

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

Part II of February 25, 2011

SUPPLEMENT

(Issued on 28. 02. 2011)



INLAND REVENUE (AMENDMENT)

A

BILL

to amend the Inland Revenue Act, No. 10 of 2006

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Inland Revenue (Amendment)

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

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

1. This Act may be cited as the Inland Revenue (Amendment) Act, No. of 2011. Short title

2. Section 4 of the Inland revenue Act, No. 10 of 2006 (hereinafter referred to as the "Principal enactment") as amended by Act. No. 10 of 2007, is hereby further amended in paragraph (c) of subsection (1) as follows:- Amendment
of section 4
of Act,
No. 10 of
2006.

(1) by the substitution in sub-paragraph (ii), for the words "his contributions to that fund," of the words and figures "his contributions to that fund. where such retirement took place prior to April 1, 2011";

(2) by the substitution in sub-paragraph (iii) (B), for the words "such contribution and interest," of the following words and figures:-

"such contribution and interest.

where such employee retires from the employment prior to April 1, 2011; "

3. Section 7 of the principal enactment as last amended by Act, No. 19 of 2009, is hereby further amended as follows:- Amendment
of section 7
of the
principal
enactment

(1) by the substitution in paragraph (e) of that section for the words " the profits and income of a charitable institution" of the words " the profits and income accruing prior to April 1, 2011, of a charitable institution";

- (2) by the substitution for paragraph (h) of that section, of the following paragraph:-

5 "(h) the profits and income of any registered society with the meaning of the Co-operative Societies Law, No. 5 of 1972 or under the respective Statute enacted by a Provincial Council providing for such registration";

- 10 (3) by the substitution in paragraph (i), of that section, for the words and figures "Apiwenuwen Api Fund Act, No. 6 of 2008, " of the words and figures " Apiwenuwen Api Fund Act, No. 6 of 2008";

- 15 (4) by the addition immediately after paragraph (i) of that section, of the following new paragraphs:-

 "(J) the profits and income for every year of assessment within the period of ten years commencing of April 1, 2011, of-

- 20 (i) Sri Lankan Airlines Limited;
 (ii) Mihin Lanka (Pvt) Limited;

- (k) the profits and income for every and income for every year of assessment within the period of five years commencing on April 1, 2011, of -

- 25 (i) Ceylon Electricity Board;
 (ii) National Water Supply and Drainage Board;
 (iii) Ceylon Petroleum Corporation;
 (iv) Sri Lanka Ports Authority,

30 if, twenty five *per centum* of the gross profits of such Board, Corporation or Authority, as the case may be, for such year of assessment is paid as divided to the Government."

4. Section 8 of the principal enactment as last amended by

Act, No. 19 of 2009, is hereby further amended in subsection (1) as follows:-

Amendment
of section 8
of the
principal
enactment

- 5 (1) by the substitution in paragraph (p), of that sub
section for the words "value of any benefits
accruing to', of the words and figures" value of any
benefits accruing before April 1, 2011, to";
- 10 (2) in paragraph (q) if that subsection, by the
substitution in subparagraph (ii), for the words and
figures " the Merchant Shipping Act, No. 52 of
1971.", of the words and figures "the Merchant
Shipping Act, No. 52 of 1971;" and
- (3) by the addition, immediately after paragraph (q) of
that section, of the following new paragraphs:-
- 15 (r) rental value of one place of residence
provided to any individul referred to in
paragraph (b) of subsection (1), rent free or at
a rent less than the rental value of such place;
- 20 (s) either the value of benefit from private use of
one moter vehicle provided by the employer
or any allowance paid in lieu of the provision
of such vehicle, subject to a maximum of fifty
thousand rupees;
- 25 (t) where the profits from employment other than
profits referred to in paragraph (c) of
subsection (1) of section 4, exceeds five
hundred thousand rupees, then-
- (i) such part of such profits in excess of
five hundred thousand rupees;
- 30 or
- (ii) one hundred thousand rupees.
- whichever is lower;

- (u) any special payment made to any individual or holder of office, referred to in paragraph (b) of subsection (1) for emergency or priority services, or for any special task rendered or carried out by such individual;
- (v) official emoluments arising in Sri Lanka to any non-citizen individual from the participation in any international event conducted in Sri Lanka."

10

5. Section 9 of the principal enactment as last amended by Act, No. 19 of 2009, is hereby further amended in paragraph (h) of that section, by the substitution for the words "such part of any interest as does not exceed two hundred thousand rupees accruing or arising in any year of assessment to any individual", of the words and figures "such part of any interest as does not exceed-

Amendment
of section
9 of the
principal
enactment.

15

- (i) two hundred thousand rupees accruing for, or arising in, any year of assessment ending prior to April 1, 2011; and
- (ii) five hundred thousand rupees accruing for, or arising in, any year of assessment commencing on or after April 1, 2011,

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to any individual".

6. Section 13 of the principal enactment as last amended by Act, No. 19 of 2009, is hereby further amended as follows:-

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- (1) by the substitution in Sub-paragraph (i) of paragraph (b) of that section, for the words "services relating to any construction project;and", of the words "services relating to any construction project;";

Amendment
of section
13 of the
principal
enactment.

30

- (2) by the substitution in sub paragraph (ii) of paragraph (b) of that section, for the words "any goods imported into Sri Lanka.", of the following words and figures:-

"any goods imported into Sri Lanka; and

5 (iii) in respect of any business of exporting any goods, being goods which were brought to Sri Lanka on a consignment basis, and re-exported without subjecting such goods to any process or manufacture, other than the repacking or labeling or labeling of such goods in the preparation to the market,";

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

10 (bb) the profits and income earned in foreign currency by any manufacturer of textile, leather products, footwear or bags, from supplies made to any foreign buyer who has established his headquarters in Sri Lanka for management, finance, supply chain and billing;"

20 (4) by the substitution in paragraph (ddd) of that section, for all the words commencing from "from services rendered in or outside Sri Lanka, " to "the national economy of Sri Lanka, ", of the words "from any service rendered in or outside Sri Lanka to any person or partnership outside Sri Lanka, other than any commission, discount or similar receipt for any such service rendered in Sri Lanka,";

(5) by the insertion immediately after paragraph (xxxxx) of that section, of the following new paragraph:-

30 "(xxxxxx)(i) an amount equal to the interest payable to any bank or other financial institution in Sri Lanka, in respect of any loan granted out of the moneys lying into the credit of the Investment Fund account of such bank or institution, maintained and operated in accordance with the guidelines set by the Central Bank; or

- (ii) an amount equal to the interest payable to any bank or other financial institution in Sri Lanka, in respect of any loan granted-

5

- (A) to any company for investing in an undertaking referred to in section 17A, for investment in full in such undertaking;

10

- (b) to any person or partnership for investing in full for the operation of re-opened abandoned factory.

15

In this paragraph "re-opened abandoned factory" means a factory which was engaged in the production or manufacture of any commodity or article but which had not been so engaged for an unbroken period of not less than three years, preceding November 22, 2010; and which commences to produce or manufacture such commodity or article or any other commodity or article in commercial quantities before April 1, 2012.";

20

- (6) by the insertion, immediately after paragraph (yyy) of that section, of the following new paragraphs:-

25

"(yyyy) the profits and income arising or accruing to any person from any undertaking for the operation of any Port terminal in Sri Lanka; and

30

"(yyyyy) the profits and income from any service rendered by any person or partnership in any Port in Sri Lanka in the course of any business carried on within such Port;"

35

(7) by the insertion, immediately after paragraph (zzzz) of the section, of the following new paragraph:-

"(zzzz) the profits and income arising or accruing to any person from any undertaking for the construction of any Port in Sri Lanka.";

7. The following new sections are inserted immediately after section 16 of the principal enactment and shall have effect as section 16A, section 16B and section 16C respectively, of that enactment:-

10 "Exemption. 16A. (i) The profits and income within the meaning of paragraph (a) of section 3, other than any profits and income from the disposal of any capital asset, of any person or partnership from any undertaking for fishing carried on in Sri Lanka, shall be exempt from income tax for each year of assessment within the period of five years commencing on April 1, 2011.

Insertion of new sections 16A, 16B and 16C in the principal enactment.

20 (2) In this section "undertaking for fishing" includes any undertaking for the cleaning, sizing, sorting, grading, chilling, dehydrating, packaging cutting or canning of fish in preparation of such produce for the market.

25 (3) In relation to an undertaking which consists of fishing and utilizing such fish for manufacturing of any product, such fish shall be deemed to have been sold for the manufacture of such product at the open market price prevailing at the time of such deemed sale, and the exemption granted under subsection (1) shall be applicable to that undertaking, on the profits and income computed on the basis of such deemed sale.

30 Exemption from income tax of the profits and income of any 16B. (i) The profits and income within the meaning of paragraph (a) of section 3, other than any profits and income from the disposal of any capital asset, of any person or partnership from any undertaking for producing

8 *Inland Revenue (Amendment)*

undertaking for agricultural seeds or planting materials. of agricultural seeds or planting materials, or primary processing of such seeds or materials, shall be exempt from income tax for each year of assessment within the period of five years, commencing on April 1, 2011.

5

(2) In this section "primary processing" means cleaning, sizing, sorting, grading, chilling, dehydrating, cutting, canning or packaging for the purpose of preparation of such produce for the market.

10

(3) In relation to an undertaking which consists of product in of agricultural seeds or planting materials and utilizing such seeds or materials in the agriculture or horticulture, such produce shall be deemed to have been sold for such purpose at the open market price prevailing at the time of such deemed sale, and the exemption granted under subsection (1) shall be applicable to that undertaking, on the profits and income computed on the basis of such deemed sale.

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Exemption from income tax of the profits and income of any new undertaking investing fifty million rupees.

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16C. (i) The profits and income within the meaning of paragraph (a) of section 3, (other than any profits and income from the sale of any capital asset) of any new undertaking referred to in subsection (2), and carried on by any person or partnership on or after April 1, 2011, shall be exempt from income tax for a period of three years reckoned from the commencement of the year of assessment in which such undertaking commences to make profits from transactions entered into in that year of assessment, or from the commencement of the year of assessment immediately succeeding the year of assessment in which the undertaking completes a period of two years reckoned from the date on which the

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undertaking commences to carry on commercial operations, whichever occurs earlier.

(2) For the purpose of subsection (1), "new undertaking" means an undertaking-

- 5 (a) which is engaged in the manufacture of any article other than any liquor or tobacco product;
- (b) in which the sum invested in the acquisition of fixed assets after November 22, 2010 but before March 31, 2012 is not less than fifty million rupees;
- 10 and
- (c) which commences commercial operations on or after April 1, 2011;".
- 15

8. Section 17 of the principal enactment as amended by Act No. 19 of 2009, is hereby further amended in subsection (2) of that section, by the substitution in sub-paragraph (ii) of paragraph (a), for the words and figures "incorporated on or after April 1, 2002, of the works and figures "incorporated on or after April 1, 2002, but prior to April 1, 2002, but prior to April 1, 2011,".

Amendment of section 17 of the principal enactment.

- 20 9. The following new section is hereby inserted immediately after section 17 of the principal enactment and shall have effect as section 17A of that enactment:-

Insertion of new section 17A in the principal enactment.

- "Exemption from income tax of the profits and income from any new undertaking engaged in any prescribed activities.
- 25
- 30
- 17A. (1) The profits and income within the meaning of paragraph (a) of section 3 (other than any profits and income from the sale of any capital asset) of any company from any new undertaking referred to in subsection 92), and carried on by such company on or after April 1, 2011, shall be exempt from income tax for a period of five years reckoned from the commencement of the year of assessment in which such undertaking commences to make profits from transactions entered into in that year of assessment or from the commencement of the year of assessment immediately succeeding the

year of assessment in which such undertaking completes a period of two years reckoned from the date on which such undertaking commences to carry on commercial operations, whichever occurs earlier:

5 Provided that where the quantum of investment made in such undertaking is more than United State Dollars three million or its equivalent, the Minister may, having regard to the economic development of the country, grant tax exemption on the same basis, for a period
10 not exceeding seven years.

15 (2) For the purpose of subsection (1), "new undertaking" means an undertaking engaged in any activity prescribed by the Minister having regard to the development of the national economy, as needed for the economic development of the country and which shall be with an investment of not less than United State Dollars three million or equivalent in other currencies invested in fixed assets."

20 10. Section 20 of the principal enactment as amended by the Act, No. 9 of 2008, is hereby further amended in subsection (2) of that section as follows:-

Amendment
of section 20
of the
principal
enactment.

25 (1) by the substitution in paragraph (c) of that subsection, for the words and figures "April 1, 2009-", of the words and figures "April 1, 2010-"; and

 (2) by the substitution in paragraph (e) of that subsection, for the words and figures "prior to April 1, 2009", of the words and figures "prior to April 1, 2010".

30 11. Section 21 of the principal enactment as amended by Act, No. 9 of 2008, is hereby further amended in paragraph (b) of subsection (2) of that section, the substitution for the words and figures "not later than March 31, 2009," of the words and figures "not later than March 31, 2010,".

Amendment
of
section 21 of
the
principal
enactment

12. Section 21 A of the principal enactment is hereby amended in paragraph (b) of subsection (2) of that section, by the substitution for the words and figures "not later than March 31, 2009, of the words and figures "not later than March 31, 2010".

Amendment
of
section 21A
of the
principal
enactment

13. Section 23 of the principal enactment as last amended by Act No. 9 of 2008, is hereby further amended by the substitution is subsection (1), for the words " the first investment, an associate company.", of the following words and figures:-

Amendment
of
section 23 of
the principal
enactment

"The first investment, an associate company:

Provided further that" Where any venture capital company had not made any investment prior to April 1, 2011 for the purchase of ordinary shares in any project referred to in paragraph (a), (b), or (c) of subsection (1), such company shall not be entitled to any tax exemption under this section."

14. Section 25 of the principal enactment as last amended by Act No. 19 of 2009, is hereby further amended in subsection (1) of that section as follows:-

Amendment
of
section 25 of
the
principal
enactment

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

(a) by the substitution in sub-section (iii), for the words "sub-paragraph (v), acquired or assembled by such person, at the rate of twelve and one half per centum on the cost of acquisition or assembly;", of the following words and figures:-

"sub-paragraph (iv)-

(A) acquired or assembled prior to April 1, 2011 by such person, at the rate of twelve and one half *per centum per annum*; or

12 *Inland Revenue (Amendment)*

(B) acquired or assembled on or after April 1, 2011 by such person, at the rate of thirty three and one third *per centum per annum*.

on the cost of acquisition or assembly;"

5

(b) in sub-paragraph (v) of that paragraph by the substitution for the words "any qualified building" of the words and figures "any qualified building constructed prior to April 1, 2011,"

10

(c) by the insertion immediately after sub-paragraph (v) of that paragraph, of the following new sub-paragraph:-

15 "(vi) any qualified building constructed on or after April 1, 2011, at the rate of ten per centum, on the cost of construction;"

(d) in paragraph (b) of the proviso to that paragraph-

20

"(i) in sub-paragraph (i), by the substitution for the words "machinery acquired is used in any business", of the words and figures "machinery acquired prior to April 1, 2011, is used in any business"; and

25

(ii) in sub-paragraph (ii), by the substitution for the words and figures "acquired on or after April 1, 2007 being a ship", of the words and figures "acquired on or after April 1, 2007, but prior to April 1, 2011, being a ship";

30

(2) by the substitution in paragraph (i) of that subsection, for the words "the expenditure, including capital expenditure incurred by such person", of the following words and figures:-

"for any year of assessment-

- (a) commencing prior to April 1, 2011, the expenditure including capital expenditure; or
- 5 (b) commencing on or after April 1, 2011, an amount equal to two hundred per centum of the expenditure, including capital expenditure, incurred by such person";
- (3) in paragraph (r) of that subsection, by the substitution for the words "carrying on any profession," of the words "carrying on any profession;"; and
- 10 (4) by the addition, immediately after the paragraph (r) of that subsection, of the following new paragraph:-
 - 15 "(s) any expenditure incurred in any year of assessment quoting any shares of a company in any official list of any stock exchange licensed by the Securities and Exchange Commission of Sri Lanka, provided that the aggregate of such expenditure incurred in that year if
 - 20 assessment and in an previous year of assessment shall not exceed one per centum of the value of the Initial Public Offering of Such company.",

25 15. Section 26 of the principal enactment as last amended by Act, No. 9 of 2008, is hereby further amended in subsection (1) as follows:-

Amendment of section 26 of the principal enactment

- (1) by the substitution in sub-paragraph (ii) of paragraph (c), for the words "in foreign currency;", of the following words and figures :-

30 "in foreign currency:

Provided that for any year of assessment commencing on or after April 1, 2011 -

- 35 (a) such part of expenditure incurred in travelling outside Sri Lanka in connection with any trade or

14 *Inland Revenue (Amendment)*

business carried on or exercised in Sri Lanka by
and person, other than-

5 (i) such expenses incurred solely in connection
with the promotion of export trade of any article
or goods or the provision of any services for
payment in foreign currency ; or\

10 (ii) such expenditure incurred in carrying out an
approved programme as referred to in paragraph
(d); or

(b) an amount equal to two per centum of the profits
and income of such trade or business in the
immediately preceding year of assessment,

15 whichever is the lower, shall be deductible in
ascertaining the profits and income from such trade
or business for that year of assessment.

(2) by the substitution in sub-paragraph (i) of paragraph
(r) for the words “one million rupees or”, of the words
“two million rupees or”,

20 (3) by the substitution in paragraph (v) of that
subsection, for the words “one half of such person’s
cost of advertisement”, of the following words and
figures :-

“for any year of assessment-

25 (i) commencing prior the April 1, 2011, one half;
and

(ii) commencing on or after April 1, one fourth,

30 such person’s cost of advertisement”;

(4) by the substitution in paragraph (y) of that
subsection, for the words “debt instrument.” of the
words “debt instruments;” ; and

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

“(z) the income tax paid by any employer in respect of the employment income of any individual employed by such employer”

16. Section 32 of the principal enactment as last amended by Act, No. 9 of 2008, is hereby further amended as follows :-

Amendment
of
Section 32 of
the
Principal
33
enactment.

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

(a) by the substitution in paragraph (g), for the words “Sri Lanka currency for such purchase; and”, of the words “Sri Lanka currency for such purchase;”;

(b) by the substitution in paragraph (h), for the words and figures “section 161A of this Act.”, of the words and figures “section 161A of this Act; and”;and

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

“(i) profits from any employment, other than profits referred to in paragraph © of section 4, from which income tax is deducted by the employer under section 114 and such person being an individual has no other income other than any income referred to in this section as not forming part of assessable income of such individual.”

(1) in subsection (5) of that section, by the addition immediately after sub-paragraph (iv) of the proviso to paragraph (a) of that subsection, of the following new sub-paragraph

“(v) no deduction under this section shall be made from any employment income included in the total statutory income;”.

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

Amendment
of
Section 33 of
the
Principal
enactment.

(1) by the substitution in paragraph (a) of that subsection for the words “an allowance of three hundred thousand rupees; and”, of the following words and figures :-

“an allowance of-

16 *Inland Revenue (Amendment)*

(i) three hundred thousand rupees in respect of any year of assessment commencing prior to April 1, 2011;
And

5 (ii) five hundred thousand rupees in respect of any year of assessment commencing on or after April 1, 2011, and”;

(2) by the substitution in the proviso to that subsection, for the words ‘as such trustee, receiver, executor or liquidator,”, of the following words and figures :-

10 “as such trustee, receiver, executor or liquidator”

15 Provided further, that for any year of assessment commencing on or after April 1, 2001, any individual being citizen of Sri Lanka, irrespective of whether such individual is resident in Sri Lanka or not, shall be entitled to deduct the allowance referred to in paragraph (a).”.

20 18. Section 34 of the principal enactment as last amended by Act, No. 19 of 2009, is hereby further amended as follows :-

Amendment
of
Section 34 of
the
Principal
Enactment.

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

25 (a) by the substitution in paragraph (a), for the words “made by any person in money to an approved charity”, of the words “made by any person in money to an approved charity being a charity which is established for the provision of institutionalized care for the sick or the needy;

30 (b) by the substitution in paragraph (d), for the words “amount paid by an individual as a contribution”, of the words and figures “amount paid prior to April 1, by an individual as a contribution”,

- (d) by the substitution in paragraph (f), for the words “donation made by any person”, of the words and figures “donation made prior to April 1, 2011, by any person”;
- 5 (e) by the substitution in sub-paragraph (ii) of paragraph (g), for the words “policy of medical insurance,”, of the following words and figures:-
“policy of medical insurance other than any policy referred to in paragraph (gg); and”;
- 10 (f) by the insertion immediately after paragraph (g) of that subsection, of the following new paragraph:-
“(gg) any premia in any year of assessment commencing on or after April 1, 2011, being premia which have accrued due for payment on a policy of special health insurance which covers any incurable disease, but not being
15 premia paid outside Sri Lanka in respect of an such policy issued outside Sri Lanka.”;
- (g) by the substitution in paragraph (i), for the words “any expenditure incurred”, of the word and figures
20 “any expenditure incurred prior to April 1, 2011”; and
- (h) by the substitution in paragraph (j), for the words “any expenditure incurred”, of the word and figures “any expenditure incurred prior to April 1, 2011”; and
- 25 (l) in subsection (4) of that section, by the substitution in sub-paragraph (i) of paragraph (a), for the words “paragraphs (a), (b), (c), (e), (g), (h)”, of the words “Paragraphs (a), (b), (c), (e), (g), (gg), (h)”.

19. Section 42 of the principal enactment is hereby amended by the substitution for the words “profits and income arising in Sri Lanka”, of the words and figures “profits and
30 income arising on or prior to April 1, 2011 in Sri Lanka”.

Amendment
of section 42
of the
principal
enactment

20. Section 45 of the principal enactment as last amended by Act, No. 10 of 2007 is hereby further amended in subsection (1) thereof, by the insertion immediately after paragraph (a), of the following new paragraph:-

Amendment of section 45 of the principal enactment.

5 “(aa) undertaking for the manufacture of animal feed;”.

21. Section 47 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words “any year of assessment includes”, of the words and figures “any year of assessment commencing prior to April 1, 2011 includes”.

Amendment of section 47 of the principal enactment.

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

Insertion of new section 48A in the principal enactment.

20 “Rate of income tax after the expiry of tax exemption under section 16. 48A. Such part of the profits and income from any agricultural undertaking referred to section 16, included in the taxable income of any person or for any year of assessment commencing on or after April 1, 2011 shall, notwithstanding anything to the contrary in any other provisions of this Act, be taxable at the appropriate rate specified in the Fifth Schedule to this Act..”.

23. The following new sections are hereby inserted immediately after section 50 of the principal enactment and shall have effect as section 59A and 59b respectively, of that enactment:-

Insertion of new section 59B in the principal enactment.

30 “Rate of income tax on the profits from the export or supply to an exporter of certain product having domestic 59A. Such part of the profits and income of any person from an undertaking for the manufacture of any product for export, or for supply to an exporter for export, being a product having domestic value addition in excess of sixty five per centum and Sri Lankan brand name with patent rights reserved in Sri Lanka, be chargeable with income tax at the appropriate rate specified in the Fifth Schedule

value
addition over
sixty five *per*
centum.

5 Rate of
income tax
applicable to
any
undertaking
with annual
turnover not
10 exceeding
three
hundred
million.

59B.(1) The profits and income of any
person or partnership for any year of
assessment commencing on or after April 1,
2011, from any undertaking referred to in
subsection (2) shall be chargeable with income
tax at the appropriate rate specified in the Fifth
Schedule to this Act-

(2) For the purpose of this section
“undertaking” in relation to any year of
assessment referred to in subsection (1)
means any undertaking-

15 (a) engaged in the manufacture of any
article or in the provision of any service;
and

20 (b) the turnover of such undertaking (other
than sale of any capital asset) for that
year of assessment does not exceed
three hundred million rupees.”.

24. Section 61 of the principal enactment as last amended
by Act, No. 9 of 2008, is hereby further amended in subsection
25 (1) of that section as follows :-

Amendment
of section 78
of the
principal
enactment.

(1) by the substitution in paragraph (a) of that
subsection, for the words “Second Schedule to
this Act;”, of the words “Second Schedule or Fifth
Schedule to this Act, as the case may be;”;

30 (2) in paragraph (b) of that subsection-

(a) by the substitution in sub-paragraph (ii) of
that paragraph for the words “where such
company has within such period distributed

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dividends less in amount than twenty five *per centum* of the distributable profits for that preceding year.”, of the following words and figures:-

5 “(A) where such year of assessment is any year of assessment commencing prior to April 1, 2011 and the company has within such period distributed dividends less in amount than twenty five *per centum*;
or

10 (B) Where such year of assessment is any year of assessment commencing on or after April 1, 2011, and the company has within such period distributed dividends less in amount than ten *per centum*

15 Of the distributable profits for that preceding year.”; and

(b) by the substitution in the proviso to sub-paragraph (ii), for the words “company has distributed twenty five per centum of its distributable profits”, of the following words and figures :-

“company has distributed-

(A) twenty five *per centum*, where such year of assessment is any year of assessment commencing prior to April 1, 2011; or

25 (B) *ten per centum*, where such year of assessment is any year of assessment commencing on or after April 1, 2011,

30 of its distributable profits”.

25 25. Section 78 of the principal enactment as last amended by Act, No. 19 of 2009, is hereby further amended in subsection (3) of that section by the substitution for words, “using the profit sharing ratio of the partnership”, of the words “using the ratio of shares of profits inclusive of any salary from such partnership”.
Amendment of section 78 of the principal enactment.

26. Section 95 of the principal enactment as amended by Act, No. 9 of 2008, is hereby further amended in subsection (1) of that section as follows :-

Amendment of section 95 of the principal enactment.

5 (1) by the substitution in paragraph (aa) of the proviso to that subsection, for the words “rate of ten *per centum*; and”, of the words “rate of ten *per centum*” and

10 (2) by the insertion immediately after paragraph (aa) of that proviso, of the following new paragraphs -

(aaa) no deduction shall be made under this section from any interest which is exempt from income tax under any provision of this Act; and”.

27. The following new heading and new section are hereby inserted immediately after section 105 in Chapter XI of the principal enactment and the section shall have effect as section 105A of that enactment:-

Insertion of new heading and new Section 205 A in Chapter XI of the principal enactment.

“M - ISLAMIC FINANCIAL TRANSACTIONS.

25 Profits and income arising from Islamic Financial Transactions are taxed. 150A.(1) The profits and income arising from any Islamic Financial Transaction relating to any Islamic Financial Instrument shall be treated for tax purpose under the provisions of the Act, as hereinafter provided in this section,

30 (2) The Profits and income arising to any person or partnership out of any Islamic Financial Transaction shall, where such transaction is similar or equivalent in substance, to any conventional financial transaction under the provisions of the Act, be subject to tax in similar manner as such conventional financial transaction is taxed under the Act.

35

(3) For the purposes of this section —

“Islamic Financial Transaction” means
any Financial Transaction which
relates to any Islamic Financial
Instrument which is devised or
structured to be Shariah - compliant;

“Islamic Financial Instrument” means any
Islamic Investment Fund, “ijara”
leasing and hire purchase
arrangement, “Takaful” Islamic
Insurance, “retakaful” Islamic re-
insurance, “murabaha” - credit,
“diminishing musharaka”, joint
ownership, “murabaha” - deposit,
“Wakala” agency, “mudaraba” -
investment account agreement,
“Sukuk” bond or any other similar
instrument devised or structured to
be Shariah - compliant.

(4) For the purposes of tax the profits
or Income from “mudaraba” or “Wakala”
contracts shall be deemed to be interest
earned from such Financial Instrument and
accordingly be taxed, under the provision
of this Act.”.

28. Section 106 of the principal enactment as last amended by Act, No. 19 of 2009, is hereby further amended as follows:-

Amendment
of section
106 of the
principal
enactment.

(1) in subsection (1) of that section, by the substitution
in sub-paragraph © of the proviso, for the words and
figures “deducted under section 133, section 134 or
section 135, as the case may be.”, of the words
“deducted under section 133, section 134 or section
135, as the case may be:

5 Provided further, that for any year of assessment commencing on or after April 1, 2011, the preceding provisions shall not apply to an individual being an employee who has no any other income chargeable with income tax other than any income referred to in sub-paragraph (b) or sub-paragraph ©.”;

- (2) by the substitution for subsection (11) of that section of the following subsection:-

10

 “(11) Where any person or partnership carries on or exercises any trade, business, profession or vocation in several units or undertakings as one trade, business, profession or vacation, as the case may be, or where such person or partnership carries on or exercises more than one trade, business, profession or vocation and the profits and income from such units or undertakings or from such trade, business, profession or vocation are exempted from or chargeable with tax at different rates, such person or partnership shall maintain and prepare statements of account in a manner that the profits and income from each such unit or undertaking or such activity, as the case may be, may be separately identified.”;

15

20

- (3) by the addition at the end of subsection (18) of that section, of the following new subsection:-

25

 “(19) The Commissioner-General may close any record maintained by him of any individual subsisting on or after April 1, 2011 if he is satisfied on application made by such individual, that all profits and income of such individual are derived only from sources from which whose taxes are paid at sources and such taxes are treated as final.”.

30

29. Section 117 of the principal enactment is hereby amended in subsection (1) of that section by the substitution for the words “deduct tax at the rate of ten *per centum* on such amounts or value of such benefits, in terms of the provisions of this Chapter.”, of the following words and figures:-

Amendment of section 117 of the principal enactment.

“deduct tax on such amounts or value of such benefits at the rate of —

- (a) ten *per centum*, where the aggregate of such amounts or value of such benefits does not exceed twenty five thousand rupees per month; or
- (b) sixteen per centum, where the aggregate of such amounts or value of such benefits exceeds twenty five thousand rupees per month,
- in terms of the provisions of this Chapter.”.

30. The following new section is hereby inserted immediately after section 117 of the principal enactment and shall have effect as section 117A of that Act :-

Insertion of new section 117A in the principal enactment.

"Deduction of tax at special rates where an individual has more than one employment

117A.(1) Where an employer pays any remuneration or provides any benefit to any employee who is also an employee of another employer and such other employer deduct income tax on the remuneration under section 114 as such employee's main employer, then such first mentioned employer shall deduct tax at the rate of —

- (a) ten per centum, where the aggregate of such payments or value of such benefits does not exceed twenty five thousand rupees per month; or
- (b) sixteen per centum, where the aggregate of such payments or value Of such benefits exceeds twenty five thousand rupees per month.

On such payments or the value of such benefits in terms of the provisions of this Chapter. No direction shall be issued or entertained under section 118 in relation to such payments or value of such benefits.

(2) No refund shall be made under this Act in relation to the income tax deducted in terms of subsection (1) notwithstanding anything to the contrary in this Act, but such income tax may be set off against the income tax liability of such person in respect of the same year of assessment, if such payments or the value of such benefits has been included in his total statutory income for that year.

(3) Where any employer who is required to deduct tax on any remuneration using tax tables as referred to in section 116 omits to do so, and deducts tax at the rate of ten *per centum* on such remuneration, such employer shall be liable to pay such tax in default calculated on the basis of the difference between tax payable on this basis of tax tables as provided for in section 116 and tax deducted by the employer under this section.”

31. Section 131 of the principal enactment as last amended by Act No. 9 of 2008, is hereby further amended by the substitution for the words “ body of persons or any organization, other than any Government Institution referred to in Chapter XV :-”, of the words “body of persons or any organization -”.

Amendment
of section
131 of the
principal
enactment

32. Section 132A of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words and figures “year of assessment commencing on or after April 1, 2008, by any employee”, of the words and figures “year of assessment commencing on or after April 1, 2008, but prior to April 1, 2011, by any employee”.

Amendment
of section
132A of the
principal
enactment

33. Section 133 of the principal enactment as last amended by Act, No. 19 of 2009, is hereby further amended in subsection (4) of that section as follows :-

Amendment
of section
133 of the
principal
enactment

(1) by the substitution in paragraph (a) of that subsection, for the words “any partnership, company or body of persons”, of the words “any company”;

(2) in paragraph (b) of that subsection -

(a) in sub-paragraph (i) thereof, by the substitution for the words and figures “not exceed 300,000 rupees”, of the words and figures “not exceed 500,000 rupees”; and

(b) by substitution for sub-paragraph (ii) thereof of the following sub-paragraph:-

(ii) “exceeds 500,000 rupees, deduction shall be made from the interest payable to charitable institutions at the rate of eight *percentum* of such interest for that year of assessment;”;

(3) in paragraph (c) of that subsection -

(a) in sub-paragraph (i) thereof, by the substitution for the words and figures “not exceed 300,000 rupees”, of the words and figures “not exceed 500,000 rupees”;

(b) in sub-paragraph (ii) thereof, by substitution for the words and figures “exceeds 300,000 rupees but does not exceed 1,000,000 rupees,”, of the words and figures “exceeds 500,000 rupees but does not exceed 1,500,000 rupees”; and

(c) in sub-paragraph (iii) thereof, by substitution for the words and figures “exceeds 1,000,000 rupees and “at the rate of ten *per centum*”, respectively, of the words and figures

“exceeds 1,500,000 rupees” and at the rate of eight *per centum*”, respectively; and

- (4) in paragraph (d) of that section, by the substitution for the words “ten *per centum* of such interest; of the words” eight *per centum* of such interest.”.

- | | | |
|----|--|---|
| 5 | 34. Section 135 of the principal enactment as amended by Act, No. 10 of 2007 , is hereby further amended is subsection (1) of that section, by the substitution for the words “ at the time such interest is paid or credited or such discounts is allowed.” of the words “at the | Amendment of section 135 of the principal enactment |
| 10 | time of the issue of such corporate debt security.”. | |
| | 35. Section 151 of the principal enactment is hereby repealed. | Repeal of section 151 of the principal enactment |
| 15 | 36. Section 153 of the principal enactment as amended by Act, No. 19 of 2009 , is hereby further amended is subsection (1) of that section, for the words “ any specified fee payable to any person”, of the words and figures “ any specified fee payable and paid prior | Amendment of section 153 of the principal enactment |
| 20 | to April 1, 2011, to any person.” | |
| 25 | 37. Section 155 of the principal enactment as last amended by Act, No. 9 of 2008 , is hereby further amended by the substitution for the words “ person or partnership paying any rent, lease rent or such other payment” of the words and figures “person or partnership paying on or before April 1, 2011, any rent lease rent or such other payment”. | Amendment of section 155 of the principal enactment |
| 30 | 38. Section 160 of the principal enactment as amended by Act, No. 9 of 2008 , is hereby further as follows:- | Amendment of section 160 of the principal enactment |
| | (1) by the substitution in paragraph (b), for the words “management fee or other similar payment,”, of the words “management fee,”; | |

- (2) by the substitution for the words “royalty management fee or such other similar payment,”, of the words “royalty or management fee,”; and
 - (3) by the substitution in item (ii) for the words “management fee paid or any other similar payment made,”, of the words “management fee paid,”;
39. Section 163 of the principal enactment as last amended by Act, No. 19 of 2009 , is hereby further amended in subsection (5) as follows:-
 - (1) by the substitution in paragraph (a), for the words “from the end of that year of assessment,”, of the words “from the thirtieth day on November of the immediately succeeding year of assessment:”;
 - (2) by the substitution in paragraph (b) for the words of the words “from the thirtieth day of November of the immediately succeeding year of assessment:”.
40. Section 166 of the principal enactment as amended by Act, No. 10 of 2007 , is hereby further amended in subsection (1) of that section, by the substitution for the words “ For the purpose of hearing appeals in the manner hereinafter provided, there shall be a Board of Review”, of the words and figures “For the purpose of hearing appeals made before April 1, 2011, in the manner hereinafter provided, there shall be a to the Tax Appeal Commission”.
41. Section 167 of the principal enactment is hereby amended in subsection (3) of that section, by the substitution for the words “ within one month of the transmission by the Commissioner General under subsection (2), of his reason for determination, by petition in writing”, of the words and figures “within one month of the transmission by the Commissioner

Amendment
of section
163 of the
principal
enactment

Amendment
of section
166 of the
principal
enactment

Amendment
of section
167 of the
principal
enactment

General under subsection (2), of his reason for determination, but not later than April 1, 2011, by petition in writing”

42. Section 168 of the principal enactment is hereby amended by the substitution for the words “to the Board of Review.”, of the words and figures “to the Board of Review before April 1, 2011.”.

Amendment of Section 168 of the Principal enactment.

43. Section 170 of the principal enactment is here by amended as follows-

Amendment of Section 170 of the Principal enactment.

- (1) by the substitution in subsection (1), (2), (3), (5), (6), (7) and (9) of that section for the words “the Board” wherever it occurs in those subsections, of the words “the Board or the Tax Appeal commission, as the case may be,”, and

- (2) by the insertion, immediately after subsection (7) of that section, of the following new subsection :-

“(7A) Where the Court of Appeal makes an interim determination under subsection (1), the Court make Order that the full tax in dispute or part thereof, be paid in a manner as the Court considers reasonable, pending the final determination of the appeal.

Any excess payment of tax arising as a result of the final determination by the Court on the appeal shall be refunded to the appellant.”

44. The following new section is hereby inserted immediately after section 177 of the principal enactment and shall have the effect as section 177A of that enactment :-

Insertion of new Section 177A in the Principal enactment.

"Recovery of tax from principal officers' and other

177A. (1) Where a body corporate has not paid any tax on or before the due date, as required under section 113, it shall be lawful for the Commissioner - General to proceed under all or any of the provisions of this Act against

the manager, secretary, any director or any other principal officer of such body corporate, as if such manager, secretary, director or principal officer, as the case may be, is responsible for such default, unless such manager, secretary, director or principal officer, as the case may be, proves the contrary to the satisfaction of Commissioner General, notwithstanding anything in any other written law relating to such body corporate.

(2) Where an unincorporated body of persons has not paid any tax on or before the due date, as required under section 113, it shall be lawful for the Commissioner - General to proceed under all or any of the provisions of this Act against any partner or office - bearer of such unincorporated body of persons as if he is responsible for such default, unless such partner of office bearer as the case may be, proves the contrary to the satisfaction of the Commissioner General, notwithstanding anything in any other written law.”.

45. Section 200 of the principal enactment as last amended by Act, No. 19 of 2009 is hereby further amended by the addition, immediately after subsection (8) of that section, of the following new subsection :-

Amendment of Section 200 of the Principal enactment.

“(9) Any refund arising to any person, as provided for in this section, shall be credited directly to bank account of such person.”.

46. The following new section is inserted immediately after section 204 of the principal enactment and shall have effect as section 204A of that enactment :-

Insertion of new section 204A in the principal enactment

"Penal provision relating to mis-interpretation of provisions of the Act by auditors and tax practitioners.

204A. Any auditor or tax practitioner who in the discharge of his professional duty, deliberately misinterprets any provision of this Act or regulation, rule or order made there under shall be guilty of an offence under this

Act and on conviction after summary trial before a Magistrate, be liable to a fine not exceeding rupees fifty thousand or to imprisonment of either description for a term not exceeding six months or to both such fine and imprisonment.”.

47. Section 217 of the principal enactment as last amended by Act, No. 19 of 2009 is hereby further amended as follows :-

Amendment
of
Section 217
of the
Principal
enactment.

(1) in the definition of the expression “charitable purpose”:-

(a) by the substitution in paragraph (b) for the words “education or knowledge;”, of the words “education or knowledge other than by any institution established for business purposes or by any institution established by the Companies Act.”;

(b) by the addition immediately after paragraph (b) of the following paragraph :-

(bb) activities for the protection of the environment or eco-friendly activities”;

(2) by the insertion, immediately after the definition of the expression “taxable income”, of the following new definition :-

“Tax Appeals Commission” means the Tax appeals Commission established by The Tax Appeals Commission Act, No. of 2011;”.

48. The First Schedule to the principal enactment as last amended by Act, No. 19 of 2009, is hereby further amended as follows :-

Amendment
of the First
schedule to
the
Principal
enactment.

(1) by the substitution in Part IA of that Schedule, for the words “any individual other than an individual

referred to in Part II or Part III”, of the words and figures, “for any year of assessment ending on or before March 31, 2011, any individual other than an individual referred to in Part II or Part III”, and

- (2) by the insertion immediately after Part 1A of that Schedule, of the following new Part :-

“PART 1B

For any year of assessment commencing on or after April 1, 2011, any individual other than an individual referred to in Part 11 or Part 111 -

On the first Rs. 500,000/- of the taxable income	4 per centum
On the next Rs. 500,000/- of the taxable income	8 per centum
On the next Rs. 500,000/- of the taxable income	12 per centum
On the next Rs. 500,000/- of the taxable income	16 per centum
On the next Rs. 1,000,000 of the taxable income	20 per centum
On the Balance of the taxable income	24 per centum

49. The Second Schedule to the principal enactment as last amended by the Act. No. 19 of 2009, is hereby further amended as follows :-

Amendment
of the
Second
Schedule to
the
Principal
enactment.

- (1) in PART - A of that Schedule by the substitution for item I of that Part, of the following item :-

“1. Any venture capital company -

- (a) For any year of assessment commencing on or after April 1, 2006, but prior to April 1, 2011— on the taxable income

20 per centum

- (b) For any year of assessment commencing on or after April 1, 2011 - *12 per centum*”;
- (2) by the substitution for PART - B of that Schedule of the following new PART - B :-

“PART - B

- 1.(a) For any year of assessment commencing on April, 2006—
- Any company other than a company referred to in PART - A and of which the taxable income does not exceed Rs. 5,000,000
- (b) For any year of assessment commencing on or after April 1, 2007, but prior to April 1, 2011 -
- Any company —
- (A) (i) of which the taxable income does not exceed Rs. 5,000,000/-;
- (ii) which is not a company referred to in PART-A;
- And
- (B) Which is not the holding company, a subsidiary company, or an associate company of a group of companies
- on the taxable income *15 per centum*
- (c) For any year of assessment commencing on or after April 1, 2011 -
- any company —
- (A) (i) of which the taxable income does not exceed Rs. 5,000,000/-;
- (ii) which is not a company referred to in PART-A;
- And

- (B) Which is not the holding company, a subsidiary company, or an associate company of a group of companies

on the taxable income 12 *per centum*

5 For the purpose of item (B) of
paragraph (b) and paragraph ©, the
expressions “holding company”,
“subsidiary company”, and, “group
10 of companies” shall have the same
respective meanings which they have
in the Companies Act, No. 7 of 2007.

2. Any company for the year of assessment
commencing prior to April 1, 2011 in which
its shares are first quoted in any official list
15 published by a stock exchange licensed by
the Securities and Exchange Commission
of Sri Lanka, (hereinafter referred to as the
“first year of assessment”) and for each
year of assessment within the period of four
20 years immediately succeeding that first year
of assessment,

- for which the taxable income
exceeds Rs. 5,000,000/-; or
- 25 - if such company is a holding
company, a subsidiary company or
an associated company of a group
of companies

On the taxable income for that year of
assessment

30 33 1/3 *per centum*

Provided that where such first year of
assessment is any year of assessment
which commences prior to April 1, 2006, the

rate of 33 1/3 per centum shall apply in relation to any year of assessment which falls within such period of four years, but which commences on or after April 1, 2006

- 5 3. Any company other than any company
herein before referred to in this Schedule,
on the taxable income-

- for any year of assessment commencing prior to April 1, 2011

35 *per centum*

- for any year of assessment commencing on or after April 1, 2011

28 *per centum*

- 15 4. Where the taxable income of any company
for any year of assessment exceeds five
million rupees, then such part of the tax
computed in accordance with this Act, as
being payable by such company for such
year of assessment as is attributable to such
excess, shall not be more than such
20 excess.”.

50. The Third Schedule to the principal enactment as last amended by the Act No. 9 of 2008, is hereby further amended as follows:-

Amendment
of the Third
Schedule to
the principal
enactment.

- 25 (1) by the substitution in item 7 of that
schedule, for the words and figures “on or
before March 31, 2008 or commencing on
or after April 1, 2013 *5 per centum*”, of the
words and figures

“ on or before March 31, 2008
5 per centum”;

36 *Inland Revenue (Amendment)*

- (2) by the substitution for item 8 of that Schedule, of the following item:-

“8. Any club or association referred to in section 101, on the taxable income for -

5 (a) any year of assessment 20 *per centum*
Commencing prior to April 1, 2011

10 (b) any year of assessment 10 *per centum.*”;
Commencing prior to April 1, 2011

51. The Fifth Schedule of the principal enactment as amended by the Act No. 9 of 2008, is hereby further amended
15 as follows:-

Amendment of the Fifth Schedule to the principal enactment.

- (1) by the substitution for item 5 of that Schedule, of the following item:-

20 “5. The rate of income tax on profits and income from off-shore foreign currency transaction of any foreign currency banking unit, for —

(a) any year of assessment
Commencing prior to April 1, 2011; 20 *per centum*

25 (b) any year of assessment Appropriate rate
Commencing under
on or after Second
April 1, 2011 Schedule”;

30 (Section 41)

- 5 (2) by the substitution in item 6 of that
Schedule for the words “profits and income
arising to”, of the words and figures
“profits and income arising before April 1,
2011, to”;
- 10 (3) by the substitution in item 8 of that
schedule, for the words “profits or gains
on the disposal”, of the words and figures
“profits or gains on the disposal on or
before March 31, 2007”
- 15 (4) by the substitution for item 9 of that
schedule, of the following item:-
“9. The rate of income tax on profits from
and undertaking carried on by a person
other than a company,
- 20 (a) engaged in agriculture, As per
promotion of the First
tourism or construction Schedule,
work as subject to
defined in section 45 a maximum
or section 217, of 15
being profits for any per centum
year of Assessment
commencing prior to
25 April 1, 2011;
- 30 (b) engaged in agriculture, As per
manufacture the First
of animal feed, Schedule,
promotion of tourism subject to
Or construction work a maximum
as defined in of 12
Section 45 or per
section 217, being centum.”.
Profits for any year of
assessment Commencing
on or after April 1,

38 *Inland Revenue (Amendment)*

- (b) any year of assessment commencing on or after April 1, 12 per centum”.; 2011

(Section 96)

13. by the substitution for item 26 of that Schedule, of the
5 following item :-

“26. The rate of income tax applicable to any profits and income from petroleum exploration of any person, or in the case of a partner of a partnership, as referred to in section 105, for-

- (a) any year of assessment commencing on or after April 1, 2011 12 per centum”.;

10 (Section 105)

14. by the substitution for item 27 of that Schedule, of the
following item :-

15

“27. The rate of income tax applicable to the profit on the receipt of any fund set up or funds received by a Non Governmental Organization, for-

- (a) any year of assessment commencing prior to April, 2011; 30 per centum”.;

- 20 (b) any year of assessment commencing on or after April 1, 2011 28 per centum
(Section 102)

15. by the addition, immediately after item 28 of that Schedule, of the following new items:-

- 25 “29. The rate of income tax 40 per centum.”;
applicable to such part
of the taxable income
of any person or

- partnership, as
consists of profits or
income from the
manufacture and sale
or import and sale of
any liquor or tobacco
product, for any year
of assessment
commencing on or
after April 1, 2011
- 5
- 10 30. Rate of income tax
applicable to such part
of the profits of any
person engaged in an
undertaking
referred to in section
15 59A;
- As per the First
Schedule, but
subject to a
maximum of 10 per
centum for an
individual, and 10
per centum for a
company.
- 20 31. The rate of income tax
applicable to any
undertaking carried on
in Sri Lanka for
operation and
maintenance of
facilities for storage,
development of
software, or supply of
labour
- 25
- 30 32. The rate of income tax
applicable to
Educational
services
- As per the First
Schedule, but
Subject to a
maximum of 10 *per*
centum for an

individual, and 10
per centum for a
 company”

10 *per centum.*

33. Rate of income
 tax applicable to
 any undertaking
 with annual
 turnover not
 exceeding three
 hundred million
 other than buying
 and selling
 activities.

10 52. The following section is hereby inserted immediately
 after section 208 of the principal enactment and shall have
 effect as section 208A of that enactment:-

Insertion of
 new section
 208A in the
 principal
 enactment.

15 208A. The Commissioner-General shall appoint a Committee
 comprising senior officers of the Department of Inland
 Revenue who shall be mandated to interpret the provisions
 of all Acts administered by him, notwithstanding anything to
 the contrary in any such Act. Such Committee shall in terms
 of such mandate issue related all necessary guidelines and
 instructions as are required in order to ensure uniformity
 with regard to such interpretation.”.

Committee
 interpret
 Provisions
 of Acts and
 issue rulings.

20 53. Where any enterprise carried on by any person or
 partnership with an annual turnover of not more than 100
 Million Rupees has not paid for any year of assessment
 ending on or before March 31, 2011 income tax, due to conflict
 environment or financial constraints of such persons or
 25 partnerships with current annual turnover below 100 million
 rupees with the assurance of the compliance with tax laws

Exemption
 of income
 tax payable
 by certain
 Small and
 Medium
 Enterprises.

thereafter. For this purpose such person or partnership shall be required to obtain a certificate from the Commissioner-General specifying the agreement of such person for such future compliance.

- 5 54. The amendments made to the principal enactment by the provisions of this Act, shall be deemed for all purposes to have come into force on April 1, 2011: Retrospective effect.

Provided that:-

- 10 (a) the amendments made to section 7 by subsection (1) of section 3 of this Act, shall be deemed to for all purposes to have come into force on April 1, 2008.
- 15 (b) the amendments made to sections 20, 21 and 21A of the principal enactment by section 10, section 11 and section 12 respectively of this Act, shall be deemed to for all purposes to have come into force on April 1, 2009.

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

20 2011, for any year of assessment commencing on or after April 1, 2011

- (5) by the substitution for item 10 of that Schedule, of the following item :-

“10. The rate of income tax on profits from an undertaking carried on by a company,

- 25 (a) engaged in agriculture, promotion of tourism or construction work as defined in section 46 or section 217, being profits for any year of assessment commencing prior to April 1, 2011; 15 per centum

42 *Inland Revenue (Amendment)*

- 5 (b) engaged in agriculture, manufacture of animal feed, *12 per centum*
promotion of tourism or construction work as
defined in section 46 or section 217, for any year of
assessment commencing on or after April 1, 2011,
being profits for any year of assessment
commencing on or after April 1, 2011

(Section 46)

- (6) by the substitution for item 11 that Schedule, of the
following item :-
- 10 “11. The rate of income tax applicable to specialized
housing banks for -
- 15 (a) any year of assessment commencing prior to *20 per centum*
April 1, 2011;
- (b) any year of assessment commencing on or *Appropriate*
after April 1, 2011 *rate under*
Second
Schedule”;
- 20 (section 47)
- (7) by the insertion immediately after item 14 of that
Schedule, of the following new schedule :-
- 25 “14A. The profits and income of any agricultural
undertaking referred to in section 16 of the Act, for
any year of assessment commencing on or after April
1, 2011 *As per the*
First
Schedule, but
subject to a
maximum of
ntum for an,
and 10 perra
company.”;
- (section 48A)
- (8) by the substitution for item 16 of that Schedule, of
the following item:-
- 30 “16. The rate of income tax on qualified export profits
and income of a person not being a company, who
commenced to carry on any specified undertaking
prior to April 1, 2014, for-

(a) any year of assessment commencing prior to 15 *per centum*
April 1, 2011

(b) any year of assessment commencing on or 12 *per centum*
after April 1, ”; 2011

5 (Section 50)

(9) by the substitution for item 17 of that Schedule, of
the following item:-

10 “17. The rate of income tax on qualified export profits
and income of a company which commenced to carry
on any specified undertaking prior to April 1, 2014,
for-

(a) any year of assessment 15 *per centum*
Commencing prior to April 1,
2011;

15 (b) any year of assessment 12 *per centum*
Commencing on or after April 1, 2011

(Section 51)

(10) by the substitution for item 18 of that Schedule, of the
following item:-

20 “18. The rate of income tax on qualified
export profits and income of a company which
carries on any specified undertaking prior to
April 1, 2015, for —

25 (a) any year of assessment 15 *per centum*
Commencing prior to April 1,
2011;

(b) any year of assessment 12 *per centum*

Commencing on or after April 1,
2011

(Section 52)

5

- (10) by the substitution for item 20 of that
Schedule, of the following item:-

10

“20. The rate of income tax on profits and
income from deemed exports of any
person or partnership, for-

15

- (a) any year of assessment
Commencing prior to April 1,
2011;

As per the
First
Schedule, but
Subject to a
maximum of
per centum
for an
individual,
and *15 per
centum* for a
company.

20

- (b) any year of assessment

(Section 56)

25

- (11) by the substitution for item 24 of that
Schedule, of the following item:-

30

“24. The rate of income tax applicable to
any partnership on divisible profits
and other income, other than on any
assessment made, for —

As per the
First
Schedule, but
Subject to a
maximum of
per centum
for an
individual,
and *12 per
centum* for a
company.

Inland Revenue (Amendment) 45

- (a) any year of assessment *10 per centum*
Commencing prior to April 1,
2011;

5

- (b) any year of assessment *15 per centum*
Commencing on or after April 1,
2011

- (12) by the substitution for item 25 of that
Schedule, of the following item:-

10

“25. The rate of income tax applicable to
any person who is not a citizen of Sri
Lanka carrying on the profession or
vocation of an entertainer or artiste,
for —

15

- (a) any year of assessment
Commencing prior to April 1,
2011;

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