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SOCIALIST REPUBLIC OF
SRI LANKA**

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SUPPLEMENT

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INLAND REVENUE (AMENDMENT)

A

BILL

to amend the Inland Revenue Act, No. 24 of 2017

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STATEMENT OF LEGAL EFFECT

Clause 2: This clause amends section 10 of the Inland Revenue Act, No. 24 of 2017 (hereinafter referred to as the “principal enactment”) and the legal effect of that section as amended is to make provisions for the purpose of discouraging cash transactions.

Clause 3: This clause amends section 37 of the principal enactment for the purpose of clarity.

Clause 4: This clause amends section 73 of the principal enactment and the legal effect of that section as amended is to include payments received from a resident company conducting the business in Sri Lanka as payments having a source in Sri Lanka.

Clause 5: This clause amends section 84A of the principal enactment and the legal effect of that section as amended is to make the Government of Sri Lanka obligated for withholding the tax on payments made to a non-resident person.

Clause 6: This clause amends section 85 of the principal enactment and the legal effect of that section as amended is to make the Government of Sri Lanka obligated for withholding the tax on payments made to a non-resident person.

Clause 7: This clause amends section 86 of the principal enactment and the legal effect of that section as amended is to make provisions for the Commissioner-General to specify the procedure of withholding the tax from any payment made to a non-resident person.

Clause 8: This clause amends section 113 of the principal enactment and the legal effect of that section as amended is to make the filing of tax returns by a person electronically, compulsory.

Clause 9: This clause amends section 123 of the principal enactment and the legal effect of that section as amended is to make provisions requiring third parties to provide prescribed information in electronic format.

Clause 10: This clause amends section 135 of the principal enactment and the legal effect of that section as amended is to provide for a period of time within which the Assistant Commissioner may amend an assessment.

Clause 11: This clause amends section 139 of the principal enactment and the legal effect of that section as amended is to provide a time limit for the Commissioner-General to notify his decision on an administrative review.

Clause 12: This clause amends section 150 of the principal enactment and the legal effect of that section as amended is to make provisions to setoff sixty percent of the refundable amount of tax prior to a tax audit.

Clause 13: This clause rectifies an error in section 154 of the principal enactment.

Clause 14: This clause amends section 182 of the principal enactment and the legal effect of that section as amended is to make withholding agents and financial institutions liable to a penalty for failure to comply with the procedures specified by the Commissioner-General.

Clause 15: This clause amends the First Schedule of the principal enactment and the legal effect of that Schedule as amended is to specify a rate of tax for specified dividends.

Clause 16: This clause amends the Third Schedule of the principal enactment and the legal effect of that Schedule as amended is to exempt gains and profits derived from certain projects and businesses by non-resident persons and authorized persons.

Clause 17: This clause makes provisions to grant relief from penalty or interest for certain companies.

Clause 18: This clause replaces the *Table 'A'*, *Table 'B'* and *Table 'C'* of the Inland Revenue (Amendment) Act, No. 45 of 2022.

Inland Revenue (Amendment)

L.D.-O. 10/2023

AN ACT TO AMEND THE INLAND REVENUE ACT, NO. 24 OF 2017

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

1. (1) This Act may be cited as the Inland Revenue (Amendment) Act, No. of 2023. Short title
and the date
of operation

5 (2) The provisions of this section and sections 4, 7, 9, 11, 13, 14 and 19 of this Act shall come into operation on the date on which the Bill becomes an Act of Parliament.

(3) The provisions of this Act specified in *Column I* of the table below which amend the provisions of the Inland Revenue Act, No. 24 of 2017 (hereinafter referred to as the “principal enactment”) specified in *Column II* of that table, shall come into operation or be deemed to have come into operation, as the case may be, on the respective dates as specified in *Column III* of that table.

Table

15	<i>Column I</i>	<i>Column II</i>	<i>Column III</i>
	<i>Section of this Act</i>	<i>Section of the principal enactment which is amended</i>	<i>Date of operation</i>
	2	10(2A)	01.04.2023
	3	37(1)(b)	01.04.2021
20	5	84A(1B)	01.01.2023
	6	85(4)	01.01.2023
	8	113(1)(b), 113(1)(bb), 113(1A), 113(1B) and 113(1C)	01.04.2023
	10	135(3), 135(3A) and 135(4)	01.04.2023

	<i>Column I</i>	<i>Column II</i>	<i>Column III</i>
	<i>Section of this Act</i>	<i>Section of the principal enactment which is amended</i>	<i>Date of operation</i>
5	12	150(1)(a), 150(1)(b), 150(1)(c) and 150(2A)	01.04.2023
	15	subparagraph (1) of paragraph 4, item (d)(iii) of subparagraph (1) of paragraph 10 and paragraph 13 of the First Schedule	01.10.2022
10	16	subparagraphs (ii) and (iii) of paragraph (ooo) of the Third Schedule	01.10.2022
15	16	paragraph (tt) and subparagraphs (ii), (v) and (vi) of paragraph (w) of the Third Schedule	01.04.2023
	16	paragraph (x) of the Third Schedule	27.05.2021
	17	–	01.10.2022

2. Section 10 of the principal enactment is hereby
 20 amended by the insertion immediately after subsection (2)
 of that section, of the following new subsection: -

Amendment
 of section 10
 of the
 principal
 enactment

“(2A) (a) Where a person pays to another person,
 on or after April 1, 2023, a sum of money amounting
 in the aggregate to Rs. 500,000 or more, in a day, or in
 25 respect of a single transaction, or in respect of a series
 of single transactions relating to one event, otherwise
 than by way of an account payee cheque or account
 payee bank draft or by the use of a credit card, debit
 card or electronic payment system through a bank
 30 account, -

- (i) any deduction shall not be allowed in
 respect of such payments in calculating
 the first mentioned person’s income; and

- (ii) the amounts paid shall not be considered as cost of an asset of the first mentioned person.

5 (b) The provisions of paragraph (a) shall not apply to-

- (i) any payment by the Government of Sri Lanka or any Government institution;
- (ii) any payment by a bank or financial institution; and
- 10 (iii) such classes of persons or payments as may be prescribed by the Minister.

(c) For the purpose of this subsection-

15 “bank account” means any account maintained in a bank or financial institution in Sri Lanka;

“Government institution” means any Department or undertaking of the Government of Sri Lanka and includes any public corporation; and

20 “single transaction” means the purchase or procurement of any goods or services, on a single invoice, receipt or statement.”.

25 **3.** Section 37 of the principal enactment is hereby amended in paragraph (b) of subsection (1) of that section, by the substitution for the words “the asset;”, of the words and figures “the asset prior to April 1, 2021 and in improving the asset on or after April 1, 2021;”.

Amendment
of section 37
of the
principal
enactment

4. Section 73 of the principal enactment is hereby amended in paragraph (a) of subsection (1) of that section as follows: -

Amendment
of section 73
of the
principal
enactment

- 5 (1) in sub-paragraph (i) of that paragraph, by the substitution for the words “paid; or”, of the word “paid;”;
- (2) in sub-paragraph (ii) of that paragraph, by the substitution for the words “employment is;”, of the words “employment is; or”; and
- 10 (3) by the addition immediately after sub-paragraph (ii) of that paragraph, of the following new sub-paragraph: -
 - 15 “(iii) to the extent derived from a company resident and conducting the business in Sri Lanka;”.

5. Section 84A of the principal enactment is hereby amended by the insertion immediately after subsection (1A) of that section, of the following new subsection: -

Amendment
of section
84A of the
principal
enactment

- 20 “(1B) For the purpose of subsection (1A), “a person” includes the Government of Sri Lanka, in the case of a payment made to a non-resident person other than a payment derived through a Sri Lankan permanent establishment.”.

6. Section 85 of the principal enactment is hereby amended by the addition immediately after subsection (3) of that section, of the following new subsection: -

Amendment
of section 85
of the
principal
enactment

- 30 “(4) For the purpose of this section, “a person” includes the Government of Sri Lanka, in the case of a payment made to a non-resident person other than a payment derived through a Sri Lankan permanent establishment.”.

7. Section 86 of the principal enactment is hereby amended by the addition immediately after subsection (6) of that section, of the following new subsection: -

Amendment
of section 86
of the
principal
enactment

5 “(7) The Commissioner-General may specify the procedure of withholding the tax from any payment made to a non-resident person under this Division. Every withholding agent and financial institution shall comply with such procedure.”.

8. Section 113 of the principal enactment is hereby amended as follows: -

Amendment
of section
113 of the
principal
enactment

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

15 (a) in paragraph (b) of that subsection, by the substitution for the words and figures “Subject to subsection (1A),”, of the words and figures “Subject to subsection (1A), prior to April 1, 2023,”;

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

20 “(bb) the filing of any other document under this Act;”;

25 (2) in subsection (1A) of that section, by the substitution for the words “A company”, of the words and figures “Prior to the year of assessment commencing from April 1, 2023, a company”; and

(3) by the insertion immediately after subsection (1A) of that section, of the following new subsections: -

30 “(1B) Subject to subsection (1C), with effect from the year of assessment commencing from April 1, 2023, a person shall file such person’s tax returns electronically through the use of a computer system or mobile electronic device.

(1C) The Commissioner-General may authorise a person to file a tax return in writing, for a year of assessment, where the Commissioner-General considers that such authorisation is just and equitable in the circumstances of the case.”.

9. Section 123 of the principal enactment is hereby amended by the addition immediately after subsection (7) of that section, of the following new subsection: -

Amendment
of section
123 of the
principal
enactment

“(8) Notwithstanding anything to the contrary in any other written law –

- (a) the Registrar-General of the Registrar General’s Department;
- (b) the Registrar-General of Companies;
- (c) the Commissioner-General of Motor Traffic;
- (d) an officer of any other Government institution in charge of granting contracts for the supply of goods, works, or consulting and non-consulting services;
- (e) a financial institution;
- (f) a stock exchange; or
- (g) any other person or a Government institution as may be prescribed by regulations,

shall provide on a regular basis in electronic format, such information including information on financial transactions, or access to such records that are in any of such person’s or institution’s custody, as may be prescribed, to the Commissioner-General.”.

10. Section 135 of the principal enactment is hereby amended as follows: -

Amendment
of section
135 of the
principal
enactment

(1) in subsection (3) of that section, by the substitution for the words “where the Assistant Commissioner”,
5 of the words and figures “for any year of assessment commencing prior to April 1, 2023, where the Assistant Commissioner”;

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

10 “(3A) Subject to subsection (4), where the Assistant Commissioner has served a notice of an amended assessment on a tax payer under subsection (1), the Assistant Commissioner may further amend the original assessment to which
15 the amended assessment relates, within-

(a) the period specified in paragraph (b) of subsection (2); or

(b) a period of one year after the Assistant Commissioner served the notice of the
20 amended assessment on the tax payer,

whichever occurs later.”; and

(3) in subsection (4) of that section, by the substitution for the word and figure “subsection (3)”, of the word and figures “subsection (3A)”.

25 **11.** Section 139 of the principal enactment is hereby amended in subsection (5) of that section as follows: -

Amendment
of section
139 of the
principal
enactment

(1) in paragraph (a) of that subsection, by the substitution for the words “in writing”, of the words
“in writing or by electronics means”; and

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

5 “(c) The Commissioner-General shall, in the
 case of a request for review made on or after the
 date of commencement of this (Amendment)
 Act, notify his decision and the reason for the
 decision under paragraph (a) within a period
 of two years from the date on which such request
 for review is received by the Commissioner-
 General. Where such decision is not notified
 10 within such period, the request for review shall
 be deemed to have been allowed, unless an
 appeal has been preferred to the Tax Appeals
 Commission in accordance with paragraph (b)
 of subsection (2) of section 140.”.

15 **12.** Section 150 of the principal enactment is hereby amended as follows: -

Amendment
 of section
 150 of the
 principal
 enactment

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

20 (a) in paragraph (a) of that subsection, by the
 substitution for the words “assessed
 liability to pay tax,”, of the words
 “assessed liability or payable amount of
 tax,”;

(b) in paragraph (b) of that subsection, by the
 substitution for the words “six months.”,
 of the words “six months; or”;

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

30 “(c) at the request of the taxpayer, set
 off sixty percent of the refundable
 amount against the subsequent
 income tax payable by the
 taxpayer, prior to a tax audit on the
 refund claim.”; and

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

5 “(2A) (a) If the taxpayer referred to in subsection (2) is a resident individual and the refund claim is not exceeding one hundred thousand rupees, the Commissioner-General shall pay the refund amount due, within three months of the date of the refund claim made by such resident individual, prior to a tax audit.

10 (b) The manner and the procedure relating to the payment of the refund amount due under paragraph (a), may be specified by the Commissioner-General.”.

15 **13.** Section 154 of the principal enactment is hereby amended in paragraph (b) of subsection (2) of that section, by the substitution for the words “collected pursuant.”, of the words “collected pursuant to a levy of execution or by way of garnishment in accordance with the provisions of this Act.”. Amendment of section 154 of the principal enactment

20 **14.** Section 182 of the principal enactment is hereby amended by the addition immediately after subsection (4) of that section, of the following new subsection: - Amendment of section 182 of the principal enactment

25 “(5) A financial institution that fails to comply with the procedure specified by the Commissioner-General in terms of subsection (7) of section 86, shall be liable for a penalty of an amount not exceeding fifty thousand rupees.”.

15. The First Schedule to the principal enactment is hereby amended as follows: - Amendment of the First Schedule to the principal enactment

30 (1) in subparagraph (1) of paragraph 4 of that Schedule, by the substitution for the words and figures “subparagraphs (2), (2A) and (3).”, of the words and figures “subparagraphs (2), (2A), (2B) and (3).”;

- (2) in item (d)(iii) of subparagraph (1) of paragraph 10 of that Schedule, by the substitution for the words “exceeds or is equal to”, of the word “exceeds,”; and

- 5 (3) by the addition immediately after paragraph 12 of that Schedule, of the following new paragraph: -

“13. Tax rate for dividends

10 Notwithstanding the provisions in other paragraphs of this Schedule, where a person’s taxable income includes gains and profits from dividends for the second six months of the year of assessment commencing on April 1, 2022, such gains and profits shall be taxed at the rate of 15%.”.

- 15 **16.** The Third Schedule to the principal enactment is hereby amended as follows: -

Amendment
of the Third
Schedule to
the principal
enactment

- (1) in paragraph (ooo) of that Schedule –

20 (a) in subparagraph (ii) of that paragraph, by the substitution for the words and figures “another resident company which is subject to Advance Income Tax under subsection (1A) of section 84A;”, of the words “another resident company;”;

- 25 (b) by the addition immediately after subparagraph (ii) of that paragraph, of the following new subparagraph: -

“(iii) to a member who is a non-resident person where such dividend is paid prior to January 1, 2023;”;

5 (2) by the insertion immediately after paragraph (t) of that Schedule, of the following new paragraph: -

10 “(tt) amounts derived by a non-resident person from engaging in a project of the Government of Sri Lanka, if such project is approved by the Minister taking into consideration the economic benefits to the country, and is totally funded from foreign grants;”;

(3) in paragraph (w) of that Schedule-

15 (a) in subparagraph (ii) of that paragraph, by the substitution for the words and figures “on or after April 1, 2021”, of the words and figures “on or after April 1, 2021, but prior to April 1, 2023,”;

20 (b) in subparagraph (v) of that paragraph, by the substitution for the words and figures “on or after January 1, 2021”, of the words and figures “on or after January 1, 2021, but prior to April 1, 2023,”;

25 (c) in subparagraph (vi) of that paragraph, by the substitution for the words and figures “on or after April 1, 2021;”, of the words and figures “on or after April 1, 2021, but prior to April 1, 2023, for a period of two years of assessment;” and

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

5 “(x) gains and profits received or derived by an authorised person carrying on a Business of Strategic Importance as approved under the provisions of the Colombo Port City Economic Commission Act, No. 11 of 2021 and the employment income of an employee employed in terms of section 35 of that Act,
10 up to the extent provided for in that Act for each year of assessment.”.

17. Where a company has not paid the tax in accordance with the provisions of item (a) of subparagraph (4) of paragraph 4 of the First Schedule to the principal enactment
15 as amended by the Inland Revenue (Amendment) Act, No. 45 of 2022, for the period commencing on October 1, 2022 and ending on the date of the commencement of the said Inland Revenue (Amendment) Act, No. 45 of 2022, but pays the amount of tax payable by such company, on or before
20 the thirtieth day of the succeeding month of the date of commencement of this Act, such company shall not be liable to any penalty or interest in terms of the provisions of the principal enactment.

Relief from
penalty or
interest

25 18. Table ‘A’, Table ‘B’ and Table ‘C’ of the Inland Revenue (Amendment) Act, No. 45 of 2022 are hereby repealed and the following tables are substituted therefor and shall be deemed to have come into operation in accordance with subsections (2), (3), (4) and (5) of section 1 of the Inland Revenue (Amendment) Act, No. 45 of 2022: -

Replacement
of Table ‘A’,
Table ‘B’
and Table
‘C’ of the
Inland
Revenue
(Amendment)
Act, No. 45
of 2022

"Table 'A'"

(section 1)

	<i>Column I</i>	<i>Column II</i>
	<i>Section of this Act</i>	<i>Section of the principal enactment which is amended</i>
5	2	5
	4	12
	5	14
	6	16
	11	66
10	18	87
	21	94
	22	120
	24	133
	25	134
15	26	135
	27	136
	32(1) and (3)	195
	33(1), (2), (3), (4) and (5)	subparagraphs (1A) and (1B) of paragraph 1, paragraphs 3, 4, 5 and 7 of the First Schedule
20	34	subparagraph (6A) of paragraph 1 of the Second Schedule
	35(1)	paragraph (gg) of the Third Schedule
	37(1)	item (b) of subparagraph (4) of paragraph 1 of the Sixth Schedule
25	38	new section

Table 'B'

(section 1)

	<i>Column I</i>	<i>Column II</i>
	<i>Section of this Act</i>	<i>Section of the principal enactment which is amended</i>
5	33(1)	subparagraph (5) of paragraph 1 of the First Schedule
	35 (2), (3), (4) and (5)	paragraphs (hh), (oo), (ooo) and (rr) of the Third Schedule
	36(2)	paragraph 2 of the Fifth Schedule
10	37 (3) and (4)	paragraphs 8 and 10 of the Sixth Schedule

Table 'C'

(section 1)

	<i>Column I</i>	<i>Column II</i>	<i>Column III</i>
	<i>Section of this Act</i>	<i>Section of the principal enactment which is amended</i>	<i>Date of operation</i>
15	3	10	01.04.2021
	7	18	01.04.2021
	8	19(3) and (4)	01.04.2018
	9	46	01.04.2021
20	10	54	01.04.2018
	12	69	01.04.2018

Table 'C'

(section 1)

<i>Column I</i>	<i>Column II</i>	<i>Column III</i>
<i>Section of this Act</i>	<i>Section of the principal enactment which is amended</i>	<i>Date of operation</i>
5 13	72	01.04.2018
14	73	01.04.2018
15	83A	01.01.2023
16	84A	01.01.2023
17	85	01.01.2023
10 19	88	01.01.2023
20	90	01.04.2021
32(2)	195	01.04.2020
15 33(1) and (7)	subparagraph (1C) of paragraph 1 and paragraph 11 of the First Schedule	01.04.2023
35(6) and (7)	paragraphs (u) and (w) of the Third Schedule	31.03.2023
36(1)	subparagraph (e) of paragraph 1 of the Fifth Schedule	01.04.2021

.”.

- 20 **19.** In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

Sinhala text
to prevail in
case of
inconsistency

