

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

**INLAND REVENUE (AMENDMENT)**

**ACT, No. 45 OF 2022**

**[Certified on 19th of December, 2022]**

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| *Inland Revenue (Amendment) Act, No. 45 of 2022* | 1 |

[Certified on 19th of December, 2022]

L.D.-O. 7/2022

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 (Amendment) Act, No. 45 of 2022. | Short title and the date of  operation |

(2) The provisions of this Act (other than the provisions of sections referred to in *Table* ‘*A’,Table ‘B’ and Table ‘C’*) shall come into operation on the date on which the certificate of the Speaker is endorsed thereon.

(3) The provisions of sections referred to in *Table ‘A’*shall be deemed to havecome into operation on April 1, 2022.

(4) The provisions of sections referred to in *Table ‘B’*shall be deemed to have come into operation on October 1, 2022.

(5) The provisions of sections referred to in *Table ‘C’*shall be deemed to have come into operation on the respective dates specified in the Table.

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

substitution for the words “payments   
providing” of the words “payments   
providing”;

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(*b*) in paragraph (*f*) of that subsection, by the   
 substitution for the words “retirement   
 payments received” of the words “retirement   
 payments received”; and

(*c*) in paragraph (i) of that subsection, by the   
 substitution for the words “the employment;   
 and” of the words “the employment; and”;

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

(*a*) in paragraph (*e*) of that subsection, by the   
 substitution for the words “subsection (2));   
 and” of the words “subsection (2));”;

(*b*) in paragraph (*f*) of that subsection, by the   
 substitution for the words “approved by the   
 Commissioner-General.” of the words  
 “approved by the Commissioner-General;   
 and”; and

(*c*) by the addition immediately after paragraph   
 (*f*) of that subsection, of the following new   
 paragraph: -

“(*g*) any retirement payments received at the   
time of the retirement from employment,   
subject to the condition that the   
respective retirement contributions   
have already been considered for   
income tax purposes and the employee   
has paid tax on such contributions in a   
previous year of assessment.”.

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| Amendment of  section 10 of the principal  enactment | **3.** Section 10 of the principal enactment is hereby amended in paragraph (*b*) of subsection (1) of that section as follows: - | |
| (1) | in subparagraph (iv) of that paragraph, by the |

substitution for the word “expenditure” of the words  
“expenditure or any other deduction”; and

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(2) in subparagraph (x) of that paragraph, by the   
 substitution for the words “the Commissioner-  
 General.” of the words “the Commissioner-General   
 and any tax or levy which is not allowed to be   
 deducted in calculating a person’s income in terms   
 of any other written law.”.

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| **4.** Section 12 of the principal enactment is hereby amended in paragraph (*a*) of that section, by the substitution for the words “where the debt obligation was incurred in borrowing money, the money is used during the year or was | Amendment of  section 12 of the principal  enactment |

used”, of the words “the money borrowed under such debt obligation was used”.

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| **5.** Section 14 of the principal enactment is hereby amended as follows: - | | Amendment of  section 14 of the principal  enactment |
| (1) | by the re-numbering of subsection (4) of that section, |

as subsection (5) of that section; and

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

“(4) In the event of the written down value referred   
to in subsection (2) is zero for a depreciable asset,   
notwithstanding the provisions of subsection (2),   
the deduction for improvement referred to in   
subsection (1) shall be deducted in equal amounts   
apportioned over-

(*a*) twelve years of assessment, for a Class 4   
 depreciable asset;

(*b*) three years of assessment, for other Classes of   
 depreciable assets,

commencing from the year of assessment in which   
the expenditure was incurred.”.

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| Amendment of  section 16 of the principal  enactment | 4 | *Inland Revenue (Amendment) Act, No. 45 of 2022* | |
| **6.** Section 16 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 “the Capital   
allowances” of the words and figures “subject to   
subsections (3) and (3A), the Capital allowances”;   
and

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

“(3A) The total of the Capital allowances granted   
and calculated under the Fourth Schedule to this   
Act in respect of a depreciable asset shall not exceed   
the cost of such depreciable asset in any   
circumstances.”.

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| Amendment of  section 18 of the principal  enactment | **7.** Section 18 of the principal enactment is hereby amended as follows: - | |
| (1) | 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-

(*a*) the income of an entity (other than a   
financial institution) from conducting   
a business or investment, for any year   
of assessment commencing prior to   
April 1, 2021 shall not exceed the   
amount of financial costs attributable   
to financial instruments within the limit   
referred to in paragraph (*a*) of subsection   
(2);

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(*b*) 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 any year of   
assessment commencing on or after   
April l, 2021, shall not exceed the limit   
referred to in paragraph (*b*) ofsubsection   
(2).

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

(*a*) A x B

Where:

‘A’ is the total of the issued share   
capital and reserves of the entity;   
and

‘B’ is-

(i) in the case of a manufacturing   
entity, the number 3; and

(ii) in the case of an entity other   
than a manufacturing entity,   
the number 4;

A   
(*b*) — X C   
 B

Where:

‘A’ = financial cost of the year;

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‘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.”;   
and

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

“for the year:

Provided that, in the case where there is no   
financial cost incurred during the year, in   
calculating the unused limitation for the above   
purpose, the limit referred to in subsection (2)   
shall be calculated by using the same amounts   
of the immediately preceding year and so on.”.

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| Amendment of  section 19 of the principal  enactment | **8.** Section 19 of the principal enactment is hereby amended as follows: - | |
| (1) | in subsection (3) of that section, by the substitution |

for the words “in calculating exempt amounts.”, of   
the words as follows: -

“in calculating exempt amounts:

Provided however, where a person had   
incurred a loss, in relation to a business which   
if it had been a profit would have been   
taxable at a rate specified under thisAct and   
such rate is subsequently increased, such loss   
shall not be considered as being taxable at a   
reduced rate.”;

(2) in subsection (4) of that section-

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(*a*) in paragraph (*b*) of that subsection, by the   
substitution for the words “income from an   
investment.”, of the words “income from an   
investment; and”;

(*b*) by the addition immediately after paragraph   
(*b*) of that subsection, of the following new   
paragraph: -

“(*c*) unrelieved losses from an investment   
shall be deducted only within the six   
years of assessment commencing on the   
first date of the year of assessment   
immediately succeeding the year of   
assessment in which such losses were   
incurred.”; and

(3) in subsection (5) of that section, by the substitution   
 for the words “by any loss on the disposal of another   
 investment asset.”, of the words “by any loss.”.

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| **9.** Section 46 of the principal enactment is hereby amended in subsection (5) of that section by the repeal of paragraph (*c*) of that subsection and the substitution therefor, of the following paragraph: - | | | Amendment of  section 46 of the principal  enactment |
| “(*c*) | at the time of the transfer- | |
| (i) | | prior to April 1, 2021- |

(*ia*) the person and the associate were   
 residents; and

(*ib*) the associate or, in the case of an   
associate partnership, none of its   
partners is exempt from income tax; and

(ii) on or after April 1, 2021-

(*iia*) the person and the associates are   
 residents;

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(*iib*) in the case of an associate partnership,   
any of its partners, or the associate, is   
not exempt from income tax; and

(*iic*) the tax rate appliable on the person’s   
gain from the realisation of an asset   
referred to in subsection (4) is equal or   
less than the tax rate which is applicable   
on the gain of the associate from   
realisation of such asset; and”.

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| Amendment of  section 54 of the principal  enactment | **10.** Section 54 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words and figures “its business or investment for that year of assessment (sections 6 and 7).” of the words “its |

business, investment or other income for that year of assessment.”.

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| Amendment of  section 66 of the principal  enactment | **11.** Section 66 of the principal enactment is hereby amended in paragraph (*c*) of subsection (4) of that section, by the substitution for the words and figures “issued to make |

specific provisions relating to bad and doubtful debts under subsection (1) of section 76J”, of the words and figures“issued for classification, recognition and measurement of credit facilities under the powers conferred by, subsection (1) of section 46, section 46A and subsection (1) of section 76J”.

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| Amendment of  section 69 of the principal  enactment  Amendment of  section 72 of the principal  enactment | **12.** Section 69 of the principal enactment is hereby amended in paragraph (*b*) of subsection (4) of that section, by the substitution for the words “in Sri Lanka; or” of the words “in Sri Lanka; or”.  **13.** Section 72 of the principal enactment is hereby amended in paragraph (*a*) of subsection (1) of that section, by the substitution for the word and figure “subsection (3)”of the word and figure “subsection (2)”. |

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| *Inland Revenue (Amendment) Act, No. 45 of 2022* | | 9 | Amendment of  section 73 of the principal  enactment |
| **14.** Section 73 of the principal enactment is hereby amended in paragraph (*c*) of subsection (1) of that section as follows**: -** | | |
| (1) | in sub-paragraph (i) of that paragraph, by the | |

substitution for the words “Sri Lanka; or”, of the   
words “Sri Lanka;”;

(2) in sub-paragraph (ii) of that paragraph, by the   
 substitution for the words “permanent   
 establishment;” of the words “permanent   
 establishment; or”; and

(3) by the addition immediately after sub-paragraph   
 (ii) of that paragraph, of the following new sub-  
 paragraph: -

“(iii) paid by the Government of Sri Lanka,   
including such payments made by any   
institution on behalf of the Government of   
Sri Lanka;”.

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| **15.** Section 83A of the principal enactment is hereby amended as follows: - | | Amendment of section 83A of the principal  enactment |
| (1) | in subsection (1) of that section, by the substitution |

for the words and figures “from April 1, 2020 on” of   
the words and figures “from April 1, 2020, but prior   
to January 1, 2023 on”;

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

“(1A) An employer shall deduct the Advance   
Personal Income Tax with effect from January 1,   
2023 on any payment which falls under section   
5 made to his employee, as specified by the   
Commissioner-General.”; and

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(3) in subsection (2) of that section, by the substitution   
 for the word and figure “subsection (1)”, of the   
 words and figures “subsection (1) or subsection   
 (1A)”.

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| Amendment of section 84A of the principal  enactment | **16.** Section 84A of the principal enactment is hereby amended as follows: -  (1) in subsection (1) of that section, by the substitution for the words and figures “with effect from April 1, 2020, the taxpayer”, of the words and figures “with effect from April 1, 2020 but prior to January 1, 2023, the taxpayer”; and |

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

“(1A) Subject to section 83A and subsection   
(3) of section 84, with effect from January 1,   
2023, a person shall deduct Advance Income   
Tax from the payment of dividend, interest,   
discount, charge, natural resource payment, rent,   
royalty or premium which has a source in Sri   
Lanka, at the rate provided in paragraph 10 of   
the First Schedule to this Act.”.

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| Amendment of section 85 of  the principal  enactment | **17.** Section 85 of the principal enactment is hereby amended as follows: - | |
| (1) | in subsection (1A) of that section, by the |
| substitution for the words “a person shall.”, of the words “a person shall, prior to January 1, 2023”; | |
| (2) | by the insertion immediately after subsection (1A) |
| of that section, of the following new subsections: - | |

“(1B) Subject to subsections (2) and (3), with   
effect from January 1, 2023, a person shall   
withhold tax at the rate of 14% of the payment,   
where such person pays a service fee or an   
insurance premium with a source in Sri Lanka to   
a non- resident person.

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(1C) Subject to subsection (3), with effect   
from January 1, 2023, a person shall withhold   
tax at the rate of5% of the payment, where such   
person pays a service fee with a source in Sri   
Lanka to a resident individual who is not an   
employee of the payer –

(*a*) for teaching, lecturing, examining,   
 invigilating or supervising an   
 examination;

(*b*) as a commission or brokerage to a   
 resident insurance, sales or canvassing   
 agent; or

(*c*) for services provided by such   
 individual in the capacity of   
 independent service provider such as   
 doctor, engineer, accountant, lawyer,   
 software developer, researcher,   
 academic or any individual service   
 provider as may be prescribed by   
 regulation:

Provided however, this subsection shall not   
apply to a service payment which does not   
exceed Rs.100,000 per month.”; and

(3) in paragraph (*a*) of subsection (3) of that section,   
 by the substitution for the word and figures “section   
 83;”, of the words and figures “section 83, section   
 83A or section 84A;”.

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| **18.** Section 87 of the principal enactment is hereby amended in subsection (4) of that section, by the substitution for the word and figures “section 83,”, of the words and figures “section 83 or section 83A,”. | Amendment of  section 87 of the principal  enactment |

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| Amendment of  section 88 of the principal  enactment | 12 | *Inland Revenue (Amendment) Act, No. 45 of 2022* |
| **19.** Section 88 of the principal enactment is hereby amended in subsection (1A) of that section, by the insertion immediately after paragraph (*a*) of that subsection of the | |

following new paragraph: -

“(*aa*) on or after January 1, 2023, dividends paid by a resident company;”.

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| Amendment of  section 90 of the principal  enactment | **20.** Section 90 of the principal enactment is hereby amended in paragraph (*b*) of subsection (1) of that section, by the substitution for the word and figures “section 83.”, of |

the following: -

“section 83 or section 83A:

Provided however, gains derived or expected to   
be derived from the realisation of an investment   
asset, during a year of assessment shall not be   
considered for the purpose of quarterly   
installments.”.

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| Amendment of  section 94 of the principal | **21.** Section 94 of the principal enactment is hereby amended as follows: - |

enactment   
 (1) in subsection (1) of that section-

(*a*) in paragraph (*b*) of that subsection, by the   
 substitution for the word and figure “section   
 2.”, of the words and figure “section 2; or”;   
 and

(*b*) by the addition immediately after paragraph   
 (*b*) of that subsection, of the following new   
 paragraph: -

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“(*c*) an individual whose tax payable for the   
year of assessment under paragraph (*a*)   
of subsection (1) of section 2 relates

|  |  |  |  |
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| exclusively | to | income | from |

employment where the employer has   
deducted Advance Personal Income   
Tax under section 83A and no tax shall   
be payable under paragraph (*b*) or (*c*) of   
subsection (2) of section 82.”; and

(2) in subsection (3) of that section, by the substitution   
 for the words “during the year.”, of the words and   
 figures “during the year or where such person’s   
 employer has deducted Advance Personal Income   
 Tax on his employment income, under section   
 83A.”.

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| **22.** Section 120 of the principal enactment is hereby amended in subsection (1A) of that section, by the substitution for the words “exempted gains and profits.”, of the following: - | Amendment of section 120 of the principal  enactment |

“exempted gains and profits:

Provided however, in the case where such person   
has commonly incurred expenses or commonly used   
any assets, on all business or investment activities   
and any expense or deduction cannot be separately   
identified for the purpose of this subsection, it shall   
be lawful to divide such expenses or deductions on   
a proportionate basis (according to the proportion   
of turnover or proportion of asset usage) in preparing   
such financial statements.”.

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| **23.** Section 123 of the principal enactment is hereby amended as follows: - | | Amendment of section 123 of the principal  enactment |
| (1) | in subsection (1) of that section, by the substitution |

for the words “notice in writing-”, of the words  
“notice in writing or by electronic means-”; and

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(2) by the addition immediately after subsection (5) of   
 that section of the following new subsections: -

“(6) Notwithstanding anything to the   
contrary in any other written law, the   
Commissioner-General may, by notice, require   
the Commissioner-General of Elections to   
provide the names, addresses or National Identity   
Card numbers of such persons as may be specified   
in such notice, and it shall be the duty of the   
Commissioner-General of Elections to provide   
such particulars to the Commissioner-General   
or provide access to the records under his   
custody, to a tax official authorized by the   
Commissioner-General.

(7)Notwithstanding anything to the contrary   
in any other written law, the Registrar-General   
of Companies shall provide information to the   
Commissioner-General on any changes or new   
appointments in relation to the directors of   
companies registered with the Registrar-General   
of Companies, including the names and   
addresses of such directors, once in every six   
months.”.

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| Amendment of section 133 of the principal  enactment  Amendment of section 134 of the principal  enactment  Amendment of section 135 of the principal  enactment | **24.** Section 133 of the principal enactment is hereby amended in subsection (2) of that section, by the substitution for the words “with notice, in writing,” of the words “with notice, in writing or by electronic means,”.  **25**. Section 134 of the principal enactment is hereby amended in subsection (4) of that section, by the substitution for the words “with notice, in writing,” of the words “with notice, in writing or by electronic means,”.  **26.** Section 135 of the principal enactment is hereby amended in subsection (5) of that section, by the substitution for the words “with notice, in writing,” of the words “with notice, in writing or by electronic means,”. |

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| *Inland Revenue (Amendment) Act, No. 45 of 2022* | 15 | Amendment of section 136 of the principal  enactment  Amendment of section 151 of the principal  enactment  Amendment of section 163 of the principal  enactment |
| **27.** Section 136 of the principal enactment is hereby amended in paragraph (*b*) of subsection (2) of that section, by the substitution for the word and figures “section 135.”, of the words and figures “section 135, for any year of assessment ending prior to April 1, 2022 and within a period of twelve months from the date on which the self-assessment return was filed, for any year of assessment commencing on or after April 1, 2022.”.  **28.** Section 151 of the principal enactment is hereby amended in subsection (3) of that section, by the substitution for the words “in writing”, of the words “in writing or by electronic means”.  **29.** Section 163 of the principal enactment is hereby amended by the addition immediately after subsection (4) of that section, of the following new subsections:- | |

“(5) The amount of tax, any penalty and interest   
due as at the date of the certificate referred to in   
subsection (3) and any legal interest due on the   
amount stated in the certificate from the date of   
such certificate up to the date of the judgement   
shall be the tax that is due and payable to the   
Commissioner -General.

(6) The proceedings instituted on or after   
January 1, 2023, under this section shall be   
completed within thirty months from the date of   
production of the certificate referred to in   
subsection (3).”.

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| **30.** Section 176 of the principal enactment is hereby amended as follows: - | | Amendment of section 176 of the principal  enactment |
| (1) | by the repeal of subsection (2) of that section, and |
| the substitution therefor of the following subsection: - | |

“(2) Procedures for the assessment, payment,   
collection, and dispute of a tax shall apply   
equally to penalties relating to a tax.”; and

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(2) by the insertion immediately after subsection (6) of   
 that section, of the following new subsection: -

“(6A) For the purposes of subsection (6), it   
shall be lawful to issue a single notice of   
assessment stating the penalty charged under   
this Chapter together with the tax and interest   
payable in complying with the other provisions   
of this Act.”.

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| Amendment of section 182 of the principal  enactment | **31.** Section 182 of the principal enactment is hereby amended as follows: - | |
| (1) | in subsection (1) of that section, by the substitution |
| for the words “A person”, of the words and figures“For any year of assessment ending prior to April 1, 2023, a person”; and | |
| (2) | by the insertion immediately after subsection (1) of |
| that section, of the following new subsection: - | |

“(1A) For any year of assessment   
commencing on or after April 1, 2023, a person   
who fails to maintain proper accounts, records   
or documents as required by this Act shall be   
liable for a penalty calculated as provided for in   
subsection (2).”.

|  |  |  |
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| Amendment of section 195 of the principal  enactment | **32.** Section 195 of the principal enactment is hereby amended as follows: - | |
| (1) | in the definition of the expression “export” of that |
| section, by the substitution for the word“undertaking;”, of the words and figures“undertaking, prior to April 1, 2022;”; | |
| (2) | in the definition of the expression “Small and |
| Medium Enterprise” of that section, by the | |

substitution in paragraph (*d*) of that definition for   
the words “the person’s or his” of the words “the   
person’s and his”; and

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(3) in the definition of the expression “specified   
 undertaking” of that section, by the substitution in   
 paragraph (*h*) of that definition, for the words “in   
 Sri Lanka in foreign currency;”, of the following: -

“in Sri Lanka in foreign currency:

Provided however, where the exporter was   
prevented from making payments in foreign   
currency for services referred to in this paragraph,   
due to any directive of the Central Bank, the   
exporter shall issue a confirmation of his foreign   
currency receipts;”.

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| **33.** The First Schedule to the principal enactment is hereby amended as follows: - | Amendment of the First  Schedule to the |

principal

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| (1) | in paragraph 1 of that Schedule – | | enactment |
| (*a*) | in subparagraph (1A) of that paragraph, by |

the substitution for the word and figures  
“January 1, 2020”, of the words and figures  
“January 1, 2020, but prior to April 1, 2022”;

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

“(1B) Subject to the provisions of subparagraph   
(2), the taxable income of a resident or non-  
resident individual for the year of assessment   
commencing from April 1, 2022 shall be taxed at   
the following rates: -

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(*a*) Taxable income for the first nine months   
period of the year of assessment commencing   
from April 1, 2022:-

|  |  |
| --- | --- |
| *Taxable Income* | *Tax payable* |
| Not exceeding Rs. 2,250,000 | 6% of the amount in excess of Rs. 0 |
| Exceeding  Rs. 2,250,000 but not  exceeding  Rs. 4,500,000 | Rs. 135,000 plus 12% of the amount in excess of Rs. 2,250,000 |
| Exceeding  Rs. 4,500,000 | Rs. 405,000 plus 18% of the amount in excess of Rs. 4,500,000; |

(*b*) Taxable income for the second three months   
period of the year of assessment commencing   
from April 1, 2022:-

|  |  |
| --- | --- |
| *Taxable Income* | *Tax payable* |
| Not exceeding Rs. 125,000 | 6% of the amount in excess of Rs.0 |
| Exceeding  Rs. 125,000 but not exceeding  Rs. 250,000 | Rs. 7,500 plus 12% of the amount in excess of Rs. 125,000 |
| Exceeding  Rs. 250,000 but not exceeding  Rs. 375,000 | Rs. 22,500 plus 18% of the amount in excess of Rs. 250,000 |
| Exceeding  Rs. 375,000 but not exceeding  Rs. 500,000 | Rs. 45,000 plus 24% of the amount in excess of Rs. 375,000 |
| Exceeding  Rs. 500,000 but not exceeding  Rs. 625,000 | Rs. 75,000 plus 30% of the amount in excess of Rs. 500,000 |
| Exceeding  Rs. 625,000 | Rs. 112,500 plus 36% of the amount in excess of Rs. 625,000; |

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(1C) Subject to the provisions of subparagraph   
(2), the taxable income of a resident or non-resident   
individual for a year of assessment commencing   
from April 1, 2023 shall be taxed at the following   
rates: -

|  |  |
| --- | --- |
| *Taxable Income* | *Tax payable* |
| Not exceeding Rs. 500,000 | 6% of the amount in excess of Rs.0 |
| Exceeding Rs. 500,000 but not exceeding  Rs. 1,000,000 | Rs. 30,000 plus 12% of the amount in excess of Rs. 500,000 |
| Exceeding  Rs. 1,000,000 but not exceeding  Rs. 1,500,000 | Rs. 90,000 plus 18% of the amount in excess of Rs. 1,000,000 |
| Exceeding  Rs. 1,500,000 but not exceeding  Rs. 2,000,000 | Rs. 180,000 plus 24% of the amount in  excess of Rs.  1,500,000 |
| Exceeding  Rs. 2,000,000 but not exceeding  Rs. 2,500,000 | Rs. 300,000 plus 30% of the amount in excess of Rs. 2,000,000 |
| Exceeding  Rs. 2,500,000 | Rs. 450,000 plus 36% of the amount in excess  of Rs. 2,500,000"; |

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(*c*) in subparagraph (5) of that paragraph, by the   
substitution for the word and figures “April   
1, 2021: -”, of the words and figures “April 1,   
2021, but prior to January 1, 2023: -”;

(2) in paragraph 3 of that Schedule, by the repeal of   
 subparagraph (1) of that paragraph and the   
 substitution therefor, of the following   
 subparagraph: -

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

(*a*) 24% prior to January 1, 2020;

(*b*) 18% with effect from January 1, 2020,   
 but prior to April 1, 2022;

(*c*) 18% for the first six months of the year   
of assessment commencing on April   
1, 2022 and for the second six months   
of the same year of assessment at the   
rate of 30%; and

(*d*) 30% with effect from April 1, 2023.”;

(3) in paragraph 4 of that Schedule-

(*a*) in subparagraph (1) of that paragraph-

(i) by the repeal of item (*b*) of that   
subparagraph, and the substitution therefor   
of the following item: -

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“(*b*) with effect from January 1, 2020, but   
prior to April 1, 2022, shall be taxed at   
the rate of 24%.”;

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

“(*c*) shall be taxed at the rate of 24% for   
first six months of the year of   
assessment commencing on April 1,   
2022 and for second six months of   
the same year of assessment at the   
rate of 30%; and

(*d*) with effect from April 1, 2023 shall   
 be taxed at the rate of 30%.”;

(*b*) in subparagraph (2A) of that paragraph, by   
the substitution for the word and figures  
“January 1, 2020: -”, of the words and figures  
“January 1, 2020 but prior to April 1, 2022   
and for the first six months of the year of   
assessment commencing on April 1,   
2022: -”;

(*c*) by the addition immediately after   
subparagraph (2A) of that paragraph, of the   
following new subparagraph: -

“(2B) Such part of the following gains   
and profits of a company which includes   
in its taxable income for the six months   
period commencing on October 1, 2022 in   
the year of assessment commencing on   
April 1, 2022 and for any year of assessment   
commencing on or after April 1, 2023, the   
gains and profits of a company shall be   
taxed at the following rates: -

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(*a*) gains and profits from conducting   
 betting and gaming-40%; and

(*b*) gains and profits from the   
manufacture and sale or import and   
sale of any liquor or tobacco product-  
40%.”;

(*d*) in item (*a*) of subparagraph (4) of that   
paragraph, by the substitution for the words   
and figures “rate of 10%; and” of the words   
and figures “rate of 10% prior to October 1,   
2022 and 30% with effect from October 1,   
2022; and”;

(*e*) in subparagraph (5) of that paragraph, -

(i) by the substitution for the word and figures  
“subparagraphs (1), (2A),” of the word and   
figures “subparagraphs (1), (2A), (2B),”;

(ii) in item (*b*) of that subparagraph, by the   
substitution for the words “for the two   
years of assessment immediately   
succeeding that year of assessment,”, of   
the words and figures “for the first six   
months of the year of assessment   
commencing from April 1, 2022”; and

(iii) by the repeal of item (ii) of sub-paragraph   
(*b*) of that subparagraph and the   
substitution therefore of the following: -

“(ii) an increase in exports (other than   
specified undertakings) by fifty *per*   
*centum* in the first six months of the   
year of assessment commencing from   
April 1, 2022, compared to the first   
six months of the first year.”;

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(4) in subparagraph (1) of paragraph 5 of that Schedule,   
 by the substitution for the words and figures “shall   
 be taxed at the rate of 28% prior to January 1, 2020   
 and 24% with effect from January 1, 2020.”, of the   
 following: -

“shall be taxed at the rate of –

(*a*) 28% prior to January 1, 2020;

(*b*) 24% with effect from January 1, 2020,   
 but prior to April 1, 2022;

(*c*) 24% for the first six months of the year   
of assessment commencing on April 1,   
2022 and for the second six months of   
the same year of assessment at the rate   
of 30%; and

(*d*) 30% with effect from April 1, 2023.”;

(5) in paragraph 7 of that Schedule-

(*a*) by the repeal of subparagraph (1) of that   
paragraph and the substitution therefor, of   
the following subparagraph: -

“(1) Subject to subparagraph (2), the   
taxable income of a non-governmental   
organization for a year of assessment   
shall be taxed at the rate of –

(*a*) 28% prior to January 1, 2020;

(*b*) 24% with effect from January 1,   
2020, but prior to April 1, 2022;

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(*c*) 24% for the first six months of   
 the year of assessment   
 commencing on April 1, 2022 and   
 for the second six months of the   
 same year of assessment at the rate   
 of 30%; and

(*d*) 30% with effect from April 1,   
 2023.”;

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

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

(*a*) prior to January 1, 2020, be 28%;

(*b*) be 24% with effect from January   
1, 2020, but prior to April 1, 2022;

(*c*) be 24% for the first six months   
of the year of assessment   
commencing on April 1, 2022 and   
for the second six months of the   
same year of assessment, be 30%;   
and

(*d*) be 30% with effect from April 1,   
 2023.”; and

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

(*a*) in item (*a*) of that subparagraph, by the   
substitution for the words and figures  
“section 83 applies-”, of the words and   
figures “section 83 or section 83A   
applies-”;

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(*b*) in item (*b*) of that subparagraph, by the   
substitution for the words and figures  
“section 84(1)(*a*)(i) applies-”, of the words   
and figures “section 84(1)(*a*) applies-”; and

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

“(*d*) for payments to which section   
 84A (1A) applies –

(i) rent payments made to a   
resident person where the   
aggregate payment does not   
exceed Rs. 100,000 per   
month – 0%;

(ii) interest or discount paid –  
 5%;

(iii) rent payments made to a   
resident person where the   
aggregate payment exceeds   
or is equal to Rs. 100,000 per   
month – 10% on full amount;

(iv) all other payments except   
 dividend – 14%; and

(v) dividend paid-15%.”; and

|  |  |  |
| --- | --- | --- |
| (7) | in paragraph 11 of that Schedule, by the substitution for the words “five years”, of the words“two years”. | Amendment of the Second  Schedule to the principal  enactment |
| **34.** The Second Schedule to the principal enactment is hereby amended in paragraph 1 of that Schedule, by the insertion immediately after subparagraph (6) of that paragraph, of the following new subparagraph: - | |

“(6A) Commencing from the first date of   
investment on a depreciable asset, three years of   
project implementation period shall be provided   
to a person who has not made his intended total

investment under a subparagraph of this paragraph.

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Notwithstandingthe provisionsofsubparagraph   
(6), capital allowance arising under a subparagraph   
of this paragraph shall be deducted in that year of   
assessment in which he has completed the total   
intended investment, but before the expiration of   
such project implementation period.”.

|  |  |  |
| --- | --- | --- |
| Amendment of the Third  Schedule to the principal  enactment | **35.** The Third Schedule to the principal enactment is hereby amended as follows: - | |
| (1) | by the insertion immediately after paragraph (*g*) of |
| that Schedule, of the following new paragraph: - | |

“(*gg*)a gain made by an entity fully owned by the   
Government of Sri Lanka as a gain from the   
realisation of a capital asset or liability of the   
business or realisation of an investment asset,   
if such gain was made due to any decision by   
the Government of Sri Lanka as being essential   
for the economic development of Sri Lanka   
and subject to the prior written approval of   
the Minister;”;

(2) in paragraph (*hh*) of that Schedule, by the   
 substitution for the word and figures “April 1,   
 2021”, of the words and figures “April 1, 2021 but   
 prior to October 1, 2022”;

(3) in paragraph (*oo*) of that Schedule, by the   
 substitution for the words and figures “on or after   
 January1, 2020”, of the words and figures “on or   
 after January 1, 2020 but prior to October1, 2022”;

(4) by the insertion immediately after paragraph (*oo*)   
 of that Schedule, of the following new paragraph: -

“(*ooo*) on or after October 1, 2022, a dividend   
paid by a resident company-

(i) which is engaged in any one or more of the   
following businesses in accordance with   
the provisions of Part IV of the Finance

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Act, No. 12 of 2012 and 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: -

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

(*ib*) 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;

(*ic*) providing front-end services to clients   
 abroad;

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

(*ie*) logistics services including bonded

|  |  |  |
| --- | --- | --- |
| warehouse | or | multi-country |

consolidation in Sri Lanka;

(ii) to a member to the extent that such dividend   
payment is attributable to, or derived from,   
another dividend received by that resident   
company or another resident company which   
is subject to Advance Income Tax under   
subsection (1A) of section 84A;”;

(5) in paragraph (*rr*) of that Schedule, by the   
 substitution for the words “dividends and gains”,   
 of the words and figures “dividends and gains prior   
 to October 1, 2022,”;

(6) in paragraph (*u*) of that Schedule-

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(*a*) in subparagraph (ii) of that paragraph, by the   
 substitution for the word and figures “January   
 1, 2020,”, of the words and figures “January 1,   
 2020, but prior to April 1, 2023,”;

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

(i) in that subparagraph, by the substitution   
 for the words “any vocational”, of the   
 words and figures “prior to April 1, 2023,   
 any vocational”;

(ii) in item (*b*) of that subparagraph, by the   
 substitution for the words “five years”, of   
 the words “two years”;

(iii) in the proviso to that subparagraph, by   
 the substitution for the words “next four   
 years”, of the words “next year”; and

(*c*) in subparagraph (vi) of that paragraph, by the   
 substitution for the words “any business”, of   
 the words and figures “prior to April 1, 2023,   
 any business”; and

(7) in paragraph (*w*) of that Schedule, by the   
 substitution for the words and figures “on or after   
 April 1, 2021,”, of the words and figures “on or   
 after April 1, 2021 but prior to April 1, 2023,”.

|  |  |  |
| --- | --- | --- |
| Amendment of the Fifth  Schedule to the principal  enactment | **36.** The Fifth Schedule to the principal enactment is hereby amended as follows: - | |
| (1) | in subparagraph (*e*) of paragraph 1 of that Schedule, |
| by the substitution for the words “acquisition or merger of any other financial institution where”, of the words and figures “acquisition, partial acquisition, absorption ofbusiness or merger of, any other bank licensed under the Banking | |

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Act, No. 30 of 1988, finance company licensed   
under the Finance Business Act, No. 42 of 2011 or   
finance leasing company registered in terms of   
paragraph (*c*) of section 3 of the Finance Leasing   
Act, No. 56 of 2000 where”; and

(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;

(ii) Rs. 3,000,000, for each year of   
assessment commencing on or after   
January 1, 2020, but prior to April 1,   
2022;

(iii) Rs. 2,250,000, for first nine months and   
Rs. 300,000 for second three months of   
the year of assessment commencing on   
April 1, 2022; and

(iv) Rs. 1,200,000, for each year of   
assessment commencing on or after   
April 1, 2023,

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

|  |  |
| --- | --- |
| (*b*) | in subparagraph (*f*) of that paragraph, by the substitution for the words and figures “on or after January 1, 2020: -”, of the words and figures “on or after January 1, 2020, but prior to April 1, 2022 and sum of Rs. 900,000, incurred for the first nine months of the year of assessment commencing |

on April 1, 2022: -”.

|  |  |  |  |
| --- | --- | --- | --- |
| Amendment  of the Sixth  Schedule to  the principal  enactment  Calculation  of income  tax payable  for the year  of assessment commencing on April 1,  2022 | 30 | *Inland Revenue (Amendment) Act, No. 45 of 2022* | |
| **37.** The Sixth Schedule to the principal enactment is hereby amended as follows: - | | |
| (1) | | in item (*b*) of subparagraph (4) of paragraph 1 of |
| that Schedule, by the substitution for the words“that are used to improve business processes or productivity and fixed”, of the words “that are fixed”; | | |
| (2) | | by the re-numbering of paragraphs 3, 4, 5, 6, 7, 8, 9 |
| and 11 of that Schedule as paragraphs 2, 3, 4, 5, 6, 7, 8 and 9 of that Schedule, respectively; | | |
| (3) | | in the re-numbered paragraph 8 of that Schedule, |
| by the substitution for the words “zero percent.”, of the words and figures “zero percent, if such payment has been made to the Commissioner-General prior to October 1, 2022.”; and | | |
| (4) | | in subparagraph (1) of paragraph 10 of that |
| Schedule, by the substitution for the words “three years”, of the words “two years”.  **38.** (1) The income tax payable by a person for the year of assessment commencing on April 1, 2022, shall be calculated separately for two periods of the year of assessment as first nine months and second three months by individuals and first six months and second six months by persons other than individuals. For the purpose of such calculation of business income, the person may use pro-rata basis (as 75% for first nine months and balance 25% for second three months by individuals and 50% for first six months and balance 50% for second six months by persons other than individuals) to arrive the taxable income for such two periods. | | |

(2) Subject to the provisions of this Act, a person may submit a revised estimate for the purpose of tax payable by instalments.

|  |  |
| --- | --- |
| Sinhala text  to prevail in  case of | **39.** In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail. |

inconsistency

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*Table ‘A’* (section 1)

|  |  |
| --- | --- |
| *Column I* | *Column II* |
| *section of this Act* | *section of the principal enactment* |
| 2 | 5 |
| 4 | 12 |
| 5 | 14 |
| 6 | 16 |
| 11 | 66 |
| 18 | 87 |
| 21 | 92A |
| 22 | 94 |
| 23 | 120 |
| 25 | 133 |
| 26 | 134 |
| 27 | 135 |
| 28 | 136 |
| 35(1) and (3) | 195 |
| 36(1), (2), (3), (4) and (5) | subparagraphs (1A) and (1B) of paragraph 1, paragraphs 3, 4, 5 and 7 of the First Schedule |
| 37 | subparagraph (6A) of paragraph 1 of the Second Schedule |
| 38(1) | paragraph (*gg*) of the Third Schedule |
| 40(1) and (2) | item (*b*) of subparagraph (4) of paragraph 1 and paragraphs 2,3,4,5,6,7,8 and 9 of the Sixth  Schedule |
| 41 | new section |

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*Table ‘B’* (section 1)

|  |  |
| --- | --- |
| *Column I* | *Column II* |
| *section*  *of this Act* | *section of the principal enactment* |
| 36(1) | subparagraph (5) of paragraph (1) of the First Schedule |
| 38 (2), (3), (4) and (5) | paragraphs (*hh*), (*oo*), (*ooo*) and (*rr*) of the Third Schedule |
| 39(2) | paragraph (2) of the Fifth Schedule |
| 40 (3) and (4) | paragraphs (8) and (10) of the Sixth Schedule |

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*Table ‘C’* (section 1)

|  |  |  |
| --- | --- | --- |
| *Column I* | *Column II* | *Column III* |
| *section*  *of this Act* | *section of the principal enactment* | *Date of*  *operation* |
| 3 | 10 | 01.04.2021 |
| 7 | 18 | 01.04.2021 |
| 8 | 19 | 01.04.2018 |
| 9 | 46 | 01.04.2021 |
| 10 | 54 | 01.04.2018 |
| 12 | 69 | 01.04.2018 |
| 13 | 72 | 01.04.2018 |
| 14 | 73 | 01.04.2018 |
| 15 | 83A | 01.01.2023 |
| 16 | 84A | 01.01.2023 |
| 17 | 85 | 01.01.2023 |
| 19 | 88 | 01.01.2023 |
| 20 | 90 | 01.04.2021 |
| 29 | 139 | 01.04.2023 |
| 35(2) | 195 | 01.04.2020 |
| 36(1**)** and (7) | subparagraph (1C) of  paragraph 1 and paragraph 11 of the First Schedule | 01.04.2023 |
| 38(6) and (7) | paragraph (*u*) and (*w*) of the Third Schedule | 31.03.2023 |
| 39(1) | subparagraph (*e*) of paragraph (1) of the Fifth Schedule | 01.04.2021 |

|  |  |
| --- | --- |
| 34 | *Inland Revenue (Amendment) Act, No. 45 of 2022* |

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