



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

**INLAND REVENUE
(AMENDMENT)
ACT, No. 35 OF 1993**

[Certified on 18th August, 1993]

(Printed on the Orders of Government)

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Inland Revenue (Amendment)

Act, No. 35 of 1993

[Certified on 18th August, 1993]

L. D.—O. 92/92

AN ACT TO AMEND THE INLAND REVENUE ACT, NO. 28 OF 1979

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

1. This Act may be cited as the Inland Revenue (Amendment) Act, No. 35 of 1993. Short title.

2. Section 8 of the Inland Revenue Act, No. 28 of 1979 (hereinafter referred to as the "principal enactment") is hereby amended in paragraph (a) of that section as follows:— Amendment of section 8 of Act No. 28 of 1979.

(1) in sub-paragraph (LXI) of that paragraph, by the substitution, for the words and figures "for any year of assessment commencing on or after April 1, 1991; and", of the words and figures "for any year of assessment commencing on or after April 1, 1991;" ;

(2) in sub-paragraph (LXII) of that paragraph, by the substitution, for the words and figures "the Buddha Sasana Fund Act, No. 35 of 1990.", of the words and figures "the Buddha Sasana Fund Act, No. 35 of 1990;" ; and

(3) by the addition, immediately after sub-paragraph (LXII) of that paragraph of the following sub-paragraphs:—

" (LXIII) the J. R. Jayewardene Centre established by the J. R. Jayewardene Centre Act, No. 77 of 1988; and

(LXIV) the Institute of Supply and Materials Management, Sri Lanka established by the Institute of Supply and Materials Management, Sri Lanka Act, No. 3 of 1981."

3. Section 9 of the principal enactment is hereby amended in subsection (1) of that section as follows:— Amendment of section 9 of the principal enactment.

(1) in paragraph (b) of that subsection, by the substitution, for the words "the official emoluments of—", of the words and figures "for any year of assessment ending on or before March 31, 1993, the official emoluments of—";

(2) by the insertion immediately after paragraph (b) of that subsection of the following paragraphs :—

(bb) for any year of assessment commencing on or after April 1, 1993, the official emoluments, of any person, or any profits from employment referred to in paragraph (c) of section 4(1) paid to—

(i) any individual out of the Consolidated Fund ;

(ii) any employee of any public corporation being a public corporation which pays such emoluments or such pension or such profits from employment wholly or partly out of the sums voted annually by Parliament to such corporation from the Consolidated Fund ;

(iii) the Governor for any Province appointed under Article 154B of the Constitution ;

(iv) any member of any Provincial Council ;

(v) any employee of any Provincial Council or to any officer of any Provincial Public Service ;

(vi) any member of any local authority ;

(vii) any employee of any local authority ;

(viii) any employee of any University which is established or deemed to be established by the Universities Act, No. 16 of 1978 ;

(ix) any employee of the Institute of Policy Studies of Sri Lanka established by the Institute of Policy Studies of Sri Lanka Act, No. 53 of 1988 ;

(bbb) for any year of assessment commencing on or after April 1, 1993, any such pension or any such profits from employment referred to in paragraph (c) of section 4(1) as are received by any individual in respect of past services performed by such individual or by any other individual, whether before or after the commencement of this Act, as an employee of any public corporation other than any public corporation referred to in sub-paragraph (ii) of paragraph (bb) ;”.

4. Section 11 of the principal enactment is hereby amended in paragraph (b) of that section by the substitution, for the figures "16B, 16C, 17, 17A", of the figures "16B, 16C, 16D, 17, 17A".

Amendment
of section
11 of the
principal
enactment.

5. Section 14 of the principal enactment is hereby amended in paragraph (a) of that section by the addition, at the end of that paragraph, of the following sub-paragraph:—

Amendment
of section
14 of the
principal
enactment.

"(xxii) the sale, by any person of any treasury bill held to him by such person, in the secondary market."

6. Section 22DDD of the principal enactment is hereby amended in subsection (2) of that section by the substitution, for the words and figures "by notice published in the Gazette before April 1, 1992", of the words and figures "by notice published in the Gazette before April 1, 1993".

Amendment
of section
22DDD of the
principal
enactment.

7. Section 23 of the principal enactment is hereby amended in paragraph (eee) of subsection (1) of that section as follows:—

Amendment
of section
23 of the
principal
enactment.

(1) in sub-paragraph (ii) of that paragraph, by the substitution, for the words and figures "acquired by such person on or after April 1, 1987 and arising out of its use", of the words and figures "acquired by such person on or after April 1, 1987, but prior to April 1, 1993, and arising out of its use,";

(2) by the insertion, immediately after sub-paragraph (ii) of that paragraph, of the following sub-paragraph:—

"(iia) any motor vehicle, lorry, bus, tractor, trailer, or office furniture acquired by such person on or after April 1, 1993 and arising out of its use in any trade, business, profession or vocation, carried on or exercised by him, at the rate of sixteen and two-third per centum per annum on its cost of acquisition,";

(3) in sub-paragraph (iii) of that paragraph, by the substitution, for the words and figures "construction of which was completed on or after April 1, 1987 and arising out of its use", of the words and figures

"construction of which was completed on or after April 1, 1987 but prior to April 1, 1993, and arising out of its use,";

(4) by the insertion, immediately after sub-paragraph (iii) of that paragraph, of the following sub-paragraph:

"(iiia) any qualified building constructed by such person the construction of which is completed on or after April 1, 1993 and arising out of its use in any trade, business, profession or vocation carried on or exercised by him, at the rate of six and two-third *per centum* per annum on its cost of construction;"

(5) in sub-paragraph (iv) of that paragraph, by the substitution, for the words and figures "acquired by such person on or after April 1, 1987 and arising out of its use", of the words and figures "acquired by such person on or after April 1, 1987 but prior to April 1, 1993 and arising out of its use;"

(6) by the insertion immediately after sub-paragraph (iv) of that paragraph, of the following sub-paragraph:—

"(iva) any unit of non-residential accommodation comprised in a registered Condominium Property within the meaning of the Apartment Ownership Law, No. 11 of 1973, acquired by such person on or after April 1, 1993 and arising out of its use in any trade, business, profession or vocation carried on or exercised by him, at the rate of six and two-third *per centum* per annum on its cost of acquisition:"

(7) in the proviso to that paragraph, by the substitution, for the words and figures "referred to in sub-paragraph (i) or sub-paragraph (ii) or sub-paragraph (iii) or sub-paragraph (iv) of this paragraph", of the words and figures "referred to in sub-paragraph (i) or sub-paragraph (ii) or sub-paragraph (iia) or sub-paragraph (iii) or sub-paragraph (iiia) or sub-paragraph (iv) or sub-paragraph (iva) of this paragraph,".

8. Section 24 of the principal enactment is hereby amended in subsection (1) of that section as follows:—

Amendment
of section
24 of the
principal
enactment

(1) by the insertion, immediately after paragraph (c) of that subsection of the following paragraph:—

“(cc) any expenditure incurred on or after April 1, 1993 in travelling outside Sri Lanka in connection with any undertaking of operating any hotel for tourists other than the expenditure incurred in travelling outside Sri Lanka solely in carrying out a programme, approved by the Ceylon Tourist Board established by the Ceylon Tourist Board Act, No. 10 of 1966, for the promotion of tourism in Sri Lanka;”;

(2) in paragraph (f) of that subsection, by the substitution, for the words “cost of advertisement in connection with”, of the words and figures “cost of advertisement, incurred before April 1, 1993, in connection with”;

(3) in paragraph (q) of that subsection, by the substitution, for the words and figures “entered into by him on or after April 1, 1987, in any year”, of the words and figures “entered into by him on or after April 1, 1987 but prior to April 1, 1993, in any year”;

(4) by the insertion immediately after paragraph (q) of that subsection, of following paragraph:—

“(qq) such part of the rental paid by him under any agreement entered into by him on or after April 1, 1993, in any year in respect of—

(i) any plant, machinery, fixtures or equipment other than plant, machinery, fixtures or equipment referred to in sub-paragraph (ii) as is in excess of an amount equal to one-third of the total rental payable under such agreement; and

Amendment
of section
31 of the
principal
enactment.

(ii) any motor vehicle, lorry, bus, tractor, trailer or office furniture, as is in excess of an amount equal to one-sixth of the total rental payable under such agreement;";

9. Section 31 of the principal enactment is hereby amended in paragraph (d) of subsection (2) of that section, by the substitution, for the words "in an approved undertaking referred to in paragraph (q) :

Provided that where such undertaking is a company", of the words "in an approved undertaking other than an approved undertaking referred to in paragraph (q) :

Provided that where such undertaking is a company".

Amendment
of section
32 of the
principal
enactment.

10. Section 32 of the principal enactment is hereby amended in paragraph (b) of subsection (1) of that section, by the substitution, for the words "to be non-resident, at the rate specified", of the words "to be non-resident, at the appropriate rate specified".

Insertion
of new
section 32CC
in the
principal
enactment.

11. The following new section is hereby inserted immediately after section 32c of the principal enactment and shall have effect as section 32cc of that enactment:—

32cc. The gross royalty payable for any year of assessment commencing on or after April 1, 1993 by any person in Sri Lanka to any company, partnership or body of persons outside Sri Lanka, being royalty which arises or is deemed by section 80B to arise in Sri Lanka to, such company, partnership or body of persons shall, notwithstanding anything to the contrary in any other provision of this Act, be chargeable with income tax at the rate of fifteen per centum."

Amendment
of section
33 of the
principal
enactment.

12. Section 33 of the principal enactment is hereby amended in paragraph (b) of subsection (2) of that section as follows:—

(1) in sub-paragraph (vi) of that paragraph by the substitution, for the words and figures "for any year of assessment commencing on or after April 1, 1992, does not exceed," of the words and figures "for the year of assessment commencing on April 1, 1992, does not exceed,"; and

(2) by the addition immediately after sub-paragraph (vi) of that paragraph, of the following sub-paragraph :—

“(vii) the taxable income of which for any year of assessment commencing on or after April 1, 1993, does not exceed two hundred and seventy-seven thousand seven hundred and seventy-eight rupees.”.

13. Section 33C of the principal enactment is hereby amended in sub-paragraph (c) of paragraph (1) of that section, by the insertion, immediately after item (ii) of that paragraph, of the following item :—

Amendment
of section
33C of the
principal
enactment.

“(iia) dividends in relation to which advance company tax has been paid at 40 per centum,”.

14. Section 38 of the principal enactment is hereby amended in subsection (2) of that section as follows :—

Amendment
of section
38 of the
principal
enactment.

(1) in paragraph (d) of that subsection, by the insertion, immediately after sub-paragraph (ii) of that paragraph of the following sub-paragraph :—

“(iia) dividends received, in relation to which advance company tax has been paid at 40 per centum ;” ; and

(2) in paragraph (f) of that subsection, by the substitution, for the words and figures “referred to in sub-paragraph (ii) or (iii) or (iv) of paragraph (d)”, of the words and figures “referred to in sub-paragraph (ii) or (iia) or (iii) or (iv) of paragraph (d)”.

15. Section 84A of the principal enactment is hereby amended as follows :—

Amendment
of section
84A of the
principal
enactment.

(1) in subsection (1) of that section, by the substitution, for the words “over the income tax, in respect of such income, payable by him or it in such other country.”, of the words “over the income tax, in respect of such income, payable by him or it in such other country. Where however such person or such partnership is not liable to pay income tax, in respect of such profits and income, for such corresponding period in such other country, such person or partnership shall be entitled to relief

(1) ... equal to the amount of income tax payable in Sri Lanka by such person or partnership in respect of such profits and income for such year of assessment.”;

(2) (i) in paragraph (a) of subsection (2) of that section—

(a) by the substitution, in item (b) of sub-paragraph (ii) of that paragraph for the words, “for the use of the undertaking;”, of the words “for the use of the undertaking; or”;

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

“(iii) to any non-resident person or to any partnership registered out side Sri Lanka who or which provides in Sri Lanka architectural, engineering, quantity surveying or construction management services and such other services as may be ancillary thereto, to any non-resident person or partnership referred to in sub-paragraph (ii);”;

(ii) in sub-paragraph (ii) of paragraph (b) of that subsection by the substitution, for the words and figures “referred to in sub-paragraph (ii) of paragraph (a)”, of the words and figures “referred to in sub-paragraph (ii), or sub-paragraph (iii) of paragraph (a)”.

Amendment
of section
113A of the
principal
enactment.

16. Section 113A of the principal enactment is hereby amended in subsection (1) of that section by the substitution, for the Schedule to that subsection, of the following Schedule:—

Schedule	“Schedule
Column I.	Column II
Treasury Bill	Rate of tax

Any treasury bill which matures in twelve months after the date of its issue. 2 per centum of the face value of that treasury bill.

Any treasury bill which 1 per centum of the face matures in six months value of that treasury after the date of its bill.
issue.

Any treasury bill which 0.5 per centum of the face matures in three months value of that treasury after the date if its issue. bill.”.

17. The following new Chapter is hereby inserted immediately after Chapter XVB and shall have effect as Chapter XVC of the principal enactment :—

Insertion
of a new
Chapter
XVC in the
principal
enactment.

‘CHAPTER XVC

SPECIAL PROVISIONS RELATING TO THE PAYMENT OF TAX BY
SPECIFIED EMPLOYERS IN RESPECT OF EMPLOYEES.

Income tax
of employee
to be paid
by specified
employers.

113M. (1) Notwithstanding anything contained in section 2 and in Chapters XIV and XV, the income tax attributable to the official emoluments of any employee of any specified employer for any year of assessment commencing on or after April 1, 1993, shall be paid by such employer in addition to any income tax otherwise payable by such employer.

(2) The income tax payable by any specified employer under subsection (1), shall be payable in monthly instalments and accordingly, the provisions of section 93, section 99, section 102, section 105, section 106, section 107, section 110, and section 112, shall apply to such income tax payable by such employer subject to the modification that the word “deduct” appearing in the above-mentioned sections shall be substituted by the word “pay” and the word “remuneration” by the word “official emoluments”

Total
statutory
income not
to include
employment
income
in respect
of which
tax is paid.

113N. Notwithstanding anything contained in section 27, the total statutory income for any year of assessment commencing on or after April 1, 1993 of any employee of any specified employer shall be the aggregate of his statutory income for that year of assessment from every source of his pro-

fits and income, other than employment in respect of which tax is payable by the employer under subsection (1) of section 113M.

No deduction for qualifying payment referred to in section 31 (2) (i) to be made from assessable income of any employee of any specified employer.

113P. Notwithstanding anything contained in any other provision of this Act, no deduction for the purpose of section 30 (2) shall be made, from the assessable income of any employee of any specified employer for any year of assessment commencing on or after April 1, 1993, in respect of any qualifying payment referred to in paragraph (i) of subsection (2) of section 31 and made in that year of assessment by such employee.

Income tax payable by specified employer to be allowed as deduction.

113Q. Notwithstanding anything contained in any other provision of this Act, the income tax for any year of assessment, payable by any specified employer in accordance with section 113M shall be allowed as a deduction in ascertaining the profits and income for that year of assessment of any trade or business carried on by such employer.

Computation of income tax.

113R. For the purposes of this Chapter, the income tax attributable to the official emoluments in relation to any employee of any specified employer shall be the excess of—

(i) the income tax computed at the rates specified in Part IIE of the First Schedule to this Act on such emoluments of such employee after deducting therefrom a sum of forty-two thousand rupees, over;

(ii) one thousand eight hundred rupees.

Income tax paid by specified employer, not to form part of the profits from employment.

113S. Notwithstanding anything contained in section 4, the income tax in respect of the official emoluments of any employee of any specified employer and which is paid by such employer shall be deemed, not to form part of the profits from employment of such employee.

For the purposes of this Chapter—

“employee” in relation to any specified employer includes a Director of the Board of Directors of such specified employer;

“specified employer” means a public corporation other than a public corporation referred to in section 9 (1) (bb).’

18. The First Schedule to the principal enactment is hereby amended by the substitution for Part III of that Schedule, of the following Part:—

Amendment
of the First
Schedule
to the
principal
enactment.

“PART III

The rates of income tax applicable to any individual who is not a citizen of Sri Lanka and who is deemed, under subsection (7) of section 67, to be a non-resident—

For any year of assessment commencing on or after April 1, 1979, but prior to April 1, 1993. .25 per centum

For any year of assessment commencing on or after April 1, 1993. . . 15 per centum”.

19. The Second Schedule to the principal enactment is hereby amended as follows:—

Amendment
of the
Second
Schedule
to the
principal
enactment.

(1) by the substitution, for Part I of that Schedule, of the following Part:—

“PART I

Company resident in Sri Lanka other than a company referred to in Part II or Part III or Part IV or Part IV A or Part IV B or Part V or Part VA or Part VB or Part VI or Part VIII or public corporations (other than the Central Bank of Sri Lanka) referred to in Part IX or Unit Trust or Mutual Fund referred to in Part X.

The rate of income tax for any year of assessment commencing on or after April 1, 1979 but prior to April 1, 1992—

On the taxable income of the company

50 per centum

The rate of income tax for the year of assessment commencing on April 1, 1992—

On the taxable income of the company

45 per centum";

- (2) in Part IVB of the Schedule, by the substitution, for the words and figures "The rate of income tax for every year of assessment commencing on or after April 1, 1992," of the words and figures "The rate of income tax for the year of assessment commencing on April 1, 1992-";

- (3) by the insertion, immediately after Part IVB of that Schedule of the following Part:—

"PART IV C

SMALL COMPANY

The rate of income tax for every year of assessment commencing on or after April 1, 1993—

- (1) if the taxable income of the company does not exceed two hundred and fifty thousand rupees—

On the taxable income of the company

33 1/3 per centum;

- (2) if the taxable income of the company exceeds two hundred and fifty thousand rupees but does not exceed two hundred and seventy-seven thousand seven hundred and seventy-eight rupees the tax shall be the aggregate of—

- (i) a sum equal to 33 1/3 per centum of two hundred and fifty thousand rupees, and

- (ii) the amount by which the taxable income of the company exceeds two hundred and fifty thousand rupees.";

- (4) in Part VB of that Schedule, by the substitution, for the words and figures "any year of assessment commencing on or after April 1, 1992 and in respect of which the Assessor is satisfied that on the last day of that year of assessment", of the words and figures "the year of assessment commencing on April 1, 1992, and in respect of which the Assessor is satisfied that as on March 31, 1993";
- (5) in Part VI of that Schedule, by the substitution for the words and figures "every year of assessment commencing on or after April 1, 1979", of the words and figures "for the year of assessment commencing on or after April 1, 1993";
- (6) in Part VII of that Schedule, by the substitution, for the words and figures "every year of assessment commencing on or after April 1, 1992—", of the words and figures "for the year of assessment commencing on April 1, 1992—";
- (7) in Part IX of that Schedule, by the substitution, for the words and figures "for any year of assessment commencing on or after April 1, 1992—", of the words and figures "for the year of assessment commencing on April 1, 1992—";
- (8) in Part X of that Schedule, by the substitution for the words and figures "for every year of assessment commencing on or after April 1, 1992—", of the words and figures "for the year of assessment commencing on April 1, 1992—"; and
- (9) by the insertion, immediately after Part X of that Schedule, of the following Part:—

"PART XI

Company including unit trust, mutual fund and public Corporation (other than the Central Bank of Sri Lanka) but not including the small company referred to in Part IV C.

The rate of income tax for every year of assessment commencing on or after April 1, 1993—

On the taxable income of the company

40 per centum."

Amendment
of the
Third
Schedule to
the principal
enactment.

20. The Third Schedule to the principal enactment is hereby amended as follows :—

- (1) in paragraph 1 of that Schedule, by the substitution, for the words and figures from "For any year of assessment commencing on or after April 1, 1992—" to the end of that paragraph, of the following words and figures :—

"For the year of assessment commencing on April 1, 1992—

On the first Rs. 25,000 of the taxable income 30 per centum

On the next Rs. 25,000 of the taxable income 40 per centum

On the balance of the taxable income 45 per centum

For any year of assessment commencing on or after April 1, 1993—

On the first Rs. 25,000 of the taxable income 30 per centum

On the balance of the taxable income 40 per centum";

- (2) in paragraph 11 of that Schedule—

- (i) by the substitution, for sub-paragraph (c) of that paragraph, of the following sub-paragraph :—

"(c) for the year of assessment commencing on April 1, 1992—

(i) on the taxable income 45 per centum

(ii) on the balance of the profits after deduction therefrom, of the tax payable under paragraph (i) 25 per centum";

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

"(d) for any year of assessment commencing on or after April 1, 1993—

(i) on the taxable income 40 per centum

(ii) on the balance of the profits after deduction therefrom of the tax payable under paragraph (i) 25 per centum".

21. The Seventh Schedule to the principal enactment is hereby repealed and the following Schedule substituted therefor :—

Replacement of the Seventh Schedule to the principal enactment.

"SEVENTH SCHEDULE

SECTION 33A(1)

The rates of advance company tax for every year of assessment commencing on or after April 1, 1992, shall be as follows :—

(i) on the amount equal to the amount of every qualifying distribution made by a small company 25 per centum

(ii) on the amount equal to the amount of every qualifying distribution made by a quoted public company or a people's company 33 1/3 per centum

(iii) on the amount equal to the amount of every qualifying distribution made by a unit trust or mutual fund or a company other than a small company, or a quoted public company or a people's company 50 per centum

The rates of advance company tax for the year of assessment commencing on April 1, 1992, shall be as follows :—

(i) on the amount equal to the amount of every qualifying distribution made by a small company 25 per centum

(ii) on the amount equal to the amount of every qualifying distribution made by a quoted public company or a people's company 33 1/3 per centum

(iii) on the amount equal to the amount of every qualifying distribution made by a unit trust or mutual fund or a company other than a small company, or a quoted public company, or a people's company 40 per centum

The rates of advance company tax for every year of assessment commencing on or after April 1, 1993, shall be as follows:—

- (i) on the amount equal to the amount of every qualifying distribution made by a small company ..

25 per centum

- (ii) on the amount equal to the amount of every qualifying distribution made by unit trust, mutual fund or company other than any small company ..

33 1/3 per centum".

Retrospec-
tive
effect.

22. (1) Where any company referred to in section 22DDD of the principal enactment is approved by the Minister before April 1, 1993, and notice of such approval is published in the Gazette within one month of the date of commencement of this Act, such company shall be deemed for all purposes to have been approved by the Minister by notice published in the Gazette, before April 1, 1993.

(2) The amendment to section 113A of the principal enactment made by section 16 of this Act, shall be deemed for all purposes to have come into force on April 1, 1993.

Sinhala
text to
prevail
in case of
inconsistency.

23. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.