

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

*————————*

**INLAND REVENUE (AMENDMENT)**

**A**

**BILL**

**to amend the Inland Revenue Act, No. 24 of 2017**

*————————*

*Presented by the Prime Minister and Minister of Finance, Minister of Buddhasasana, Religious & Cultural Affairs and Minister of*   
*Urban Development & Housing on 26th of March, 2021*

(Published in the Gazette on March 18, 2021)

*Ordered by Parliament to be printed*

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**[Bill No. 41]**

PRINTEDATTHEDEPARTMENTOFGOVERNMENTPRINTING, SRILANKA   
 TOBEPURCHASEDATTHEGOVERNMENTPUBLICATIONSBUREAU, COLOMBO5   
**Price : Rs. 107.00**  **Postage : Rs. 45.00**

*This Bill can be downloaded from* www.documents.gov.lk 

*STATEMENT OF LEGAL EFFECT*

*Clause 2* ***:*** This clause amends section 5 of the Inland Revenue Act, No. 24 of 2017 (hereinafter referred to as the “principal enactment”), and the legal effect of the section as amended is to exclude contributions made by an employer to a gratuity fund when calculating an individual’s gains and profits from an employment.

*Clause 3* ***:*** This clause amends section 6 of the principal enactment for the purpose of clarity.

*Clause 4* ***:***This clause amends section 9 of the principal enactment, and the legal effect of the section as amended is to grant tax exemptions under the Strategic Development Projects Act, No.14 of 2008.

*Clause 5* ***:***This clause amends section 10 of the principal enactment for the purpose of clarity.

*Clause 6* ***:***This clause amends section 11 of the principal enactment, and the legal effect of the section as amended is treat cost of loans of financial institutions as an allowable expense.

*Clause 7* ***:***This clause amends section 14 of the principal enactment, and the legal effect of the section is to allow repair expenditure as a deduction in calculation of income tax.

*Clause 8* ***:***This clause inserts the new section 15A in the principal enactment, and the legal effect of the section is to allow marketing and communication expenditure as a deduction.

*Clause 9* ***:***This clause amends section 16 of the principal enactment for the purpose of clarity.

*Clause 10* ***:***This clause amends section 18 of the principal enactment, and the legal effect of the section as amended is to simplify the calculation of financial cost of a company.

*Clause 11* ***:***This clause amends Section 19 of the principal enactment, and the legal effect of the section as amended is to allow the unrelieved losses of a small and medium enterprise as a deduction.

*Clause 12* ***:***This clause amends section 20 of the principal enactment, and the legal effect of the section as amended is to make provisions to enable a trust or company to change its accounting year.

*Clause 13* ***:***This clause amends the section 36 of the principal enactment, and the legal effect of the section as amended is to allow the splitting of cost and consideration of business assets.

*Clause 14* ***:***This clause amends section 38 of the principal enactment, and the legal effect of the section as amended is to make provisions in to simplify the computation of gains and profits from realization of an investment asset.

*Clause 15 :* This clause amends section 53 of the principal enactment, and the legal effect of the section as amended is to introduce partnership income tax on its taxable income.

*Clause 16 :* This clause amends section 55 of the principal enactment, and the legal effect of the section as amended is to disallow certain refunds on the payment of partnership tax.

*Clause 17 :* This clause amends section 60 of the principal enactment, and the legal effect of the section as amended is to introduce a basis for taxing the gains and profits of business activities.

*Clause 18 :* This clause amends section 62 of the principal enactment, and the legal effect of the section as amended is to grant tax exemption on remitted profits for a non-resident person.

*Clause 19 :* This clause amends section 66 of the principal enactment, and the legal effect of the section as amended is to make provisions for banks and financial institutions to have a transparent management for doubtful debt provisions.

*Clause 20 :* This clause amends section 68 of the principal enactment for the purpose of clarity.

*Clause 21* ***:***This clause amends section 70 of the principal enactment for the purpose of clarity.

*Clause 22* ***:***This clause amends section 75 of the principal enactment for the purpose of clarity.

*Clause 23* ***:***This clause amends section 76 of the principal enactment for the purpose of clarity.

*Clause 24* ***:***This clause amends section 77 of the principal enactment for the purpose of clarity.

*Clause 25* ***:***This clause amends section 78 of the principal enactment for the purpose of clarity.

*Clause 26 :* This clause amends section 83 of the principal enactment, and the legal effect of the section as amended is to abolish the withholding on employment income.

*Clause 27 :* This clause inserts new section 83A in the principal enactment, and the legal effect of that section is to introduce Advance Personal Income Tax (APIT).

*Clause 28 :* This clause amends section 84 of the principal enactment, and the legal effect of the section as amended is to abolish the withholding on investment returns other than from winning from a lottery, reward, etc.

*Clause 29 :* This clause inserts new section 84A in the principal enactment, and the legal effect of that section is to introduce Advance Income Tax (AIT).

*Clause 30 :* This clause amends section 85 of the principal enactment, and the legal effect of the section as amended is to remove the withholding on service and contract payments paid to residents.

*Clause 31* ***:***This clause amends section 87 of the principal enactment for the purpose of clarity.

*Clause 32* ***:***This clause amends section 88 of the principal enactment, and it is consequential to the amendment made to section 84 of the principal enactment.

*Clause 33* ***:***This clause amends section 90 of the principal enactment for the purpose of clarity.

*Clause 34* ***:***This clause amends section 93 of the principal enactment, and the legal effect of the section as amended is to make provisions to file capital gains tax return on monthly basis.

*Clause 35* ***:***This clause amends section 94 of the principal enactment, and the legal effect of the section as amended is to make the submission of income tax returns compulsory for employees.

*Clause 36* ***:***This clause amends section 95 of the principal enactment for the purpose of clarity.

*Clause 37* ***:***This clause amends section 103 of the principal enactment, and the legal effect of the section as amended is to introduce mandatory provisions to use Tax Identification Number in all tax related documents.

*Clause 38* ***:***This clause amends section 113 of the principal enactment, and the legal effect of the section as amended is to make the filing of tax returns electronically compulsory for companies.

*Clause 39* ***:***This clause amends section 120 of the principal enactment, and the legal effect of the section as amended is to require the taxpayers to prepare separate financial statements.

*Clause 40* ***:***This clause amends section 126 of the principal enactment for the purpose of clarity.

*Clause 41* ***:***This clause amends section 129 of the principal enactment, and the legal effect of the section as amended is to broaden the purview of that section.

*Clause 42* ***:***This clause amends section 139 of the principal enactment, and the legal effect of the section as amended is to broaden the purview of that section.

*Clause 43* ***:***This clause amends section 140 of the principal enactment, and the legal effect of the section as amended is to broaden the purview of that section.

*Clause 44* ***:***This clause amends section 157 of the principal enactment for the purpose of clarity.

*Clause 45* ***:***This clause amends section 158 of the principal enactment, and the legal effect of the section as amended is to extend the time period for computation of interest.

*Clause 46 :*This clause amends section 159 of the principal enactment for the purpose of clarity.

*Clause 47* ***:***This clause inserts section 190A in the principal enactment, and the legal effect of that section is to introduce punitive provisions in relation to auditors etc,.

*Clause 48 :* This clause amends section 195 of the principal enactment, and the legal effect of the section as amended is to provide for certain new definitions.

*Clause 49 :* This clause amends section 201 of the principal enactment, and the legal effect of the section as amended is to extend the period of application of the Sixth Schedule.

*Clause 50 :* This clause amends section 203 of the principal enactment for correcting typo errors for the purpose of clarity.

*Clause 51 :* This clause amends the First Schedule to the principal enactment and the legal effect of the Schedule as amended is to specify different tax rates for different gains and income.

*Clause 52 :* This clause amends the Second Schedule to the principal enactment, and the legal effect of the Schedule as amended is to allow enhanced capital allowances for improvements in a leasehold land.

*Clause 53* ***:***This clause amends the Third Schedule to the principal enactment and the legal effect of the Schedule as amended is to grant tax exemptions on certain gains, profits and income.

*Clause 54* ***:***This clause amends the Fourth Schedule to the principal enactment, and the legal effect of the Schedule as amended is to allow certain capital allowances.

*Clause 55* ***:***This clause amends the Fifth Schedule to the principal enactment, and the legal effect of the Schedule as amended is to expand the scope of qualifying payments and reliefs.

*Clause 56* ***:*** This clause amends the Sixth Schedule to the principal enactment, and the legal effect of the Schedule as amended is to extend the time period of certain temporary concessions and to grant certain additional deductions.

*Clause 57* ***:***This clause grants powers to the Commissioner-General to issue guidelines on income tax computations.

*Clause 58* ***:***This clause provides for tax reliefs to facilitate post COVID-19 economic recovery.

*Clause 59* ***:***This clause makes provisions to give retrospective effect to certain amendments made to the principal enactment.

*Clause 60* ***:***This clause validates income tax collected under the provisions having a retrospective operation.

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| *Inland Revenue (Amendment)* | 1 |

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: -

|  |  |  |  |
| --- | --- | --- | --- |
| 5 | **1.** | (1) This Act may be cited as the Inland Revenue | Short title |
| (Amendment) Act, No. of 2021. | | and the date |
| of operation |
| (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 10 out in this Amendment Act shall 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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| --- | --- | --- | --- |
| 15 | **2.** | Section 5 of the Inland Revenue Act, No. 24 of 2017 | Amendment |
| (hereinafter referred to as the “principal enactment”) is hereby | | of section 5 |
| of Act, |
| amended in subsection (3) of that section as follows: - | |
| No. 24 of |

2017

(1) in paragraph (*c*) of that subsection, by the substitution for the words “on equal terms;” of the 20 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, 25 gratuity or savings fund or savings society”.

|  |  |  |  |
| --- | --- | --- | --- |
| 5 | 2 | *Inland Revenue (Amendment)* | Amendment |
| **3.** | Section 6 of the principal enactment is hereby |
| amended in paragraph (*d*) of subsection (2) of that section, | | of section 6 |
| of the |
| by the substitution for the words “the Second or Fourth | |
| principal |
| Schedule to this Act”, of the words “the Fourth Schedule to | |
| enactment |
| this Act”. | |
| 10 | **4.** | Section 9 of the principal enactment is hereby | Amendment |
| of section 9 |
| amended in subsection (3) of that section, by the substitution | |
| of the |
| for the words “commencement of this Act.” of the words and | |
| principal |
| figures, “commencement of this Act or for any projects | |
| enactment |
| approved under the Strategic Development Projects Act, | |
| No. 14 of 2008.”. | | Amendment |
| **5.** | Section 10 of the principal enactment is hereby |
| 15 |
| amended in subparagraph (v) of paragraph (*b*) of subsection | | of section 10 |
| of the |
| (1) of that section, by the substitution for the words | |
| principal |
| “provident or savings fund” of the words “provident, gratuity | |
| enactment |
| 20 | or savings fund”. | | Amendment |
| **6.** | Section 11 of the principal enactment is hereby |
| amended by the addition immediately after subsection (3) | | of section 11 |
| of the |
| of that section, of the following new subsection: - | |
| principal |
| enactment |
| “(4) For the purpose of this section, cost of funds | |

of the financial institutions 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

|  |  |
| --- | --- |
| 25 | 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

|  |  |  |  |
| --- | --- | --- | --- |
| 30 | income of such financial institutions.”. | | Amendment |
| **7.** | Section 14 of the principal enactment is hereby |
| amended as follows: - | | of section 14 |
| of the |
| (1) | in subsection (2) of that section- | principal |
| enactment |

*Inland Revenue (Amendment)*  3

(*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 5 deductions of improvements referred to in subsection (1) granted for any year of assessment commencing from April 1, 2021”; and

|  |  |  |
| --- | --- | --- |
| 10 | (*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”;

|  |  |  |
| --- | --- | --- |
| 15 | (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

|  |  |
| --- | --- |
| 20 | 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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 25 | temporarily enhances the value of such asset.”. | | | | Insertion of |
| **8.** | The following new section is hereby inserted | | |
| 30 | immediately after section 15 of the principal enactment, | | | | new section |
| 15A in the |
| and shall have effect as section 15A of that enactment: - | | | |
| principal |
| “Marketing  and  communication | | | **15A.** (1) For any year of assessment commencing on or after April 1, 2021, in | enactment |
| expenses | | calculating a person’s income from a business, | |

marketing and communication expenses   
incurred by such person in the production of

4 *Inland Revenue (Amendment)*

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

|  |  |  |
| --- | --- | --- |
| 5 | 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;

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 10 | (*b*) | the development or production of | | |
| marketing, | advertising | and |

communication campaign to the   
extent that such development or

|  |  |  |
| --- | --- | --- |
| 15 | (*c*) | production is carried out in Sri |
| Lanka; |
| advertising on mainstream media or |

social media including television,   
radio, print or as outdoor advertising;

|  |  |  |
| --- | --- | --- |
| 20 | (*d*) | product launches or campaign |
| activation carried out by such person |

or by any local institution on his   
behalf;

|  |  |  |
| --- | --- | --- |
| 25 | (*e*) | development and printing of point- |
| of-sale material by such person or |
| by any local institution on his |

behalf.”.

|  |  |  |  |
| --- | --- | --- | --- |
| 30 | **9.** | Section 16 of the principal enactment is hereby | Amendment |
| amended as follows: - | | of section 16 |
| of the |
| (1) | in paragraph (*b*) of subsection (2) of that section, | principal |
| enactment |
| by the substitution for the words “the Second or | |

*Inland Revenue (Amendment)*  5

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 5 Fourth Schedule to this Act.” of the words “the Fourth Schedule to this Act.”.

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

“(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 15 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 20 following formula: -

A

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

B

Where:

25 ‘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 30 year.”.

|  |  |  |  |
| --- | --- | --- | --- |
| 5 | 6 | *Inland Revenue (Amendment)* | Amendment |
| **11.** | Section 19 of the principal enactment is hereby |
| amended in subsection (3) of that section, by the substitution | | of section 19 |
| of the |
| for the words “in calculating exempt amounts.”, of the | |
| principal |
| following: - | | enactment |
| “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 10 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

|  |  |  |
| --- | --- | --- |
| 15 | (*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 20 been a taxable profit) taxed at the same rate of the current year.”.

|  |  |  |  |
| --- | --- | --- | --- |
| 25 | **12.** | Section 20 of the principal enactment is hereby | Amendment |
| amendedas follows: - | | of section 20 |
| of the |
| (1) | by the repeal of subsection (2) of that section, and | principal |
| enactment |
| the substitution therefor, of the following | |

subsection: -

“(2) Where a trust or company is unable to   
submit the accounts for the period of twelve

|  |  |
| --- | --- |
| 30 | 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

*Inland Revenue (Amendment)*  7

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

|  |  |
| --- | --- |
| 5 | 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 10 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”.

|  |  |  |  |
| --- | --- | --- | --- |
| 15 | **13.** | Section 36 of the principal enactment is hereby | Amendment |
| amended by the addition immediately after subsection (4) | | of section 36 |
| of the |
| of that section, of the following new subsection: - | |
| principal |
| “(5) Where**,** in any year of assessment commencing | | enactment |

from April 1, 2021, an asset owned by a person is used 20 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

|  |  |  |  |
| --- | --- | --- | --- |
| 25 | the assets used to produce respective gains and | | Amendment |
| profits.”. | |
| **14.** | Section 38 of the principal enactment is hereby |
| 30 | amended by the insertion immediately after subsection (1) | | of section 38 |
| of the |
| of that section, of the following new subsection: - | |
| principal |
| enactment |
| “(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

8 *Inland Revenue (Amendment)*

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

|  |  |
| --- | --- |
| 5 | 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

|  |  |  |  |
| --- | --- | --- | --- |
| 10 | by a professionally qualified valuer in a valuation | | Amendment |
| report.”. | |
| **15.** | Section 53 of the principal enactment is hereby |
| 15 | amended as follows: - | | of section 53 |
| of the |
| (1) | in subsection (1) of that section, by the substitution | principal |
| enactment |
| 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

|  |  |
| --- | --- |
| 20 | 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.”;

|  |  |  |
| --- | --- | --- |
| 25 | (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 30 responsible for performing any duty or obligation

*Inland Revenue (Amendment)*  9

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

|  |  |  |  |
| --- | --- | --- | --- |
| 5 | **16.** | Section 55 of the principal enactment is hereby | Amendment |
| of section 55 |
| amended in subsection (4) of that section, by the substitution | |
| of the |
| for the words “as paid by them.” of the words “as paid by | |
| principal |
| them without any right to a refund (but with a right to carry | |
| enactment |
| 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.”.

|  |  |  |  |
| --- | --- | --- | --- |
| 10 | **17.** | Section 60 of the principal enactment is hereby | Amendment |
| of section 60 |
| amended in subsection (2) of that section, by the substitution | |
| of the |
| for the words “a single company business.”, of the words “a | |
| principal |
| 15 | single company business, unless different tax rates are | |
| enactment |
| 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.”.

|  |  |  |  |
| --- | --- | --- | --- |
| 20 | **18.** | Section 62 of the principal enactment is hereby | Amendment |
| amended in subsection (2) of that section, by the substitution | | of section 62 |
| of the |
| for the words “making such remittances.” of the following: - | |
| principal |
| “making such remittances: | | enactment |

Provided however, if a non-resident person   
retained the total income earned in any year of   
assessment commencing on or after April 1, 2021

|  |  |
| --- | --- |
| 25 | 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

|  |  |
| --- | --- |
| 30 | 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

|  |  |
| --- | --- |
| 30 | on remittances of such retained income invested shall be zero percent.”. |

|  |  |  |  |
| --- | --- | --- | --- |
| 5 | 10 | *Inland Revenue (Amendment)* | Amendment |
| **19.** | Section 66 of the principal enactment is hereby |
| amended as follows: - | | of section 66 |
| of the |
| (1) | in subsection (2) of that section, by the substitution | principal |
| enactment |
| 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 10 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 15 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 20 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: -

25 “(4) In this section-

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

|  |  |  |
| --- | --- | --- |
| 30 | (*b*) | “debt claim” does not include the right |
| to receive a payment on deposits, |
| debentures, stocks, treasury bills, |

*Inland Revenue (Amendment)*  11

promissory notes, bills of exchange and   
bonds;

(*c*) “directives made by the Central Bank of Sri Lanka” means any directives 5 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

|  |  |
| --- | --- |
| 10 | 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 15 year of assessment, but excludes any directives issued in relation to the adaptation of Sri Lanka Accounting Standards.”.

|  |  |  |  |
| --- | --- | --- | --- |
| 20 | **20.** | Section 68 of the principal enactment is hereby | Amendment |
| amended in subsection (1) of that section, by the substitution | | of section 68 |
| of the |
| for the words “additional tax of three percent on amounts” | |
| principal |
| 25 | of the words “additional tax on three percent of amounts”. | | enactment |
| **21.** Section 70 of the principal enactment is hereby | | Amendment |
| of section 70 |
| amended in subsection (1) of that section, by the substitution | |
| of the |
| for the words and figures “paragraph (c) of subsection (1) of | |
| principal |
| section 69,” of the words and figures “paragraph (b) of | | enactment |

subsection (1) of section 69,”.

|  |  |  |  |
| --- | --- | --- | --- |
| 30 | **22.** | Section 75 of the principal enactment is hereby | Amendment |
| of section 75 |
| amended as follows**: -** | |
| of the |
| (1) | by the repeal of subsection (1) of that section and | principal |
| enactment |

the substitution therefor of the following   
subsection:-

12 *Inland Revenue (Amendment)*

“(1) (*a*) Where Parliament by resolution   
approves any double taxation agreement or   
mutual administrative assistance agreement   
entered into between the Government of Sri

|  |  |
| --- | --- |
| 5 | 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

|  |  |
| --- | --- |
| 10 | 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

|  |  |
| --- | --- |
| 15 | 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,

|  |  |
| --- | --- |
| 20 | 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.”;

|  |  |  |
| --- | --- | --- |
| 25 | (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

|  |  |
| --- | --- |
| 30 | “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”.

|  |  |  |  |
| --- | --- | --- | --- |
| 35 | **23**. Section 76 of the principal enactment is hereby | | Amendment |
| amended as follows: - | | of section 76 |
| of the |
| (1) | in subsection (2) of that section- | principal |
| enactment |

*Inland Revenue (Amendment)*  13

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

“(*b*) “permanent establishment”, in relation

|  |  |
| --- | --- |
| 5 | 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 10 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

|  |  |  |
| --- | --- | --- |
| 15 | (*b*) | resident;”; |
| 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”;

|  |  |  |  |
| --- | --- | --- | --- |
| 20 | (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)”;

|  |  |  |  |
| --- | --- | --- | --- |
| 25 | (*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”;

|  |  |  |
| --- | --- | --- |
| 30 | (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

|  |  |  |
| --- | --- | --- |
| 5 | (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

|  |  |  |
| --- | --- | --- |
| 10 | (*d*) | “Where a person has not”; |
| 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”;

|  |  |  |
| --- | --- | --- |
| 15 | (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”.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 20 | **24.** Section 77 of the principal enactment is hereby | | | Amendment |
| amended as follows: - | | | of section 77 |
| of the |
| (1) | in subsection (2) of that section- | | principal |
| enactment |
| (*a*) | | by the repeal of item (ii) of paragraph *(f)* of |

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

|  |  |  |
| --- | --- | --- |
| 25 | “(ii) | an interim order in any other |

circumstances where the majority of   
the members of the Committee are   
in agreement.”;

|  |  |  |
| --- | --- | --- |
| 30 | (*b*) | in paragraph (*g*) of that subsection, by the |
| substitution for the words “may be to such |

*Inland Revenue (Amendment)*  15

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 5 | transaction” of the words “where a controlled | | | | Amendment |
| transaction”. | | | |
| **25.** | Section 78 of the principal enactment is hereby | | |
| 10 | amended in subsection (3) of that section, by the substitution | | | | of section 78 |
| of the |
| for the words “made by the Transfer Pricing Officer or | | | |
| principal |
| Assistant Commissioner may”, of the words “made by the | | | |
| enactment |
| 15 | Technical Review Committee may”. | | | | Amendment |
| **26.** | Section 83 of the principal enactment is hereby | | |
| amended in subsection (1) of that section, by the substitution | | | | of section 83 |
| of the |
| for the words “shall withhold tax”, of the words and figures | | | |
| principal |
| “shall withhold tax prior to January 1, 2020”. | | | |
| enactment |
| 20 | **27**. | | The following new section is hereby inserted | | Insertion of |
| immediately after section 83 of the principal enactment, | | | | new section |
| 83A in the |
| and shall have effect as section 83A of that enactment: - | | | |
| principal |
| “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 | enactment |

section 5 made to his employee, if such   
employee -

|  |  |  |
| --- | --- | --- |
| 25 | (*a*) | is a non-resident or non-citizenof Sri |
| (*b*) | Lanka; or |
| 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

|  |  |
| --- | --- |
| 30 | withhold tax under subsection (1) shall not be reduced or extinguished when – |

16 *Inland Revenue (Amendment)*

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

|  |  |  |
| --- | --- | --- |
| 5 | (*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* 10 *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 15 modification, be deemed to be a reference to the “Advance Personal Income Tax.”.

|  |  |  |  |
| --- | --- | --- | --- |
| 20 | **28.** | Section 84 of the principal enactment is hereby | Amendment |
| amended in paragraph (*a*) of subsection (1) of that section as | | of section 84 |
| of the |
| follows: - | |
| principal |
| (1) | in subparagraph (i) of that paragraph, by the | enactment |

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;

|  |  |  |
| --- | --- | --- |
| 25 | (2) | or”; |
| by the insertion immediately after subparagraph (i) |

of that paragraph, of the following new   
subparagraph: -

|  |  |  |  |
| --- | --- | --- | --- |
| 30 | (3) | “(ii) | pays amounts as winnings from a lottery, |
| reward, betting or gambling; or;”; | |
| by the re-numbering of subparagraph (ii) of that | |

paragraph, as subparagraph (iii) of that paragraph;   
and

*Inland Revenue (Amendment)*  17

(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”.

|  |  |  |  |
| --- | --- | --- | --- |
| 5 | **29.** The following new section is hereby inserted | | Insertion of |
| new section |
| immediately after section 84 of the principal enactment, | |
| 84A in the |
| and shall have effect as section 84A of that enactment: - | |
| principal |
| 10 | “Advance  Income Tax | 84A. (1) Subject to section 83A and subsection (3) of section 84,with effect from | enactment |
| 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,

|  |  |
| --- | --- |
| 15 | 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 20 Commissioner-General.

(2) The provisions applicable to the   
withholding tax under this Act shall, *mutatis*   
*mutandis,* beapplicable to the Advance Income

|  |  |
| --- | --- |
| 25 | 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.”.

|  |  |  |  |
| --- | --- | --- | --- |
| 30 | **30.** Section 85 of the principal enactment is hereby | | Amendment |
| amended as follows: - | | of section 85 |
| of the |
| 35 | (1) | in subsection (1) of that section, by the substitution | principal |
| enactment |
| for the words “shall withhold tax”, of the words and | |
| figures “shall, prior to January 1, 2020, withhold | |
| tax”; | |

|  |  |  |
| --- | --- | --- |
| 18 | (2) | *Inland Revenue (Amendment)* |
| 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 5 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

|  |  |  |
| --- | --- | --- |
| 10 | (3) | premium with a source in Sri Lankato a non- |
| resident person.”; and |
| 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.”.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 15 | **31.** | Section 87 of the principal enactment is hereby | | Amendment |
| 20 | amended in paragraph (*b*) of subsection (4) of that section, | | | of section 87 |
| of the |
| by the substitution for the words “of that year”, of the words | | |
| principal |
| “of the subsequent year”. | | |
| enactment |
| **32**. | Section 88 of the principal enactment is hereby | | Amendment |
| of section 88 |
| amended as follows: - | | |
| of the |
| (1) | in subsection (1) of that section- | | principal |
| enactment |
| (*a*) | | by the substitution for the words “the |

following shall be the final”, of the words   
and figures “the following shall, prior to

|  |  |  |
| --- | --- | --- |
| 25 | (*b*) | January 1, 2020, be the final”; |
| 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*) 30 of subsection (3) of section 84”;

*Inland Revenue (Amendment)*  19

(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 5 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;

|  |  |  |
| --- | --- | --- |
| 10 | (*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

|  |  |  |
| --- | --- | --- |
| 15 | (*c*) | Establishment; and |
| interest paid to or treated as being derived by |

a non-resident individual who is a citizen of   
Sri Lanka:

|  |  |
| --- | --- |
| 20 | 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

|  |  |  |
| --- | --- | --- |
| 25 | (ii) | 2(*a*) of the Fifth Schedule to this Act; |
| or |
| such amount calculated by deducting |

the total of other sources of assessable income (total assessable income other 30 than interest) from the relief threshold if the total of assessable income from other sources does not exceed the relief threshold.”;

|  |  |  |
| --- | --- | --- |
| 20 | (3) | *Inland Revenue (Amendment)* |
| 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

|  |  |  |  |
| --- | --- | --- | --- |
| 5 | figures “paragraph (*b*) or (*d*) of subsection (3) of | | Amendment |
| section 84”. | |
| **33.** Section 90 of the principal enactment is hereby | |
| 10 | amended as follows: - | | of section 90 |
| of the |
| (1) | in paragraph (*a*) of subsection (1) of that section, |
| principal |
| enactment |
| 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: -

15 “(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

|  |  |  |
| --- | --- | --- |
| 20 | (3) | day of May of the next succeeding year of |
| assessment.”; |
| in subsection (3) of that section, by the substitution |

for the words “payment of the instalment.”, of the   
following: -

“payment of the instalment:

25 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

|  |  |  |
| --- | --- | --- |
| 30 | (4) | formula given in this subsection.”; |
| in subsection (5) of that section, by the substitution |

for the words “instalment for the year.” of the   
following: -

*Inland Revenue (Amendment)*  21

“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

|  |  |
| --- | --- |
| 5 | 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.”.

|  |  |  |  |
| --- | --- | --- | --- |
| 10 | **34.** Section 93 of the principal enactment is hereby | | Amendment |
| amended as follows: - | | of section 93 |
| of the |
| (1) | in subparagraph (i) of paragraph (*a*) of subsection | principal |
| enactment |
| (2) of that section, by the substitution for the words | |

“business and investment”, of the words “business,   
investment and other income”;

|  |  |  |
| --- | --- | --- |
| 15 | (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 20 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.”.

|  |  |  |
| --- | --- | --- |
| 25 | **35.** Section 94 of the principal enactment is hereby | Amendment |
| amended in subparagraph (ii) of paragraph (*a*) of subsection | of section 94 |
| of the |
| (1) of that section, by the substitution for the words and |
| principal |
| figures “subject to withholding under section 83; or”, of the |
| enactment |
| words and figures “subject to withholding under section 83 |

prior to April 1, 2019; or”.

|  |  |  |
| --- | --- | --- |
| 30 | **36.** Section 95 of the principal enactment is hereby | Amendment |
| amended by the substitution for the words “self-assessment.”, | of section 95 |
| of the |
| of the following: - |
| principal |

enactment

22 *Inland Revenue (Amendment)*

“self-assessment:

Provided however, capital gains tax returns

|  |  |
| --- | --- |
| 5 | 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.”.

|  |  |  |  |
| --- | --- | --- | --- |
| 10 | **37.** Section 103 of the principal enactment is hereby | | Amendment |
| amended in subsection (1) of that section, by the substitution | | of section |
| 103 of the |
| for the words “this Act.”, of the words “this Act and in all tax | |
| principal |
| related source documents or underlying documents of the | |
| 15 | enactment |
| taxpayer.”. | |
| **38.** Section 113 of the principal enactment is hereby | | Amendment |
| 20 | amended as follows:- | | of section |
| 113 of the |
| (1) | in paragraph (b) of subsection (1) of that section, | principal |
| enactment |
| 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

|  |  |
| --- | --- |
| 25 | 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.”.

|  |  |  |
| --- | --- | --- |
| 30 | **39.** Section 120 of the principal enactment is hereby | Amendment |
| amended by the insertion immediately after subsection (1) | of section |
| 120 of the |
| of that section, of the following new subsection: - |
| principal |
| “(1A) With effect from the year of assessment | enactment |
| commencing from April 1, 2021,where any person |

is engaged in business or investment activity and   
the income tax payable shall be calculated by

*Inland Revenue (Amendment)*  23

applying different tax rates for such part of taxable   
income from any gains and profits from business or   
investment activity or may have exempted amounts

|  |  |
| --- | --- |
| 5 | 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.”.

|  |  |  |  |
| --- | --- | --- | --- |
| 10 | **40.** | Section 126 of the principal enactment is hereby | Amendment |
| amended in subsection (5) of that section, by the substitution | | of section |
| 126 of the |
| for the words “prepared for reward by”, of the words | |
| principal |
| “prepared, filled or assisted to prepare or fill for a payment | |
| enactment |

by”.

|  |  |  |  |
| --- | --- | --- | --- |
| 15 | **41.** | Section 129 of the principal enactment is hereby | Amendment |
| amended as follows: - | | of section |
| 129 of the |
| (1) | by the substitution for the words “returns shall apply | principal |
| enactment |

to a person required under this Act to file a return of

|  |  |
| --- | --- |
| 20 | 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: -

25 “Information returns and   
 annual statements”.

|  |  |  |  |
| --- | --- | --- | --- |
| 30 | **42.** | Section 139 of the principal enactment is hereby | Amendment |
| amended as follows: - | | of section |
| 139 of the |
| (1) | by the repeal of subsection (3) of that section and | principal |
| enactment |
| the substitution therefor of the following | |

subsection: -

24 *Inland Revenue (Amendment)*

”(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

|  |  |  |
| --- | --- | --- |
| 5 | (2) | with a duly filled return or annual statement, as the |
| case may be.”; |
| by the repeal of subsection (5) of that section, and |

the substitution therefor of the following   
subsection: -

|  |  |
| --- | --- |
| 10 | “(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.

(*b*) The tax payer’s request for review shall be 15 considered by a tax official other than the tax official who made the assessment or other decision.”;

(3) in subsection (6) of that section, by the substitution   
 for the words “in accordance with this Act,” of the

|  |  |
| --- | --- |
| 20 | words and figures “in accordance with this Act, but notwithstanding the time limits specified in |

subsections (2) and (3) of section 135,”.

|  |  |  |  |
| --- | --- | --- | --- |
| 25 | **43.** Section 140 of the principal enactment is hereby | | Amendment |
| amended as follows:- | | of section |
| 140 of the |
| (1) | in subsection (1) of that section, by the substitution | principal |
| enactment |
| for the words and figures “administrative review | |

under section 139 may appeal against the decision   
to”, of the words and figures “administrative review

|  |  |  |
| --- | --- | --- |
| 30 | (2) | of an assessment under section 139 may appeal |
| against that decision of review to”; |
| 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”;

*Inland Revenue (Amendment)*  25

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

|  |  |
| --- | --- |
| 5 | “(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

|  |  |  |
| --- | --- | --- |
| 10 | (4) | from the date on which the period of seven months |
| lapsed since the request for administrative review |
| was made under section 139.”; |
| by the repeal of subsection (6) of that section, and |

the substitution therefor of the following   
subsection: -

|  |  |
| --- | --- |
| 15 | “(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

|  |  |
| --- | --- |
| 20 | 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.”.

|  |  |  |  |
| --- | --- | --- | --- |
| 25 | **44.** Section 157 of the principal enactment is hereby | | Amendment |
| amended as follows: - | | of section |
| 157 of the |
| (1) | in subsection (1) of that section, by the substitution |
| principal |
| enactment |
| for the words and figures “an extension of time) | |
| 30 |
| 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-

|  |  |
| --- | --- |
| 35 | payments and  late payments”. |

|  |  |  |
| --- | --- | --- |
| 26 | *Inland Revenue (Amendment)* | 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 5 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 10 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”.

|  |  |  |  |
| --- | --- | --- | --- |
| 15 | **46.** | Section 159 of the principal enactment is hereby | Amendment |
| 20 | of section |
| amended in subsections (1) and (2) of that section, by the | |
| 159 of the |
| substitution for the words “compounded monthly” of the | |
| principal |
| words “computed monthly” respectively. | | enactment |
| **47.** | The following new section is hereby inserted | Insertion of |
| newsection |
| immediately after section 190 of the principal enactment, | |
| 190A of the |
| and shall have effect as section 190A of that enactment:- | |
| principal |

enactment

|  |  |
| --- | --- |
| “Punitive  provisions in  relation to  auditors, tax | 190A.Any auditor, tax practitioner, tax advisor or approved accountant other than a full-time employee of the taxpayer who- |

practitioners,

|  |  |  |  |
| --- | --- | --- | --- |
| 25 | tax advisors | (*a*) | prepares, fills or certifies or assists in |
| or approved |
| preparing, filling or certifying the tax |
| accountants |

returns, accounts, records, appeals and objections or any other document or information to furnish to the 30 Commissioner-General; and

*Inland Revenue (Amendment)*  27

(*b*) intentionally disregards or fails to   
 take reasonable care in discharging   
 the professional duty, or fraudulently   
 prepares and certifies such document

|  |  |
| --- | --- |
| 5 | or information or deliberately misinterprets any provision of this Act |

or any other Act administered by the Commissioner-General, or any regulation, rule or order made 10 thereunder,

commits an offence under this Act, and on conviction after summary trial before a Magistrate, be liable to a fine not exceeding one million rupees or to imprisonment of either 15 description for a term not exceeding six months or for a prohibition order preventing him from practicing in such capacity.”.

|  |  |  |  |
| --- | --- | --- | --- |
| 20 | **48.** Section 195 of the principal enactment is hereby | | Amendment |
| amended as follows: - | | of section |
| 195 of the |
| (1) | by the substitution for the words and the figure “(1) | principal |
| enactment |

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, 25 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,

30 as the case may be;

“agro farming” means-

28 *Inland Revenue (Amendment)*

(*a*) the tillage of the soil and   
 cultivation of land with plants of   
 any description, cultivation in   
 green house, bee-keeping, rearing

|  |  |
| --- | --- |
| 5 | of fish, shrimp farming or animal husbandry, poultry farms, hatchery, |

veterinary or artificial insemination   
services;

|  |  |  |
| --- | --- | --- |
| 10 | (*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   
any such activity, in preparation of

|  |  |
| --- | --- |
| 15 | such produce for the market but excludes the agro or food |

processing;

“agro processing” means the processing of any locally produced agricultural, fishing, 20 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

|  |  |
| --- | --- |
| 25 | 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

|  |  |  |
| --- | --- | --- |
| 30 | (4) | the words “share buy-back”, of the words “ share |
| buy-back”; |
| in the definition of the expression “entertainment” |

of that section, by the substitution for the words “person of food, beverages, tobacco”, of the words 35 “person of liquor, tobacco”;

*Inland Revenue (Amendment)*  29

(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

5 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

|  |  |  |
| --- | --- | --- |
| 10 | (*b*) | bringing into existence of a new and |
| distinct object, article or thing with a |

different chemical composition or   
integral structure;”;

|  |  |  |
| --- | --- | --- |
| 15 | (6) | in paragraph (*b*) of the definition of the expression |
| “Small and Medium Enterprise” of that section, by |
| the substitution for the words “an entity;”, of the |

words and figures “an entity unless such person’s   
and associate’s aggregate annual gross turnover is   
less than Rs. 500,000,000;”

|  |  |  |
| --- | --- | --- |
| 20 | (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: -

|  |  |  |
| --- | --- | --- |
| 25 | ”(*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-

|  |  |  |
| --- | --- | --- |
| 30 | (i) | any company which has entered into |
| an agreement with the Board of |

Investment of Sri Lanka under section

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 5 | 30 | (8) | *Inland Revenue (Amendment)* | | |
| 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 | | |
| 10 | 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, | | |
| 15 | but, up to the quantity approved by the Board | | |
| of Investment of Sri Lanka as import | | |
| replacement within the three years period | | |
| 20 | commencing on April 1, 2021; | | |
| (*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 | | |
| 25 | (9) | “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 | | |
| 30 | enterprise is wholly or partly carried out, | | |
| irrespective of the number of days of such | | |
| business being carried out in Sri Lanka;”; | | |
| in the definition of the expression “tax return” of | | |
| 35 | (10) | 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: -

*Inland Revenue (Amendment)*  31

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

|  |  |  |  |
| --- | --- | --- | --- |
| 5 | **49.** | Section 201 of the principal enactment is hereby | Amendment |
| 10 | of section |
| amended in paragraph (b) of subsection (2) of that section, | |
| 201 of the |
| by the substitution for the words “five years” of the words | |
| principal |
| “seven years”. | | enactment |
| **50.** | Section 203 of the principal enactment is hereby | Amendment |
| amended in subsection (5) of that section, by the substitution | | of section |
| 203 of the |
| for the words and figures “on or after 1 April 2017,”, of the | |
| principal |
| words and figures “on or after April 1, 2018,”. | | enactment |
| Amendment |
| **51.** | The First Schedule to the principal enactment is |
| of the First |
| hereby amended as follows: - | |
| Schedule to |

the principal

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 15 | (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 20 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: -

25 “(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: -

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 5 | 32 | (*c*) | *Inland Revenue (Amendment)* | |
| |  |  | | --- | --- | | *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”; | | |
| 10 |
| 15 |
| 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,

|  |  |  |
| --- | --- | --- |
| 20 | (ii) | where the period”; |
| 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”;

|  |  |  |
| --- | --- | --- |
| 25 | (iii) | by the addition immediately after item (*b*)(ii) of |

that subparagraph, of the following new item: -

“(iii) on or after January 1, 2020:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 5 | (*d*) | *Inland Revenue (Amendment)* | | 33 |
| |  |  | | --- | --- | | *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”; | | | |
| 10 |
| 15 |
| 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*)

|  |  |  |
| --- | --- | --- |
| 20 | (ii) | of subparagraph (2) shall be-”; |
| in item (*c*) of that subparagraph, by the |

substitution for the words “by the employer;”  
of the words “by the employer; and”;

|  |  |  |
| --- | --- | --- |
| 25 | (iii) | by the repeal of items (*d*) and (*e*) of that |
| (iv) | subparagraph; and |
| 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

34 *Inland Revenue (Amendment)*

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 5 subparagraph: -

“(5) Notwithstanding anything to the contrary   
in the provisions of subparagraph (1A), an   
individual’s gains and profits from the consideration

|  |  |  |
| --- | --- | --- |
| 10 | (2) | received in respect of gems and jewellery shall be |
| taxed at the maximum rate of 14%.”; |
| by the repeal of paragraph 2 of that Schedule and |

the substitution therefor, of the following   
paragraph: -

**“2. Tax rate for partnerships.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 15 | (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: -

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 20  25 | |  |  | | --- | --- | | *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  amount in  excess of  Rs.1,000,000 | | |
| (2) | Where a partnership’s taxable income |

includes gains from the realization of 30 investment assets, then-

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 5 | (3) | *Inland Revenue (Amendment)* | | | 35 |
| (*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, | | | |
| 10 | 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 | | | |
| (4) |
| and 18% with effect from January 1, 2020.”; | | | |
| in paragraph 4 of that Schedule- | | | |
| 15 | (*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-

|  |  |  |  |
| --- | --- | --- | --- |
| 20 | (*b*) | (*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 | |
| 25 | substitution for the words “for a year of | |
| assessment”, of the words and figures “for a | |
| (*c*) | year of assessment prior to January 1, 2020”; | |
| by the insertion immediately after | |
| 30 | 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:-

36 *Inland Revenue (Amendment)*

*(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

|  |  |
| --- | --- |
| 5 | 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%;

|  |  |  |
| --- | --- | --- |
| 10 | *(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

|  |  |  |
| --- | --- | --- |
| 15 | *(c)* | Lanka-14%; |
| gains and profits of a specified |

undertaking-14%;

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

|  |  |  |
| --- | --- | --- |
| 20 | *(e)* | gains and profits of an undertaking for |

the promotion of tourism-14%;

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

|  |  |  |
| --- | --- | --- |
| 25 | *(g)* | gains and profits from agro processing- |
| *(h)* | 14%; |
| gains and profits from providing health |

care services-14%;

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

*Inland Revenue (Amendment)*  37

*(j)*  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

|  |  |
| --- | --- |
| 5 | of Sri Lanka Law, No. 4 of 1978 from the consideration received in respect |

of health protective equipment and   
similar products supplied to the

|  |  |
| --- | --- |
| 10 | Ministry of Health, Department of Health Services, Sri Lanka Army, Sri |

Lanka Navy, Sri Lanka Airforce, Sri   
Lanka Police and COVID Center- 14%;

*(k)*  gains and profits of any company (even though a higher rate of income tax is 15 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 20 licensed by the Securities and Exchange Commission of Sri Lanka, for three years of assessment commencing from April 1, 2022 -14%;

|  |  |  |
| --- | --- | --- |
| 25 | *(l)* | gains and profits from the consideration |
| received in respect of gems and |

jewellery – 14%;

*(m)*  subject to item (a), (b), (c), (j) or (k) of   
 this subparagraph**,** gains and profits   
 from manufacturing-18%;

|  |  |  |
| --- | --- | --- |
| 30 | *(n)* | gains and profits from conducting |
| *(o)* | betting and gaming-40%; |
| gains and profits from the manufacture |

and sale or import and sale of any liquor   
or tobacco product-40%.”;

|  |  |  |
| --- | --- | --- |
| 38 | (*d*) | *Inland Revenue (Amendment)* |
| by the addition immediately after subparagraph (4) |

of that paragraph, of the following new   
subparagraph: -

“(5) The income tax payable by a

|  |  |
| --- | --- |
| 5 | 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 10 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

|  |  |
| --- | --- |
| 15 | Investment of Sri Lanka Law, No. 4 of 1978, but other than on gains |

from the realization of investment   
asset) which lists its shares on or   
after January 1, 2021, but prior to

|  |  |
| --- | --- |
| 20 | December 31, 2021, in the Colombo Stock Exchange |

licensed by the Securities and   
Exchange Commission of Sri   
Lanka, shall be reduced by fifty

|  |  |
| --- | --- |
| 25 | *per centum* for the year of assessment commencing from |

April 1, 2021;

|  |  |  |
| --- | --- | --- |
| 30 | (*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

|  |  |  |
| --- | --- | --- |
| 35 | from April 1, 2021 and fifty *per centum* for the two years of | |
| assessment | immediately |

|  |  |  |  |
| --- | --- | --- | --- |
| *Inland Revenue (Amendment)* | | year | 39 |
| succeeding | that | of |

assessment, subject to the   
condition that there shall be-

|  |  |  |
| --- | --- | --- |
| 5 | (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

|  |  |
| --- | --- |
| 10 | immediately preceding year  of assessment (hereinafter |

referred to as the “first year”);   
or

|  |  |  |
| --- | --- | --- |
| 15 | (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

|  |  |  |
| --- | --- | --- |
| 20 | (5) | such status in the subsequent |
| year of assessment.”; |
| in paragraph 5 of that Schedule- |

(*a*) in subparagraph (1) of that paragraph, by the substitution for the words and figures “taxed at 25 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 30 assets”, of the words “realisation of investment assets”;

(6) in paragraph 7 of that Schedule-

|  |  |  |
| --- | --- | --- |
| 40 | (*a*) | *Inland Revenue (Amendment)* |
| 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,

|  |  |  |
| --- | --- | --- |
| 5 | (*b*) | 2020 and 24% with effect from January 1, 2020.”; |
| 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,

|  |  |  |
| --- | --- | --- |
| 10 | (7) | 2020 and 24% with effect from January 1, 2020.”; |
| 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”;

|  |  |  |
| --- | --- | --- |
| 15 | (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%;”;

|  |  |
| --- | --- |
| 20 | (*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: -

|  |  |  |
| --- | --- | --- |
| 25 | “(*iv*) | in the case of payments referred to in section |

85(1A)-

|  |  |  |  |
| --- | --- | --- | --- |
| 30 | (9) | (*iva*) | interest or discount paid-5%; |
| (*ivb*) | all other payments- 14%.”; |
| by the addition immediately after paragraph 10 of | |
| that Schedule, of the following new paragraphs: - | |

*Inland Revenue (Amendment)*  41

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

Where a person utilizes agro farming produce 5 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 10   
 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.

|  |  |
| --- | --- |
| 15 | **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 20 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.”.

|  |  |  |  |
| --- | --- | --- | --- |
| 25 | **52.** | The Second Schedule to the principal enactment is | Amendment |
| hereby amended as follows: - | | of the |
| Second |
| (1) | in paragraph 1 of that Schedule- | Schedule to |
| the principal |
| (*a*) | in subparagraph (2), subparagraph (3) and | enactment |

subparagraph (4) of that paragraph, by the substitution for the words “total expenses incurred 30 by that person during that year”, of the words “total investment made by that person” respectively;

|  |  |  |
| --- | --- | --- |
| 42 | (*b*) | *Inland Revenue (Amendment)* |
| in subparagraph (6) of that paragraph, by the |

substitution for the words “shall be deferred”, of   
the words “shall not be deferred”;

|  |  |  |
| --- | --- | --- |
| 5 | (*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,

|  |  |
| --- | --- |
| 10 | 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

|  |  |  |
| --- | --- | --- |
| 15 | (2) | but deemed as a depreciable asset.”; |
| by the repeal of paragraph 2 of that Schedule, and |

the substitution therefor, of the following   
paragraph: -

“**Exemption of Certain Dividends from** 20 **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

|  |  |
| --- | --- |
| 25 | 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 30 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: -

*Inland Revenue (Amendment)*  43

“**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

|  |  |
| --- | --- |
| 5 | 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

|  |  |
| --- | --- |
| 10 | 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

|  |  |  |  |
| --- | --- | --- | --- |
| 15 | period does not exceed twenty.”. | | Amendment |
| **53.** | The Third Schedule to the principal enactment is |
| 20 | hereby amended as follows:- | | of the Third |
| Schedule to |
| (1) | in subparagraph (ii) of paragraph (*d*) of that | the principal |
| enactment |
| 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: -

|  |  |
| --- | --- |
| 25 | “(*hh*)a gain made by a person on or after April 1, 2021 from the realisation of land or buildingwhich was |

sold, exchanged or transferred to a real estate   
investment trust listed in the Colombo Stock   
Exchange and licensed by the Securities and

|  |  |  |
| --- | --- | --- |
| 30 | (3) | Exchange Commission of Sri Lanka;”; |
| by the repeal of paragraph (*i*) of that Schedule and |

the substitution therefor, of the following: -

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

|  |  |  |  |
| --- | --- | --- | --- |
| 5 | 44 | (i) | *Inland Revenue (Amendment)* |
| 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 |
| 10 | (ii) | by such charitable institution; |
| 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; |
| (iii) |
| any person on moneys lying to his credit in |
| (iv) | foreign currency in any foreign currency |
| account opened by him or on his behalf, in |
| 15 | 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 |
| 20 | (v) | 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 |
| 25 | 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; |
| 30 | 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 |
| 35 | 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; |

*Inland Revenue (Amendment)*  45

(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

5 for that year of assessment, on or after April 1, 2021;

In this subparagraph, “multi-national   
company” means a company that is part

|  |  |
| --- | --- |
| 10 | 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:–

15 “(*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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 20 | (ii) | Fund established by the National Defence | | | | |
| Fund Act, No. 9 of 1985; | | | | |
| any Public Corporation out of the funds | | | | |
| voted | by | Parliament | from | the |

Consolidated Fund or out of any loan   
arranged through the Government;

25 (*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

30 or foreign currency:

|  |  |  |
| --- | --- | --- |
| 46 | (ii) | *Inland Revenue (Amendment)* |
| 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 5 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: -

|  |  |  |
| --- | --- | --- |
| 10 | “*(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

|  |  |
| --- | --- |
| 15 | 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

|  |  |
| --- | --- |
| 20 | Samurdhi community-based banks established under the Department of |

Samurdhi Development from security   
or treasury bonds under the Registered   
Stocks and Securities Ordinance

|  |  |
| --- | --- |
| 25 | (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

|  |  |  |
| --- | --- | --- |
| 30 | (7) | figures “prior to January 1, 2020, a dividend paid”; |
| 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-

*Inland Revenue (Amendment)*  47

(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

5 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,

|  |  |
| --- | --- |
| 10 | 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;

|  |  |  |
| --- | --- | --- |
| 15 | (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

|  |  |
| --- | --- |
| 20 | Board of Investment of Sri Lanka established under the Board of |

Investment of Sri Lanka Law No. 4 of   
1978: -

|  |  |  |
| --- | --- | --- |
| 25 | (iiia) | entrepot trade involving import, |
| (iiib) | minor processing and re-export; |
| offshore business where goods |

can be procured from one   
country or manufactured in one   
country and shipped to another

|  |  |  |
| --- | --- | --- |
| 30 | (iiic) | country without bringing the |
| same into Sri Lanka; |
| providing front-end services to |

clients abroad;

48 *Inland Revenue (Amendment)*

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

|  |  |  |
| --- | --- | --- |
| 5 | (iiie) | logistics services including |
| bonded warehouse or multi- |

country consolidation in Sri   
Lanka;”;

|  |  |  |
| --- | --- | --- |
| 10 | (8) | in paragraph *(r)* of that Schedule, by the substitution |
| for the words “by a resident company”, of the words |

“by any person”;

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

“(*rr*) dividends and gains on the realisation of

|  |  |
| --- | --- |
| 15 | units or amounts derived as gains from the realization 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

|  |  |  |
| --- | --- | --- |
| 20 | (10) | Securities and Exchange Commission of |
| Sri Lanka;”; |
| by the addition immediately after paragraph *(s)* of |

that Schedule, of the following new paragraphs: -

|  |  |  |
| --- | --- | --- |
| 25 | “(*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-

|  |  |  |
| --- | --- | --- |
| 30 | (i) | the sale of produce from agro farming of such |
| person within the period of five yearsof |

assessment commencing from April 1, 2019:

*Inland Revenue (Amendment)*  49

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 5 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

|  |  |
| --- | --- |
| 10 | 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;

|  |  |  |
| --- | --- | --- |
| 15 | (ii) | providing information technology and |
| (iii) | enabled serviceson or after January 1, |
| 2020,as may be prescribed; |
| any service rendered in or outside Sri |

Lanka to any person to be utilized   
outside Sri Lanka, where the payment

|  |  |
| --- | --- |
| 20 | 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

|  |  |
| --- | --- |
| 25 | (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;

|  |  |  |
| --- | --- | --- |
| 30 | (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 35 Education Commission-

50 *Inland Revenue (Amendment)*

(*a*) if such institution has doubled   
 its student intake of the   
 vocational education   
 programmes for such year of

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 5 | assessment compared to the | | | |
| student | intake | of | such |

programmes in the year of

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 10 | (*b*) | assessment | immediately | | |
| preceding | that | year | of |
| assessment; | | | |
| for a period of five years | | | |

commencing on April 1, 2021:

Provided however, for the purpose of   
paragraph (*a*), any institution which

|  |  |
| --- | --- |
| 15 | 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 20 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 25 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

|  |  |
| --- | --- |
| 30 | 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;

*Inland Revenue (Amendment)*  51

(ii) any religious institution which is registered   
 with the Ministry in charge of the subject of   
 religious affairs, by way of grants or   
 donations;

|  |  |  |
| --- | --- | --- |
| 5 | (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 10 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: -

|  |  |  |
| --- | --- | --- |
| 15 | (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

|  |  |
| --- | --- |
| 20 | 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

|  |  |
| --- | --- |
| 25 | 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 30 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 35 period of five years;

|  |  |  |
| --- | --- | --- |
| 52 | (iii) | *Inland Revenue (Amendment)* |
| 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

|  |  |  |
| --- | --- | --- |
| 5 | (iv) | of such boats or ships, for a period of seven |
| years; |
| any renewable energy project established |

with a capacity to produce not less than one

|  |  |
| --- | --- |
| 10 | 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 15 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;

|  |  |  |
| --- | --- | --- |
| 20 | (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 afterApril 1, 2021;

|  |  |
| --- | --- |
| 25 | 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 30 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 35 operations, whichever occurs earlier.”.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 5 | *Inland Revenue (Amendment)* | | 53 | Amendment |
| **54.** The Fourth Schedule to the principal enactment is | | |
| hereby amended as follows: - | | | of the Fourth |
| Schedule to |
| (1) | in the table in subparagraph (1) of paragraph 1 of | | the principal |
| enactment |
| 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.”; |

|  |  |  |
| --- | --- | --- |
| 10 | (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-

15 (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 20 the words “trailer; or”;

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

“(*e*) a motor cycle.”;

|  |  |
| --- | --- |
| 25 | (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

54 *Inland Revenue (Amendment)*

person which was subject to deduction of the   
enhanced capital allowances calculated in   
accordance with the provisions of the Second or

|  |  |
| --- | --- |
| 5 | 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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 10 | to the person for the year for such asset.”. | | | Amendment |
| **55.** The Fifth Schedule to the principal enactment is | | |
| 15 | hereby amended as follows: - | | | of the Fifth |
| Schedule to |
| (1) | in paragraph 1 of that Schedule- | | the principal |
| enactment |
| (*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”;

|  |  |  |
| --- | --- | --- |
| 20 | (*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

|  |  |
| --- | --- |
| 25 | establish a shop for a female individual who is from a Samurdhi |

beneficiary family as recommended   
and confirmed by the Department of   
Samurdhi Development;

|  |  |
| --- | --- |
| 30 | *(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

35 is ascertained by considering all the

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 5  10  15  20  25 | *Inland Revenue (Amendment)* | | | 55 |
| 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;

|  |  |
| --- | --- |
| 30  35 | (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, and any amount which is not |

56 *Inland Revenue (Amendment)*

deducted in current year may be   
carried forward and deducted in the   
next succeeding year and so on,   
subject to the same restriction.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 5 | For | the | purpose | of | this |
| subparagraph- | |

“film” means any audio-visual   
presentation of the moving image   
produced on any form or format

|  |  |
| --- | --- |
| 10 | whatsoever and which is intended primarily to be exhibited by |

projection on a screen in a cinema;   
and

|  |  |
| --- | --- |
| 15 | 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

|  |  |
| --- | --- |
| 20 | 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 25 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

|  |  |
| --- | --- |
| 30 | assessment commencing on or after January 1, 2020, |

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

*Inland Revenue (Amendment)*  57

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

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

(*c*) in subparagraph (*d*) of that paragraph, by the

|  |  |
| --- | --- |
| 10 | 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 15 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:-

|  |  |
| --- | --- |
| 20 | “(*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 assessment   
on or after January 1, 2020: -

(i) health expenditure including 25 contributions to medical insurance;

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

30 (iii) interest paid on housing loans;

58 *Inland Revenue (Amendment)*

(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;

|  |  |  |  |
| --- | --- | --- | --- |
| 5 | (v) expenditure incurred for the purchase of | | Amendment |
| 10 | 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 | |
| 15 | 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 | |
| 20 | 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 |
| 25 | hereby amended as follows: - | | of the Sixth |
| Schedule to |
| (1) | by the repeal of paragraph 2 of that Schedule; |
| the principal |
| enactment |
| (2) | in paragraph 3 of that Schedule, by the substitution |
| for the words “three years”, of the words “six years”; | |
| 30 | (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

*Inland Revenue (Amendment)*  59

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**

5 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 10 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 15 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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 20 | marketing | staff, | expenditure | on |

maintaining an internal marketing department, expenditure on corporate social responsibility initiatives andforeign travel expenses shall not be considered for 25 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 30 which shall be as specified by the Commissioner-General;

60 *Inland Revenue (Amendment)*

(*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 5 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.

10 **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 15 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.”.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 20 | **57.** | Subject to the provisions of this Act, the | | | | | Power of the |
| 25 | Commissioner- |
| Commissioner-General | | may, | for | the | effective |
| General to |
| implementation of the provisions of this Act, issue guidelines | | | | | |
| issue |
| as may be necessary for the purpose of calculating the income | | | | | | guidelines |
| tax payable for the year of assessment ending March 31, | | | | | | for specific |
| periods |
| 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 30 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.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 5 | *Inland Revenue (Amendment)* | | 61 | Tax relief |
| **58.** | (1) The Commissioner-General shall write off any | |
| income tax arrears payable by any Small and Medium | | | measures to |
| facilitate |
| Enterprise as defined in section 195 of the principal | | |
| post-Covid- |
| enactment for the year of assessment commencing on April | | |
| 19 economic |
| 1, 2019, if such arrears arise due to any assessment made | | | recovery |

(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-

|  |  |  |
| --- | --- | --- |
| 10 | (*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

|  |  |  |
| --- | --- | --- |
| 15 | (*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, 20 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 25   
 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-

|  |  |  |
| --- | --- | --- |
| 30 | (*a*) | files his return of income for the year of assessment |

commencing on April 1, 2019, before June 30, 2021;   
and

|  |  |  |
| --- | --- | --- |
| 62 | (*b*) | *Inland Revenue (Amendment)* |
| 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

|  |  |  |
| --- | --- | --- |
| 5 | on April 1, 2019, before June 30, 2021. | Retrospective |
| **59.** The amendments made to the principal enactment by |
| the sections specified in *Column I* of *Table B* set out in this | effect |

Amendment Act, to the corresponding sections specified in *Column II* of that Table shall be deemed, for all purposes, to 10 have come into operation on such dates as are specified in the corresponding entries in *Column III* of that Table.

**60.** Any person who has collected the income tax as Validation provided for in this Amendment Act during the period   
 commencing from such dates as are specified in *Column III*   
15 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

|  |  |  |
| --- | --- | --- |
| 20 | all actions civil or criminal in respect of such collection. | Sinhala text |
| **61.** In the event of any inconsistency between the |
| Sinhala and Tamil texts of this Act, the Sinhala text shall | to prevail in |
| case of |
| prevail. |
| inconsistency. |

*Inland Revenue (Amendment)*  63

‘*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 |

64 *Inland Revenue (Amendment)*

|  |  |
| --- | --- |
| *Column I* | *Column II* |
| *Section number of this Act* | *Section number of the principal enactment which is amended* |
| 51(4)(c) | items (k) and (l) 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 *(lII)* 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 |

*Inland Revenue (Amendment)*  65

‘*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 |

66 *Inland Revenue (Amendment)*

|  |  |  |
| --- | --- | --- |
| *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 |

*Inland Revenue (Amendment)*  67

|  |  |  |
| --- | --- | --- |
| *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) and (l) 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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| --- | --- |
| 70 | *Inland Revenue (Amendment)* |

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