



PARLIAMENT OF THE DEMOCRATIC
SOCIALIST REPUBLIC OF
SRI LANKA

INLAND REVENUE (AMENDMENT)
ACT, No. 21 OF 1994

[Certified on 31st October, 1994]

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**Inland Revenue (Amendment) Act,
No. 21 of 1994**

[Certified on 31st October, 1994]

L. P.—O. 60/93

AN ACT TO AMEND THE INLAND REVENUE ACT, NO. 28 OF 1978

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 Short title.
(Amendment) Act, No. 21 of 1994.

2. Section 8 of the Inland Revenue Act, No. 28 of 1978
(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
1978,

(1) in sub-paragraph (Lxiii) of that paragraph, by the substitution for the words and figures "J. R. Jayawardene Centre Act, No. 77 of 1988; and ", of the words and figures, "J. R. Jayawardene Centre Act, No. 77 of 1988;" ;

(2) in sub-paragraph (Lxiv) of that paragraph, by the substitution for the words and figures "Institute of Supply and Materials Management, Sri Lanka Act, No. 3 of 1981.", of the words and figures, "Institute of Supply and Materials Management, Sri Lanka Act, No. 3 of 1981;" ; and

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

"(Lxv) the Stabilisation Fund for Tea, Rubber and Coconut established under Part IV of the Finance Act, No. 38 of 1971;

(Lxvi) the Janasaviya Trust Fund incorporated under the Trust Ordinance (Chapter 96);

(Lxvii) the Institute of Bankers of Sri Lanka established by the Institute of Bankers of Sri Lanka Act, No. 26 of 1979;

(Lxviii) the Overseas Private Investment Corporation of the United States of America;

(Lxix) the Overseas Economic Co-operation Fund of Japan; and

(Lxx) the World Conservation Union."

Amendment
of section
9 of the
principal
enactment.

3. Section 9 of the principal enactment is hereby amended as follows:—

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

(a) in paragraph (f) of that subsection—

(i) by the repeal of sub-paragraph (iii) of that paragraph and the substitution therefor of the following sub-paragraph:—

“(iii) any expert, adviser, technician or official who is brought to Sri Lanka by the Government of Sri Lanka through any Specialised Agency of the United Nations Organisation or the Point Four Assistance Programme of the Government of the United States of America or through the Colombo Plan Organisation (including its Technical Assistance Bureau) or through the Asia Foundation or any other organisation approved by the Minister as being of a similar character; and,

(a) whose salary or principal emolument is payable out of the funds provided by way of grant or other assistance to the Government of Sri Lanka by any such Organisation, Programme or Foundation or any other organisations as the case may be; or

(b) whose salary or principal emolument is not payable by the Government of Sri Lanka;”;

(ii) by the substitution, in sub-paragraph (viii) of that paragraph, for the words “by the Asia Foundation:” of the words “by the Asia Foundation or by the Overseas Economic Co-operation Fund of Japan;”; and

- (b) in paragraph (h) of that subsection, by the substitution for the words "the World Bank or the International Committee of the Red Cross ;", of the words "the World Bank, the International Committee of the Red Cross or the World Conservation Union ;";
- (2) in subsection (2) of that section by the substitution for the words and figures "being an enterprise with which an agreement has been entered into by the Greater Colombo Economic Commission under section 17 of the Greater Colombo Economic Commission Law, No. 4 of 1978 " of the words and figures, "being an enterprise with which an agreement has been entered into prior to December 31, 1994 on an application made in that behalf prior to November 11, 1993 by the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1978 " ; and
- (3) by the addition immediately after subsection (2) of that section of the following subsection :—

" (3) Notwithstanding the provisions of paragraph (1) of the proviso to sub-paragraph (iv) of paragraph (c) of subsection (1) and of subsection (2) the emoluments of any individual who is not a citizen of Sri Lanka and who is brought to and employed by an enterprise with which an agreement has been entered into by the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1978, and which has opted to be charged with income tax in lieu of the exemption from income tax granted under such agreement, shall be exempt from income tax upto the date of cessation of employment of such individual in such enterprise or the date on which the exemption from income tax granted in respect of such enterprise would, but for such option, have ended, which ever is the earlier.".

4. Section 11 of the principal enactment is hereby amended as follows :—

- (1) in paragraph (a) of that section—

(a) by the substitution for the words and figures, "an agreement has been entered into by the Greater Colombo Economic Commission under section 17 of the Greater Colombo

Amendment
of section 11
of the
principal
enactment

Economic Commission Law. No. 4 of 1978", of the words and figures "an agreement has been entered into by the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1973, being an agreement which has been entered into prior to December 31, 1994, on an application made in that behalf prior to November 11, 1993," and

(b) by the repeal of sub-paragraph (ii) of that paragraph and the substitution therefor of the following sub-paragraph :—

"(ii) to any person, who is not resident in Sri Lanka notwithstanding anything to the contrary in subsection (1) of section 32L of this Act ;"

(2) in paragraph (cc) of that section, by the substitution for all the words from "received by that company" to the end of that paragraph of the words and figures "received by that company through one or more intermediary companies during the period for which the dividends referred to in paragraph (a) or paragraph (b) are exempt from income tax or within two years thereafter, if the first mentioned dividend is paid during the year of assessment in which the second mentioned dividend was received or within one year thereafter ; and".

**Amendment
of section 14
of the
principal
enactment.**

5. Section 14 of the principal enactment is hereby amended in paragraph (a) of that section, as follows :—

(i) in sub-paragraph (xxii) of that paragraph by the substitution for the words "in the secondary market." of the words "in the secondary market ;" and

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

"(xxiii) the relinquishment or transfer of any right to a share received under a rights issue of a quoted public company .".

**Amendment
of section 15
of the
principal
enactment.**

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

(1) in paragraph (cc) of that section by the substitution for the words "the profits and income earned in any year of assessment in foreign currency",

of the words and figures "the profits and income earned in any year of assessment commencing prior to April 1, 1995, in foreign currency,";

- (2) in paragraph (ccc) of that section by the substitution for the words "the emoluments and fees earned, in any year of assessment in foreign currency" of the words and figures "the emoluments and fees earned, in any year of assessment commencing prior to April 1, 1995 in foreign currency";
- (3) by the repeal of paragraph (j) of that section and by substitution therefor of the following paragraph:—
- "(j) any royalty received by a non-resident person from a company with which an agreement has been entered into by the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1973 (being an agreement which has been entered into prior to December 31 1994, on an application made in that behalf prior to November 11, 1993), in respect of any period during which the profits and income of that company are exempt from income tax under the terms of that agreement:

Provided that where such company opts, in lieu of the exemption from income tax under the terms of such agreement, to be charged with income tax, the exemption from income tax granted by this paragraph shall apply to any royalty received by any non-resident person from such company in respect of the period during which, the profits and income of such company would, but for such option, have been so exempt from income tax;" ; and

- (4) in paragraph (w) of that section, by the substitution for the words and figures "from the sale, before April 1 1994 of any share," of the words "from the sale of any share".

7. Section 17A of the principal enactment is hereby amended in paragraph (a) of subsection (2) of that section by substitution for the words "an undertaking for the cultivation of sugar cane ;", of the words "an undertaking for cultivating land with any plants of whatever description other than tea, rubber, coconut or paddy ;".

Amendment
of section
17A of the
principal
enactment.

**Amendment
of section 17F
of the
principal
enactment.**

8. Section 17F of the principal enactment is hereby amended in paragraph (a) of subsection (3) of that section as follows:—

- (1) in sub-paragraph (i) of that paragraph, by the substitution for the words and figure “section 3 (other than any profits and income from the sale of any capital asset) of that undertaking,”, of the words and figure “section 3 (other than any profits and income from the sale of any capital asset or from the purchase and resale of any other good or commodities) of that undertaking”; and
- (2) in sub-paragraph (ii) of that paragraph, by the substitution for the words, “the annual average of such profits and income of that underaking”, of the words “the annual average of such profits and income as are referred to in sub-paragraph (1), of that undertaking”.

**Amendment
of section 20
of the
principal
enactment.**

9. Section 20 of the principal enactment is hereby amended in paragraph (b) of subsection (1) of that section, as follows:—

- (1) in sub-paragraph (i) of that paragraph, by the substitution for the words and figures “after November 15, 1978 ; or”, of the words and figures “after November 15, 1978, but prior to March 31, 1995, on an application in writing made in that behalf prior to November 11, 1993 ; or”; and
- (2) in sub-paragraph (iii) of that paragraph, by the substitution, for the words “by Order published in the Gazette,” of the words “by Order published in the Gazette prior to March 31, 1995, on an application in writing in that behalf made prior to November 11, 1993, ”.

**Amendment
of section 20B
of the
principal
enactment.**

10. Section 20B of the principal enactment is hereby

amended as follows:—

- (1) by the substitution, for the words “There shall be exempt from income tax”, of the words and figures “There shall be exempt from income tax for any year of assessment ending on or before March 31, 1995”; and

- (2) in the proviso to that section by the substitution for all the words from "the exemption granted under this section shall apply if—" to the end of that proviso of the following:—

"the exemption granted under this section shall apply if such supply is covered by a letter of credit opened in a bank in Sri Lanka or such other documentary evidence as is required to satisfy himself that the exports relating to such supply were in fact made, is adduced."

11. Section 20c of the principal enactment is hereby amended as follows:—

**Amendment
of section 20c
of the
principal
enactment.**

- (1) by the substitution in subsection (1) of that section for the words and figures "any year of assessment commencing on or after April 1, 1988", of the words and figures "any year of assessment commencing on or after April 1, 1988 but ending on or before March 31, 1995";
- (2) by the substitution in sub-paragraph (iv) of paragraph (b) of subsection (2) of that section for the words and figure "paragraph (a) of section 3", of the words and figure "paragraph (a) of section 3; and";
- (3) by the addition, immediately after paragraph (b) of that subsection, of the following paragraph:—
‘(c) “goods” shall, for the year of assessment commencing on April 1, 1994, not include any goods which are not used either in the manufacture of any commodity for export or in the packaging of such commodity for export.’

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

**Amendment
of section 23
of the
principal
enactment.**

- (1) in paragraph (eee) of that subsection—

(a) 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 but prior to April 1, 1993, and arising out of its use", of the words and figures "acquired by such person on or after April 1, 1987 and arising out of its use";

- (b) by the repeal of sub-paragraph (iiia) of that paragraph ; and
 - (c) 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 (iic) or sub-paragraph (iii)", of the words and figures "referred to in sub-paragraph (i) or sub-paragraph (ii) or sub-paragraph (iii)" ; and
- (2) by the insertion immediately after paragraph (eeee) of that subsection of the following paragraph :—
- " (eeee) an allowance in respect of any computer software acquired by him during the period of which the profits and income are being ascertained and used by him in any trade, business, profession, or vocation carried on or exercised by him, such allowance being an amount equal, to thirty-three and one-third *per centum* of the cost of acquisition of such computer software :
- Provided that no deduction under the preceding provisions of this paragraph shall be allowed to any person in respect of any computer software if the total of the allowances granted in the preceding years of assessment, in respect of such computer software is equal to the cost of acquisition of such computer software .".
13. Section 23A of the principal enactment is hereby amended in paragraph (c) of subsection (3) of that section as follows :—

*Amendment
of section 23A
of the
principal
enactment.*

- (1) in subparagraph (i) of that paragraph, by the substitution, for the words "commodity in Sri Lanka is certified by the Export Development Board to be ", of the words "commodity in Sri Lanka is ";
- (2) in sub-paragraph (ii) of that paragraph, by the substitution, for the words "commodity in Sri Lanka is certified by the Export Development Board to be of the words "commodity in Sri Lanka is ".

**Amendment
of section 24
of the
principal
enactment.**

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

- (1) in paragraph (q) of that subsection, by the substitution for the words and figures "entered into by him on or after April 1, 1987 but prior to April 1, 1993 in any year", of the words and figures "entered into by him on or after April 1, 1987 in any year"; and
- (2) by the repeal of paragraph (qq) of that subsection.

15. Section 29 of the principal enactment is hereby amended, by the insertion immediately after subsection (3A) of that section, of the following subsection:—

**Amendment
of section 29
of the
principal
enactment.**

"(3B) (a) Where any enterprise, with which an agreement has been entered into by the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1978 and of which the profits and income are exempt from income tax under the terms of such agreement and which opts in lieu of such exemption, to be charged with income tax, has incurred any loss which if it had been a profit would have been exempt from income tax under such agreement for any year of assessment during the three year period commencing on April 1, 1991, there shall be deducted from the total statutory income of such enterprise for the year of assessment commencing on April 1, 1994, the excess, if any of—

(i) the total of any such losses incurred by such enterprise during the said three year period, over

(ii) the total of any profits and income of that enterprise as were exempt during the said three year period;

(b) where the entirety or any portion of the balance of such loss referred to in paragraph (a) cannot be deducted from the total statutory income of such enterprise

for the year of assessment commencing on April 1, 1994, such entirety or portion shall be deducted from the total statutory income of the enterprise for the next succeeding year of assessment and so on.”.

**Amendment
of section 32
of the
principal
enactment.**

16. Section 32 of the principal enactment is hereby amended in subsection (1) of that section :—

- (1) by the substitution in sub-paragraph (vii) of paragraph (a) of that subsection, for the words and figures “commencing on or after April 1, 1992 at the appropriate rate”, of the words and figures “commencing on or after April 1, 1992, but prior to April 1, 1994, at the appropriate rate”;
- (2) by the addition, immediately after sub-paragraph (vii) of paragraph (a) of that subsection, of the following sub-paragraph :—
“ (viii) in respect of any year of assessment commencing on or after April 1, 1994 at the appropriate rate specified in Part 11F of the First Schedule to this Act ;”.

**Amendment
of section
32EE
of the
principal
enactment.**

17. Section 32EE of the principal enactment is hereby amended in paragraph (a) of that section as follows :—

- (1) by the substitution in sub-paragraph (i) of that paragraph, for the words and figures “the year of assessment commencing on April 1, 1991, and”, of the words and figures “the year of assessment commencing on April 1, 1991 ;”;
- (2) by the substitution in sub-paragraph (ii) of that paragraph, i.e., the words and figures “any year of assessment commencing on or after April 1, 1992, or” of the words and figures “any year of assessment commencing on or after April 1, 1992 but prior to April 1, 1994, and ”;
- (3) by the addition immediately after sub-paragraph (ii) of that paragraph, of the following subparagraph :—
“(vii) six thousand rupees, if such year of assessment is any year of assessment commencing on or after April 1, 1994, or ”;

18. The following new Chapter is hereby inserted immediately after Chapter VIII and shall have effect as Chapter VIIIA of the principal enactment.

Insertion of
new Chapter
VIIIA in the
principal
enactment.

'CHAPTER VIIIA

SPECIAL PROVISION RELATING TO THE TAXATION OF QUALIFIED EXPORT PROFITS AND DIVIDENDS OUT OF SUCH PROFITS

Rate of
income tax
on export
profits of
companies
which opt
to forego
exemption
from
income tax.

32F. (1) Where an exemption from income tax for a period of five years has been granted to a company under paragraph (b) of subsection (1) of section 20 and the unexpired part of such period of five years is, on April 1, 1994, not less than four years, such company may, by communication in writing addressed to the Commissioner General before December 31, 1994, opt to forego the exemption to which such company is entitled under that paragraph and to be charged with income tax for the unexpired part of such period.

(2) Where a company exercises the option referred to in subsection (1), it shall cease to be entitled to any exemption from income tax under paragraph (b) of subsection (1) of section 20 in respect of the balance part of the period for which it was exempted from income tax under that paragraph and where the taxable income of such company for any year of assessment commencing on or after April 1, 1994, but prior to April 1, 2014, includes any export profits and income from any undertaking approved under paragraph (b) of subsection (1) of section 20, then, such part of such taxable income as consists of such export profits and income shall notwithstanding anything in this Act, be chargeable with income tax at the rate of ten per-centum.

For the purpose of this section "export profits and income" shall have the same meaning assigned to it in subsection (2) of section 20.

Rate of income tax on qualified export profits and income of persons not being a company who commences to carry on any specified undertaking after November 10, 1993.

Rate of income tax on qualified export profits and income of a company which commences to carry on any specified undertaking after November 10, 1993.

Rate of income tax on qualified export profits and income of a person not being a company who carries on any specified undertaking on or after April 1, 1995.

32G. Where any person (not being a company) commences after November 10, 1993 to carry on any specified undertaking and the taxable income of that person for any year of assessment commencing on or after April 1, 1994 but prior to April 1, 2014 includes any qualified export profits and income such part of the taxable income as consists of such qualified export profits and income shall, subject to the provisions of this Act, be chargeable with income tax at the rate of fifteen per centum including such part or entirety of such qualified export profits and income as is in excess of the taxable income which is chargeable with income tax at the rate of ten per centum.

32H. Where any company commences after November 10, 1993 to carry on any specified undertaking and the taxable income of that company commences on or after April 1, 1994 but prior to April 1, 2014 includes any qualified export profits and income the taxable such part of income as consists of such qualified export profits and income shall notwithstanding anything to the contrary in this Act, be chargeable with income tax at the rate of fifteen per centum.

32J. Where any person other than a person referred to in section 32G not being a company and the taxable income of such person for any year of assessment commencing on or after April 1, 1995 but prior to April 1, 2015, includes any qualified export profits and income from any specified undertaking such part of the taxable income as consists of such qualified export profits and income shall, subject to the provisions of this Act, be chargeable with income tax at the rate of fifteen per centum including such part or the entirety of such qualified export profits and income as is in excess of the taxable income which is chargeable with income tax at the rate of ten per centum.

Rate of
income tax
on qualified
export
profits
and income
of a company
which carries
on any
specified
undertaking
on or after
April 1, 1995.

32K. Where the taxable income of any company, other than a company referred to in section 32H, for any year of assessment commencing on or after April 1, 1995, but prior to April 1, 2015, includes any qualified export profits and income, from any specified undertaking such part of such taxable income as consists of such qualified export profits and income shall, notwithstanding anything to the contrary in this Act, be chargeable with income tax at the rate of *per centum*.

Rate of
income
tax on
dividends
out of
exports
profits and
income.

32L. (1) Where the taxable income of any person (other than a company) for any year of assessment includes any dividend—

(i) being a dividend—

(a) out of the export profits and income of any company referred to in section 32F paid during the period in which such profits and income are taxable at the rate of ten per centum, or within one year thereafter; or

(b) out of the profits and income of any 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 being profits and income in respect of which such company, has in lieu of the exemption granted to it under such agreement, opted to be charged with income tax at the rate of ten *per centum*, paid during the period for which such profits are so chargeable with income tax or within one year thereafter; or

(ii) being a dividend paid by any company out of such dividend received by that company as is referred to in paragraph (i) (a) or paragraph (i) (b), if the first mentioned dividend is paid during any year of assessment in which the second mentioned dividend was received by that company, or within one year thereafter; or

(iii) being a dividend out of any such dividend as is referred to in paragraph (i) (a) or paragraph (i) (b) received by any company through one or more intermediary companies during the period for which the profits and income out of which the dividends referred to in paragraph (i) (a) or paragraph (i) (b) are paid are taxable at the rate of ten per centum or within two years thereafter, and paid by such company within one year from the date of receipt of the first mentioned dividend by such company,

such part of the taxable income as consists of such dividends shall notwithstanding any thing to the contrary in this Act be chargeable with income tax at the rate of ten per centum.

(2) Where the taxable income of any person (other than a company) for any year of assessment includes any dividend—

(i) being a dividend—

(a) out of the qualified export profits and income of any company referred to in section 32H and

32K paid during the period in which such profits and income are taxable at the rate of fifteen per centum or within one year thereafter;

- (b) out of the qualified export profits and income of any 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, other than any agreement entered into prior to December 31, 1994, on an application made in that behalf prior to November 11, 1993, being profits and income in respect of which such company has paid income tax at the rate of fifteen per centum paid during the period in which such profits and income are chargeable with income tax at the rate of fifteen per centum or within one year thereafter.
- (ii) being a dividend paid by any company out of such dividend received by that company as is referred to in paragraph (i) (a) or paragraph (i) (b), if the first mentioned dividend is paid during any year of assessment in which the second mentioned dividend was received by that company or within one year thereafter; or
- (iii) being a dividend out of any such dividend as is referred to in paragraph (i) (a) or paragraph (i) (b) received by any company during the period for which the profits and income out of which the dividends

referred to in paragraph (i)(a) or paragraph (i)(b) are paid are taxable at the rate of fifteen per centum or within two years thereafter, and paid by such company within one year from the date of receipt of the first mentioned dividend by such company,

such part of the taxable income as consists of such dividend, shall, subject to the provisions of this Act be chargeable with income tax at the rate of fifteen per centum including such part or the entirety of such income from dividend as is in excess of the taxable income which is chargeable with income tax at the rate of ten per centum.

(3) Subject to the provisions of section 35 where the taxable income of any company includes any dividend referred to in subsection (1) or subsection (2) the rate of income tax applicable to such part of such taxable income as consists of such dividend shall be fifteen per centum.

**Rate of
income tax
on deemed
exports
of any
person or
partnership.**

32M. (1) Where any person or partnership who or which carries on any undertaking for the production or manufacture and supply, to any specified undertaking referred to in subparagraph (i) of paragraph (d) of section 32Q—

(a) of any commodities (other than black tea in bulk, crepe rubber, sheet rubber, scrap rubber, coconut oil, desiccated coconut (other than desiccated coconut manufactured by using continuous scale automated process technology and marketed with a quality guarantee) copra, fresh coconut, coconut fibre or such other commodity as may be specified by the Minister by notice published in the Gazette, for export by such specified undertaking without further production or manufacture by such specified undertaking, or

(b) of any goods for the production or manufacture by such specified undertaking of any commodity for export by such specified undertaking,

the profits and income from such supply (being profits and income within the meaning of paragraph (c) of section 3 other than any profits and income from the sale of capital assets), shall be chargeable with income tax in accordance with the succeeding provisions of this section.

(2) Where any person referred to in subsection (1) is a company (including a company being a partner of any such partnership) and the taxable income of such company for any year of assessment commencing on or after April 1, 1995, includes profits and income referred to in subsection (1) of this section then such company shall be chargeable with income tax at the rate of fifteen per centum in respect of such profits and income.

(3) Where any person referred to in subsection (1) is an individual (including an individual being a partner of such partnership) and the taxable income of such individual for any year of assessment commencing on or after April 1, 1995 includes profits and income referred to in subsection (1) then such individual shall, subject to the provisions of this Act be chargeable with income tax at the rate of fifteen per centum including such part or entirety of such profits and income as is in excess of the taxable income which is chargeable with income tax at the rate of ten per centum.

(4) The provisions of subsections (1), (2) and (3) shall apply if the supply referred to therein—

- (a) is made during the period for which the taxable income of the person who, or of any partner of any partnership which, carried on the specified undertaking referred to in subsection (1) is chargeable with income tax in accordance with the provisions of this Chapter.
- (b) is a supply in respect of which such documentary evidence as is required to satisfy the Commissioner-General that the exports relating to such supply were in fact made, is adduced.

**Rate of
income tax
on profits
and income
from services
rendered
out side
Sri Lanka
by any
resident
company
or partner-
ship.**

32N. (1) Where any resident company or any partnership in Sri Lanka which, carries on or exercises and trade, business, profession or vocation, earns in any year of assessment commencing on or after April 1, 1995, any profits and income in foreign currency in respect of services rendered in that year of assessment, by such company or by such partnership outside Sri Lanka in the course of carrying on, exercising or carrying out such profession, vocation or any construction project in the course of carrying on any trade or business, and such profits and income so earned (less such amount as the Commissioner-General considers to be reasonable expenses) are remitted to Sri Lanka by such company or by such partnership, such profits and income shall, notwithstanding anything to the contrary in this Act, be chargeable with income tax in accordance with the succeeding provisions of this section.

(2) Where the taxable income of any company referred to in subsection (1) for any year of assessment commencing on or after April 1, 1995, includes profits and income referred to in subsection (1) then such company shall be chargeable with income tax at the rate of fifteen per centum in respect of such profits and income.

(3) Where the taxable income for any year of assessment referred to in subsection (1) of any partner of any partnership (not being a company) includes any profits and income referred to in subsection (1) which accrued to him by way of his share of profits from such partnership, such profits and income shall, subject to the provisions of this Act be chargeable with income tax at the rate of fifteen *per centum* including such part or the entirety of such profits and income as it in excess of the taxable income which is chargeable with income tax at the rate of ten *per centum*.

Rate of
Income tax
on emolu-
ments
and fees
earned
in foreign
currency by
an individual
or by a
partnership.

32P. (1) Where any individual or any partnership in Sri Lanka, earns in any year of assessment commencing on or after April 1, 1995, any emoluments and fees in foreign currency in respect of services rendered in Sri Lanka by such individual or by such partnership in Sri Lanka to any person or partnership outside Sri Lanka, in the course of any profession, or any vocation in the field of literature or fine arts, carried on or exercised by such individual or by such partnership in Sri Lanka but not in the course of employment under such person or partnership outside Sri Lanka, and such emoluments and fees are remitted to such individual or to such partnership in Sri Lanka through a bank, such emoluments and fees, shall notwithstanding anything to the contrary in this Act, be chargeable with income tax in accordance with the succeeding provisions of this section.

(2) Where the taxable income for any year of assessment referred to in subsection (1), of any individual includes any emoluments and fees referred to in subsection (1) earned by him or which accrued to him by way of his share of profits from any partnership in Sri Lanka referred to in subsection (1) such emoluments and fees shall, subject to the provisions of this Act be chargeable with income tax at the rate of fifteen

per centum including such part of the entirety of such emoluments and fees as is in excess of the taxable income which is chargeable with income tax at the rate of ten *per centum*.

Interpretation.

32Q. For the purposes of this Chapter—

(a) “qualified export profits and income” in relation to any person means the sum which bears to the profits and income (within the meaning of paragraph (a) of section 3 after excluding therefrom any profits and income from the sale of gems and jewellery and any profits and income from the sale of capital assets) for that year of assessment from any specified undertaking carried on by such person, ascertained in accordance with the provisions of this Act, the same proportion as the export turnover of that undertaking for that year of assessment bears to the total turnover of that undertaking for that year of assessment;

(b) “export turnover” in relation to any specified undertaking means the total amount receivable, whether received or not, by that undertaking from the export of goods or commodities or from the provision of any service referred to sub paragraph (ii) of paragraph (d), but does not include—

(i) any amount receivable, whether received or not, from the export of gems or jewellery or from the sale of any capital assets;

(ii) any amount receivable, whether received or not, from the export of black tea in bulk, crepe rubber, sheet rubber,

scrap rubber, coconut oil, desiccated coconut (other than desiccated coconut manufactured by using continuous scale automated process technology and marketed with a quality guarantee), copra, fresh coconuts, coconut fibre or such other commodity as may be specified by the Minister by Notice published in the *Gazette*; or

(iii) any profits and income not being profits and income within the meaning of paragraph (a) of section 3;

(c) "total turnover" in relation to any specified undertaking means the total amount receivable, whether received or not, by that undertaking from any trade or business carried on by that undertaking but does not include any amount receivable, whether received or not, from the sale of capital assets, gems or jewellery or any profits and income not being profits and income within the meaning of paragraph (a) of section 3;

(d) "specified undertaking" means any undertaking which is engaged in—

(i) the export of non-traditional goods manufactured, produced or purchased by such undertaking; or

(ii) the performance of any service of ship repair, ship breaking, repair and refurbishment of marine cargo containers, provision of computer software, computer programmes, computer systems or leasing

computer data, or such other services as may be specified by the Minister by Notice published in the *Gazette*, for payment in foreign currency.

For the purposes of this section "non-traditional goods" means goods other than black tea in bulk, crepe rubber, sheet rubber, scrap rubber, coconut oil, desiccated coconut (other than desiccated coconut manufactured by using continuous scale automated process technology and marketed with a quality guarantee), copra, fresh coconuts, coconut fibre or such other commodity as may be specified by the Minister by Notice published in the *Gazette*.

**Amend-
ment of
section 33
of the
principal
enactment.**

19. Section 33 of the principal enactment is hereby amended in subsection (1) of that section, as follows :—

(1) in paragraph (ii) of the proviso to paragraph (b) of that subsection, by the substitution, for the words and figures "commencing on or after April 1, 1991 ; and ", of the words and figures, "commencing on or after April 1, 1991 ;" ; and

(2) by the addition, immediately after the proviso to paragraph (b) of that subsection, of the following proviso :—

"Provided further that any company shall not be liable to pay tax under paragraph (b) on any gross dividend distributed by such company in any year of assessment to a company or body of persons who or which is exempt from income tax under paragraph (a) of section 8.".

**Amend-
ment of
section 33A
of the
principal
enactment.**

20. Section 33A of the principal enactment is hereby amended as follows :—

(1) by the repeal of subsection (2) of that section, and the substitution of the following subsection therefor :—

"(2) Every resident company shall be entitled to deduct from any quarterly instalment referred to in section 97 of income tax payable by it—

- (a) under section 33(1) (a), or
- (b) under section 32F or section 32H or section 32K

for any year of assessment commencing on or after April 1, 1988, the advance company tax paid by it in that year of assessment, but prior to the date on which such instalment is required to be paid under section 97, such deduction shall not exceed fifty per centum of the aggregate of the tax payable under—

- (i) section 33(1), and
- (ii) section 32F or section 32H or section 32K by that company in that year of assessment."; and

(2) in subsection (3) of that section, by the substitution for the words and figures from "in accordance with the provisions of section 125(2) (iv)" to the end of that subsection, of the words and figures, "in accordance with the provisions of paragraph (iv) of the proviso to section 125(2) from the tax payable under section 33 (1) (a) or under section 32F, or section 32H or section 32K by that company for the next succeeding year of assessment and so on, so however, that the total amount deducted on account of advance company tax from the tax payable by that company under section 33 (1) (a) or under section 32F, or section 32H, or section 32K for any year of assessment shall not exceed fifty per centum of the tax payable under section 33 (1) (a) or under section 32F, or section 32H or section 32K, by that company for that year of assessment.".

21. Section 33c of the principal enactment is hereby amended as follows:—

- (1) in sub-paragraph (c) of paragraph (1) of that section—
(a) by the insertion, immediately after item (iii), of that sub-paragraph, of the following item:—

**Amend-
ment of
section 33c
of the
principal
enactment**

- “ (iiiia) dividends in relation to which advance company tax has been paid at twenty-seven *per centum*;”; and
- (b) by the addition immediately after item (iv) of that sub-paragraph, of the following new items:—
- “ (iva) dividends in relation to which advance company tax has been paid at eight *per centum*;
- (ivb) dividends in relation to which advance company tax has been paid at five *per centum*;”; and
- (2) in paragraph (2) of that section, by the repeal of sub-paragraph (b) of that paragraph and the substitution therefor of the following sub-paragraph:—
- “ (b) profits and income taxable—
- (i) under section 32F.
 - (ii) under section 32H.
 - (iii) under section 32K.
 - (iv) at the rates other than those specified in the second Schedule to this Act; and”.
22. Section 38 of the principal enactment is hereby amended as follows:—
- (1) in subsection (1) of that section, by the substitution, for the words “any dividend payable to any shareholder in the form of money”, of the words, “any dividend payable to any shareholder, other than any shareholder whose profits and income are exempt from income tax under paragraph (a) of section 8 in the form of money”;
- (2) in subsection (2) of that section—
- (i) in paragraph (d) of that subsection—
- (a) by the insertion, immediately after sub-paragraph (iii) of that paragraph of the following subparagraph:—
- “ (iiia) dividends received in relation to which advance company tax has been paid at twenty seven *per centum*;”; and

Amend-
ment of
section 38
of the
principal
enactment.

(b) by the insertion immediately after subparagraph (iv) of that paragraph of the following sub-paragraphs :—

“ (iva) dividends received in relation to which advance company tax has been paid at eight *per centum* ;

(ivb) dividends received in relation to which advance company tax has been paid at five *per centum* ; and

(ii) 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), (iii), or (iv), or (iva), (ivb), of paragraph (d) ” ;

(3) in subsection (2A) of that section—

(a) by the substitution, in paragraph (ii) of that subsection, for the words and figures, “ commencing on or after April 1, 1988.”, of the words and figures, “ commencing on or after April 1, 1988.”, and

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

“ (iii) any payments made in that year of assessment, in respect of tax under section 32F or section 32H or section 32K for any year of assessment commencing on or after April 1, 1994.”.

23. Section 85A of the principal enactment is hereby amended as follows :—

Amend-
ment of
section 85A
of the
principal
enactment.

(a) by the re-numbering of that section as subsection (1) of that section,

(b) by the addition immediately after subsection (1) of that section of the following subsection :—

- "(2) the provisions of this section shall not apply to a person—
 - (a) to whom the provisions of section 32F, or 32G or 32H apply;
 - (b) to whom the provisions of section 32J or section 32K apply.".

**Amendment
of section 113A
of the
principal
enactment.**

24. Section 113A of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for all the words from "For the purposes of a deduction" to "in any year of assessment," of the following words:—

'For the purposes of a deduction under this section "interest" means such part of—

- (a) the interest received by a person chargeable with income tax from a bank or financial institution; or
- (b) any sum of money received by such person as interest or discount in respect of a bond issued by a bank or financial institution not being a sum of money received as interest or discount on—
 - (i) a government security held by any person,
 - (ii) a treasury bill held by any person other than the Central Bank of Sri Lanka,
 in any year of assessment.'

**Replacement
of section
113R of the
principal
enactment.**

25. Section 113R of the principal enactment is hereby repealed and the following section substituted therefor:—

**"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—

- (a) for the year of assessment commencing on April 1, 1993, the excess of—
 - (i) the income tax computed at the rates specified in Part 11E 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;

(b) for any year of assessment commencing on or after April 1, 1994, the excess of—

(i) the income tax computed at the rates specified in Part 11F 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) six thousand rupees.”.

26. Section 126 of the principal enactment is hereby amended by the addition immediately after sub-paragraph (d) of that section of the following sub-paragraph :—

“(e) the whole or any part of any quarterly instalment of income tax referred to in section 97 and which any person is liable to pay for any year of assessment.”.

**Amendment
of section
126 of the
principal
enactment.**

27. Section 149 of the principal enactment is hereby amended by the insertion immediately after subsection (6) of that section of the following subsection :—

“(7) Notwithstanding anything to the contrary in section 35, any tax deducted in accordance with section 38 in respect of a dividend distributed on or after April 1, 1991 and paid by a resident company to any person whose profits and income are exempt from income tax under paragraph (a) of section 8 shall be refunded to such person on a claim duly made by him in writing within three years of the end of the year of assessment in which such tax was deducted.”.

**Amendment
of section
149 of the
principal
enactment.**

28. Section 163 of the principal enactment is hereby amended by the substitution for the definition of “qualifying distribution” of the following definition :—

“qualifying distribution” means—

**Amendment
of section
163 of the
principal
enactment.**

(A) for any year of assessment commencing on or after April 1, 1988 but prior to April 1, 1994, means the whole or part of any gross dividend distributed by a resident company to a shareholder, in the form of money or of an order to pay money, out of such profits of the company which, if taxable for that year of assessment would be taxed at the appropriate rate specified in the Second Schedule to this Act, as the rate applicable to companies of that class, but does not include any dividend distributed out of—

- (i) profits or income which accrued or arose, to such company, prior to April 1, 1988;
- (ii) its exempt income, and
- (iii) any income from dividend received by such company.

(B) for any year of assessment commencing on or after April 1, 1994, means the whole or a part of any gross dividend distributed by a resident company to a shareholder, in the form of money or of an order to pay money, out of such profits of the company being profits which—

- (i) if taxable for that year of assessment, would be taxed at the appropriate rates specified in the Second Schedule to this Act, as the rate applicable to companies of that class, or
 - (ii) are taxed in accordance with the provisions of section 32F, or of section 32H or of section 32K,
- but does not include any dividend,

(a) distributed out of—

- (i) profits or income which accrued or arose to such company prior to April 1, 1988,
- (ii) its exempt income,
- (iii) any income from dividend received by such company; or

(b) paid to any person whose profits and income are exempt from income tax under paragraph (a) of section 8.”.

29. The First Schedule to the principal enactment is hereby amended as follows:—

- (1) in Part II of that Schedule by the substitution, for the words and figures “The rates of income tax for any year of assessment commencing on or after April 1, 1992, shall be as follows:—”, of the words and figures “The rates of income tax for any year of assessment commencing on or after April 1, 1992, but prior to April 1, 1994, shall be as follows:—”;
- (2) by the insertion, immediately after Part II of that Schedule, of the following Part:—

**Amendment
of the First
Schedule
to the
principal
enactment**

“Part II

The rates of income tax for any year of assessment commencing on or after April 1, 1994, shall be as follows:—

On the first Rs. 35,000 of the taxable income ..	10 per centum
On the next Rs. 25,000 of the taxable income ..	20 per centum
On the next Rs. 25,000 of the taxable income ..	30 per centum
On the balance of the taxable income ..	35 per centum”.

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

- (1) by the substitution in Part IV C of that Schedule, for the words and figures, “The rate of income tax for every year of assessment commencing on or after April 1, 1993,” of the words and figures “The rate of income tax for the year of assessment commencing on April 1, 1993—”;
- (2) by the substitution for Part XI of that Schedule of the following Part:—

**Amendment
of the
Second
Schedule
to the
principal
enactment**

"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 IVC.

The rate of income tax for the year of assessment commencing on April 1, 1993—

On the taxable income of the company .. 40 per centum";

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

"PART XII

Company including unit trust, mutual fund and, public corporation (other than the Central Bank of Sri Lanka).

The rate of income tax for every year of assessment commencing on or after April 1, 1994—

On the taxable income of the company .. 35 per centum".

**Amendment
of the Third
Schedule
to the
principal
enactment**

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

(1) by the substitution, in paragraph 1 of that Schedule for the words and figures from "For any year of assessment commencing on or after April 1, 1993—" to the end of that paragraph of the following words and figures :—

"For the year of assessment commencing on 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**

For any year of assessment commencing on or after April 1, 1994—

On the taxable income .. 35 per centum";

(2) by the substitution for paragraph 9 of that Schedule of the following paragraph :—

“ 9. Governments (other than the Government of Sri Lanka and the Government of the United Kingdom);

For any year of assessment ending on or before April 1, 1994—

On the taxable income of Governments other than the Government of Sri Lanka and the United Kingdom 55 per centum

For any year of assessment commencing on or after April 1, 1994—

On the taxable income of Governments other than the Government of Sri Lanka and the United Kingdom 35 per centum

(3) In paragraph 11 of that Schedule—

(i) by the substitution in sub-paragraph (d) of that paragraph for the words and figures “for any year assessment commencing on or after April 1, 1993”, of the words and figures “for the year of assessment commencing on April 1, 1993”;

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

“(e) for any year of assessment commencing on or after April 1, 1994—

(i) on the taxable income 35 per centum

(ii) on the balance of the profits after deduction therefrom the tax payable under paragraph (1) 25 per centum”.

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

**Replacement
of the
Seventh
Schedule
of the
principal
enactment**

32 : Inland Revenue (Amendment) Act,
No. 21 of 1994

"SEVENTH SCHEDULE (section 33A (1))

The rates of advance company tax for every year of assessment commencing on or after April 1, 1983, but prior to 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 rate of advance company tax for the two years of assessment commencing respectively on April 1, 1992 and April 1, 1993 shall be as follows:—

- (i) on the amount equal to every qualifying distribution made by a small company .. 25 per centum
- (ii) on the amount to 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, 1994, shall be as follows:—

- (i) On the amount equal to the amount of every qualifying distribution made by a unit trust or mutual fund or any other company .. 27 per centum
- (ii) On the amount equal to the amount of every qualifying distribution made by a company out of the profits which are taxed in accordance with the provisions of section 32H or section 32K .. 8 per centum

(iii) on the amount equal to the amount of every qualifying distribution made by a company out of the profits which are taxed in accordance with the provisions of section 32F *5 per centum*".

33. (1) The amendment to section 8 of the principal enactment made by section 2(3) of this Act, for the exemption from income tax of the Fund for tea, rubber and coconut shall be deemed for all purposes to have come into force on June 26, 1985.

(2) The amendment to section 14 of the principal enactment, made by section 6(4) of this Act, shall be deemed for all purposes to have come into force on October 1, 1993.

(3) The amendment to section 15 of the principal enactment, made by section 6(4) of this Act, shall be deemed for all purposes to have come into force on April 1, 1994.

(4) The amendment to section 17A of the principal enactment made by section 7 of this Act, shall be deemed for all purposes to have come into force on April 1, 1994.

(5) The amendment to section 17F of the principal enactment made by section 8 of this Act, shall be deemed for all purposes to have come into force on April 1, 1994.

(6) The amendment to section 23 of the principal enactment made by section 12(1) of this Act, shall be deemed for all purposes to have come into force on August 18, 1993.

(7) The amendment to section 24 of the principal enactment made by section 14 of this Act, shall be deemed for all purposes to have come into force on August 18, 1993.

(8) The amendment to section 113A of the principal enactment made by section 24 of this Act, shall be deemed for all purpose to have come into force on July 1, 1994.

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

Retrospective operation

Sinhala text to prevail in case of inconsistency.