



PARLIAMENT OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

INLAND REVENUE (AMENDMENT) ACT, No. 8 OF 2001

[Certified on 24th July, 2001]

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Inland Revenue (Amendment) Act, No. 8 of 2001

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L.D.—O. 23/2001.

AN ACT TO AMEND THE INLAND REVENUE ACT, NO. 38 OF 2000

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. 8 of 2001. Short title.

2. Section 8 of the Inland Revenue Act, No. 38 of 2000 (hereinafter referred to as “the principal enactment”) is hereby amended in paragraph (a) of that section as follows :— Amendment of section 8 of Act No. 38 of 2000.

(1) in sub-paragraph (lxxiii) of that paragraph by the substitution for the words and figures “Companies Act, No. 17 of 1982.”, of the words and figures “Companies Act, No. 17 of 1982;”;

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

“(lxxiv) the European Investment Bank ;”.

3. Section 9 of the principal enactment is hereby amended in paragraph (f) of subsection (1) of that section, by the substitution, for the words “Red Cross or the World Conservation Union ;”, of the words “Red Cross, the World Conservation Union or the European Investment Bank ;”. Amendment of section 9 of the principal enactment.

4. Section 15 of the principal enactment is hereby amended by the insertion immediately after paragraph (a) of that section, of the following new paragraph :— Amendment of section 15 of the principal enactment.

“(aa) the profits and income earned by a resident company or partnership carrying on or exercising any trade, business, profession or vocation, in foreign currency, in any year of assessment commencing on or after April 1, 2001, in respect of services rendered by that

company or partnership in that year of assessment outside Sri Lanka (including services relating to any construction project) in the course of carrying on or exercising such trade, business, profession or vocation, if such profits and income (less any such amount expended by that company or partnership outside Sri Lanka as is considered by the Commissioner-General to be reasonable expenses) are remitted to Sri Lanka through a bank;”.

Insertion of section 18A in the principal enactment.

5. The following new section is hereby inserted immediately after section 18, and shall have effect as section 18A of the principal enactment :—

‘Exemption from income tax of the profits and income of certain companies providing infrastructure facilities.

18A. (1) The profits and income within the meaning of paragraph (a) of section 3 (other than profits and income from the sale of capital assets) of any company from any specified undertaking referred to in subsection (2), which commences business on or after April 1, 2001, shall be exempt from income tax for such period not exceeding twenty years as may be prescribed by regulation, having regard to the nature of the undertaking and the investment made in the undertaking, such period of exemption being reckoned from the commencement of the year of assessment in which such undertaking commences to carry on business.

(2) The provisions of subsection (1) shall apply to a company which is approved by the Minister by Order published in the Gazette as being essential for the economic development of the country, being a company which is engaged only in carrying on an undertaking for developing or maintaining or operating or developing, maintaining and operating, an infrastructure facility.

(3) In this section, “infrastructure facility” means a warehouse, store, industrial park, sanitation or solid waste management system or a project for the supply of electricity, water or urban housing.’.

6. The following new section is hereby inserted immediately after section 20, and shall have effect as section 20A of the principal enactment :—

Insertion of section 20A in the principal enactment.

‘Exemption from income tax of profits and income of an undertaking for export of handicrafts.

20A (1) Such part of the profits and income within the meaning of paragraph (a) of section 3 as consists of export profits and income of any person or partnership, for every year of assessment commencing on or after April 1, 2001 but prior to April 1, 2004, from any undertaking for the export of such categories of handicrafts as may be specified by the Minister by Order published in the Gazette, having regard to the need to encourage the export market for handicrafts and which conforming to such standards of manufacture as may be specified by the Sri Lanka Handicrafts Board established by the National Crafts Council and Allied Institutions Act, No. 35 of 1982, shall be exempt from income tax.

(2) In this section—

“export profits and income” in relation to a person or partnership and a year of assessment, means the sum which bears to the profits and income (within the meaning of paragraph (a) of section 3 other than profits and income from the sale of capital assets) of that person or partnership for that year of assessment, from the undertaking

referred to in subsection (1), the same proportion as the export turnover of that person or partnership for that year of assessment bears to the total turnover of that person or partnership for that year of assessment ;

“export turnover” in relation to a person or partnership and a year of assessment means the total amount received or receivable by that person or partnership in that year of assessment, from the export of handicrafts of such categories and conforming to such standards as are referred to in subsection (1) (other than any amount received or receivable by the sale of capital assets) ;

“handicraft” means an article of decorative value made wholly or mainly by hand ;

“total turnover” in relation to a person or partnership and a year of assessment means the total amount received or receivable by that person or partnership in that year of assessment (other than any amount received or receivable by the sale of any capital asset) ;’.

Amendment of section 32 of the principal enactment.

7. Section 32 of the principal enactment is hereby amended as follows :—

(1) by the addition, at the end of that section of the following new subsection :—

“(8) Where a fund or society has been set up or formed for the welfare of the members of

the Sri Lanka Army, Sri Lanka Navy, Sri Lanka Air Force or the Sri Lanka Police Force and their respective families, the Commissioner-General may, subject to such conditions as he may specify, reduce or remit the tax payable by such fund or society, as the case may be, if it appears to the Commissioner-General that such reduction or remission is just and equitable in all the circumstances of the case.”;

- (2) by the substitution for the marginal note to that section of the following :—

“Rates of income tax on persons other than companies.”.

8. Section 50 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words “earns in any year of assessment”, of the words and figures “earns in any year of assessment commencing prior to April 1, 2001”.

Amendment of section 50 of the principal enactment.

9. Section 51 of the principal enactment is hereby amended as follows :—

Amendment of section 51 of the principal enactment.

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

(a) by the substitution, for the words “referred to in subsection (1) of ”, of the words “referred to in subsection (1) and commencing prior to April 1, 2001 of” ;

(b) in paragraph (a) thereof—

(i) by the substitution, for the words “if the relevant part of the income exceeds the amount of such profits and income—”, of the words “if the relevant part of the income exceeds the amount of such emoluments and fees—” ; and

- (ii) by the substitution in sub-paragraph (i) of that paragraph, for the words “is equal to the amount of such profits and income”, of the words “is equal to the amount of such emoluments and fees”; and
 - (c) in paragraph (b) thereof, by the substitution for the words “does not exceed the amount of such profits and income”, of the words “does not exceed the amount of such emoluments and fees”; and
- (2) by the addition, at the end of that subsection, of the following new subsection :—

‘(3) Where the taxable income for any year of assessment referred to in subsection (1), and commencing on or after April 1, 2001 of any individual includes any emoluments and fees referred to in such subsection earned by such individual or which accrued to such individual by way of his share of profits from any partnership in Sri Lanka referred to in subsection (1) and the rate of income tax payable on a part of such income (hereinafter in this section referred to as the “relevant part of income”) exceeds ten *per centum*, then, in regard to the relevant part of the income, the tax shall be computed as follows :—

- (a) if the relevant part of the income exceeds the amount of such emoluments and fees —
 - (i) the tax payable on such part of the relevant part of the income as is equal to the amount of such emoluments and fees shall be at the rate of ten *per centum* ; and

(ii) the tax payable on the balance of the relevant part of the income shall be computed according to such of the rates above ten *per centum* as are applicable thereto under this Act ; and

(b) if the relevant part of the income does not exceed the amount of such emoluments and fees, the tax payable on the entirety of the relevant part of the income shall be at the rate of ten *per centum*, notwithstanding anything to the contrary in this Act.’.

10. Section 53 of the principal enactment is hereby amended in the second proviso to paragraph (b) of subsection (1) of that section, by the substitution, for the words and figures “paragraph (a) of section 8”, of the words and figures “paragraph (a) or paragraph (b) of section 8”.

Amendment of section 53 of the principal enactment.

11. Section 61 of the principal enactment is hereby amended in subsection (1) of that section by the substitution for the words and figures “paragraph (a) of section 8”, of the words and figures “paragraph (a) or paragraph (b) of section 8”.

Amendment of section 61 of the principal enactment.

12. Section 131 of the principal enactment is hereby amended by the repeal of subsection (2) of that section, and the substitution therefor, of the following subsection :—

Amendment of section 131 of the principal enactment.

‘(2) For the purposes of subsection (1)—

“ specified person”—

(a) in relation to the year of assessment commencing on April 1, 2000 means any person, partnership or body of persons,

who or which either on his or it's own behalf or on behalf of any other person or persons or partnership or partnerships is likely to pay or to credit in that year of assessment or has paid or credited in the year of assessment immediately preceding that year of assessment—

- (i) a specified fee of, or specified fees aggregating to, not less than thirty thousand rupees to any other person or to any other partnership ; or
 - (ii) specified fees aggregating to not less than two hundred and fifty thousand rupees ; and
- (b) in relation to any year of assessment commencing on or after April 1, 2001, means any person, partnership or body of persons, who or which either on his or it's own behalf or on behalf of any other person or persons or partnership or partnerships is likely to pay or to credit in that year of assessment or has paid or credited in the year of assessment immediately preceding that year of assessment, specified fees aggregating to not less than one million rupees ; and

“specified fee”—

- (a) in relation to the year of assessment commencing on April 1, 2000 means any sum payable by any specified person in consideration for services rendered by any person or by any partnership, as the case may be, in the course of any business, profession, vocation or other activities of

an independent character carried on or exercised by such person or any partner of such partnership, as the case may be, and includes any commission, brokerage or other sums of a like nature payable by such specified person but does not include any sum payable by such specified person to any employee of such specified person in the course of employment under such specified person ; and

- (b) in relation to any year of assessment commencing on or after April 1, 2001 means any sum or sums aggregating to not less than one hundred and fifty thousand rupees payable by any specified person in that year to any person or partnership, in consideration for services rendered by that person or partnership, as the case may be, in the course of any business, profession or vocation or other activities of an independent character carried on or exercised by that person or any partnership, as the case may be, and includes any commission, brokerage or other sums of a like nature payable by such specified person but does not include any sum payable by such specified person to any employee of such specified person in the course of employment under such specified person.’.

13. Section 186 of the principal enactment is hereby amended as follows :—

Amendment of section 186 of the principal enactment.

- (1) by the substitution, in the definition of ‘owner’, for the words “ground rent of other”, of the words “ground rent or other”;

- (2) in sub-paragraph (ii) of paragraph (b) of the definition of ‘qualifying distribution’ by the substitution, for the words and figures “paragraph (a) of section 8”, of the words and figures “paragraph (a) or paragraph (b) of section 8”.

Amendment of
section 187 of the
principal
enactment.

14. Section 187 of the principal enactment is hereby amended as follows :—

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

“(2A) Where the Board of Investment of Sri Lanka has entered into an agreement with an enterprise under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1978, prior to April 1, 2000, providing for the exemption of the whole or a part of the profits and income of that enterprise from income tax payable under the Inland Revenue Act, No. 28 of 1979, for a specified period, and there remains on March 31, 2000, an unexpired part of such specified period, the whole or part, as the case may be, of the profits and income of that enterprise which, but for the provisions of subsection (1), would have been exempt from income tax shall be exempt from income tax, payable under this Act, for such unexpired part of the specified period.” ; and

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

“(3A) Where an individual pays, on or after April 1, 2000, to the Government of Sri Lanka or to any institution referred to in paragraph (ee) of subsection (2) of section 31 of the Inland Revenue Act, No. 28 of 1979, any amount —

- (a) in the repayment of the capital of any loan ; or

(b) as monthly payments of any rent purchase agreement,

referred to in that paragraph such amount shall, notwithstanding anything in subsection (1) but subject to the conditions specified in the aforesaid paragraph, be deductible from the assessable income of that individual in any year of assessment commencing on or after April 1, 2000, as if such Act continued to be in force.”.

15. The First Schedule to the principal enactment is hereby amended in Part III of that Schedule by the substitution, for the words and figures “on the first Rs. 500,000 of the taxable income”, of the words and figures “on the first Rs. 500,000 of the taxable income - nil”.

Amendment of the First Schedule to the principal enactment.

16. Where in any provision of the principal enactment specified in Column I of the Schedule hereunder, there appears any words or expression specified in the corresponding entry in Column II of that Schedule, there shall be substituted for those words or expression, the words or expression specified in the corresponding entry in Column III of that Schedule.

General amendment to the principal enactment.

SCHEDULE

<i>Column I</i>	<i>Column II</i>	<i>Column III</i>
11 (f)	section 15, 17, 18, 19 or 20 of this Act.	section 15, 17, 18, 19, 20 or 21 of this Act
14 (2)	sub-paragraphs (xxii) and (xxiia).	sub-paragraphs (xx),(xxii) and (xxiii).
23 (1) (n)	formation or of	formation or liquidation of
32 (3)	such part of such income	a part of such income
32 (3) (b)	the tax payable on the income	the tax payable on such part of the income
49 (1) (a)	of any commodity	of any commodity

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<i>Column I</i>	<i>Column II</i>	<i>Column III</i>
61 (1)	Every resident company other than a quoted company, shall	Every resident company, shall
76 (2)	such profits from such business	his profits from such business
76 (2)	person where his agent,	person were his agent,
76 (3)	retailed by or on behalf	retained by or on behalf
86 (2)	profits other than premises.	profits other than premiums.
92 (3)	Act No. 28 of 1979 and section 92 of this Act, shall	Act, No. 28 of 1979 shall
104 (1) (a)	under section 98 (i)	under section 98 (2)
104 (1) (b)	in section 98 (2)	in section 98 (1)
104 (1) (c)	provisions of section iii;	provision of section III ;
105 (1)	notwithstanding that the	notwithstanding that no
117 (3)	any pay, period	any pay period
171 (6)	under subsection (1) of section 13	under subsection (1) of section 113

Amendment of Act, No. 28 of 1979.

17. Section 8 of the Inland Revenue Act, No. 28 of 1979 as amended by section 2 of the Inland Revenue (Amendment) Act, No. 41 of 1999 (granting exemption from income tax, to the Commonwealth Development Corporation) shall be deemed for all purposes to have come into force on January 1, 1996.

Validation of certain exemptions provided in agreements entered into by the Board of Investment of Sri Lanka.

18. Where the Board of Investment of Sri Lanka has entered into an agreement with an enterprise under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1978, on or after April 1, 2000 but prior to the date of commencement of this Act and the agreement provides for the exemption of the whole or any part of the profits and income of such enterprise from income tax payable under the principal enactment, such exemption shall be deemed to have been, and to be, valid and effectual from the date of such agreement, as if such exemption had been expressly granted to the enterprise by a provision of the principal enactment.

19. The amendments made to the principal enactment by sections 10, 11 and 13 of this Act shall be deemed for all purposes to have come into force on April 1, 2000.

Retrospective effect.

20. 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.

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