



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

**INLAND REVENUE (AMENDMENT)
ACT, No. 9 OF 2015**

[Certified on 30th October, 2015]

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*Inland Revenue (Amendment)
Act, No. 9 of 2015*

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L.D.—O. 11/2015

AN ACT TO AMEND THE INLAND REVENUE
ACT, NO. 10 OF 2006

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. 9 of 2015, and shall be deemed for all purposes to have come into operation on April 1, 2015 unless stated otherwise.

Short title and
the date of
operation.

2. Section 7 of the Inland Revenue Act, No. 10 of 2006 (hereinafter referred to as the “principal enactment”) as last amended by Act, No.8 of 2014 is hereby further amended in paragraph (b) of that section as follows:-

Amendment of
section 7 of the
Inland Revenue
Act, No. 10 of
2006.

- (1) by the substitution in sub-paragraph (xvii) of that paragraph for the words and figures “on or before March 31, 2008 or for any year of assessment commencing on or after April 1, 2013, arising out of business”, of the words and figures “on or before March 31, 2008, arising out of business”;
- (2) by the substitution in sub-paragraph (lxxii) of that paragraph for the words and figures “Act, No. 12 of 1986; and”, of the words and figures “Act, No. 12 of 1986;”;
- (3) by the substitution in sub-paragraph (lxxiii) of that paragraph for the words and figures “Trust Ordinance (Chapter 87).”, of the words and figures “Trust Ordinance (Chapter 87); and” ; and

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

“(Ixxiv) the Diabetes Association of Sri Lanka incorporated by the Diabetes Association of Sri Lanka (Incorporation) Act, No. 1 of 1992.”.

Amendment of
section 8 of the
principal
enactment.

3. Section 8 of the principal enactment as last amended by Act, No. 8 of 2014 is hereby further amended in subsection (1) of that section as follows:-

- (1) by the substitution in paragraph (x) of that subsection for the words “for that year of assessment.”, of the words “for that year of assessment; and”; and
- (2) by the addition immediately after paragraph (x) of that subsection, of the following new paragraph:-

“(y) benefit from provision of any loan by the employer free of interest or at a subsidised rate of interest, if such loan is provided not out of funds borrowed for that purpose.”.

Amendment of
section 9 of the
principal
enactment.

4. Section 9 of the principal enactment as last amended by Act, No. 8 of 2014 is hereby further amended as follows:-

- (1) by the substitution in sub-paragraph (ii) of paragraph (h) of that section, for the words and figures “commencing on or after April 1, 2011, to any individual”, of the words and figures “commencing on or after April 1, 2011, but prior to January 1, 2015, to any individual”;
- (2) by the addition immediately after paragraph (h) of that section, of the following new paragraphs:-

“(hh) such part of any interest accruing for, or arising in, for the period commencing on January 1, 2015 and ending on March 31,

2015, or for any year of assessment commencing on or after April 1, 2015 to any individual who is a citizen of Sri Lanka and resident in Sri Lanka and who is sixty years or more or reaching sixty years during the period commencing from January 1, 2015 and ending on March 31, 2015 or who is more than fifty nine years old on the first day of the year of assessment commencing on or after April 1, 2015, from any deposit maintained in any bank or financial institution authorized by the Central Bank of Sri Lanka to accept deposits from the general public or any registered society within the meaning of the Co-operative Societies Law, No. 5 of 1972;

(*hhh*) such part of any interest accruing for, or arising in, any year of assessment commencing on or after April 1, 2015, to any individual or charitable institution where such individual or charitable institution maintains one savings account or more than one savings account, where the interest paid for a month is less than five thousand rupees.

For the purpose of this paragraph, “savings account” means an account, whether or not subject to any condition affecting the right to withdraw money therefrom and which bears interest at a rate not dependent on the period for which the deposit is maintained;” and

(3) by the addition immediately after paragraph (*o*) of that section , of the following new paragraphs:-

“(p) the interest or discount accruing or arising to any person from any investment made

on or after January 1, 2015 in any Corporate Debt Security, issued by the Urban Development Authority established by the Urban Development Authority Law, No. 41 of 1978; and

- (q) the interest accruing or arising to any individual who is Sri Lankan, living or employed abroad from any investment made on or after January 1, 2015 in Nation Development Bonds issued by the Central Bank of Sri Lanka on behalf of the Government.”.

Amendment of
section 10 of
the principal
enactment.

5. Section 10 of the principal enactment as last amended by Act, No. 8 of 2014 is hereby further amended in subsection (1) of that section as follows:-

- (1) by the substitution in paragraph (l) of that subsection for the words “the second mentioned dividend by that company.”, of the words “the second mentioned dividend by that company;” and
- (2) by the addition immediately after paragraph (l) of that subsection, of the following new paragraph:-

“(m) any dividend paid to a shareholder of any new undertaking commenced on or after April 1, 2015 for manufacture of products for export, and which is not formed by splitting-up or re-construction of an existing undertaking with an investment of not less than two million US Dollars (or equivalent in any other currency) and for which depreciation allowances are entitled to under paragraph (h) of the first proviso to paragraph (a) of subsection (1) of section 25, where such dividends

are paid out of such profits and income of such new undertaking during the period reckoned from the year of assessment in which such new undertaking commences to carry on commercial operations and another four years of assessment immediately succeeding that year of assessment.”.

6. Section 13 of the principal enactment as last amended by Act, No. 8 of 2014 is hereby further amended as follows:-

Amendment of section 13 of the principal enactment.

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

“(*qqqqq*) one half of the profits and income for any period on or after April 1, 2015 from the production of films or dramas of any individual who produces an award winning cinema or a drama at an international film or drama festival, for a period of five years of assessment commencing from the year in which such award is received;” ;

- (2) by the insertion immediately after paragraph (*tt*) of that section, of the following new paragraph:-

“(*ttt*) the profits and income arising or accruing to any Unit Trust from investments made on or after January 1, 2015 in US Dollar deposits or US Dollar denominated securities listed in any foreign stock exchange;” ; and

- (3) by the insertion immediately after paragraph (*yyyyyyyy*) of that section, of the following new paragraph:-

“(*yyyyyyyyy*) the profits and income arising or accruing to any company, partnership or body of persons

outside Sri Lanka for any year of assessment commencing on or after April 1, 2015, from any payment made by way of royalty as a specific requirement of any information technology or business process outsourcing company in Sri Lanka, for the year of assessment in which such company in Sri Lanka commences such operations and for another year of assessment immediately succeeding that year of assessment;”.

Amendment of
section 25 of
the principal
enactment.

7. Section 25 of the principal enactment as last amended by Act, No. 8 of 2014 is hereby further amended as follows:—

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

(a) by the repeal of sub-paragraph (v) and sub-paragraph (vi) of paragraph (a) of that subsection, and the substitution therefor, of the following sub-paragraph:—

“(v) any qualified building constructed or any unit of a condominium property acquired and which is approved by the Urban Development Authority established by the Urban Development Authority Law, No. 41 of 1978 and constructed to be used as a commercial unit or any hotel building (including a hotel

building complex) or any industrial building (including any industrial building complex) acquired from a person who had used such building in any trade or business-

(A) prior to April 1, 2015 at the rate of six and two third *per centum* per annum, on the cost of construction or cost of acquisition of such building or unit; or

(B) on or after April 1, 2015 at the rate of ten *per centum* per annum on the cost of construction or the cost of acquisition of such building or unit;”;

(b) by the addition immediately after paragraph (g) of the proviso to paragraph (a) of that subsection, of the following new paragraph:-

“(h) where any plant, machinery or equipment acquired and used on or after April 1, 2015, in any new undertaking commenced on or after April 1, 2015 for the manufacture of products for exports with an investment of not less than two million US Dollars or its equivalent in other currency and which is not formed by splitting up or re-construction of an existing undertaking, the rate of depreciation shall be hundred *per centum* of the cost of acquisition;”;

- (c) in the second proviso to paragraph (a) of that subsection, by the substitution for the words and figures “referred to in sub-paragraphs (i), (ii), (iii), or (iv)”, of the words and figures “referred to in sub-paragraph (i), (ii), (iii), (iv) or (v)”;

- (d) in the proviso to paragraph (i) of that subsection, by the insertion immediately after paragraph (B) of that proviso, of the following new paragraph:—

“(C) where such expenditure on research is incurred on or after April 1, 2015, for any innovation or research relating to high value agricultural products and such research is carried out by such person himself or through any research institution, in Sri Lanka”;

- (e) by the insertion immediately after paragraph (i) of that subsection, of the following paragraph:—

“For the purpose of this paragraph the Commissioner-General shall issue guidelines in order to ensure the uniform application of deduction;”;

- (f) by the substitution in sub-paragraph (iv) to the proviso to paragraph (k) of that subsection for the words and figures “under Chapter XIV or in the opinion”, of the words and figures “under Chapter XIV of this Act where such benefit is not exempt under paragraph (s) of subsection (1) of section 8 of this Act, or in the opinion”;

- (g) by the repeal of paragraph (w) of that subsection and the substitution therefor, of the following new paragraphs:-

“(w) for any year of assessment commencing on or after April 1, 2014 any royalty or ground rent payable for the relevant year of assessment and paid by such person if such amount was not allowed to be deducted prior to April 1, 2014, under paragraph (a) of subsection (5) of section 32;

(x) for any year of assessment commencing on or after April 1, 2015, an amount equal to three hundred *per centum* of the expenditure incurred by any person registered with the Tertiary and Vocational Education Commission established under the Tertiary and Vocational Educational Act, No. 20 of 1990 on standard skill development training by any institution recommended by such Commission to be provided to trainees;

(y) for any year of assessment commencing on or after April 1, 2015, an amount equal to three hundred *per centum* of the expenditure incurred by any person for brand promotion for the export of products manufactured by such persons.

For the purpose of this paragraph “brand promotion” means, creating an internationally recognized brand name for a local value added product or produce.”;

- (2) in subsection (5) of that section, by the insertion at the end of the proviso to that subsection, of the following new paragraph :-

“For the purpose of this subsection “person” includes a partnership.”;

- (3) in subsection (7) of that section-

- (a) by the substitution for the words in the definition of “capital assets” in paragraph (b) of that subsection for the words “means any plant, machinery, fixture, fitting, utensils, articles or equipment”, of the words “means any plant, machinery, fixture, fitting, utensils, articles or equipment, including computer software or intangible assets other than goodwill,”;
- (b) by the repeal of sub-paragraph (iii) of paragraph (f) of that subsection, and the substitution therefor, of the following new sub-paragraph:-

“(iii) where a company is incorporated (hereinafter referred to as the “first mentioned company”) to -

- (a) take over the business (including the capital assets) carried on by an individual either solely or in partnership with others, and acquires the capital assets of such business being carried on by such individual or partnership;
or

- (b) segregate the business of long term insurance and general insurance as separate businesses as required in terms of Regulation of Insurance Industry (Amendment) Act, No. 3 of 2011 or to consolidate, acquire or merge of any bank, financial institution or leasing company under the guidance of the Central Bank of Sri Lanka subject to conditions specified in the Guidelines issued by the Commissioner General where such businesses are carried out separately prior to such segregation, consolidation, acquisition or merger, by each such company (hereinafter referred to as the “second mentioned company”),

the cost of acquisition of each capital asset by the first mentioned company shall be deemed to be the cost of acquisition of such capital asset by such individual or partnership or the second mentioned company, reduced by the amount of any allowance for depreciation granted in respect of such asset to such

individual or partnership or second mentioned company, and the date of acquisition of such capital assets by the first mentioned company, shall be deemed to be the date of acquisition of such capital asset by such individual, partnership or second mentioned company;”.

Amendment of section 26 of the principal enactment.

8. Section 26 of the principal enactment as last amended by Act, No. 8 of 2014 is hereby further amended in subsection (1) of that section as follows:-

(1) in paragraph (1) of that subsection:-

- (a) by the substitution for the words and figures in sub-paragraph (v) of that paragraph “the Value Added Tax Act, No. 14 of 2002; or” of the words and figures “the Value Added Tax Act, No. 14 of 2002 and any Nation Building Tax on Financial Services within the provisions of the Nation Building Tax Act, No. 9 of 2009; or”;
- (b) by the substitution in sub-paragraph (vii) of that paragraph for the words and figures “Act, No. 12 of 2013;”, of the words and figures “ Act, No. 12 of 2013; or”; and
- (c) by the insertion immediately after sub-paragraph (vii) of that paragraph, of the following new sub-paragraph:-
 - “(viii) Super Gain Tax, Bars and Taverns Levy, Casino Industry Levy, Mobile Telephone Operator Levy, Satellite

Location Levy, Dedicated Sports
Channel Levy and Mansion Tax
imposed and levied under the
provisions of the Finance Act,
No. 10 of 2015,”; and

- (2) by the repeal of paragraph (*m*) of that subsection and substitution therefor, of the following new paragraph:-

“(m) any ground rent or royalty payable for any period prior to April 1, 2014 and paid after April 1, 2014 which is deductible under paragraph (*a*) of subsection (5) of section 32 or annuity paid by such person;”.

- 9.** Section 32 of the principal enactment as last amended by Act, No. 8 of 2014 is hereby further amended in subsection (5) of that section as follows:-

Amendment of
section 32 of
the principal
enactment.

- (1) in paragraph (*a*) of that subsection, by the substitution for all the words and figures from “sums paid by such person” to the words and figures “subsection (1) of section 26:”, of the following words and figures:-

“sums paid by such person for any year of assessment by way of:

- (i) any ground rent or royalty payable for any period prior to April 1, 2014 and which is paid after April 1, 2014; or
- (ii) annuity or interest,

which he is not entitled to deduct under section 25.

For the purpose of this paragraph interest does not include the excess referred to in paragraph (*x*) or paragraph (*y*) of subsection (1) of section 26:”; and

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

“(dd) the balance, if any, of any loss deductible under the provisions of this Act, of any business of any bank, financial institution or leasing company which is consolidated, acquired or merged in terms of the guidelines issued by the Central Bank of Sri Lanka subject to conditions specified in the guidelines issued by the Commissioner General, shall continue to be deducted, if it would have been claimed under this section prior to such consolidation, acquisition or merger, notwithstanding anything to the contrary in any other provision of this Act, but subject to the provisions of paragraph (b), from the total statutory income of the respective bank, financial institution or leasing company as a result of such consolidation, acquisition or merger;”.

Amendment of section 34 of the principal enactment.

10. Section 34 of the principal enactment as last amended by Act, No. 8 of 2014 is hereby further amended as follows:-

- (1) in subsection (2) of that section: -

- (a) in paragraph (b) of that subsection, by the addition immediately after subparagraph (ix), of the following new subparagraph:-

“(x) National Kidney Fund established under the National Kidney Foundation of Sri Lanka (Incorporation) Act, No. 34 of 2006;”;

- (b) in the paragraph (s) of that subsection, by the substitution for all the words and figures from “investment of not less than” to the words and figures “business on or after April 1, 2011:”, of the words and figures “investment of not less than fifty million rupees in the acquisition of fixed assets made by any person on or after April 1, 2011 but before April 1, 2014 in the expansion of any undertaking which would have been qualified for exemption under section 16C or section 17A had such undertaking commenced to carry on business on or after April 1, 2011:”;
- (c) in paragraph (u) of that subsection, by the substitution for all the words and figures from “after April 1, 2013, then-” to the words “whichever is lower;”, of the following words and figures:-

“after April 1, 2013, then-

- (i) such part of profits in excess of five hundred thousand rupees ;
or
- (ii) for any year of assessment ended prior to April 1, 2015, one hundred thousand rupees and for any year of assessment commencing on or after April 1, 2015, two hundred and fifty thousand rupees,

whichever is lower;”;

- (d) by the substitution for paragraph (v) of that subsection, of the following new paragraph:-

“(v) such part of official emoluments arising in Sri Lanka to any individual who is not a citizen of Sri Lanka and not resident in Sri Lanka—

(i) for any year of assessment commencing on or after April 1, 2013, but prior to April 1, 2015 does not exceed one hundred thousand rupees; or

(ii) for any year of assessment commencing on or after April 1, 2015 does not exceed two hundred and fifty thousand rupees;”;

- (e) by the repeal of paragraph (x) of that subsection and the substitution therefor, of the following new paragraph:-

“(x) any expenditure incurred by any bank, any financial institution or any leasing company, by way of cost of acquisition or merger of any other bank, any other financial institution or any other leasing company, where such cost is ascertained by considering all the facts on case by case basis in accordance with the guidelines

issued by the Central Bank of Sri Lanka, in the manner specified by the Commissioner General for that purpose.”; and

- (2) in subsection (4) of that section by the insertion immediately after sub-paragraph (ix) of paragraph (b) of that subsection, of the following new sub-paragraph:-

“(x) in respect of any qualifying payment referred to in paragraph (x) of subsection (2), on the expenditure incurred by any bank or other company referred to in that paragraph in any year of assessment shall not exceed one third of the assessable income or three hundred million rupees whichever is higher. The balance, if any, not deductible in the same year of assessment shall be carried forward and be deductible from the assessable income of such bank or other company for the next succeeding year of assessment and so on subject to the same conditions.”.

11. Section 39 of the principal enactment is hereby amended by the substitution for the words “The gross royalty payable”, of the words “ The gross royalty (not being royalty exempt under any other provision of this Act) payable”.

Amendment of
section 39 of
the principal
enactment.

12. Section 40B of the principal enactment as last amended by Act, No.18 of 2013 is hereby further amended by the substitution for the words and figures “commencing on or after April 1, 2009, of any”, of the words and figures “commencing on or after April 1, 2009 but prior to April 1, 2015, of any”.

Amendment of
section 40B of
the principal
enactment.

Amendment of
section 40C of
the principal
enactment.

13. Section 40C of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for all the words and figures from “Where the taxable income” to the words “and the rate of income tax”, of the following words and figures:-

“Where the taxable income of any individual:

- (i) being a citizen of Sri Lanka, for any year of assessment commencing on or after April 1, 2014 but prior to April 1, 2015, includes any profits from employment in the exercise of his duties as a professional; or
- (ii) includes any profits from employment for any year of assessment commencing on or after April 1, 2015,

(hereinafter in this section referred to as “relevant profits”) and the rate of income tax”.

Amendment of
section 45 of
the principal
enactment.

14. Section 45 of the principal enactment as last amended by Act, No. 8 of 2012, is hereby further amended as follows:-

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

- (a) in paragraph (b) of that subsection, for the words “tourism; or”, of the words “tourism;”;
- (b) in paragraph (c) of that subsection, for the words “construction work;” of the words, “construction work; or”; and
- (c) by the addition immediately after paragraph (c) of that subsection, of the following new paragraph :-

“(d) undertaking for the manufacture of sugar;” and

- (2) in subsection (2) of that section, by the addition immediately after paragraph (d) of that subsection, of the following new paragraph:-

“(e) undertaking for the manufacture of sugar” means an undertaking carried on for locally manufacturing sugar by using sugar cane or beet or any other produce exclusively cultivated locally.”.

15. Section 46 of the principal enactment as last amended by Act, No. 22 of 2011 is hereby further amended as follows:-

Amendment of section 46 of the principal enactment.

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

(a) in paragraph (b) of that subsection, for the words “tourism; or”, of the words “tourism;”;

(b) in paragraph (c) of that subsection, for the words “construction work;”, of the words “construction work; or”; and

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

“(d) undertaking for the manufacture of sugar;” and

- (2) in subsection (2) of that section by the substitution for the words “profits and income from any agricultural undertaking” and “undertaking for construction work” shall”, of the words “profits and income from any agricultural undertaking”, “undertaking for construction work” and “undertaking for the manufacture of sugar”, shall”.

Insertion of new section 48D of the principal enactment.

16. The following new section is hereby inserted immediately after section 48C of the principal enactment and shall have effect as section 48D of that enactment:-

“Extension of the period specified for the fulfilment of investment criteria by any company entered into an agreement with the Board of Investment of Sri Lanka under section 16D or section 17A.

48D. Notwithstanding the period specified in section 16D or paragraph (b) and (c) of subsection (2) of section 17A to complete investment and to commence the commercial operations by any new undertaking which has been approved by the Board of Investment of Sri Lanka by entering into an agreement under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1978 which provides tax holiday under section 16D or section 17A of this Act, if the approval of the Board of Investment was granted prior to October 31, 2014 and the company which invested in such undertaking is unable to complete the required investment prior to April 1, 2015 and to commence commercial operations prior to April 1, 2016 due to any practical reasons depending on the nature of the business, such period shall be extended up to April 1, 2018, if the Commissioner-General is satisfied that the nature of the activities engaged in by such new undertaking are only activities qualified under section 16D or section 17A and the Board of Investment of Sri Lanka confirms, on request made by the investor, that the reasons for such extension is justifiable and acceptable by examining the status of the progress of such new undertaking.”.

Amendment of section 56D of the principal enactment.

17. Section 56D of the principal enactment is hereby amended as follows:-

- (1) by the substitution in that section for the words “locally manufactured garments, bags made out of fabric, linen, curtains or any other goods,”, of the

words “locally manufactured garments, bags made out of fabric, linen, curtains, packing items or ceramic products,”; and

- (2) by the substitution in the proviso of that section for the words “the local value addition of such garments, bags, linen, curtains or other goods,”, of the words “the local value addition of such garments, bags, linen, curtains, packing items or ceramic products,”.

18. Section 58 of the principal enactment as last amended by Act, No. 8 of 2014, is hereby further amended as follows:-

Amendment of
section 58 of
the principal
enactment.

- (1) by the substitution in that section for all the words from “supply of any services, to any” to the words “foreign principal to such person in Sri Lanka”, of the following words and figures:-

“supply of-

- (i) any services to any exporter of goods or services or to any foreign principal of such exporter directly, being services which could be treated as essentially related to the manufacture of such goods or provisions of such services exported by such exporter either directly or through any export trading house;
- (ii) any services provided by an agent of a ship operator to such agent’s foreign principal; or
- (iii) any services provided by any freight forwarder insofar as such services are for export of goods,

and the payment for such services are made by such exporter, foreign principal or the recipient of the services of the freight forwarder, to such person in Sri Lanka”; and

- (2) by the addition immediately after that section, of the following new paragraph:-

“For the purpose of this section “freight forwarder” means a person or a partnership who or which is registered with the Central Bank of Sri Lanka under the Exchange Control Act, as a Freight forwarder and who-

- (i) issues multi-modal documents of carriage covered by a Freight Forwarders’ “All Risks and Legal Liability Insurance Policy”; and
- (ii) furnishes, together with the return of relevant turnover for any relevant quarter, copies of the statements, furnished to the Controller of Exchange in respects of each month comprised in such relevant quarter of turnover prepared in the form specified in the Third Schedule to the Notification issued by the Controller of Exchange under section 29B of the Exchange Control Act, and net collections prepared in the form specified in the Fourth, Fifth and Sixth Schedules to such Notification.”.

Amendment of
section 59B of
the principal
enactment.

19. Section 59B of the principal enactment as last amended by Act, No. 8 of 2014, is hereby further amended in paragraph (b) of subsection (2) of that section as follows:-

- (1) in sub-paragraph (ii) of that paragraph, for the words and figures “being any year of assessment commencing on or after April 1, 2013 does not exceed

five hundred million rupees;”, of the words and figures “ being any year of assessment commencing on or after April 1, 2013, but prior to April 1, 2015 , does not exceed five hundred million rupees;”; and

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

“(iii) being any year of assessment commencing on or after April 1, 2015, does not exceed seven hundred and fifty million rupees.”.

20. Section 59F of the principal enactment is hereby amended by the repeal of subsection (1) of that section and substitution therefor, of the following new subsection :-

Amendment of
section 59F of
the principal
enactment.

“(1) Where the taxable income of any individual being a citizen of Sri Lanka, for any year of assessment commencing on or after April 1, 2014, includes any profits and income from providing professional services as a professional (hereinafter in this section referred to as the “relevant profits”) and the rate of income tax payable under the First Schedule to this Act, on a part of such taxable income (hereinafter in this section referred to as the “relevant part of the taxable income”) exceeds twelve *per centum*, then in regard to the relevant part of the taxable income, the tax payable shall be computed as given below:-

(a) where such relevant part of the taxable income exceeds the amount of the relevant profits then the tax payable on such relevant part of the taxable income shall be computed as follows:-

- (i) if such relevant profits does not exceed twenty five million rupees, then the tax payable on such

portion of the relevant part of the taxable income as is equal to the relevant profits, shall be at the rate of twelve *per centum*, and the tax payable on the balance of the relevant part of the taxable income, shall be computed according to such of the rates above twelve *per centum*, as are applicable thereto under the First Schedule to this Act; or

(ii) if such relevant profits exceed twenty five million rupees, then the tax payable,

- on such portion of the relevant part of the taxable income as is equal to twenty five million rupees shall be at twelve *per centum*;
- on such portion of the balance as does not exceed ten million rupees shall be at the rate of fourteen *per centum*; and
- on any balance relevant part of the taxable income shall be computed according to such of the rates above twelve *per centum*, as are applicable thereto under the First Schedule to this Act subject to the following:—

(A) where the rate of income tax, under the First Schedule to this Act, payable on a portion of such balance relevant part of the taxable income exceeds sixteen *per centum*:

- the tax payable on such balance relevant part of the taxable income as is not exceeding the excess of relevant profits over thirty five million rupees shall be computed at sixteen *per centum*; and
- the tax payable on any balance of the relevant part of the taxable income, shall be computed according to such of the rates above sixteen *per centum*, as are applicable thereto under the First Schedule to this Act; or

(B) where the rate of income tax payable under the First Schedule to this Act, on any portion of such balance relevant part of the taxable income does not exceed sixteen *per centum*, then the tax payable on the entirety of such balance shall be computed at sixteen *per centum*; or

(b) where such relevant part of the taxable income does not exceed the amount of the relevant profits, then the tax payable on the relevant part of the taxable income shall be computed as follows:-

(i) if such relevant profits do not exceed twenty five million rupees then, the tax payable on the entirety of the relevant part of the taxable income, shall be at twelve *per centum*; or

(ii) if the relevant profits exceed twenty five million rupees, then the tax payable,

- on the portion by which twenty five million rupees exceeds the amount by which the relevant profits exceed relevant part of the taxable income shall be at twelve *per centum*;

- on the portion up to ten million rupees of the balance relevant part of the taxable income shall be at fourteen *per centum*; and

- on any balance relevant part of the taxable income shall be at sixteen *per centum*.”.

21. The following new sections are inserted immediately after section 59H of the principal enactment and shall have effect as sections 59I, 59J, 59K, 59L and 59M of that enactment :-

Insertion of sections 59I, 59J, 59K, 59L and 59M of the principal enactment.

“Rate of income tax applicable to profits and income of any manufacturing company which carries on an expansion of such business to any Province other than the Western Province.

59I. The tax rate applicable on the profits and income of an existing company carrying on a business of manufacture of products (other than liquor or tobacco), on expansion of the manufacturing of such products of such company in any Province other than the Western Province (not by relocating the existing company or part thereof), by investing in the acquisition of fixed assets (other than land or building) not less than three hundred million rupees for any year of assessment commencing on or after April 1, 2015 but prior to April 1, 2017, and which is liable to pay income tax at the rate specified in item 3 of PART-B of the Second Schedule to this Act, shall be reduced by fifty *per centum* up to a maximum not exceeding five hundred million rupees, for the year of assessment in which such company commences the commercial operations of such expansion project and another four years of assessment immediately succeeding that year of assessment.

Rate of income tax applicable to the profits and income of a new company engaged in any manufacturing business.

59J. The tax rate applicable on the profits and income of any company which is registered with the Department of Inland Revenue for tax purposes on or before December 31, 2015 with a committed investment in excess of five hundred million rupees, to be made in any manufacturing business (other than liquor or tobacco based products) not by splitting-up or re - construction of an existing undertaking of

any nature within the specified period as approved by the Commissioner General, shall be reduced by fifty *per centum* for the year of assessment in which such company commences the commercial operations and for consecutive period of six years of assessment immediately succeeding that year of assessment, if the applicable rate of income tax is twenty eight *per centum*.

Income tax payable by local manufacturer who is in the business since 1970.

59K. Such part of the tax computed in accordance with this Act, for any year of assessment commencing on or after April 1, 2015, as being payable by any manufacturer who has been in the business of manufacturing since the year nineteen seventy and sustained competitiveness with imports, shall notwithstanding anything to the contrary in any other provisions of this Act, be reduced by ten *per centum*, on the profits and income from the sales made on such manufactured products (other than liquor or tobacco based products) in the local market which is liable to tax at the maximum rate of twenty eight *per centum* on the profit on ssuch sales.

Income tax payable by local entrepreneurs engaged in intercropping activities or vegetable and food processing activities.

59L. Such part of the tax computed in accordance with this Act, for any year of assessment commencing on or after April 1, 2015, as being payable by any local entrepreneurs engaged in the intercropping activities or vegetable and food processing activities, be reduced by fifty *per centum*, on the profits and income from such activities.

For the purpose of this section :

“local entrepreneur” means, a person who is a citizen of Sri Lanka and

includes a company or partnership,
the controlling interest of which is
held by Sri Lankans;

“Intercropping activities” means,
cultivation of two or more crops
simultaneously on the same field;

“vegetable and food processing
activities” means, processing of
vegetables or foods by any person
with not less than thirty five percent
of local value addition and the final
product shall consist of not less than
seventy *per centum* of locally grown
vegetables or locally manufactured
foods.

Income tax
payable by a
person on an
undertaking
located in
any lagging
region.

59M. Such part of the tax computed in
accordance with this Act, as being payable by
any person being a manufacturer or provider of
services who made investment in any
undertaking for the manufacture or the
provision of services located in any lagging
region in a sum of not less than two hundred
and fifty million rupees on or after February 1,
2015 but prior to March 31, 2017, shall
notwithstanding anything to the contrary in any
other provisions of this Act, be reduced by fifty
per centum, on the profits and income of such
person for the year of assessment in which such
undertaking commences business operations
and another four years of assessment
immediately succeeding that year of
assessment.

For the purpose of this section “lagging
region in relation to any year of assessment”
means, any Divisional Secretary’s Division as

being in a state of economic backwardness as specified, by the Commissioner-General by Notice published in the Gazette in consultation with any appropriate authority within whose jurisdiction such Division comes and with the approval of the Minister.”.

Amendment of section 61 of the principal enactment.

22. Section 61 of the principal enactment as last amended by the Act, No. 22 of 2011 is hereby further amended in subparagraph (ii) of paragraph (b) of subsection (1) of that section, by the substitution for the words and figures “distributable profits of such company for the year of assessment”, of the words and figures “distributable profits of such company other than a company referred to in paragraph (h) of the first proviso to paragraph (a) of subsection (1) of section 25, for the year of assessment”.

Amendment of section 63 of the principal enactment.

23. Section 63 of the principal enactment as last amended by the Act, No. 8 of 2014 is hereby further amended by the addition at the end of that section, of the following paragraph:-

“For the purpose of this section the profits and income from such dividends which form part of the profits under section 3(a) of this Act, means profits and income after deducting expenses in ascertaining the profits from such business of receiving dividends.”.

Amendment of section 94 of the principal enactment.

24. Section 94 of the principal enactment is hereby amended as follows:-

- (1) by the substitution for the word “royalties” wherever it occurs in that section, of the words “royalties or fees for technical services”;
- (2) in paragraph (b) of that section for the words and figures “ under section 32,”, of the words and figures “ under section 25,”; and

- (3) by the addition at the end of that section, of the following new paragraph:-

“For the purpose of this section the term “fees for technical services” means payments of any kind, received as consideration for managerial or technical or consultancy services including the provision of services of technical or other personnel other than employment or professional services performed through a fixed base.”.

25. Section 95 of the principal enactment as last amended by the Act, No. 22 of 2011 is hereby further amended in subsection (1) of that section as follows:-

Amendment of
section 95 of
the principal
enactment.

- (1) in paragraph (b) of that subsection by the substitution for the words “out of income arising in Sri Lanka”, of the following:—

“out of income arising in Sri Lanka; or

(c) fees for technical services referred to in section 94,”;

- (2) in paragraph (aaa) of the proviso to that subsection, by the substitution for the words “provision of this Act; and”, of the words “provision of this Act;”;
- (3) in paragraph (b) of the proviso to that subsection, by the substitution for the words “banking unit.”, of the words “banking unit ; and”; and
- (4) by the addition immediately after paragraph (b) of the proviso to that subsection, of the following new paragraph:-

“(c) for any year of assessment commencing on or after April 1, 2015, no deduction shall be made under this section from any interest paid to any individual on money deposited

in any bank or financial institution and tax is deductible on such interest at the rate of two and a half *per centum* as referred to in section 133 of this Act.”.

Insertion of new section as section 105B in the principal enactment.

26. The following new section is hereby inserted immediately after section 105A of the principal enactment and shall have effect as section 105B of that enactment:-

“The use of electronic communications or electronic records.

105B. (1) The Minister may, on the recommendation of the Commissioner-General make regulations for the purpose of authorizing or facilitating the use of electronic communications or electronic records in respect of matters specified in section 8 of the Electronic Transactions Act, No. 19 of 2006.

(2) For the purpose of application of the electronic means in filing returns, submitting information and documents, the relevant sections of the Act are amended as follows which shall come into effect on such date as the Minister may appoint by Order published in the Gazette.

- (a) in sections 28(4), 36(2)(b), 70(1), 73(1), 76(3), 104(2), 104A(2), 111, 112, 118, 122, 125(1), 130, 133, 162, 163, 165 and 177 by the substitution for the words “in writing” wherever it occurs in those sections, of the words “in writing or electronic means”, respectively;
- (b) in sections 106 and 107 the words “in writing”, wherever it arising relating to the filing of return, issue of notices, submission of information or documents for the purposes of those sections, by the substitution, of the words “in writing or electronic means”, respectively;

- (c) in section 107 in paragraph (a) and in paragraph (b) of the proviso of subsection (1) of that section, by the substitution for the words “published in the *Gazette*.”, of the words “published in the *Gazette* or official website of the Department of Inland Revenue.”, respectively.

27. Section 106 of the principal enactment, as last amended by the Act, No. 8 of 2014 is hereby further amended in paragraph (c) of the proviso to subsection (1) of that section, by the substitution for the words “income tax at the rate of ten *per centum* has been deducted”, of the words “income tax at the rate specified for the purpose of deduction has been deducted”.

Amendment of section 106 of the principal enactment.

28. Section 107 of the principal enactment, as last amended by the Act, No. 8 of 2014 is hereby further amended by the repeal of paragraph (aa) of subsection (3) of that section and the substitution therefor, of the following new paragraph:-

Amendment of section 107 of the principal enactment.

“(aa) “approved accountant” for any year of assessment commencing on or after April 1, 2014 means:

- (i) an accountant who is a member of the Institute of Chartered Accountants of Sri Lanka; or
- (ii) an accountant who is a fellow member of the Association of Accounting Technicians of Sri Lanka incorporated under the Companies Act, No. 07 of 2007 in relation to any person other than a company, or any partnership where the turnover of the business of such person or partnership for the year does not exceed five hundred million rupees;”.

Amendment of
section 115 of
the principal
enactment.

29. Section 115 of the principal enactment as last amended by Act, No. 8 of 2012 is hereby further amended in paragraph (a) of subsection (1) of that section by the substitution for sub-paragraph (i), of the following new sub-paragraph:-

“(i) receives remuneration:

- (A) for any year ending prior to April 1, 2015, in excess of fifty thousand rupees per month or six hundred thousand rupees per year: or
- (B) for any year commencing from April 1, 2015, in excess of sixty two thousand and five hundred rupees per month or seven hundred and fifty thousand rupees per year;”.

Amendment of
section 133 of
the principal
enactment.

30. Section 133 of the principal enactment as last amended by the Act, No. 8 of 2014 is hereby further amended in subsection (4) of that section as follows:-

(1) in paragraph (a) of that subsection-

- (a) in sub-paragraph (i) of that paragraph, by the substitution for the words “of such interest; and”, of the words “of such interest;”;
- (b) in sub-paragraph (ii) of that paragraph by the substitution for the words “any partnership”, of the words and figures “for any year of assessment ending prior to April 1, 2015, any partnership”;

- (c) by the addition at the end of sub-paragraph (ii) of that paragraph, of the following new sub-paragraphs:-

“(iii) for any year of assessment commencing on or after April 1, 2015 any partnership, charitable institution or any individual the deduction shall be made at the rate of two and a half *per centum* of such interest; and

(iv) for any year of assessment commencing on or after April 1, 2015, body of persons the deduction shall be made at the rate of eight *per centum* of such interest.”;

- (2) by the substitution in paragraph (b) of that subsection, for the words “any year of assessment, that its assessable income for that year of assessment”, of the words and figures “any year of assessment ending prior to April 1, 2015, that its assessable income”;
- (3) by the substitution in paragraph (c) of that subsection, for the words “any individual then, in relation to any year of assessment where”, of the words and figures “any individual then, in relation to any year of assessment ending prior to April 1, 2015 where”; and
- (4) by the substitution in paragraph (d) of that subsection, for the words “deduction shall be made, at the rate of eight *per centum* of such interest:”, of the words and figures “deduction shall be made for any year of assessment ending prior to April 1, 2015 at the rate of eight *per centum* of such interest:”.

Amendment of
section 137 of
the principal
enactment.

31. Section 137 of the principal enactment as last amended by the Act, No. 8 of 2014 is hereby further amended by the addition immediately after subsection (3) of that section, of the following new subsection:-

“(4) Any balance amount of notional tax credit entitled to be claimed by any business of insurance prior to segregation, or any bank, financial institution or leasing company which is acquired, merged or amalgamated, as the case may be, shall notwithstanding any other provisions of this Act, be deemed to be an allowable deduction subject to the conditions, if it would have been claimable if not for such segregation (being a business of an insurance), or acquisition, merger or amalgamation of such bank, financial institution or leasing company.”.

Amendment of
section 139 of
the principal
enactment.

32. Section 139 of the principal enactment as last amended by the Act, No. 10 of 2007 is hereby further amended by the repeal of subsection (1) of that section and the substitution therefor, of the following new subsection:-

“(1) For any year of assessment:

- (a) ending prior to April 1, 2015, any person or partnership from whose interest income the income tax is deductible by a bank or financial institution, or a company which issues any corporate debt security in accordance with the provisions of section 133 or section 135 and such interest income will form part of the assessable income of such person or divisible profit or income of the partnership, as the case may be, for any year of assessment, may, if the amount of income tax payable by him or the relevant partners for such year of assessment is less than the income tax deductible during that

year of assessment under section 133 or section 135, make an application to the Commissioner-General in such form and containing such particulars as may be specified by the Commissioner General, requesting that a direction be issued to that bank or financial institution or any company which issues corporate debt security, to make the necessary adjustments in the deduction of income tax in that year of assessment; and

- (b) commencing on or after April 1, 2015 any person (other than an individual or a partnership) from whose interest income the income tax is deductible by a bank or financial institution in accordance with the provisions of section 133 and such interest income will form part of the assessable income of such person for any year of assessment, may, if the amount of income tax payable by such person for such year of assessment is less than the income tax deductible during that year of assessment under section 133, make an application to the Commissioner-General in such form and containing such particulars as may be specified by the Commissioner General, requesting that a direction be issued to that bank or financial institution to make the necessary adjustments in the deduction of income tax in that year of assessment.”.

33. Section 150 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words “and shall furnish a return to the Commissioner-General on a monthly basis containing such particulars as may be specified by the Commissioner-General in relation to such deductions.”, of the words and figures,

Amendment of
section 150 of
the principal
enactment.

“and shall furnish a return to the Commissioner-General:

- (a) on a monthly basis, for any year of assessment commencing prior to April 1, 2015; and
- (b) on a quarterly basis, for any year of assessment commencing on or after April 1, 2015,

containing such particulars as may be specified by the Commissioner-General in relation to such deductions.”.

Amendment of section 159 of the principal enactment.

34. Section 159 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words “and shall furnish a return on monthly basis, containing such particulars as may be specified by the Commissioner-General in relation to such activity.”, of the words and figures,

“and shall furnish a return:

- (a) on a monthly basis, for any year of assessment commencing prior to April 1, 2015 ; and
- (b) on a quarterly basis, for any year of assessment commencing on or after April 1, 2015,

containing such particulars as may be specified by the Commissioner-General in relation to such activity.”.

Amendment of section 163 of the principal enactment.

35. Section 163 of the principal enactment as last amended by the Act, No. 8 of 2014 is hereby further amended in subsection (5) of that section by the repeal of the first proviso to that subsection and substitution therefor, of the following proviso:-

“Provided, that nothing in this subsection shall apply to the assessment of income tax payable by any person in respect of any year of assessment, consequent to-

- (i) the receipt by such person of any arrears relating to the profits from employment of that person for that year of assessment;
- (ii) any adjustment made in line with the adoption of the Sri Lanka Financial Reporting Standards for the year of assessment in which such adoption was made; or
- (iii) any profits and income or the loss ascertained in accordance with the provisions referred to in section 104 or section 104A, as the case may be, for any year of assessment commencing on or after April 1, 2013, for any period before the expiry of five years from the date of receipt of such return, where the Commissioner General is in the opinion that:
 - (A) the profits and income or the loss referred to in section 104, of any person, has not been ascertained having regard to the arm's length price, and issue of such assessment is not contrary to any provision of an agreement in force for the relief of double taxation between the Government of Sri Lanka and the Government of any territory in which such person is resident; or
 - (B) the profits and income or the loss referred to in section 104A, of any person, has not been ascertained having regard to the arm's length price:”.

36. Section 212 of the principal enactment as last amended by the Act, No. 8 of 2014 is hereby further amended in subsection (2) of that section as follows:-

Amendment of section 212 of the principal enactment.

- (1) by the substitution in the paragraph (e) of that subsection for the words “Sri Lanka are changed.”, of the words “Sri Lanka are changed;”; and
- (2) by the addition immediately after paragraph (e) of that subsection, of the following new paragraphs:-
 - “(f) guidelines for the calculation of qualifying payment relating to cost of acquisition or merger of any bank, financial institution or leasing company and the continuation of tax neutral position after acquisition, merger or amalgamation, as the case may be, for the purpose of this Act and other Acts administered by the Commissioner-General.;
 - (g) rules and guidelines for the implementation of the use of electronic communication or electronic records with regard to the Acts administered by the Commissioner-General from time to time as required.”.

Amendment of
the Second
Schedule to the
principal
enactment.

37. The Second Schedule to the principal enactment as last amended by Act, No. 8 of 2014 is hereby further amended as follows:-

- (1) by the substitution in item (3) of PART-A of that Schedule, for the words “Any unit trust management company on the taxable income-”, of the words “Any unit trust management company on the taxable income from the management of any unit trust-”;
- (2) by the substitution in item (1) (c) of PART-B of that Schedule, for the words and figures ,

“For any year of assessment commencing on or after April 1, 2011 –

Any company other than any company engaged in the manufacture of any article or in the provision of any services –”, of the words and figures

“For any year of assessment commencing on or after April 1, 2011, but prior to April 1, 2014 –

Any Company –”;

- (3) by the substitution in item (d) of PART–B of that Schedule, for the words and figures ,

“For any year of assessment commencing on or after April 1, 2011, but prior to April 1, 2014 –

any company engaged in the manufacture of any article or in the provision of any service-”, of the words and figures

“For any year of assessment commencing on or after April 1, 2014-

any company other than any company engaged in the manufacture of any article or in the provision of any service-”.

38. The Fourth Schedule to the principal enactment is hereby amended as follows:—

Amendment of the Fourth Schedule to the principal enactment.

- (1) in the heading of that Schedule, by the substitution for the words “Royalty or Annuity”, of the words “Royalty, Annuity or Fees for Technical Services”; and
- (2) in that Schedule, by the substitution for the words “royalty or annuity”, of the words “royalty, annuity or fees for technical services”.

39. The Fifth Schedule to the principal enactment as last amended by Act, No. 8 of 2014 is hereby further amended by the repeal of item 46 thereof.

Amendment of the Fifth Schedule to the principal enactment.

Validation.

40. The amount of tax charged or collected from any person by or on behalf of the Commissioner-General, by virtue of the application of any provision of this Act, during the period commencing on April 1, 2015 and ending on the date on which the certificate of the Speaker is endorsed in respect of this Act, shall be deemed for all purposes to have been validly and lawfully charged or collected under this Act by the Commissioner-General or by such person who charged or collected such tax on behalf of the Commissioner-General:

Provided that, the aforesaid provision shall not affect any decision or order made by any Court or any proceedings pending in any Court in respect of any tax charged or collected during such period.

Sinhala text
to prevail in
case of
inconsistency.

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

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