



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

INLAND REVENUE (AMENDMENT)

A

BILL

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

*Presented by the Prime Minister and Minister of Buddha Sasana and
Religious Affairs on 21st March, 2014*

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STATEMENT OF LEGAL EFFECT

Clause 2 : This clause amends the Inland Revenue Act, No. 10 of 2006 (hereinafter referred to as the “principal enactment”) and the legal effect of the amendment is to change the designation of certain officers referred to in the principal enactment and which is consequential to the implementation of the Minute of the Sri Lanka Inland Revenue Service published in the *Gazette*.

Clause 3 : This clause amends section 7 of the principal enactment and the legal effect of the section as amended is to exempt certain statutory institutions from the payment of income tax.

Clause 4 : This clause amends section 8 of the principal enactment and the legal effect of the section as amended is to provide marginal relief to employees who have other income which does not exceed Rs.48,000/- for any year of assessment.

Clause 5 : This clause amends section 9 of the principal enactment and the legal effect of the section as amended is to expand the applicability of exemption.

Clause 6 : This clause amends section 10 of the principal enactment and the legal effect of the section as amended is to expand the exemption of dividend paid out of dividend exempt under section 13(j).

Clause 7 : This clause amends section 13 of the principal enactment and the legal effect of the section as amended is -

- (a) to provide exemption to promote acquisition of internationally recognized intellectual property; and
- (b) to exempt the profits earned from computer software provided to Sri Lankan Air Lines Ltd. or Mihini Lanka (pvt.) Ltd.

Clause 8 : This clause amends section 16D of the principal enactment and the legal effect of the section as amended is to restrict the applicability of tax holidays.

Clause 9 : This clause amends section 16E of the principal enactment and the legal effect of the section as amended is to extend the exemption to biological fertilizers.

Clause 10 : This clause amends section 17A of the principal enactment and the legal effect of the section as amended is to restrict the applicability of tax holidays.

Clause 11 : This clause amends section 22 of the principal enactment and the legal effect of the section as amended is to restrict the applicability of tax holidays.

Clause 12 : This clause amends section 25 of the principal enactment and the legal effect of the section as amended is to provide concessions to promote acquisition of internationally recognized Intellectual property.

Clause 13 : This clause amends section 26 of the principal enactment and the legal effect of the section as amended is to disallow the deduction of the Crop Insurance levy.

Clause 14 : This clause amends section 32 of the principal enactment and is consequential to section 53 of the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011.

Clause 15 : This clause amends section 33 of the principal enactments and the legal effect of the section as amended is to rectify an error in the principal enactment.

Clause 16 : This clause amends section 34 of the principal enactment and the legal effect of the section as amended is –

- (a) to restrict the applicability of qualifying payment deductions on the expansion of business undertakings;
- (b) to provide concession to professional employees on the construction of a house or purchase of a house or a residential apartment; and
- (c) to provide concession to encourage merger of banks and finance companies.

Clause 17 : This clause amends section 40A of the principal enactment and the legal effect of the section as amended is to terminate the applicability of that section and which is consequential to the amendment made by Clause 18.

Clause 18 : This clause inserts a new section 40C in the principal enactment and the new section provides concessionary tax rate on the employment income of professionals..

Clause 19 : This clause amends section 50 of the principal enactment and the legal effect of the section as amended is to extend the period of applicability of concession.

Clause 20 : This clause amends section 51 of the principal enactment and the legal effect of the section as amended is to extend the period of applicability of concession.

Clause 21 : This clause amends section 52 of the principal enactment and the legal effect of the section as amended is to extend the period of applicability of concession.

Clause 22 : This clause amends section 56c of the principal enactment and the legal effect of the section as amended is to rectify an error in the principal enactment.

Clause 23 : This clause amends section 58 of the principal enactment and the legal effect of the section as amended is to expand the applicability of concession.

Clause 24 : This clause amend section 59B of the principal enactment and which is consequential to the amendment, made by clause 26.

Clause 25 : This clause amends section 59D of the principal enactment and the legal effect of the section as amended is to extend the period of tax concession to companies which list their shares with not less than 20% of public holdings.

Clause 26 : This clause inserts new sections 59F, 59G and 59H in the principal enactment and the new section –

- (a) 59F provides concessionary rate of income tax for professionals;
- (b) 59G provides tax concession for income of banks, on loans granted to professionals for construction purposes; and
- (c) 59H provides tax concession to promote skill development in shipping industries.

Clause 27 : This clause amends section 63 of the principal enactment and the legal effect of the section as amended is to give clarity to the provisions of that section.

Clause 28 : This clause amends section 76 of the principal enactment and which is consequential to the amendment made to section 26 of the principal enactment by clause 13.

Clause 29 : This clause rectifies an error in section 79 of the principal enactment.

Clause 30 : This clause rectifies an error in section 105 of the principal enactment.

Clause 31 : This clause amends section 106 of the principal enactment and the legal effect of the section as amended is to empower the Commissioner – General of Inland Revenue to call for information.

Clause 32 : This clause amends section 107 of the principal enactment and the legal effect of the section as amended is to recognize the Sri Lanka Financial Reporting Standards in the preparation of Audit Reports.

Clause 33 : This clause amends section 117 of the principal enactment and the legal effects is to provide clarity to section 117 of the principal enactment

Clause 34 : This clause amends section 117A of the principal enactment and the legal effect of the section as amended is to limit monthly receipts liable to tax at 10%, of a public sector employee, employed under more than one employer .

Clause 35 : This clause amends section 134 of the principal enactment and the legal effect of the section as amended is to rectify an error in that section.

Clause 36 : This clause amends section 135 of the principal enactment and the legal effect of the section as amended is to rectify an error in that section.

Clause 37 : This clause amends section 137 of the principal enactment and the legal effect of the section as amended is to provide more clarity to that section.

Clause 38 : This clause amends section 163 of the principal enactment and the legal effect of the section as amended is to relax the time bar in respect of adjustments made for adoption of Sri Lanka Financial Reporting Standards.

Clause 39 : This clause amends section 176 of the principal enactment and which is consequential to the provisions of the Companies Act.

Clause 40 : This clause amends section 195 of the principal enactment and which is consequential to the amendment made by clause 2.

Clause 41 : This clause amends section 209 of the principal enactment and the legal effect of the section as amended is to enable the Commissioner-General to provide information upon requests made by certain government institutions.

Clause 42 : This clause amends section 212 of the principal enactment and the legal effect of the section as amended is to enable regulation to be made prescribing the manner of computation of profits and income whenever the Financial Accounting Standards are changed.

Clause 43 : This clause amends section 217 of the principal enactment and the legal effect of the section as amended is to amend the definitions of words “authorized representative” and “executive officer”.

Clause 44 : This clause amends the Second Schedule to the principal enactment and which is consequential to the amendment made by clause 25.

Clause 45 : This clause amend the Fifth Schedule to the principal enactment and which is consequential to the amendment made by clause 26.

Inland Revenue (Amendment)

L.D.—O. 5/2014

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

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

1. This Act may be cited as the Inland Revenue (Amendment) Act, No. of 2014, and shall be deemed for all purposes to have come into operation on April 1, 2014.

Short title
and the date
of operation.

2. The Inland Revenue Act, No. 10 of 2006 (hereinafter referred to as the “principal enactment”) as last amended by Act, No.18 of 2013 is hereby further amended as follows:-

Amendment
of Act, No.
10 of 2006.

- 10 (1) by the substitution for the words “Senior Deputy Commissioner-General” wherever such words occur in the principal enactment, of the words “Additional Commissioner-General”;
- 15 (2) by the substitution for the word “Commissioner” wherever such word occurs in the principal enactment, of the words “Senior Commissioner”;
- (3) by the substitution for the words “Deputy Commissioner” wherever such words occur in the principal enactment, of the word “Commissioner”;
- 20 (4) by the substitution for the words “Senior Assessor” wherever such words occur in the principal enactment, of the words “Deputy Commissioner or Senior Deputy Commissioner”; and
- 25 (5) by the substitution for the word “Assessor” wherever such word occurs in the principal enactment, of the words “Assistant Commissioner”.

3. Section 7 of the principal enactment as last amended by Act, No. 18 of 2013 is hereby further amended as follows:-

Amendment
of section 7
of the
principal
enactment.

(1) in paragraph (b) of that section –

- 5 (a) by the substitution in sub-paragraph (lxviii),
for the words and figures “Companies Act,
No. 17 of 1982; and”, of the words and figures
“Companies Act, No. 17 of 1982;”;
- 10 (b) by the substitution in sub-paragraph (lxix),
for the words “the circulars issued by such
Ministry.”, of the words “the circulars issued
by such Ministry;”;
- (c) by the addition, immediately after sub-
paragraph (lxix), of the following new sub-
paragraphs:-
- 15 “(lxx) the National Enterprise
Development Authority established
under the National Enterprise
Development Authority Act, No. 17
of 2006;
- 20 (lxxi) the Sri Lanka Institute of Marketing
incorporated under the Sri Lanka
Institute of Marketing
(Incorporation) Act, No. 41 of 1980;
- 25 (lxxii) the Institute of Physics, Sri Lanka
incorporated under the Institute of
Physics, Sri Lanka (Incorporation)
Act, No. 12 of 1986;”;
- 30 (lxxiii) the Lionel Wendt Memorial Fund
incorporated under section 114 of
the Trusts Ordinance (Chapter 87).”;
- (2) by the substitution in paragraph (l) of that section,
for the words and figures “the Monetary Law Act
(Chapter 422).”, of the words and figures “the
Monetary Law Act (Chapter 422);”;

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

5 “(m) the profits and income of any institution, established on or after April 1, 2013, by relocating in Sri Lanka the headquarters or regional head offices of institutions in the international network, as specified by the Commissioner- General by Notice published in the Gazette.”.

- 10 **4.** Section 8 of the principal enactment as last amended by Act, No. 18 of 2013 is hereby further amended in subsection (1) of that section as follows:-

Amendment of section 8 of the principal enactment.

- 15 (1) by the substitution in paragraph (s) of that subsection, for the words “any allowance paid in lieu of the provision of such vehicle,” of the words “any allowance paid in lieu of the provision of such vehicle or value of any transport facility as may be specified by the Commissioner-General by Order published in the Gazette,”;

- 20 (2) by the substitution in paragraph (w) of that subsection, for the words “not resident in Sri Lanka.”, of the words “not resident in Sri Lanka;”; and

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

25 “(x) the profits and income not exceeding forty eight thousand rupees for any year of assessment, if the aggregate of such profits and income is not more than forty eight thousand rupees other than any
30 employment income or any profits and income which is taxable at source as final tax, of any individual who is an employee and who is not engaged in any trade, business, profession or vocation, if tax is
35 deducted from his employment income for that year of assessment.”.

5. Section 9 of the principal enactment as last amended by Act, No. 18 of 2013 is hereby further amended as follows:-

Amendment
of section 9
of the
principal
enactment.

- (1) by the substitution in paragraph (a) of that section, for all the words from “to the Government of Sri Lanka” to the words, “to any other undertaking,” of the words “to any person or partnership in Sri Lanka, notwithstanding whether such company, partnership or body of persons has a permanent establishment or any business connection in Sri Lanka,”; and

- (2) by the substitution in paragraph (k) of that section, for the words “Treasury Bond Investment External Rupee Account;”, of the words “Securities Investment Account;”.

6. Section 10 of the principal enactment as last amended by Act, No. 8 of 2012 is hereby further amended in subsection (1) of that section as follows :-

Amendment
of section 10
of the
principal
enactment.

- (1) by the substitution in the proviso to paragraph (k) of that subsection, for the words “within one year thereafter.”, of the words “within one year thereafter;”; and

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

“(l) any dividend paid to a shareholder of a company out of such dividend as is referred to in paragraph (j), received by that company, if the first mentioned dividend is paid within three months of the receipt of the second mentioned dividend by that company.”.

7. Section 13 of the principal enactment as last amended by Act, No. 18 of 2013 is hereby further amended as follows:-

Amendment
of section 13
of the
principal
enactment.

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

“(yyyyyy) the profits and income of any person resident in Sri Lanka who acquires

any internationally recognized intellectual property on or after April 1, 2014 and who earns profits and income by way of royalty out of such intellectual property, if such royalty is received in foreign currency and remitted to Sri Lanka through a bank;” and

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

“(zzzzzzzz) the profits and income arising or accruing to any company, partnership or body of persons in a country outside Sri Lanka, from any payment made for the use of any computer software, by Sri Lankan Air Lines Ltd or Mihin Lanka (Pvt) Ltd, as a special requirement of such Airlines, if a Double Taxation Avoidance Agreement providing relief for double taxation of such profits and income is not in force between Sri Lanka and that country or tax is not payable in such country on such profits and income.”.

8. Section 16D of the principal enactment as last amended by Act, No. 18 of 2013 is hereby further amended by the substitution for the words and figures “any new undertaking established on or after April 1, 2012 and”, of the words and figures “any new undertaking established on or after April 1, 2012, but prior to April 1, 2015 and”.

Amendment of section 16D of the principal enactment.

9. Section 16E of the principal enactment is hereby amended by the substitution for the words “organic fertilizers,”, of the words “organic fertilizers or biological fertilizers,”.

Amendment of section 16E of the principal enactment.

10. Section 17A of the principal enactment as last amended by Act, No. 18 of 2013 is hereby further amended in subsection (2) of that section, by the substitution for all the words and figures from “the development of national economy ;” to the end of that section, of the following words and figures:-

Amendment of section 17A of the principal enactment.

“the development of national economy ;

(b) in which the sum invested in the acquisition of fixed assets after March 31, 2011 but prior to April 1, 2015 is not less than the corresponding sum specified in Column I of the Schedule to subsection (1);

(c) which commences commercial operations on or after April 1, 2011, but prior to April 1, 2016; and

(d) which is not formed by the splitting up or reconstruction or acquisition of any business which was previously in existence.

For the purpose of this section “the investment” means the cost of any land, plant, machinery, equipment and other fixed assets.”.

11. Section 22 of the principal enactment as last amended by Act, No. 9 of 2008 is hereby further amended in subsection (1) of that section, by the substitution for the words “with an investment of not less than two million rupees made within one year from the commencement of such undertaking,” of the words and figures “with an investment of not less than two million rupees, made within one year from the commencement of such undertaking, but prior to April 1, 2014,”.

Amendment of section 22 of the principal enactment.

12. Section 25 of the principal enactment as last amended by Act, No. 18 of 2013 is hereby further amended in subsection (1) of that section as follows:-

Amendment of section 25 of the principal enactment.

(1) by the substitution in paragraph (u) of that subsection, for the words “to the Government.”, of the words “to the Government;” and

- (2) by the addition immediately after paragraph (*u*) of that subsection, of the following new paragraphs:-

- 5 ”(v) the cost of acquisition of any internationally recognized intellectual property used for producing such profits and income;
- (w) any royalty or ground rent paid by such person.”.

10 **13.** Section 26 of the principal enactment as last amended by Act, No.18 of 2013 is hereby further amended as follows:-

Amendment
of section 26
of the
principal
enactment.

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

- 15 (a) by the substitution in sub-paragraph (vi) of paragraph (*l*) of that subsection, for the words and figures “Finance Act, No. 5 of 2005,”, of the words and figures “Finance Act, No. 5 of 2005; or”;

- 20 (b) by the insertion immediately after sub-paragraph (vi) of paragraph (*l*) of that subsection, of the following new sub-paragraph:-

 “(vii) any Crop Insurance Levy levied under section 14 of PART IV of the Finance Act, No. 12 of 2013,”;

- 25 (c) by the substitution for paragraph (*m*) of that subsection, of the following paragraph:-

 “(m) any annuity paid by such person;”;
 and

- 30 (2) by the substitution in subsection (4) of that section, for all the words from “any part thereof,” to the words “assessment is made:”, of the words “any part thereof, and an assessment shall be made disallowing the entirety or any part of such expenditure notwithstanding anything to the
- 35 contrary in any other provisions of this Act, if it

appears to the Assessor that the debt or such part thereof attributable to such expenditure or any part thereof, remains unpaid at the time such assessment for that year of assessment is made:”.

5 **14.** Section 32 of the principal enactment as last amended by Act, No. 8 of 2012 is hereby further amended as follows:-

Amendment
of section 32
of the
principal
enactment.

(1) in subsection (5) of that section –

10 (a) by the substitution in paragraph (a) of that subsection, for the words and figures “annuity, ground rent, royalty or interest not deductible under section 25.”, of the words and figures “annuity or interest, not deductible under section 25.”; and

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

20 “(cc) Where any person who is engaged in carrying on both life insurance business and general insurance business segregates such life insurance business and the general insurance business into two separate companies, as required by section 53 of the Regulation of Insurance Industry (Amendment) Act, No. 3 of 25 2011, incurred any loss prior to such segregation of which the entirety or any part thereof had not been deducted previously, the balance, if 30 any, as at the date of such segregation shall, notwithstanding anything to the contrary in any other provision of this Act, be deducted from the total statutory income of the respective companies in the 35 following manner:-

(i) such part of the loss as attributable to the life insurance

business, from the total statutory income of the company which carries on long term insurance business;

- 5 (ii) such part of the loss as attributable to the general insurance business, from the total statutory income of the company which carries on general insurance business.”; and
- 10

- (2) by the substitution in paragraph (a) of subsection (6) of that section, for the words and figures “from income tax under section 16, section 17, section 18,” of the words and figures “from income tax under section 16, section 16A, section 16B, section 16C, section 16D, section 17, section 17A, section 18,”.
- 15

- 15.** Section 33 of the principal enactment as last amended by Act, No. 22 of 2011 is hereby further amended in item (ii) of the further proviso to subsection (1) of that section, by the substitution for the words and figures “any part of any allowance under section 34 from any employment income”, of the words and figures “any part of any allowance under section 34, other than the allowance referred to in paragraphs (u) and (v) of subsection (2) of section 34, from any employment income”.
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- 25
- Amendment of section 33 of the principal enactment.

- 16.** Section 34 of the principal enactment as last amended by Act, No.18 of 2013 is hereby further amended as follows:-

- 30 (1) in subsection (2) of that section –
- (a) by the substitution for paragraph (s) of that subsection, of the following paragraph:-

- “(s) investment of not less than fifty million rupees in the acquisition of fixed assets made by any person on or after
- 35

Amendment of section 34 of the principal enactment.

10 *Inland Revenue (Amendment)*

5 April 1, 2011 but before April 1, 2014
in the expansion of any undertaking
which would have been qualified for
exemption under section 16C or section
17A had such undertaking commenced
to carry on business on or after April 1,
2011:

10 Provided however, where such
investment is made in any high tech
plant, machinery or equipment which
is acquired for energy efficiency
purposes or for technology upgrading
purposes or introducing any new
15 technology or for power generation
using renewable energy resources in the
expansion of such undertaking on or
after April 1, 2011, but prior to April 1,
2015 such investment shall comprise a
qualifying payment.”;

20 (b) by the substitution in paragraph (u) of that
subsection, for the words “whichever is
lower;”, of the words “whichever is lower;”;

25 (c) by the substitution in paragraph (v) of that
subsection, for the words “not resident in Sri
Lanka.”, of the words “not resident in Sri
Lanka;”; and

 (d) by the addition immediately after paragraph
(v) of that subsection of the following new
paragraphs:-

30 “(w) any expenditure incurred not exceeding
six hundred thousand rupees for any
year of assessment commencing on or
after April 1, 2014 on the repayment of
the capital of a loan obtained from any
35 bank licensed under the Banking Act,
No. 30 of 1988 or any finance company

5 licensed under the Finance Business
Act, No. 42 of 2011, of which the
proceeds are utilized to construct a
house or to purchase a house or a unit
of a residential apartment complex, by
an individual who is a professional and
who furnishes a return under section
106, whether such individual obtained
such loan alone or together with any
10 other individual:

15 Provided that, if such loan is
obtained together with another
individual or obtained for a co-owned
property, such deduction shall not
exceed the amount of expenditure
attributable to such individual who
obtained such loan.

20 For the purpose of this paragraph,
“professional” shall have the same
meaning as given for that expression
in section 40c;

(x) any expenditure incurred by any bank
or any finance company licensed under
the Finance Business Act, No.42 of
25 2011, by way of cost of acquisition or
merger of any other bank or any other
finance company, where such cost is
ascertained by considering all the facts
on case by case basis in accordance with
the guidelines issued by the Central
Bank of Sri Lanka for that purpose, and
such expenditure is not deductible
under section 25.”;

(2) in subsection (4) of that section –

35 (a) by the substitution in sub-paragraph (i) of
paragraph (a) of that subsection, for the words

and figures “(t),(u) and (v) of subsection (2)”,
of the words and figures “(t), (u), (v) and (w)
of subsection (2)”; and

- 5 (b) by the substitution in sub-paragraph (i) of
paragraph (b) of that subsection, for the words
and figures “(r), (s) and (t) of subsection (2)”,
of the words and figures “(r), (s), (t) and (x) of
subsection (2)”.

10 **17.** Section 40A of the principal enactment as last
amended by Act, No. 18 of 2013 is hereby further amended
by the substitution for the words and figures “commencing
on or after April 1, 2008,”, of the words and figures
“commencing on or after April 1, 2008, but prior to April 1,
2014,”.

Amendment
of section
40A of the
principal
enactment.

15 **18.** The following new section is hereby inserted
immediately after section 40B of the principal enactment
and shall have effect as section 40C of that enactment :-

Insertion of
new section
40c in the
principal
enactment.

“Rates of
income tax
on the profits
from
employment
of
professionals.
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25
30
40C. (1) Where the taxable income of any
individual, being a citizen of Sri Lanka, for
any year of assessment commencing on or after
April 1, 2014, includes any profits from
employment (hereinafter in this section referred
to as “relevant profits”) in the exercise of his
duties as a professional, and the rate of income
tax payable on a part of such taxable income
(hereinafter in this section referred to as the
“relevant part of the taxable income”) exceeds
sixteen *per centum*, then in regard to the
relevant part of the taxable income, the tax
payable shall be computed as follows:-

(a) where such relevant part of the taxable
income exceeds the amount of the
relevant profits:-

35 (i) the tax payable on such portion
of the relevant part of the taxable
income as is equal to the amount

of such relevant profits, shall be computed at the rate of sixteen *per centum*; and

5 (ii) the tax payable on the balance of the relevant part of the taxable income, shall be computed according to such of the rates above sixteen *per centum*, as are applicable thereto, under the First
10 Schedule to this Act; or

(b) where such relevant part of the taxable income does not exceed the amount of the relevant profits, the tax payable on the entirety of the relevant part of the
15 taxable income, shall be computed at the rate of sixteen *per centum*.

(2) For the purpose of this section “professional” means a doctor registered under the Medical Ordinance (Chapter 105), a
20 chartered engineer, a software engineer, a chartered architect, a chartered accountant and an attorney-at-law, and includes a pilot licensed under the Air Navigation Act (Chapter 365), a navigation officer and a researcher or
25 senior academic, recognized as an accredited professional.”.

19. Section 50 of the principal enactment is hereby amended by the substitution for the words and figures
30 “taxable income of that person for any year of assessment commencing prior to April 1, 2014 includes”, of the words “taxable income of that person for any year of assessment includes”.
Amendment of section 50 of the principal enactment.

20. Section 51 of the principal enactment is hereby amended by the substitution for the words and figures
35 “taxable income of that company for any year of assessment commencing prior to April 1, 2014 includes”, of the words “taxable income of that company for any year of assessment includes”.
Amendment of section 51 of the principal enactment.

21. Section 52 of the principal enactment is hereby amended by the substitution for the words and figures “taxable income of that company for any year of assessment commencing prior to April 1, 2015 includes”, of the words “taxable income of that company for any year of assessment includes”.

Amendment
of section 52
of the
principal
enactment.

22. Section 56c of the principal enactment is hereby amended by the substitution for the words “from the sale of any product manufactured in Sri Lanka”, of the words and figures “from the sale of any product manufactured in Sri Lanka, other than such part of the profits and income exempt under section 13,”.

Amendment
of section
56c of the
principal
enactment.

23. Section 58 of the principal enactment is hereby repealed and the following section is substituted therefor:-

Replacement
of section 58
of the
principal
enactment.

58. Such part of the profits and income within the meaning of paragraph (a) of section 3, of any person as consists of profits and income from the supply of any services, to any exporter of goods or services or to any foreign principal of such exporter directly, being services which could be treated as essentially related to the manufacture of such goods or provision of such services exported by such exporter either directly or through any export trading house, and the payments for such services are made by such exporter or foreign principal to such person in Sri Lanka in foreign currency, shall, notwithstanding anything to the contrary in any other provision of this Act, be chargeable with income tax at the appropriate rate specified in the Fifth Schedule to this Act, if -

15 “Rate of tax
on profits
and income
from the
supply of
any services
to any
exporter.

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(a) such supply is covered by an international letter of credit or a letter of credit opened in a bank in Sri Lanka on a back to back basis against an

international letter of credit for the remittance to Sri Lanka of the foreign exchange value of the exports related to such supply, or

- 5 (b) (i) the payment of the consideration for such supply is made in foreign currency by means of a draft or telegraphic transfer made in favour of such person by such exporter or
10 foreign principal; and
- (ii) such other documentary evidence as is required by the Commissioner-General to satisfy himself that the goods or services relating to such
15 supply have in fact been exported, is adduced.”.

20 **24.** Section 59B of the principal enactment as last amended by Act, No.18 of 2013 is hereby further amended in subsection (1) of that section, by the substitution for the words “any other provisions of this Act”, of the words “any other provisions of this Act, but subject to provisions of section 59F”.

Amendment of section 59B of the principal enactment.

25 **25.** Section 59D of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words “holding of its shares by the general public.”, of the following words and figures:-

Amendment of section 59D of the principal enactment.

“holding of its shares by the general public:

30 Provided however, where any company lists its shares in the aforesaid manner, on or before April 1, 2017 and which is liable to pay income tax at the rate specified in item 3 of PART-B of Second Schedule to this Act, such rate shall be reduced by fifty *per centum* for the year of assessment in which such shares are listed and for another two years of assessment

immediately succeeding that year of assessment subject such company after listing continues to maintain not less than twenty *per centum* of holding of its shares by the general public.”.

- 5 **26.** The following new sections are hereby inserted immediately after section 59E of the principal enactment and shall have effect as sections 59F, 59G and 59H respectively, of that enactment:-

Insertion of new sections 59F, 59G and 59H in the principal enactment.

- 10 “Rate of income tax on the profits and income from the provision of professional services.
- 15 59F. (1) Where the taxable income of any individual being a citizen of Sri Lanka, for any year of assessment commencing on or after April 1, 2014, includes any profits and income from providing professional services as a professional, such part of the taxable income shall, notwithstanding anything to the contrary in any other provisions of this Act, be chargeable with income tax at the appropriate rate specified in the Fifth Schedule to this Act.

- 20 (2) For the purpose of this section, “professional” shall have the same meaning as given for that expression in section 40C.

- 25 Rate of income tax applicable to the profits and income earned by any bank on loans granted to professionals for construction purposes.
- 30 59G. (1) The tax rate applicable on the profits and income earned by a bank for any year of assessment commencing on or after April 1, 2014, on any loan granted to any individual, who is a professional, for the purpose of constructing a house or purchasing a house or a unit of a residential apartment complex, by such individual alone or together with any other individual, shall be reduced by fifty *per centum*.

- (2) For the purpose of this section, “professional” shall have the same meaning as given for that expression in section 40C.

- Income tax payable by ship operators,
5 ship builders or any agent of a foreign ship.
- 59H. Such part of the tax computed in accordance with this Act, as being payable by any ship operator, ship builder or any agent of a foreign ship shall, notwithstanding anything to the contrary in any other provision of this Act, be reduced by ten *per centum*, if such ship operator, ship builder or agent provides training on skill development in the shipping industry to trainees.”.
- 10 **27.** Section 63 of the principal enactment as last amended by Act, No. 10 of 2007 is hereby further amended by the substitution for the words “such dividend shall,”, of the words “profits and income from such dividend shall,”. Amendment of section 63 of the principal enactment.
- 15 **28.** Section 76 of the principal enactment is hereby amended in subsection (2) of that section, by the substitution for the words “the amount of any interest, annuity, ground rent or royalty”, of the words “the amount of any interest or annuity”. Amendment of section 76 of the principal enactment.
- 20 **29.** Section 79 of the principal enactment as last amended by Act, No.18 of 2013 is hereby further amended by the repeal of subsection (3) of that section, and the substitution therefor, of the following subsection:- Amendment of section 79 of the principal enactment.
- 25 “(3) For any year of assessment commencing prior to April 1, 2013, an individual who has been deemed resident for two or more consecutive years of assessment shall be deemed to be resident until such time as he is continuously absent from Sri Lanka for an unbroken period of three hundred and sixty five days. When such person is so absent, he shall notwithstanding the provisions of subsection (2), be deemed to be non-resident from the commencement of the year of assessment in which such absence commences.”.
- 30 **30.** Section 105 of the principal enactment is hereby amended in subsection (3) of that section, by the substitution for the words “provisions of this Act,”, of the words “provisions of this Act, and shall notwithstanding anything Amendment of section 105 of the principal enactment.

to the contrary in any other provision of this Act, be chargeable with income tax at the appropriate rate specified in the Fifth Schedule to this Act,”.

- 31.** Section 106 of the principal enactment as last amended by Act, No. 22 of 2011 is hereby further amended by the addition immediately after subsection (19) of that section, of the following new subsection:-

Amendment of section 106 of the principal enactment.

“(20) For the purposes of this Act, the Commissioner-General may give notice in writing to any person requiring him to furnish within the period specified in such notice, any information in relation to any transaction between such person and any other person or class of persons.”.

- 32.** Section 107 of the principal enactment as last amended by Act, No.8 of 2012 is hereby further amended in subsection (3) of that section as follows:-

Amendment of section 107 of the principal enactment.

(a) by the substitution in paragraph (a) of that subsection, for the words ““approved accountant” means -”, of the words ““approved accountant” for any year of assessment commencing prior to April 1, 2014 means -”;

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

“(aa) “approved accountant” for any year of assessment commencing on or after April 1, 2014 means an accountant who is a member of the Institute of Chartered Accountant of Sri Lanka;” and

(c) by the substitution in paragraph (b) of that subsection, for the words “commercial practices and accounting standards;”, of the words “commercial practices and accounting standards and includes operational profits calculated in accordance with the Sri Lanka Financial Reporting Standards;”.

33. Section 117 of the principal enactment as last amended by Act, No. 22 of 2011 is hereby further amended in subsection (1) of that section, by the substitution for the words “provides a benefit in cash or in kind to any other person”, of the words “to any other person and where such director, chairperson or other person”.

Amendment
of section
117 of the
principal
enactment.

34. Section 117A of the principal enactment is hereby amended as follows :-

Amendment
of section
117A of the
principal
enactment.

- (1) by the substitution in subsection (1) of that section, for all the words and figures from “shall deduct tax at the rate of –” to the end of that subsection, of the following words and figures:-

“shall deduct tax at the rate of –

(a) *ten per centum* -

- (i) where the aggregate of such payments or value of such benefits does not exceed twenty five thousand rupees per month; or

- (ii) where the aggregate of such payments or value of such benefits does not exceed fifty thousand rupees per month, if such employee is an individual employed in the public sector; or

(b) *sixteen per centum*—

- (i) where the aggregate of such payments or value of such benefits exceeds twenty five thousand rupees per month; or

- (ii) where the aggregate of such payments or value of such benefits exceeds fifty thousand rupees per

month, if such employee is an individual employed in the public sector;

5 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.”; and

10 (2) by the addition immediately after subsection (3) of that section, of the following new subsection:-

15 “(4) Where an individual is employed under more than one employer or has more than one employment and receiving any benefit from the private use of a motor vehicle or any allowance paid in lieu of the provision of such vehicle or value of any transport facility from more than one employer or from more than one employment, the excess of aggregate of such benefit or allowance or such value
20 over fifty thousand rupees shall form part of such employee’s employment income liable to tax.”.

25 **35.** Section 134 of the principal enactment as last amended by Act, No. 10 of 2007 is hereby further amended by the addition at the end of subsection (2) of that section, of the following new subsection :-
Amendment of section 134 of the principal enactment.

30 “(3) The deduction referred to in subsection (1) shall not apply to any interest which is exempt from income tax under this Act.”.

36. Section 135 of the principal enactment as last amended by Act, No. 18 of 2013 is hereby further amended by the substitution in paragraph (c) of subsection (1) of that section, for the words and figures “any interest or discount
Amendment of section 135 of the principal enactment.

referred to in paragraph (o) of section 9.”, of the words and figures “any interest or discount referred to in paragraph (aa) or paragraph (o) of section 9.”.

5 **37.** Section 137 of the principal enactment as last amended by Act, No.10 of 2007, is hereby further amended by the insertion immediately after subsection (2) of that section, of the following new subsection:-

Amendment
of section
137 of the
principal
enactment.

10 “(3) For the avoidance of doubt, interest income referred to in subsection (1) in relation to any bank or financial institution means the profits and income earned or accrued from any Security, Bond or Bill.”.

15 **38.** Section 163 of the principal enactment as last amended by Act, No. 18 of 2013 is hereby further amended in subsection (5) of that section, by the substitution in the proviso to that subsection, for the words “in respect of any year of assessment, consequent to the receipt by such person of any arrears relating to the profits from employment of that person for that year of assessment.”, of the following words:-

Amendment
of section
163 of the
principal
enactment.

20 “in respect of any year of assessment consequent to –

- (i) the receipt by such person of any arrears relating to the profits from employment of that person for that year of assessment; or
- 25 (ii) any adjustment made in line with the adoption of the Sri Lanka Financial Reporting Standards for the year of assessment in which such adoption was made:”.

30 **39.** Section 176 of the principal enactment is hereby amended in subsection (2) of that section, by the substitution for the words “chargeable for one complete year of assessment”, of the words “chargeable for five complete years of assessment”.

Amendment
of section
176 of the
principal
enactment.

40. Section 195 of the principal enactment is hereby amended by the addition immediately after subsection (2) of that section, of the following new subsection:-

Amendment
of section
195 of the
principal
enactment.

5 “(3) Without prejudice to the generality of
subsection (1) and subsection (2), no notice,
assessment, certificate, or other proceeding purporting
to be in accordance with the provisions of this Act
shall be quashed, or deemed to be void or voidable or
10 be affected by reason of any variance in the
designation of the officer who signed or executed such
notice, assessment, certificate or other proceeding as
the case may be, due to the implementation of the
Minutes of the Sri Lanka Inland Revenue Service as
15 published in the Gazette, if the same is in substance
and effect in conformity with, or according to, the intent
and meaning of this Act, and if the person assessed or
intended to be assessed or affected thereby, is
designated therein according to common intent and
understanding.”.

20 **41.** Section 209 of the principal enactment is hereby amended as follows:-

Amendment
of section
209 of the
principal
enactment.

(1) by the substitution in subsection (1) of that section,
for the words “his authorized representative or to
the Minister or the Secretary”, of the words “his
25 authorized representative or to the Minister or the
Secretary”;

(2) by the addition immediately after paragraph (d) of
subsection (5) of that section, of the following new
paragraphs:-

30 “(e) if required by a letter in writing by the Director
General of Customs, in the course of carrying
out the official duties, furnish as specified in
such letter, all information available to him
relating to the affairs of any person in respect
35 of whom an investigation is being conducted
by the Director General of Customs, or of the

spouse or a son or daughter of such person,
which is in the possession or under the control
of the Commissioner-General;

5 (f) if required by a letter in writing by the
Director General of Census and Statistics, in
the course of carrying out the official duties,
furnish as specified in such letter, all
information available to him relating to the
10 affairs of any person in respect of whom
information and statistics are being collected
by the Director General of Census and
Statistics, or of the spouse or a son or daughter
of such person, which is in the possession or
under the control of the Commissioner-
15 General;

(g) if required in pursuance to an order issued by
a competent Court, by the Inspector General
of Police, in the course of an investigation of
any crime or proceeds of crime which affects
20 to the public interest, against any person, or
after the commencement of prosecution of
any person for bribery or corruption, furnish,
all information available to him relating to
the affairs of such person or of the spouse or a
25 son or daughter of such person, as specified
in such order, and provide a certified copy of
any document relating to such person, spouse,
son or daughter, which is in the possession or
under the control of the Commissioner-
30 General.”; and

(3) by the substitution in subsection (12) of that
section, for the words “Minister or the Secretary”
of the words “Minister or the Secretary”.

35 **42.** Section 212 of the principal enactment is hereby amended in subsection (2) of that section as follows:-

Amendment
of section
212 of the
principal
enactment.

(1) by the substitution in paragraph (d) of that
subsection, for the words “five hundred rupees.”,
of the words “five hundred rupees;”; and

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

“(e) the manner of computation of profits and income whenever the Financial Accounting Standards applicable in Sri Lanka are changed.”.

43. Section 217 of the principal enactment as last amended by Act, No. 18 of 2013 is hereby further amended as follows:-

Amendment of section 217 of the principal enactment.

- (1) in the definition of the expression “authorized representative” by the repeal of item (ii) of subparagraph (a) of paragraph (1); and
- (2) in the definition of the expression “executive officer”, by the substitution for the words “not less than twenty thousand rupees;”, of the words “not less than seventy five thousand rupees;”.

44. The Second Schedule to the principal enactment as last amended by Act, No. 18 of 2013 is hereby further amended in PART- B of that Schedule as follows:-

Amendment of the Second Schedule to the principal enactment.

- (1) In item 1 of that PART –
- (a) by the substitution in paragraph (c) of that item, for all the words and figures from “Any company-” to the end of that item, of the following words and figures:-

“Any company other than any company engaged in the manufacture of any article or in the provision of any service -

(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

5 (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;*”;

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

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

15 any company engaged in the
manufacture of any article or in the
provision of any service-

(A)(i) of which the taxable
income does not exceed
Rs.5,000,000/-;

20 (ii) which is not a company
referred to in PART-A;
and

25 (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;*”;

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

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

“2 Any company for the year of assessment being any year of assessment commencing prior to April 1, 2011 in which its shares are first quoted in any official list 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 years immediately succeeding that first year of assessment;

(a) for which the taxable income exceeds Rs. 5,000,000/-; or

(b) if such company is a holding company, a subsidiary company or an associate company of a group of companies,

on the taxable income for that year of assessment;

(i) for any year of assessment commencing prior to April 1, 2011 $33 \frac{1}{3}$ per centum

(ii) for any year of assessment commencing on or after April 1, 2011 28 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 $33 \frac{1}{3}$ 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.”.

45. The Fifth Schedule to the principal enactment as last amended by the Act, No.18 of 2013 is hereby further amended as follows :-

Amendment
of the Fifth
Schedule to
the principal
enactment.

- (1) by the substitution for item 22 of that Schedule, of the following item:-

“22 The rate of income tax on profits and income referred to in section 58-

- (a) for any year of assessment commencing prior to April 1, 2011 *15 per centum*
- (b) for any year of assessment commencing on or after April 1, 2011, but prior to April 1, 2014 *12 per centum*
- (c) for any year of assessment commencing on or after April 1, 2011 *As per the First Schedule, but subject to a maximum of 12 per centum for an individual, and 12 per centum for a company”;*

- (2) by the substitution for item 33 of that Schedule, of the following item:-

“33 The rate of income tax applicable to profits and income of any person from any undertaking referred to in section 59B-

28 *Inland Revenue (Amendment)*

- (a) for any year of assessment
commencing prior to April
1, 2014

*As per the
First
Schedule,
but subject
to a
maximum of
10 per
centum for
an
individual,
and 10 per
centum for a
company*

- (b) for any year of assessment
commencing on or after
April 1, 2014

*As per the
First
Schedule but
subject to a
maximum of
12 per
centum for
an individual
and 12 per
centum for a
company”;*

- (3) by the substitution for item 42 of that Schedule, of
the following item:-

“42 The rate of income tax applicable
to such part of the profits and
income of any person from any
undertaking referred to in section

56A-

*12 per
centum “;*

- (4) by the addition immediately after item 45 of that
Schedule, of the following new item:-

“46 The rate of income tax applicable
to such part of the profits and

income of any individual, from a
profession as referred to in
section 59F-

- 5 (a) where such taxable income
does not exceed Rs.
25,000,000/- *As per the
First
Schedule but
subject to a
maximum of
12 per
centum*
- 10
- 15 (b) where such taxable income
exceeds Rs. 25,000,000/-
but does not exceed Rs.
35,000,000/-; *14 per
centum “;*
- 20 (c) where such taxable income
exceeds Rs. 35,000,000/- *16 per
centum “.*

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

Sinhala text
to prevail in
case of an
inconsistency.

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