph (2) of that paragraph- | |
| (i) | in item (*b*)(i) of that subparagraph, by the |

substitution for the words “where the period”, of   
the words and figures “prior to January 1, 2020,   
where the period”;

(ii) in item (*b*)(ii) of that subparagraph, by the   
 substitution for the words “where the period”, of   
 the words and figures “prior to January 1, 2020,   
 where the period”;

(iii) by the addition immediately after item (*b*)(ii) of   
 that subparagraph, of the following new item: -

“(iii) on or after January 1, 2020:

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|  |  |
| --- | --- |
| *Total income from employment referred to in subparagraph (3) for a year of assessment* | *Tax payable* |
| Not exceeding Rs. 10,000,000 | 0% of the amount in excess of Rs.0 |
| Exceeding  Rs. 10,000,000 but not exceeding  Rs. 20,000,000 | 6% of the amount   |  |  |  | | --- | --- | --- | | in | excess | of |   Rs.10,000,000 |
| Exceeding  Rs. 20,000,000 | Rs. 600,000 plus 12% of the amount   |  |  |  | | --- | --- | --- | | in | excess | of |   Rs. 20,000,000”; |

|  |  |  |
| --- | --- | --- |
| (*d*) | in subparagraph (3) of that paragraph- | |
| (i) | by the substitution for the words and the figure |

“referred to in subparagraph (2) shall be-”, of   
the words and the figure “referred to in item (*b*)   
of subparagraph (2) shall be-”;

(ii) in item (*c*) of that subparagraph, by the   
 substitution for the words “by the employer;”  
 of the words “by the employer; and”;

(iii) by the repeal of items (*d*) and (*e*) of that   
 subparagraph; and

(iv) by the re-lettering of item (*f*) of that   
 subparagraph, as item (*d*) thereof;

(*e*) in subparagraph (4) of that paragraph, by the   
 substitution for the words “liquor or tobacco.”, of

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the words “manufacture and sale or import and sale   
of any liquor or tobacco product.”;

|  |  |
| --- | --- |
| (*f*) | by the addition immediately after subparagraph (4) of that paragraph, of the following new subparagraph: - |

“(5) Notwithstanding anything to the contrary   
in the provisions of subparagraph (1A), an   
individual’s following gains and profits shall be   
taxed at the maximum rate of 14% with effect from   
April 1, 2021:–

(*a*) consideration received in respect of   
 gems and jewellery;

|  |  |  |
| --- | --- | --- |
| (2) | (*b*) | amounts received on the supply of |
| electricity to national grid generated by using renewable energy resources by any individual.”;  by the repeal of paragraph 2 of that Schedule and | |

the substitution therefor, of the following   
paragraph: -

**“2. Tax rate for partnerships.**

(1) Subject to the provisions of   
subparagraph (2), the taxable income of a   
partnership shall be taxed at the following rates   
with effect from January 1, 2020: -

|  |  |
| --- | --- |
| *Taxable income for a year of assessment* | *Tax payable* |
| Not exceeding Rs. 1,000,000 | 0% of the  amount in  excess of Rs.0 |
| Exceeding  Rs. 1,000,000 | |  |  |  | | --- | --- | --- | | 6% | of | the in of | | amount excess | |   Rs.1,000,000 |

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(2) Where a partnership’s taxable income   
 includes gains from the realisation of   
 investment assets, then-

|  |  |  |  |
| --- | --- | --- | --- |
| (3)  (4) | (*a*) | | those gains shall be taxed to the |
| partnership at the rate of 10%; and | | |
| (*b*) | | only the remainder of the |
| partnership’s taxable income  shall be taxed at the rate referred  to in subparagraph (1).”;  in subparagraph (1) of paragraph 3 of that Schedule, by the substitution for the words and figures “taxed at the rate of [24%.]”, of the words and figures“taxed at the rate of 24% prior to January 1, 2020 and 18% with effect from January 1, 2020.”;  in paragraph 4 of that Schedule- | | |
| (*a*) | by the repeal of subparagraph (1) of that | |
| paragraph and the substitution therefor, of the following: - | | |

“(1) Subject to subparagraphs (2), (2A)   
and (3), the taxable income of a company   
for a year of assessment-

|  |  |  |
| --- | --- | --- |
| (*b*)  (*c*) | (*a*) | prior to January 1, 2020 shall be |
| taxed at the rate of 28%; | |
| (*b*) | with effect from January 1, 2020 |
| shall be taxed at the rate of 24%.”;  in subparagraph (2) of that paragraph, by the substitution for the words “for a year of assessment”, of the words and figures “for a year of assessment prior to January 1, 2020”;  by the insertion immediately after subparagraph (2) of that paragraph, of the following new subparagraph: - | |

“(2A)Such part of the gains and profits of a   
company for a year of assessment shall be taxed   
at the following rates with effect from January   
1, 2020:-

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*(a)*  gains and profits from the business of a   
 Small and Medium Enterprise,   
 excluding such gains and profits from   
 a business of betting and gaming or   
 from the sale of liquor (in the case of   
 liquor, other than those gains and profits   
 from a business which is merely   
 incidental to another business)-14%;

*(b)*  gains and profits from conducting a   
 business of sale of goods or   
 merchandise including export of goods,   
 where the payment for such sale or   
 export is received in foreign currency   
 and remitted through a bank to Sri   
 Lanka-14%;

*(c)*  gains and profits of a specified   
 undertaking-14%;

*(d)*  gains and profits from providing   
 educational services-14%;

*(e)*  gains and profits of an undertaking for   
 the promotion of tourism-14%;

*(f)*  gains and profits from providing   
 construction services-14%;

*(g)*  gains and profits from agro processing-  
 14%;

*(h)*  gains and profits from providing health   
 care services-14%;

*(i)*  gains and profits from dividends   
 received from a resident company-14%;

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|  |  |
| --- | --- |
| *(j)*  *(k)*  *(l)*  *(ll)*  *(m)*  *(n)*  *(o)* | gains and profits derived by any export company which is registered with the Board of Investments of Sri Lanka established by the Board of Investment of Sri Lanka Law, No. 4 of 1978 from the consideration received in respect of health protective equipment and similar products supplied to the Ministry of Health, Department of Health Services, Sri Lanka Army, Sri Lanka Navy, Sri Lanka Airforce, Sri Lanka Police and COVID Center- 14%;  gains and profits of any company (even though a higher rate of income tax is applicable as provided under this Act or under any other written law)which lists its shares on or after January, 1 2021, but prior to December 31, 2021, in the Colombo Stock Exchange licensed by the Securities and Exchange Commission of Sri Lanka, for three years of assessment commencing from April 1, 2022 -14%;  gains and profits from the consideration received in respect of gems and jewellery – 14%;  with effect from April 1, 2021, gains and profits from the supply of electricity to national grid generated using renewable energy resources by a company – 14%;  subject to item (*a*), (*b*), (*c*), (*j*) or (*k*) of this subparagraph**,** gains and profits from manufacturing-18%;  gains and profits from conducting betting and gaming-40%;  gains and profits from the manufacture and sale or import and sale of any liquor |

or tobacco product-40%.”;

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(*d*) by the addition immediately after subparagraph   
 (4) of that paragraph, of the following new   
 subparagraph: -

“(5) The income tax payable by a company,   
calculated in accordance with subparagraphs (1),   
(2A), (3) and (4) of paragraph 4 of this Schedule   
shall be reduced as follows: -

(*a*) aggregate income tax payable by   
 any company (including income   
 tax payable calculated on the   
 basis and tax rate provided in any   
 agreement with the Board of   
 Investment of Sri Lanka under   
 section 17 of the Board of   
 Investment of Sri Lanka Law, No.   
 4 of 1978, but other than on gains   
 from the realisation of investment   
 asset) which lists its shares on or   
 after January 1, 2021, but prior to   
 December 31, 2021, in the   
 Colombo Stock Exchange   
 licensed by the Securities and   
 Exchange Commission of Sri   
 Lanka, shall be reduced by fifty   
 *per centum* for the year of   
 assessment commencing from   
 April 1, 2021;

(*b*) such part of income tax payable   
 on gains and profits from   
 dividends by any multi-national   
 company shall be reduced by   
 twenty-five *per centum* for the year   
 of assessment commencing from   
 April 1, 2021 and fifty *per centum*   
 for the two years of assessment   
 immediately succeeding that year

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of assessment, subject to the   
condition that there shall be-

(i) an increase in exports (other   
 than specified undertakings)   
 by thirty *per centum* in the

|  |  |  |
| --- | --- | --- |
| year | of | assessment |

commencing from April 1,   
2021, compared to the   
immediately preceding year   
of assessment (hereinafter   
referred to as the “first year”);   
or

(ii) an increase in exports (other   
 than specified undertakings)   
 by fifty *per centum* in the

|  |  |  |
| --- | --- | --- |
| year | of | assessment |

commencing from April 1,   
2022, compared to the first   
year and maintains such   
status in the subsequent year   
of assessment.”;

(5) in paragraph 5 of that Schedule-

(*a*) in subparagraph (1) of that paragraph, by the   
substitution for the words and figures “taxed at   
the rate of [28%].”, of the words and figures “taxed   
at the rate of 28% prior to January 1, 2020 and   
24% with effect from January 1, 2020.”;

(*b*) in subparagraph (2) of that paragraph, by the   
substitution for the words “realisation of capital   
assets”, of the words “realisation of investment   
assets”;

(6) in paragraph 7 of that Schedule-

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(*a*) in subparagraph (1) of that paragraph, by the   
 substitution for the words and figures “taxed at   
 the rate of [28%].”, of the words and figures  
 “taxed at the rate of 28% prior to January 1,   
 2020 and 24% with effect from January 1, 2020.”;

(*b*) in subparagraph (3) of that paragraph, by the   
 substitution for the words and figures “taxed at   
 the rate of [28%].”, of the words and figures  
 “taxed at the rate of 28% prior to January 1,   
 2020 and 24% with effect from January 1, 2020.”;

(7) in the heading of paragraph 8 of that Schedule, by   
 the substitution for the words “Provident or Pension   
 Funds” of the words “Provident, Pension or Gratuity   
 Funds”;

(8) in subparagraph (1) of paragraph 10 of that   
 Schedule-

(*a*) in item (*c*)(ii) of that subparagraph, by the   
substitution for the words and figures “14%;   
and”, of the figures “14%;”;

(*b*) in item (c)(iii) of that subparagraph, by the   
substitution for the figures “14%.”, of the word   
and figures “14%; and”;

(*c*) by the addition immediately after item (*c*)(iii) of   
that subparagraph, of the following new item: -

“(*iv*) in the case of payments referred to in   
 section 85(1A)-

(*iva*) interest or discount paid-5%;

(*ivb*) all other payments- 14%.”;

(9) by the addition immediately after paragraph 10 of   
 that Schedule, of the following new paragraphs: -

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“**11. Tax rate for persons who engage in agro**   
**farming together with agro processing or**   
**manufacturing**.

Where a person utilizes agro farming produce   
produced by him for his agro processing or   
manufacturing business activity in Sri Lanka, such   
portion of the tax payable in respect of such agro   
processing or manufacturing business activity that   
corresponds to the proportion of the farming   
produce produced by him to the total farming   
produce utilized in such agro processing or   
manufacturing, shall be reducedby twenty-five *per*   
*centum*, for the period of five years of assessment   
commencing on April 1, 2021.

**12. Application of tax rates for different**   
**gains and profits.**

Where a person’s taxable income consists of   
different sources of income or gains and profits from   
different business activities, the income tax rates   
applicable to each such source of income or such   
gains and profits from such different business   
activities shall be applied to such source of income   
or such gains and profits.”.

|  |  |  |
| --- | --- | --- |
| **52.** | The Second Schedule to the principal enactment is | Amendment of the Second  Schedule to the principal  enactment |
| hereby amended as follows: - | |
| (1) | in paragraph 1 of that Schedule- |

(*a*) in subparagraph (2), subparagraph (3) and   
subparagraph (4) of that paragraph, by the   
substitution for the words “total expenses   
incurred by that person during that year”, of   
the words “total investment made by that   
person” respectively;

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(*b*) in subparagraph (6) of that paragraph, by the   
 substitution for the words “shall be deferred”, of   
 the words “shall not be deferred”;

(*c*) by the repeal of subparagraph (9) of that paragraph,   
 and the substitution therefor, of the following   
 subparagraph: -

**“Improvements on Leasehold Lands**

(9) Notwithstanding anything to the   
contrary in any other provision of this Act,   
for the purpose of this Schedule, any building,   
structure, or similar work of a permanent   
nature constructed or made in a leasehold   
land by the person who made the investment   
shall not be deemed as an intangible asset   
but deemed as a depreciable asset.”;

(2) by the repeal of paragraph 2 of that Schedule, and the substitution therefor, of the following paragraph: -

“**Exemption of Certain Dividends from**   
**Withholding Tax**

2. Notwithstanding anything in the   
First Schedule, the rate of tax to be applied on   
a dividend paid by a company to a non-  
resident member prior to January 1, 2020shall   
be zero, if the company paying the dividend   
has incurred more than USD 250 million on   
depreciable assets (other than intangible   
assets) in Sri Lanka, for the period in which   
that payment is made out of profits sheltered   
by enhanced capital allowances under this   
Schedule.”;

(3) by the repeal of paragraph 3 of that Schedule, and   
 the substitution therefor of the following   
 paragraph: -

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“**Exemption of Employment Income**

3. Notwithstanding anything in the   
First Schedule, the rate of tax to be applied on   
employment income of an expatriate employee   
shall be zero, if the company making the   
payment has incurred more than USD 250   
million on depreciable assets (other than   
intangible assets) in Sri Lanka, for the period   
in which that payment is made out of profits   
sheltered by enhanced capital allowances   
under this Schedule, or for five years from the   
commencement of commercial operations,   
whichever is higher, where the number of   
expatriate employees at any time during that   
period does not exceed twenty.”.

|  |  |  |
| --- | --- | --- |
| **53.** | The Third Schedule to the principal enactment is | Amendment of the Third  Schedule to the principal  enactment |
| hereby amended as follows:- | |
| (1) | in subparagraph (ii) of paragraph (*d*) of that |
| Schedule, by the substitution for the words “by the Commissioner-General;”, of the words “by the Commissioner-General or a regulated provident fund;”; | |
| (2) | by the insertion immediately after paragraph (*h*) of |
| that Schedule, of the following new paragraph: - | |

“(*hh*)a gain made by a person on or after April 1,   
2021 from the realisation of land or building   
which was sold, exchanged or transferred to   
a real estate investment trust listed in the   
Colombo Stock Exchange and licensed by   
the Securities and Exchange Commission   
of Sri Lanka;”;

|  |  |
| --- | --- |
| (3) | by the repeal of paragraph (*i*) of that Schedule and the substitution therefor, of the following: - |

“*(i*) the interest accruing to or derived by-

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(i) a charitable institution, where it is proved to   
 the satisfaction of the Commissioner-General   
 that such interest is applied solely for the   
 purpose of providing care to children, the   
 elderly or the disabled in a home maintained   
 by such charitable institution;

|  |  |
| --- | --- |
| (ii)  (iii)  (iv)  (v) | any person outside Sri Lanka on any loan granted to any person in Sri Lanka or to the Government of Sri Lanka by such person;  any person on moneys lying to his credit in foreign currency in any foreign currency account opened by him or on his behalf, in any commercial bank or in any specialized bank, with the approval of the Central Bank of Sri Lanka, on or after January 1, 2020;  any person from a term deposit account titled as “Special Deposit Account” opened and maintained with an authorized dealer in Sri Lanka as prescribed by regulations made by the Minister under section 29 read with section 7 of the Foreign Exchange Act, No. 12 of 2017, (excluding the subsequently renewed accounts), either in any designated foreign currency or in Sri Lanka Rupees on or after April 8, 2020;  any welfare society, on or after April 1, 2021; |

In this subparagraph, “welfare society” means   
a fund or a society which has been set up   
or formed for the welfare of its members or   
their respective families and contributions   
are made by its members, including   
benevolent fund which promotes the   
savings of members, but other than any   
company which is incorporated or   
registered under any law in force in Sri   
Lanka or elsewhere and a partnership;

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(vi) any multi-national company on any deposit   
 opened and maintained in foreign currency   
 in any domestic bank, if such deposit is   
 maintained to cover its import expenditure   
 for that year of assessment, on or after April 1,   
 2021;

In this subparagraph, “multi-national   
company” means a company that is part   
of a group of associated companies, with   
business establishments in two or more   
countries;”;

(4) by the repeal of paragraphs *(k)* and (*l*) of that   
 Schedule, and the substitution therefor of the   
 following:–

“(*k*) any sum received by-

(i) any person from the President’s Fund   
established by the President’s Fund   
Act, No. 7 of 1978 or the National   
Defence Fund established by the   
National Defence Fund Act, No. 9 of   
1985;

(ii) any Public Corporation out of the   
funds voted by Parliament from the   
Consolidated Fund or out of any loan   
arranged through the Government;

(*l*) any income earned by-

(i) any non-resident person other than a   
Sri Lankan permanent establishment by   
way of interest, discount or realization   
of any gain on any sovereign bond   
denominated in local or foreign   
currency:

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(ii) any person by way of interest or discount   
 paid or allowed, as the case may be, on any   
 sovereign bond denominated in foreign   
 currency, including Sri Lanka Development   
 Bonds,

issued by or on behalf of the Government of Sri   
Lanka;”;

(5) by the insertion immediately after paragraph *(l)* of   
 that Schedule, of the following new paragraphs: -

“*(ll)*  a gain from the realisation of Sri Lanka   
 international sovereign bonds issued   
 by or on behalf of the Government of   
 Sri Lanka and received or derived by a   
 commercial bank or authorized dealer   
 who made an aggregate investment not   
 less than USD 100 million in such bonds   
 on or after April 1, 2021;

*(lll)*  interest or discount accrued or derived   
 on or after April 1, 2021 by any   
 Samurdhi community-based banks   
 established under the Department of   
 Samurdhi Development from security   
 or treasury bonds under the Registered   
 Stocks and Securities Ordinance   
 (Chapter 420) or treasury bills under   
 the Local Treasury Bills Ordinance   
 (Chapter 417);”;

**(**6) in paragraph (*o*) of that Schedule, by the substitution   
 for the words “a dividend paid”, of the words and   
 figures “prior to January 1, 2020, a dividend paid”;

(7) by the insertion immediately after paragraph (o) of   
 that Schedule, of the following new paragraph: -

“(*oo*) on or after January 1, 2020, a dividend   
 paid by a resident company-

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(i) to a member to the extent that such   
 dividend payment is attributable to, or   
 derived from, gains and profits from   
 dividend received by that resident   
 company;

(in this paragraph, “gains and profits   
from dividend” means the dividend   
received by that company after the   
deduction of expenses or losses, if any,   
subject to the provisions of this Act and   
income tax paid or payable on such   
dividend received by that company);

(ii) to a member who is a non-resident   
 person;

(iii) which is engaged in any one or more of   
 the following businesses in accordance   
 with the provisions of Part IV of the   
 Finance Act, No. 12 of 2012and which   
 has entered into an agreement with the   
 Board of Investment of Sri Lanka   
 established under the Board of   
 Investment of Sri Lanka Law, No. 4 of   
 1978: -

(iiia) entrepot trade involving import,   
 minor processing and re-export;

(iiib) offshore business where goods   
 can be procured from one   
 country or manufactured in one   
 country and shipped to another   
 country without bringing the   
 same into Sri Lanka;

(iiic) providing front-end services to   
 clients abroad;

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(iiid) headquarters operations of   
 leading buyers for management   
 of financial supply chain and   
 billing operations;

|  |  |  |
| --- | --- | --- |
| (8)  (9) | (iiie) | logistics services including |
| bonded warehouse or multi-country consolidation in Sri Lanka;”;  in paragraph *(r)* of that Schedule, by the substitution for the words “by a resident company”, of the words“by any person”;  by the insertion immediately after paragraph (*r*) of that Schedule, of the following new paragraph: - | |

“(*rr*) dividends and gains on the realisation of   
units or amounts derived as gains from the   
realisation of capital assets of a business or   
investment by a unit holder, from real estate   
investment trust listed in the Colombo   
Stock Exchange and licensed by the   
Securities and Exchange Commission of   
Sri Lanka;”;

|  |  |  |  |
| --- | --- | --- | --- |
| (10) | by the addition immediately after paragraph *(s)* of that Schedule, of the following new paragraphs: - | | |
| “(*t*) | any amount derived on or after April 1, 2018, | |
| by any non-resident person as any payment for air craft, software licences or as for other related services from the Sri Lankan Airlines Limited; | | |
| (*u*) | the gains and profits earned or derived by any | |
| person from- | | |
| (i) | | the sale of produce from agro farming of |
| such person within the period of five yearsof assessment commencing from April 1, 2019: | | |

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Provided that in relation to an   
undertaking which consists of the   
production of agro farming produces and   
utilizing such produce to agro processing   
or manufacture of any product, such   
produce shall be deemed to have been   
sold for the agro processor or   
manufacturer at the market price   
prevailing at the time of such deemed   
sale, and the gains and profits computed   
on the basis of such deemed sale in   
relation to the agro farming shall be   
considered as exempt gains and profits   
within the period of five years of   
assessment commencing on April 1, 2019;

(ii) providing information technology and   
 enabled serviceson or after January 1,   
 2020,as may be prescribed;

(iii) any service rendered in or outside Sri   
 Lanka to any person to be utilized   
 outside Sri Lanka, where the payment   
 for such services is received in foreign   
 currency and remitted through a bank   
 to Sri Lankaon or after January 1, 2020;

(iv) any foreign source (other than gains   
 and profits referred to in subparagraph   
 (iii)) where such gains and profits are   
 earned or derived in foreign currency   
 and remitted through a bank to Sri   
 Lanka on or after January 1, 2020;

(v) any vocational education programmes   
 of anyVocational Education Institution   
 which is standardized under Technical   
 and Vocational Education and Training   
 concept (TVET concept) and regulated   
 by the Tertiary and Vocational   
 Education Commission-

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|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| (*a*) | if | such | institution | has |

doubled its student intake   
of the vocational education   
programmes for such year   
of assessment compared to   
the student intake of such   
programmes in the year of   
assessment immediately   
preceding that year of   
assessment;

(*b*) for a period of five years   
 commencing on April 1, 2021:

Provided however, for the purpose of   
paragraph (*a*), any institution which   
doubled the student intake of the   
vocational education programmes as   
provided for in the first year and   
maintained the same student intake of such   
programmes of the first year for the next   
four years shall be deemed as an institution   
which fulfilled the requirement in such   
years;

(vi) any business of export of gold, gems or   
 jewellery or from the business of cutting   
 and polishing of gems which are brought   
 to Sri Lanka and exported after such   
 cutting and polishing, where such gains   
 and profits earned in foreign currency are   
 remitted through a bank to Sri Lanka, with   
 effect from April 1, 2021;

(*v*) any amount derived on or after January 1,   
 2020 by-

(i) any non-resident person from laboratory   
 services or standards certification   
 services;

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(ii) any religious institution which is

registered with the Ministry in charge of

the subject of religious affairs, by way of

grants or donations;

|  |  |  |
| --- | --- | --- |
| (*w*) | gains and profits received or derived from business (other than any gains from the realisation of capital assets and liabilities of the business as calculated under Chapter IV of this Act) by a person from following any new undertaking (which is not formed by splitting-up or re-construction of an existing undertaking) commenced on or after April 1, 2021, for that period, subject to the conditions contained herein: - | |
| (i) | an undertaking which is involved in the |
| sale of construction materials recycled in a selected separate site established in Sri Lanka to recycle the materials which were already used in the construction industry, (a person who is involved in the provision of construction services using construction materials recycled by him from a site with the same conditions, in the provision of such services provided by him shall be deemed to have sold such materials for the construction service at a market price prevailing at the time of such deemed sale), for a period of ten years; | |
| (ii) | any business commenced on or after |
| April 1, 2021 by an individual after successful completion of vocational education from any Vocational Education Institution which is standardized under Technical and Vocational Education and Training concept (TVET concept) and regulated by the Tertiary and Vocational Education | |

Commission, for a period of five years;

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(iii) an undertaking commenced by a resident   
 person for the purpose of manufacturing   
 of boats or ships in Sri Lanka and received   
 or derived any gains and profits from the   
 supply of such boats or ships, for a period   
 of seven years;

(iv) any renewable energy project established   
 with a capacity to produce not less than   
 one hundred Mega Watts of solar or wind   
 power and supplied such power to the   
 national grid, for a period of seven years;

(v) an undertaking commenced on or after   
 January 1, 2021 by any resident person who   
 constructs and installs communication   
 towers and related appliances using local   
 labour and local raw materials in Sri Lanka   
 or provides required technical services for   
 such construction or installation, for a period   
 of five years;

(vi) an undertaking for letting bonded   
 warehouses or warehouses related to the   
 offshore business in the Colombo and   
 Hambanthota Ports, if such person has   
 invested on such undertaking on or after   
 April 1, 2021;

Tax exemption periods provided in the above   
subparagraphs (other than in subparagraph (vi)) shall   
be reckoned from the year of assessment in which the   
undertaking commences to make profits (assessable   
income from such business) from transactions entered   
into in that year of assessment or from the   
commencement of the year of assessment immediately   
succeeding the year of assessment in which the   
undertaking completes a period of two years reckoned   
from the date on which the undertaking commences   
to carry on commercial operations, whichever occurs   
earlier.”.

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|  |  |  |
| --- | --- | --- |
| **54.** The Fourth Schedule to the principal enactment is hereby amended as follows: - | | Amendment of the Fourth  Schedule to the principal  enactment |
| (1) | in the table in subparagraph (1) of paragraph 1 of |
| that Schedule, by the addition, immediately after | |

Class 5, of the following new Class:-

|  |  |
| --- | --- |
| “6 | milking machines with latest technology, used to manufacture local liquid milk related products.”; |

|  |  |
| --- | --- |
| (2) | in paragraph 2 of that Schedule- |

(*a*) in the table in subparagraph (3) of that   
paragraph, by the addition, immediately after   
Class 5, of the following new Class:-

|  |  |
| --- | --- |
| “6 | 2.”; |

(*b*) in subparagraph (4) of that paragraph-

(i) in item (*c*) of that subparagraph, by the   
substitution for the words “vehicle; or”,   
of the words “vehicle;”;

(ii) in item (*d*) of that subparagraph, by the   
substitution for the words “trailer.”, of   
the words “trailer; or”;

(iii) by the addition immediately after item   
(*d*) of that subparagraph, of the   
following new item:-

“(*e*) a motor cycle.”;

(3) by the addition immediately after subparagraph (3) of paragraph 4 of that Schedule, of the following new subparagraph:-

“(4) Notwithstanding anything to the contrary in   
subparagraph (1), where a depreciable asset of a

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person which was subject to deduction of the   
enhanced capital allowances calculated in   
accordance with the provisions of the Second or   
Sixth Schedule to this Act is realized by that   
person, an assessable charge included in   
calculating the person’s income for the year shall   
be equal to the consideration received by the   
person during the year of assessment for such   
asset, or no balancing allowance shall be granted   
to the person for the year for such asset.”.

|  |  |  |  |
| --- | --- | --- | --- |
| Amendment of the Fifth  Schedule to the principal  enactment | **55.** The Fifth Schedule to the principal enactment is hereby amended as follows: - | | |
| (1) | in paragraph 1 of that Schedule- | |
| (*a*) | | in subparagraph *(c)* of thatparagraph, by |

the substitution for the words “profits   
remitted to the President’s Fund”, of the   
words “any sum paid to the Consolidated   
Fund or to the President’s Fund”;

(*b*) by the insertion immediately after   
 subparagraph *(c)* of that paragraph, of the   
 following new subparagraphs: -

“*(d)* with effect from April 1, 2021,   
contribution made by a resident   
individual in money or otherwise to   
establish a shop for a female   
individual who is from a Samurdhi   
beneficiary family as recommended   
and confirmed by the Department of   
Samurdhi Development;

*(e)* with effect from April 1, 2021,   
expenditure incurred by any financial   
institution by way of cost of   
acquisition or merger of any other   
financial institution where such cost   
is ascertained by considering all the

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facts on case-by-case basis and as   
confirmed by the Central Bank of   
Sri Lanka. Such deductible   
expenditure shall be apportioned in   
equal amounts over a period of three   
years of assessment and be deductible   
from the assessable income of that   
financial institution in each such year   
of assessment commencing from the   
year of assessment where the   
expenditure is incurred:

Provided however, any amount   
which was not deducted during the   
three years period, by reason of the   
total assessable income in a year has   
not exceeded the above permitted   
deduction, shall be deducted in the   
year of assessment immediately after   
the three years period and so on;

(*f*) expenditure incurred on or after April   
 1, 2021, by any person-

(i) in the production of a film at a   
cost of (including promotional   
expenditure of such film) not   
less than five million rupees;

(ii) in the construction and   
equipping of a new cinema at a   
cost of not exceeding twenty-  
five million rupees;

(iii) in the upgrading of a cinema at   
a cost of not exceeding ten   
million rupees:

Provided that, the deduction under   
this subparagraph shall be restricted   
to one third of the taxable income of   
the year of assessment, and any amount

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which is not deducted in current year   
may be carried forward and deducted   
in the next succeeding year and so   
on, subject to the same restriction.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For | the | purpose | of | this |
| subparagraph- | |

“film” means any audio-visual   
presentation of the moving image   
produced on any form or format   
whatsoever and which is intended   
primarily to be exhibited by   
projection on a screen in a cinema;   
and

the expenditure on construction and   
equipping or upgrading a cinema shall   
be certified by the National Film   
Corporation of Sri Lanka established   
by the National Film Corporation of   
Sri Lanka Act, No. 47 of 1971 as being   
equipped with digital technology,   
Digital Theatre Systems and Dolby   
Sound Systems.”;

(2) in paragraph 2 of that Schedule-

(*a*) by the repeal of subparagraph (*a*) of that   
paragraph and the substitution therefor, of the   
following subparagraph: -

“(*a*) (i) Rs. 500,000, for each year of   
assessment prior to January 1, 2020;   
and

(ii) Rs. 3,000,000, for each year of   
assessment commencing on or after   
January 1, 2020,

except that an individual who is a trustee,   
receiver, executor or liquidator shall not be

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entitled to deduct this personal relief as such   
trustee, receiver, executor or liquidator, and   
the relief shall not be deducted against gains   
from the realisation of investment assets;”;

(*b*) in subparagraph (*b*) of that paragraph, by the   
substitution for the words “year of assessment,”  
of the words and figures “year of assessment,   
but prior to January 1, 2020,”;

(*c*) in subparagraph (*d*) of that paragraph, by the   
substitution for the words “for the year;”, of   
the words and figures “for the year up to   
December 31, 2019;”;

(*d*) in subparagraph (*e*) of that paragraph, by the   
substitution for the words “for the year.”, of   
the words and figures “for the year up to   
December 31, 2019;”;

(*e*) by the addition immediately after subparagraph   
(*e*) of that paragraph, of the following new   
subparagraphs:-

“(*f*) in the case of a resident individual,   
following expenditure up to a total sum   
of Rs. 1,200,000, incurred for a year of   
assessmenton or after January 1, 2020: -

(i) health expenditure including   
 contributions to medical insurance;

(ii) vocational education or other   
 educational expenditure incurred   
 locally by such individual or on   
 behalf of such individual’s children;

(iii) interest paid on housing loans;

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|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Amendment of the Sixth  Schedule to the principal  enactment | (iv) | | | contributions made to any local pension scheme, other than for a scheme under the employer or on behalf of the employer, by an employee; |
| (v) | | | expenditure incurred for the purchase of shares or any other financial instrument listed in the Colombo Stock Exchange and licensed by the Securities and Exchange Commission of Sri Lanka or treasury bonds under the Registered Stocks and Securities Ordinance (Chapter 420) or treasury bills under the Local Treasury Bills Ordinance (Chapter 417); |
| (*g*) | | in the case of a resident individual who has acquired solar panels to fix on his premises and connected to the national grid, Rs. 600,000 for each year of assessment, upto the total expenditure on such solar panels or upto the amounts paid to a bank in respect ofany loan obtained to acquire such solar panels.”. | |
| **56.**  The Sixth Schedule to the principal enactment is  hereby amended as follows: - | | | |
| (1) | by the repeal of paragraph 2 of that Schedule; | | |
| (2) | in paragraph 3 of that Schedule, by the substitution for the words “three years”, of the words “six years”; | | |
| (3) | in paragraph 8 of that Schedule, by the substitution for the words and figures “section 15, for three years”, of the words and figures “section 15, during the period of five years”; | | |
| (4) | by the insertion immediately after paragraph 8 of that Schedule, of the following new paragraphs:- | | |

**“Rate of Interest**

9**.** Notwithstanding anything to the contrary

in subsection (1) of section 159, the rate of

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interest for any payment due and payable during   
the period from March 1, 2020 to September 30,   
2020 under this Act, shall be zero percent.

**Marketing and Communication Expenses**

10**.** (1) Subject to subparagraph (2), a person   
shall be entitled to an additional deduction when   
calculating his income from business for a year   
of assessment, equal to 100% of the total amount   
of marketing and communication expenses   
deducted under section 15A during the three   
years of assessment commencing from April 1,   
2021.

(2) The additional deduction under   
subparagraph (1) shall be made subject to the   
following conditions: -

(*a*) the payment shall be made to a person   
who is not an associated person of the tax   
payer;

(*b*) internal marketing expenses, salaries of

|  |  |  |  |
| --- | --- | --- | --- |
| marketing | staff, | expenditure | on |

maintaining an internal marketing   
department, expenditure on corporate   
social responsibility initiatives andforeign   
travel expenses shall not be considered for   
the purpose of the additional deduction   
under subparagraph (1);

(*c*) expenditure shall be attributable to goods   
and services with 65% of local value   
addition, the mode of calculation of   
which shall be as specified by the   
Commissioner-General;

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(*d*) the total additional deduction under   
subparagraph (1) shall not exceed   
Rs. 500,000,000 in any year of assessment;

(*e*) the Commissioner-General shall specify   
the requirements to maintain records,   
source documents and underlying

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| documents | for | the | purpose | of |

subparagraph (1), in addition to the   
requirements of other sections of this Act.

**Financial Cost**

11. Subject to the provisions of this Act,   
financial cost incurred (other than such amounts,   
of which deductions is denied in previous years)   
during the year of assessment commencing on   
April 1, 2021, shall be deducted irrespective of   
the limit referred to in subsection (2) of section   
18. That year of assessment shall not be   
recognized for the purpose of six years period   
referred to in subsection (3) of section 18.”.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Power of the  Commissioner-General to issue guidelines for  specific periods | **57.** | Subject to the provisions of this Act, the | | | | |
| Commissioner-General | | may, | for | the | effective |
| implementation of the provisions of this Act, issue guidelines as may be necessary for the purpose of calculating the income | | | | | |

tax payable for the year of assessment ending March 31, 2020, specifying the computation of assessable income (or losses) from each source, deductions of qualifying payments and reliefs, computation of taxable income, applicable tax rates and tax credits in which to apply the pro-rata basis or actual basis only for therequired circumstances as the case may be, for over the two periods of the year of assessment as for the first period from April 1, 2019 to December 31, 2019 and for the second period from January 1, 2020 to March 31, 2020.

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|  |  |  |
| --- | --- | --- |
| **58.** | (1) The Commissioner-General shall write off any | Tax relief  measures to  facilitate post-Covid-19  economic  recovery |
| income tax arrears payable by any Small and Medium Enterprise as defined in section 195 of the principal enactment for the year of assessment commencing on April 1, 2019, if such arrears arise due to any assessment made | |

(other than the assessments made for tax payments as per the returns but including any penalty) up to the year of assessment ending March 31, 2019 which is outstanding as at June 26, 2020, in the records of the Commissioner-General-

(*a*) if such assessment was made as per the provisions   
 of this Act or the provisions of the Inland Revenue   
 Act, No. 10 of 2006 or the provisions of the Inland   
 Revenue Act, No. 38 of 2000 or the provisions of   
 the Inland Revenue Act, No. 28 of 1979; but

(*b*) subject to the deduction of any refunds duly claimed by such person as provided in any tax Act administered by the Commissioner-General from such income tax arrears.

(2) Subject to section 136 of the principal enactment, the Assistant Commissioner shall not amend the self**-**assessment under the provisions of section 135 of that enactment for the year of assessment ending on March 31, 2020, where the Assistant Commissioner is satisfied that there is no fraud or willful neglect involved in the disclosure of income or any deduction or relief by such Small and Medium Enterprise and paid the tax declared in the return.

(3) The Commissioner-General shall not impose any penalty or initiate criminal proceedings under Chapter XVIII of the principal enactment against a person who-

(*a*) files his return of income for the year of assessment   
 commencing on April 1, 2019, before June 30, 2021;   
 and

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(*b*) makes the payment of tax payable on assessment   
 referred to in subparagraph (ii) of paragraph (c) of   
 subsection (2) of section 82 of the principal   
 enactment, for the year of assessment commencing   
 on April 1, 2019, before June 30, 2021.

|  |  |
| --- | --- |
| Retrospective effect | **59.** The amendments made to the principal enactment by the sections specified in *Column I* of *Table ‘B*’set out in this |

Amendment Act, to the corresponding sections specified in *Column II* of that Table shall be deemed, for all purposes, to have come into operation on such dates as are specified in the corresponding entries in *Column III* of that Table.

Validation **60.** Any person who has collected the income tax as provided for in this Amendment Act during the period commencing from such dates as are specified in *Column III*  of *Table ‘B’* set out in this Amendment Act and ending on the date of commencement of this Amendment Act, shall be deemed to have acted with due authority and such collection shall be deemed, for all purposes, to have been, and to be, validly made and such personis hereby indemnified against all actions civil or criminal in respect of such collection.

|  |  |
| --- | --- |
| Sinhala text to  prevail in case  of inconsistency. | **61.** In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail. |

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*Table ‘A’* (section 1)

|  |  |
| --- | --- |
| *Column I* | *Column II* |
| *Section number of this Act* | *Section number of the principal enactment which is amended* |
| 6 | 11 |
| 7 | 14 |
| 8 | 15A |
| 10 | 18 |
| 11 | 19 |
| 13 | 36 |
| 14 | 38 |
| 17 | 60 |
| 18 | 62 |
| 19(2) | 66(3) |
| 34(2) | 93(3) |
| 36 | 95 |
| 37 | 103 |
| 38 | 113 |
| 39 | 120 |
| 40 | 126 |
| 42(2) and 42(3) | 139(5)  and 139(6) |
| 43 | 140 |
| 45(2) | 158(2) |
| 47 | 190A |
| 48(4), (7) and (10) | 195 |
| 51(1)(*f*) | subparagraph (5) of paragraph 1 of the First Schedule |

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*Act, No. 10 of 2021*

|  |  |
| --- | --- |
| *Column I* | *Column II* |
| *Section number of this Act* | *Section number of the principal enactment which is amended* |
| 51(4)(*c*) | items (*k*), (*l*) and (*ll*) of subparagraph (2A) of paragraph 4 of the First Schedule |
| 51(4)(*d*) | subparagraph (5) of paragraph 4 of the First Schedule |
| 51 (9) | paragraph 11 of the First Schedule |
| 52(1)(*c*) | subparagraph (9) of paragraph 1 of the Second Schedule |
| 52(2) | paragraph 2 of the Second Schedule |
| 52(3) | paragraph 3 of the Second Schedule |
| 53(2) | paragraph (*hh*) of the Third Schedule |
| 53(3) | subparagraph (v) and (vi) of paragraph *(i)* of the Third Schedule |
| 53(5) | paragraphs *(ll)* and *(lll)* of the Third Schedule |
| 53(9) | paragraph *(rr)* of the Third Schedule |
| 53(10) | subparagraphs (v) and (vi) of paragraph (*u*), and paragraph (*w*) of the Third Schedule |
| 54(1) | the table in subparagraph (1) of paragraph 1 of the Fourth Schedule |
| 54(2)(*a*) | the table in subparagraph (3) of paragraph 2 of the Fourth Schedule |
| 54(3) | paragraph 4 of the Fourth Schedule |
| 55(1)(*b*) | subparagraphs (*d*), (*e*) and (*f*) of paragraph 1 of the Fifth Schedule |
| 55(2)(*e*) | subparagraph (*g*) of paragraph 2 of the Fifth Schedule |
| 56(4) | paragraphs 10 and 11 of the Sixth Schedule |

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*Table ‘B’* (section 59)

|  |  |  |
| --- | --- | --- |
| *Column I* | *Column II* | *Column III* |
| *Section number of this Act* | *Section number of the principal enactment which is amended* | *Date of*  *operation* |
| 2 | 5 | 01.04.2018 |
| 3 | 6 | 01.04.2018 |
| 4 | 9 | 01.04.2018 |
| 5 | 10 | 01.04.2018 |
| 9 | 16 | 01.04.2018 |
| 12 | 20 | 01.04.2018 |
| 15 | 53 | 01.01.2020 |
| 16 | 55 | 01.01.2020 |
| 19(1) and 19(3) | 66(2) and 66(4) | 01.04.2018 |
| 20 | 68 | 01.04.2018 |
| 21 | 70 | 01.04.2018 |
| 22 | 75 | 01.04.2018 |
| 23 | 76 | 01.04.2018 |
| 24 | 77 | 01.04.2018 |
| 25 | 78 | 01.04.2018 |
| 26 | 83 | 01.01.2020 |
| 27 | 83A | 01.04.2020 |
| 28 | 84 | 01.01.2020 |
| 29 | 84A | 01.04.2020 |
| 30 | 85 | 01.01.2020 |
| 31 | 87 | 01.04.2018 |

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|  |  |  |
| --- | --- | --- |
| *Column I* | *Column II* | *Column III* |
| *Section number of this Act* | *Section number of the principal enactment which is amended* | *Date of*  *operation* |
| 32(1)(*b*) and 32(3) | 88(1)(*d*) and 88(3) | 01.04.2018 |
| 32(1)(*a*) and 32(2) | 88(1) and 88(1A) | 01.01.2020 |
| 33(1) and 33(2) | 90(1) and 90(2) | 01.04.2018 |
| 33(3) and 33(4) | 90(3) and 90(5) | 01.04.2020 |
| 34(1) | 93(2) | 01.04.2018 |
| 35 | 94 | 01.04.2019 |
| 41 | 129 | 01.04.2018 |
| 42(1) | 139(3) | 01.04.2018 |
| 44 | 157 | 01.04.2018 |
| 45(1) | 158(1) | 01.04.2018 |
| 46 | 159(1) and 159(2) | 01.04.2018 |
| 48(1), (3), (8) and (9) | 195 | 01.04.2018 |
| 48(2) | 195 | 01.04.2019 |
| 48(5) | 195 | 01.01.2020 |
| 48(6) | 195 | 01.04.2020 |
| 49 | 201(2)(*b*) | 01.04.2018 |
| 50 | 203 | 01.04.2018 |
| 51(1)(*a*), (*b*), (*c*) and (*d*) | subparagraph (1), (1A), (2) and (3) respectively of paragraph 1 of the First Schedule | 01.01.2020 |

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|  |  |  |
| --- | --- | --- |
| *Column I* | *Column II* | *Column III* |
| *Section number of this Act* | *Section number of the principal enactment which is amended* | *Date of*  *operation* |
| 51(2) | paragraph 2 of the First Schedule | 01.01.2020 |
| 51(3) | subparagraph (1) of paragraph 3 of the First Schedule | 01.01.2020 |
| 51(4)(*a*) | subparagraph (1) of paragraph 4 of the First Schedule | 01.01.2020 |
| 51(4)(*b*) | subparagraph (2) of paragraph 4 of the First Schedule | 01.01.2020 |
| 51(4)(*c*) | subparagraph 2A of paragraph 4, other than items (*k*), (*l*) and (*ll*) of the First Schedule | 01.01.2020 |
| 51(5)(*a*) | subparagraph (1) of paragraph 5 of the First Schedule | 01.01.2020 |
| 51(6) | subparagraph (1) and (3) of  paragraph 7 of the First Schedule | 01.01.2020 |
| 51(8) | subparagraph (1) paragraph 10 of the First Schedule | 01.01.2020 |
| 51(1)(*e*) | subparagraph (4) of paragraph 1 of the First Schedule | 01.04.2019 |
| 51(5)(*b*) | subparagraph (2) of paragraph 5 of the First Schedule | 01.04.2018 |
| 51(7) | paragraph 8 of the First Schedule | 01.04.2018 |
| 51(9) | paragraph 12 of the First Schedule | 01.04.2020 |

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|  |  |  |
| --- | --- | --- |
| *Column I* | *Column II* | *Column III* |
| *Section number of this Act* | *Section number of the principal enactment which is amended* | *Date of*  *operation* |
| 52(1)(*a*) and (*b*) | subparagraphs (2), (3), (4) and (6) of paragraph 1 of the Second  Schedule | 01.04.2018 |
| 53(1) | paragraph (*d*) of the Third Schedule | 01.04.2018 |
| 53(3) | subparagraph (i) and (ii) of  paragraph *(i)* ofthe Third Schedule | 01.04.2018 |
| 53(4) | paragraphs (*k*) and (*l*) of the Third Schedule | 01.04.2018 |
| 53(8) | paragraph (*r*) of the Third Schedule | 01.04.2018 |
| 53(10) | paragraph (*t*) of the Third Schedule | 01.04.2018 |
| 53(3) | subparagraph (iii) of paragraph *(i)* of the Third Schedule | 01.01.2020 |
| 53(6) | paragraph (*o*) of the Third Schedule | 01.01.2020 |
| 53(7) | paragraph (*oo*) of the Third Schedule | 01.01.2020 |
| 53(10) | subparagraph (ii), (iii) and (iv) of paragraph (*u*) of the Third Schedule | 01.01.2020 |
| 53(10) | paragraph *(v)* of the Third Schedule | 01.01.2020 |
| 53(3) | subparagraph (iv) of paragraph *(i)* of the Third Schedule | 08.04.2020 |
| 53(10) | subparagraph (i) of paragraph (*u*) of the Third Schedule | 01.04.2019 |
| 54(2)(*b*) | subparagraph (4) of paragraph 2 of the Fourth Schedule | 01.04.2018 |
| 55(1)(*a*) | subparagraph (*c*) of paragraph 1 of the Fifth Schedule | 01.04.2019 |

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|  |  |  |
| --- | --- | --- |
| *Column I* | *Column II* | *Column III* |
| *Section number of this Act* | *Section number of the principal enactment which is amended* | *Date of*  *operation* |
| 55(2) | paragraph 2, other than  subparagraph (*g*), of the Fifth  Schedule | 01.01.2020 |
| 56(1), (2) and (3) | paragraphs (2), (3) and (8) of the Sixth Schedule | 01.04.2018 |
| 56(4) | paragraph 4 of the Sixth Schedule | 01.03.2020 |
| 57 | new section | 01.04.2019 |
| 58 | new section | 26.06.2020 |

|  |  |
| --- | --- |
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