

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

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**INLAND REVENUE (AMENDMENT)**

**A**

**BILL**

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

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*Presented by the Minister of Finance, Economic Stabilization and*

*National Policies on 08th of August, 2023*

(Published in the Gazette on July 19, 2023)

*Ordered by Parliament to be printed*

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| **[Bill No. 191]** | *————————* |

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*STATEMENT OF LEGAL EFFECT*

*Clause 2:*This clause amends the First Schedule of the Inland Revenue Act, No. 24 of 2017 and the legal effect of that Schedule as amended is to increase the income tax rate applicable to the Employees Trust Fund, an approved provident or pension fund, or an approved termination fund up to 30% and the income tax rate applicable to the funds which effectively participate in the process of domestic debt optimization to continue as 14%.

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| *Inland Revenue (Amendment)* | 1 |

L.D.-O. 45/2023

AN ACTTOAMENDTHE INLAND REVENUE ACT, NO. 24 OF 2017

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

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| 5 | **1.** (1) This Act may be cited as the Inland Revenue (Amendment) Act, No. of 2023. | Short title  and the date of operation |
| (2) The provisions of this Act shall be deemed to have |
| 10 | come into operation on April 1, 2023. | Amendment |
| **2.** The First Schedule to the Inland Revenue Act, No.24 of 2017 is hereby amended by the repeal of paragraph 8 of |
| of the First |
| Schedule to |
| that Schedule and the substitution therefor, of the following |
| Act, No. 24 |
| paragraph: - | of 2017 |

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

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| 15  20  25 | (1) The taxable income of the Employees Trust Fund, an approved provident or pension fund, or an approved termination fund for a year of assessment commencing on or prior to April 1, 2022 and for the first six months period of the year of assessment commencing on April 1, 2023 shall be taxed at the rate of 14%.  (2) Subject to subparagraphs (3) and (4), the taxable income of the Employees Trust Fund, an approved provident or pension fund or an approved termination fund for the second six months period of the year of assessment commencing on April 1, 2023 and for each year of assessment commencing on or after April 1, 2024, shall be taxed at the rate of 14%. |

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| 5 | 2 | *Inland Revenue (Amendment)* |
| (3) Such part of the gains and profits received or derived by the Employees Trust Fund, an approved provident or pension fund or an approved termination fund from treasury bonds, for the second six months period of the year of assessment commencing on April 1, 2023 and for each year of assessment commencing on or after April 1, 2024, shall be taxed at the rate of 30%. |
| 10 | (4) Notwithstanding anything to the contrary in the provisions of subparagraph (3), ifthe Employee Trust Fund, an approved provident or pension fund or an approved termination fund has invested in eligible bonds, and the Registrar of the Public Debt Department of the Central Bank of Sri Lanka confirms that any such fund has effectively participated in the process of domestic debt optimization approved by the Parliament by Resolution dated July 1, 2023, such part of the gains and profits received or derived by such funds from the treasury bonds, for the second six months period of the year of assessment commencing on April 1, 2023 and for each year of assessment commencing on or after April 1, 2024 shall be taxed at the rate of 14%. |
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| 25 | (5) In this paragraph - |
| 30 | “approved termination fund” means any thrift, savings or building society or welfare fund to which contributions are made by employees only or, any gratuity fund approved by   the Commissioner-General and maintained for the purpose of payment of gratuities to employees on the termination of their service, under the Payment |
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| of Gratuity Act, No. 12 of 1983; |

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| 5  10  15  20  25  30  35 | *Inland Revenue (Amendment)* | | 3 |
| “effectively participated” means the submission of offers by the Employee Trust Fund, an approved provident or pension fund or an approved termination fund for not less than 50% of the total holding of each series of eligible bonds maturing in the year 2023, and for 100% of the total holding of eligible bonds maturing in the calendar years 2024 to 2032 (both inclusive) and acceptance of such offers by the Registrar of the Public Debt Department of the Central Bank of Sri Lanka; and  “eligible bonds” means the treasury bonds applicable for the purposes of domestic debt optimization, issued under the Registered Stocks and Securities Ordinance (Chapter 420) that are- | | |
| (*a*) | maturing between June | |
| 28, 2023 and December  31, 2023 (excluding the  treasury bonds maturing  on July 15, 2023); and | | |
| (*b*) | maturing in the calendar | |
| years 2024 to 2032 (both  inclusive).  (6) Notwithstanding anything to the contrary in any other provision of this Act, where any fund referred to in this paragraph uses accounts based on an alternative period of twelve months for the computation of the income tax payable for the year | | |

4 *Inland Revenue (Amendment)*

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

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| 5 | **3.** In the event of any inconsistency between the Sinhala | Sinhala text |
| and Tamil texts of this Act, the Sinhala text shall prevail. | to prevail in |
| case of |
| inconsistency |

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| *Inland Revenue (Amendment)* | 5 |

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