



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

**INLAND REVENUE (AMENDMENT)
ACT, No. 8 OF 2012**

[Certified on 30th March, 2012]

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Inland Revenue (Amendment) Act, No. 8 of 2012

[Certified on 30th March, 2012]

L.D.—O. 10 /2012.

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. (1) This Act may be cited as the Inland Revenue (Amendment) Act, No. 8 of 2012.

Short title and
the date of
operation.

(2) The provisions of this Act, shall come into operation on April 1, 2012:

Provided however—

- (a) the amendments made to section 7 of the Inland Revenue Act, No.10 of 2006 (hereinafter referred to as the “principal enactment”) by section 2 (2) of this Act;
- (b) the amendments made to section 16C of the principal enactment by section 6 of this Act;
- (c) the amendments made to section 17A of the principal enactment by section 9 of this Act,
- (d) the amendments made to—
 - (i) subsection (2) of section 34 of the principal enactment by the addition of new sub paragraph (s) to that subsection by section 15 (1) of this Act; and
 - (ii) paragraph (a) and paragraph (b) respectively of subsection (4) of section 34 of the principal enactment by the addition of new item (A) in new subparagraph (x) and new item (A) in

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new subparagraph (ix) to that subsection respectively, by section 15 (2) of this Act,

shall be deemed for all purposes to have come into operation on April 1, 2011.

Amendment of section 7 of the principal enactment.

2. Section 7 of the principal enactment as last amended by Act, No. 22 of 2011 is hereby further amended as follows :—

(1) in paragraph (b) of that section—

(a) by the substitution in sub paragraph (xxviii), for the words and figures “part VIII of the Companies Act, No. 17 of 1982”, of the words and figures “part XI of the Companies Act, No. 7 of 2007”;

(b) by the substitution in sub-paragraph (lxi), for the words and figures “the profits and income of the Insurance Board of Sri Lanka, established by the Regulation of Insurance Industry Act, No. 43 of 2000,”, of the words and figures “the Insurance Board of Sri Lanka, established by the Regulation of Insurance Industry Act, No. 43 of 2000;”;

(c) by the addition, immediately after sub-paragraph (lxi), of the following new sub-paragraphs:—

“(lxii) the Institute of Certified Management Accountants of Sri Lanka established by the Institute of Certified Management Accountants of Sri Lanka Act, No. 23 of 2009; and

(lxiii) the Fund established by the National Child Protection Authority Act, No. 50 of 1998.”;

(2) in paragraph (e) of that section—

- (a) by the substitution for the words and figures “the profits and income accruing prior to April 1, 2011, of a charitable institution,”, of the words “the profits and income of a charitable institution,”;
- (b) by the substitution in sub-paragraph (i) of that paragraph, for the words “the profits of a business”, of the words and figures “the profits for any year of assessment commencing prior to April 1, 2011, of a business”.

3. Section 9 of the principal enactment as last amended by Act, No. 22 of 2011 is hereby further amended as follows:—

Amendment of section 9 of the principal enactment.

(1) in paragraph (a) of that section by the substitution for the words “if such loan is approved by the Minister as being essential for the economic progress of Sri Lanka;”, of the following words and figures,

“if such loan is—

- (i) granted prior to April 1, 2012, and approved by the Minister as being essential for the economic progress of Sri Lanka; or
- (ii) granted on or after April 1, 2012;”.

(2) in paragraph (b) of that section by the substitution for the words “if such loan is approved by the Minister as being essential for the economic progress of Sri Lanka;”, of the following words and figures,

“if such loan is—

- (i) granted prior to April 1, 2012, and approved by the Minister as being essential for the economic progress of Sri Lanka; or
- (ii) granted on or after April 1, 2012;”.

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Amendment of
section 10 of the
principal
enactment.

4. Section 10 of the principal enactment as last amended by Act, No. 9 of 2008, is hereby further amended in subsection (1) as follows :—

- (1) in paragraph (i) of that subsection, by the substitution for the words “within one year thereafter.”, of the words “within one year thereafter;”;
- (2) in paragraph (j) of that subsection, by the substitution for the words “through a bank.”, of the words “through a bank;”;
- (3) by the addition immediately after paragraph (j) of that subsection, of the following new paragraph:—

“(k) any dividend paid to a shareholder of a company out of such profits and income of that company which are exempt from income tax under section 16C or section 17A of this Act, if such dividend is paid during the period for which such profits and income are exempt from income tax:

Provided that where such company is a resident company engaged in any construction project, then such exemption shall be applicable to any dividend paid by such company during the period for which such profits and income are exempt from income tax or within one year thereafter.”.

Amendment of
section 13 of the
principal
enactment.

5. Section 13 of the principal enactment as last amended by Act, No. 22 of 2011 is hereby further amended as follows:—

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

“(tt) the profits and income accruing to any person from the redemption of a unit of a Unit Trust or a Mutual Fund;”;

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

“(vv) the profits and income of any individual who is not a citizen of Sri Lanka and who is brought to Sri Lanka as a trainer of any sport, being profits and income derived by such individual in the capacity of such trainer in Sri Lanka;”;

- (3) by the substitution in sub-paragraph (ii) of paragraph (xxxxxx) for the words and figures “section 17c;”, of the words and figures “section 16c;”;

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

“(yyyyy) any royalty received in foreign currency by any person resident in Sri Lanka from outside Sri Lanka, if such royalty is remitted to Sri Lanka through a bank;”;

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

“(zzzzz) the profits and income arising or accruing to any person from the administration of any sports ground, stadium or sports complex.”.

6. Section 16c of the principal enactment is hereby amended as follows:-

Amendment of section 16c of the principal enactment.

- (1) by the substitution in subsection (1) of that section, for the words “shall be exempt from income tax for a period of three years reckoned from”, of the words “shall be exempt from income tax for the period specified in Column III as corresponding to the investment specified in Column II and the types of activities specified in Column I of the Schedule hereto reckoned from.”;

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

“SCHEDULE

<i>Column I (Activities)</i>	<i>Column II (Amount of investment – in Rupees)</i>	<i>Column III (Period of exemption)</i>
Agriculture, animal husbandry or fishing (including processing), creative work including work of an artist, Information Technology	Not less than 25 million, but less than 50 million	4 years
Any activity referred to in paragraph (a) of subsection (2), but not including services relating to agriculture (products shall be with a minimum of 35% value addition, if more than 50% of the production is to be sold in the domestic market)	Not less than 50 million, but less than 100 million	4 years
	Not less than 100 million but less than 200 million	5 years
	Not less than 200 million	6 years”.

- (3) by the repeal of subsection (2) of that section and the substitution therefor of the following new subsection:—

“(2) For the purposes of subsection (1), “new undertaking” means an undertaking –

(a) which is engaged in –

- (i) agriculture, animal husbandry or fishing;
- (ii) the manufacture of any article (including the processing of such article), other than any liquor or any tobacco product;

- (iii) the provision of services of Information Technology;
 - (iv) software development;
 - (v) business process outsourcing;
 - (vi) knowledge process outsourcing;
 - (vii) the provision of healthcare services;
 - (viii) the provision of educational services;
 - (ix) the provision of beautycare services;
 - (x) the provision of cold room and storage facilities;
 - (xi) tourism;
 - (xii) fitness centre services or providing facilities for sports;
 - (xiii) creative work including work of an artist;
 - (xiv) mini hydro power projects;
- (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 II of the Schedule to subsection (1); and
- (c) which commences commercial operations on or after April 1, 2011.

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

Insertion of new section 16D in the principal enactment.

7. The following new section is hereby inserted immediately after section 16C of the principal enactment and shall have effect as section 16D of that enactment :-

“Exemption for five years, of profits and income of strategic import replacement undertakings engaged in the manufacture of specified products.

16D. The profits and income within the meaning of paragraph (a) of section 3 (other than any profits and income from the sale of any capital asset) of any new undertaking established on or after April 1, 2012 and engaged in the manufacture of any of the products referred to in Column I of the Schedule hereto with an amount not less than the corresponding minimum investment referred to in Column II thereof, shall be exempt from income tax for a period of five years reckoned from the commencement of the year of assessment in which such undertaking commences to make profits from transactions entered into in that year of assessment or from the commencement of the year of assessment immediately succeeding the year of assessment in which such undertaking completes a period of two years from the date on which such undertaking commences to carry on commercial operations; which ever occurs earlier.

SCHEDULE

<i>Column I (Product)</i>	<i>Column II (Minimum Investment in USD Million)</i>
Fabric	5
Pharmaceutical	10
Milk Powder	30
Cement	50”.

8. Section 17 of the principal enactment, as last amended by Act, No. 22 of 2011, is hereby further amended in subsection (2) of that section as follows:-

Amendment of section 17 of the principal enactment.

- (1) in paragraph (a) of that subsection, by the substitution in sub-paragraph (ii), for the words “rupees ten million invested in such undertaking,”, of the words and figures “rupees ten million invested not later than March 31, 2012, in such undertaking,”;
- (2) in paragraph (b) of that subsection, by the substitution for the words “which qualify under the same investment criteria”, of the words and figures “which qualify under the same investment criteria and incorporated prior to April 1, 2002”; and
- (3) in paragraph (c) of that subsection, by the substitution for the words “Order published in the Gazette”, of the words and figures “Order published in the *Gazette* not later than March 31, 2012”.

9. Section 17A of the principal enactment, is hereby amended as follows :-

Amendment of section 17A of the principal enactment.

- (1) in subsection (1) of that section –
 - (a) by the substitution for the words “shall be exempted from income tax for a period of five years reckoned from”, of the words “shall be exempt from income tax for the period specified in Column II of the Schedule hereto as corresponding to the investment specified in Column I of that Schedule, reckoned from”; and
 - (b) by the repeal of the proviso to that subsection and the substitution therefor, of the following schedule:-

“SCHEDULE

<i>Column I</i> <i>(Investment in Rupees Million)</i>	<i>Column II</i> <i>(Exemption period)</i>
More than 300 and not more than 500	6 years
More than 500 and not more than 700	7 years
More than 700 and not more than 1,000	8 years
More than 1,000 and not more than 1,500	9 years
More than 1,500 and not more than 2,500	10 years
More than 2,500	12 years”;

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

“(2) For the purposes of subsection (1), “new undertaking” means any undertaking—

- (a) which is engaged in any of the activities specified below:-
- (i) manufacture of boats, pharmaceuticals, tyres and tubes, motor spare parts, furniture, ceramics, glass ware or other mineral based products, rubber based products, cosmetic products, edible products manufactured out of locally cultivated agricultural products, construction materials or electrical or electronic goods;
 - (ii) manufacture, production or processing of non-traditional goods for export, including deemed exports which shall constitute not less than ninety *per centum* of the total production and in the case of apparels, seventy five *per centum* of the total production ;

- (iii) cultivation of food crops or industrial crops;
- (iv) horticulture;
- (v) forestry;
- (vi) animal husbandry in relation to dairy, poultry, swine, goat etc;
- (vii) provision of services to a person or partnership outside Sri Lanka, for payment where the total amount of such payment shall not be less than seventy *per centum* in convertible foreign currency;
- (viii) tourism or tourism related projects;
- (ix) hotels, guest houses or similar services;
- (x) infrastructure projects including construction of commercial buildings;
- (xi) development of any warehousing or storage facility;
- (xii) power generation using renewable resources;
- (xiii) establishment of industrial estates, special economic zones or knowledge cities;
- (xiv) urban housing or town centre development;
- (xv) provision of any sanitation facility or waste management systems;
- (xvi) development of water services;
- (xvii) development of internal water ways, or related transport (goods or passengers);

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- (xviii) construction of hospitals and provision of health care services;
 - (xix) repair of aircrafts or maritime vessels or ship breaking;
 - (xx) sporting services (e.g. motor racing or golf course);
 - (xxi) information technology;
 - (xxii) software development;
 - (xxiii) business or knowledge process outsourcing;
 - (xxiv) any project in light or heavy engineering industry;
 - (xxv) artificial insemination for cattle (dairy development);
 - (xxvi) provision of educational services; or
 - (xxvii) any other activity, as may be prescribed by the Minister taking into consideration the development of national economy ; and
- (b) which commences commercial operations on or after April 1, 2011;
- (3) in the marginal note to that section by the substitution for the words “ engaged in any prescribed activities.”, of the words “engaged in any specified activities.”.

Amendment of section 19 of the principal enactment.

10. Section 19 of the principal enactment is hereby amended in subsection (2), by the substitution for the words “invested within one year from the commencement of the undertaking”, of the words and figures “invested within one year from the commencement of the undertaking, but not later than March 31, 2012”.

11. Section 23 of the principal enactment is hereby amended in sub section 6 of the definition of the expression “venture capital company” by the substitution for the words and figures “Companies Act, No. 17 of 1982”, of the words and figures “Companies Act, No. 7 of 2007”.

Amendment of section 23 of the principal enactment.

12. Section 25 of the principal enactment as last amended by Act, No. 22 of 2011 is hereby further amended in subsection (1) of that section as follows :-

Amendment of section 25 of the principal enactment.

- (1) in paragraph (c) of the proviso to paragraph (a) of that section by the substitution for the words and figures “acquired on or after April 1, 2007 and”, of the words and figures “acquired on or after April 1, 2007 but prior to April 1, 2011”;

- (2) by the addition immediately after paragraph (c) of the proviso to paragraph (a) of that section, of the following new paragraph :-

“(d) where for energy efficiency purposes, any high tech plant, machinery or equipment is acquired on or after April 1, 2012, the rate shall be fifty *per centum* of the cost of acquisition;”

- (3) by the substitution in paragraph (i) of that section for the words “any trade or business carried on by such person;”, of the following words and figures:—

“any trade or business carried on by such person:

Provided that for any year of assessment commencing on or after April 1, 2012, the deduction shall be an amount equal to three hundred *per centum* of such expenditure incurred by such person, if such research is carried out through any Government institution;

For the purposes of this paragraph—

- (i) “Government institution” includes any company, where fifty *per centum* or more of the shares are held by the Government; and

- (ii) “scientific, industrial, agricultural or any other research” means any such research which is carried out for product or produce innovation, or improving the quality or character of any product, produce or service but does not include any market research or feasibility studies.
- (4) by the substitution in sub-paragraph (i) to the proviso to paragraph (k) of that subsection for the words and figure “Chapter XIV of this Act” of the words and figures “Chapter XIV of this Act, where such benefit is not exempt under paragraph (s) of subsection (1) of section 8 of this Act,”;
- (5) in paragraph (s) of that subsection by the substitution for the words “that year if assessment and in any previous year of assessment shall not exceed one *per centum* of the value of Initial Public Offering of Such company.”, of the words “that year of assessment and in any previous year of assessment shall not exceed one *per centum* of the value of the Initial Public Offering of such company,”;
- (6) by the addition immediately after paragraph (s) of that subsection of the following new paragraph :-
 - “(t) any expenditure incurred by any person in the maintenance or management of any sports ground, stadium or sports complex.”.

Amendment of section 26 of the principal enactment.

13. Section 26 of the principal enactment as last amended by Act, No. 22 of 2011 is hereby further amended in subsection (1) of that section as follows :-

- (1) by the substitution in sub-paragraph (ii) of paragraph (c) of that subsection, for all the words commencing from “in foreign currency:” to “business for that year of assessment;” of the following :-
 - “in foreign currency; or

- (iii) services relating to design development, product development or product innovation by such person being a company engaged exclusively in the provision of such services:”

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

- (A) such part of expenditure incurred in travelling outside Sri Lanka in the production of profits or income from any trade or business carried on or exercised in Sri Lanka by any person, after deducting therefrom—
 - (i) such expenses incurred in travelling outside Sri Lanka solely in connection with the promotion of export trade of any article or goods or the provision of any service for payment in foreign currency; or
 - (ii) such expenditure incurred in travelling outside Sri Lanka in carrying out an approved programme as referred to in paragraph (d); or
 - (iii) for any year of assessment commencing on or after April 1, 2012, such expenditure incurred in travelling outside Sri Lanka, by any company engaged exclusively in the provision of services relating to design development, product development or product innovation;

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

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

- (2) by the substitution in the proviso to paragraph (x), for the words and figures “Companies Act, No. 17 of 1982;”, of the words and figures “Companies Act, No. 7 of 2007;”.

Amendment of section 32 of the principal enactment.

14. Section 32 of the principal enactment as last amended by Act, No.22 of 2011 is hereby further amended in subsection (5) by the insertion immediately after paragraph (d) of that subsection of the following new paragraph :-

- “(e) where any person commenced to carry on any business the annual turnover of which does not exceed rupees five hundred million, any commencement expenses other than the capital expenses incurred by that person in the year of assessment immediately preceding the year of assessment in which the commercial operation of such business is commenced, shall be deducted from the total statutory income of that person for that year of assessment in which commercial operation commenced.”.

Amendment of section 34 of the principal enactment.

15. Section 34 of the principal enactment as last amended by Act, No. 22 of 2011 is hereby further amended as follows :-

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

- (a) by the substitution in paragraph (p) of that subsection for the words and figures “subsection (2) of section 21A; and” of the words and figures “subsection (2) of section 21A;”;

- (b) by the substitution in paragraph (q) of that subsection for the words and figures “paragraph (zzz) of section 13”, of the words and figures “paragraph (zzz) of section 13;”;
 - (c) by the addition immediately after paragraph (q) of that subsection of the following new paragraphs :-
 - “(r) expenditure incurred by any person in any community development project carried on in any economically marginalised village as identified and published in the *Gazette* by the Commissioner- General;
 - (s) investment of not less than fifty million rupees in fixed assets made by any person on or after April 1, 2011 but before April 1, 2015 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; and
 - (t) investment of not less than any sum referred to in Column II of the Schedule to section 16D of this Act made in fixed assets in any undertaking engaged in the manufacture of any product referred to in Column I of that Schedule, being an investment which would have qualified such undertaking for exemption under section 16D, referred to above had such undertaking commenced to carry on business on or after April 1, 2012;”;
- (2) in subsection (4) of that section —
- (a) by the substitution in sub-paragraph (i) of paragraph (a) of that subsection for the words

and figures “(n), (o) and (q) of subsection (2)” of the words and figures “(n), (o), (q), (r), (s) and (t) of subsection (2)”;

- (b) by the addition immediately after subparagraph (viii) of paragraph (a) of that subsection of the following new subparagraphs :-

“(ix) in respect of all qualifying payments referred to in paragraph (r) of subsection (2) made by him in that year of assessment shall not exceed one million rupees;

(x) in respect of all qualifying payments—

- (A) referred to in paragraph (s) of subsection (2) made by him in that year of assessment shall not exceed twenty five *per centum* of such qualifying payment:

Provided however, where investments made in more than one year of assessment are aggregated to reach the minimum investment to qualify for deduction as qualifying payment, such investment made in any previous year of assessment (being any year of assessment commencing on or after April 1, 2011) shall be deemed to be an investment made in the year of assessment in which the fifty million rupees aggregate is reached;

- (B) referred to in paragraph (t) of subsection (2) made by him in that year of assessment shall not exceed twenty five *per centum* of such qualifying payment:

Provided however, where investments made in more than one year of assessment are aggregated to reach the minimum investment to qualify for deduction as qualifying payment, such investment made in any previous year of assessment (being any year of assessment commencing on or after April 1, 2012) shall be deemed to be an investment made in the year of assessment in which the respective minimum investment referred to in section 59c is reached;

- (c) by the substitution in sub-paragraph (i) of paragraph (b) of that subsection for the words and figures “(n), (o) and (q) of subsection (2)”, of the words figures “(n), (o), (q), (r), (s) and (t) of subsection (2);
- (d) by the substitution in sub-paragraph (vii) of paragraph (b) of that subsection for the words “ten million rupees.”, of the words “ten million rupees;”;
- (e) by the addition immediately after sub-paragraph (vii) of paragraph (b) of that subsection of the following new sub-paragraphs:-
 - “(viii) in respect of all qualifying payments referred to in paragraph (r) of subsection (2) made by that company in that year of assessment shall not exceed ten million rupees;
 - (ix) in respect of all qualifying payments—
 - (A) referred to in paragraph (s) of subsection (2) made by that company in that year of

assessment shall not exceed twenty five per centum of such qualifying payment:

Provided however, where investments made in more than one year of assessment are aggregated to reach the minimum investment to qualify for deduction as qualifying payment, such investment made in any previous year of assessment (being any year of assessment commencing on or after April 1, 2011) shall be deemed to be an investment made in the year of assessment in which the fifty million rupees aggregate is reached;

- (B) referred to in paragraph (t) of subsection (2) made by him in that year of assessment shall not exceed twenty five *per centum* of such qualifying payment:

Provided however, where investments made in more than one year of assessment are aggregated to reach the minimum investment to qualify for deduction as qualifying payment, such investment made in any previous year of assessment (being any year of assessment commencing on or after April 1, 2012) shall be deemed to be an investment made in the year of assessment in which the respective minimum investment referred to in section 59c is reached;

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

“(7A) The seventy five *per centum* of any qualifying payment referred to in sub-paragraph (x) of paragraph (a) or sub-paragraph (ix) paragraph (b) of subsection 4, may be apportioned in equal amounts over a period of three years of assessment immediately succeeding that year of assessment and such apportioned amount shall be deductible from the assessable income of that person in each such year of assessment.”.

16. Section 35 of the principal enactment is hereby amended as follows:-

Amendment of section 35 of the principal enactment.

- (1) in paragraph (a) of subsection (1) of that section, by the substitution for the words and figures “Part I of the First Schedule” of the words and figures “Part I, Part IA or Part IB of the First Schedule”;
- (2) in subsection (2) of that section, by the substitution for the words and figures “Part I of the First Schedule” wherever appears in that subsection, of the words and figures “Part I, Part IA or Part IB of the First Schedule”.

17. Section 45 of the principal enactment as last amended by Act, No. 22 of 2011 is hereby further amended in paragraph (c) of subsection (2) of that section as follows :-

Amendment of section 45 of the principal enactment.

- (a) by the substitution in sub-paragraph (ii), for the words “roads or bridges; or” of the words “roads or bridges;”;
- (b) by the substitution in sub-paragraph (iii), for the words “drainage or sewerage system;”, of the words “drainage or sewerage system; or”;
- (c) by the addition, immediately after sub-paragraph (iii), of the following sub-paragraph :-

“(iv) harbour, airport or any infrastructure project in telecommunication or electricity;”.

Insertion of new section 48B in the principal enactment.

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

“Rate of income tax applicable to strategic import replacement undertaking after the expiry of the period of exemption.

48B. Such part of the profits and income from any strategic import replacement undertaking referred to in section 16D, included in the taxable income of any person for any year of assessment commencing after the date of expiry of tax exemption under that section, shall notwithstanding anything to the contrary in any other provisions of this Act, be taxable at the appropriate rate specified in the Fifth Schedule to this Act.”.

Amendment of section 59B of the principal enactment.

19. Section 59B of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words “income of any person for any year of assessment”, of the words “income of any person (not being the holding company, a subsidiary company, or an associate company of a group of companies) for any year of assessment”.

Insertion of new section 59c in the principal enactment.

20. The following new section is hereby inserted immediately after section 59B of the principal enactment and shall have effect as section 59C of that enactment:-

“Tax rate applicable to strategic import replacement undertakings.

59c. (1) The profits and income within the meaning of paragraph (a) of section 3, (other than any profits and income from the sale of any capital asset), of any existing undertaking referred to in subsection (2), and carried on by any person or partnership, shall notwithstanding anything to the contrary in any other provisions of this Act, be taxable at the appropriate rate specified in the Fifth Schedule to this Act for a period of five years reckoned from the commencement of the year of assessment in which such undertaking satisfies the minimum investment as specified under subsection (2).

(2) For the purpose of subsection (1), “existing undertaking” means an undertaking which is engaged in the manufacture of products specified in Column I below with a minimum investment as specified in Column II below made in fixed assets as an expansion on or after April 1, 2011 –

<i>Column I (product)</i>	<i>Column II (Minimum investment in USD or its equivalent)</i>
Fabric	5 million
Pharmaceuticals	10 million
Milk powder	30 million
Cement	50 million”.

21. Section 107 of the principal enactment as last amended by Act, No. 9 of 2008 is hereby further amended as follows :-

Amendment of section 107 of the principal enactment.

- (1) in paragraph (a) of the proviso to subsection (1) of that section by the substitution for all the words commencing from “any quoted public company or any other company,”, to “such quoted public company or other company,”, of the words “any quoted public company, any other company which is a member of a group of companies of which at least one company is a quoted public company, or any other company having an annual turnover of not less than two hundred and fifty million rupees or net profit of not less than one hundred million rupees for that year, then, notwithstanding that a notice under this section has not been given to such quoted public company, other member company of the group, or other company,”;
- (2) in paragraph (a) of the proviso to subsection (2) of that section, by the substitution for the words “any quoted public company, in respect of”, of the words “any quoted public company, any other company

which is a member of a group of companies of which at least one company is a quoted public company, in respect of”.

Amendment of section 108 of the principal enactment.

22. Section 108 of the principal enactment is hereby amended in subsection (2), by the substitution for the words and figures “Companies Act, No.17 of 1982,”, of the words and figures “Companies Act, No. 7 of 2007,”.

Amendment of section 113 of the principal enactment.

23. Section 113 of the principal enactment is hereby amended by the addition immediately after subsection (4) of that section, of the following new subsection:-

“(5) Any bank or financial institution shall invest five *per centum* of its taxable income in such instalment as may be specified by the Commissioner-General on or before the same dates as specified for income tax purposes in subsection (1) of this section in the investment fund established in accordance with the guidelines issued for this purpose by the Central Bank of Sri Lanka with the concurrence of the Commissioner-General for a period of three years commencing from April 1, 2011 or where such bank or financial institution is established after April 1, 2011, then, from the date of such establishment.”.

Amendment of section 115 of the principal enactment.

24. Section 115 of the principal enactment is hereby amended in subsection (1), by the substitution for the paragraph (a) of that subsection of the following new paragraph (a) :—

“(a) any resident individual who –

- (i) receives remuneration in excess of fifty thousand rupees per month or six hundred thousand rupees per year;
- (ii) is a director or non executive director to whom any payment is made or is due by or from such employer or who receives any other benefit as an employee or in any other capacity; or”.

- 25.** Section 191 of the principal enactment is hereby amended by the substitution for the words and figures “Companies Act, No. 17 of 1982” wherever appears in that section, of the words and figures “Companies Act, No. 7 of 2007”.
- Amendment of section 191 of the principal enactment.
- 26.** Section 217 of the principal enactment as last amended by Act, No. 22 of 2011 is hereby further amended as follows :-
- Amendment of section 217 of the principal enactment.
- (1) in the definition of the expression “dividends” by the substitution in sub-paragraph (iii) of paragraph (a) for the words “any other company; and ”, of the words “any other company; or
- (iv) scrip dividend or dividend in specie ; and ”;
- (2) in the definition of the expression “public corporation”, by the substitution for the words and figures “Companies Act, No.17 of 1982,”, of the words and figures “Companies Act, No. 7 of 2007,”.
- 27.** The First Schedule to the principal enactment, as last amended by Act, No. 22 of 2011, is hereby further amended in PART V of that Schedule by the substitution for the words and figures “as per Part I”, of the words and figures “as per Part I, Part IA or Part IB”.
- Amendment of the First Schedule to the principal enactment.
- 28.** The Second Schedule of the principal enactment, as last amended by Act, No. 22 of 2011 is hereby further amended in paragraph (b) of item 3 of PART – B, by the substitution for the words and figures “commencing after April 1, 2011”, of the words and figures “commencing on or after April 1, 2011”.
- Amendment of the Second Schedule to the principal enactment.
- 29.** The Third Schedule to the principal enactment, as last amended by Act, No. 22 of 2011, is hereby further amended as follows:—
- Amendment of the Third Schedule to the principal enactment.
- (1) by the substitution for item 1 of that Schedule, of the following item:—

“1. Hindu undivided families -

- (a) for any year of
assessment
commencing prior to
April 1, 2011; 30 *per centum*
- (b) for any year of
assessment
commencing on or
after April 1, 2011; 24 *per centum*”;

(2) by the substitution for item 3 of that Schedule, of the following item:—

“3. Executor (other than trustees under last wills) and receivers (other than liquidators) -

- (a) for any year of
assessment
commencing prior to
April 1, 2011; 30 *per centum*
- (b) for any year of
assessment
commencing on or
after April 1, 2011; 24 *per centum*”;

(3) by the substitution for item 4 of that Schedule, of the following item:—

“4. Trustees (including trustees under last wills) –

- (a) for any year of
assessment
commencing prior to
April 1, 2011; 30 *per centum*
- (b) for any year of
assessment
commencing on or
after April 1, 2011; 24 *per centum*”;

(4) by the substitution for item 5 of that Schedule, of the following item:—

“5. Partnerships –

- (a) for any year of assessment commencing prior to April 1, 2011; 30 *per centum*
- (b) for any year of assessment commencing on or after April 1, 2011; 24 *per centum*”;

- (5) by the substitution for item 6 of that Schedule, of the following item:—

“6. Partnerships (on any assessment made) –

- (a) for any year of assessment commencing prior to April 1, 2011; 30 *per centum*
- (b) for any year of assessment commencing on or after April 1, 2011; 24 *per centum* ”;

- (6) by the substitution in paragraph (b) of item 8 of that Schedule, for the words and figures “commencing prior to April 1, 2011”, of the words and figures “commencing on or after April 1, 2011”;

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

“11. Governments (other than the Government of Sri Lanka and the Government of the United Kingdom)-

- (a) for any year of assessment commencing prior to April 1, 2011; 30 *per centum*
- (b) for any year of assessment commencing on or after April 1, 2011; 28 *per centum*”;

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

“12. Business Undertakings vested in the Government under the Business Undertakings (Acquisition) Act, No. 35 of 1971-

- (i) on the taxable income –
 - (a) for any year of assessment commencing prior to April 1, 2011; 30 *per centum*
 - (b) for any year of assessment commencing on or after April 1, 2011; 28 *per centum*;
- (ii) on the balance of the profits after deduction therefrom of the tax payable under paragraph (i); 25 *per centum*;

- (9) by the substitution for item 15 of that Schedule, of the following item:—

“15. Persons (other than those referred to above and in the First or Second Schedule)-

- (a) for any year of assessment commencing prior to April 1, 2011; 30 *per centum*
- (b) for any year of assessment commencing on or after April 1, 2011; 28 *per centum* ”.

Amendment of the Fifth Schedule to the principal enactment.

30. The Fifth Schedule of the principal enactment, as last amended by Act, No. 22 of 2011, is hereby further amended as follows :-

- (1) by the substitution in item 14A of that schedule, for the words “commencing prior to April 1, 2011”, of the words and figures “commencing on or after April 1, 2011”;

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

“33. The rate of income tax applicable to profits and income of any person from any undertaking referred to in section 59B.	As per the First Schedule but subject to a maximum of 10 <i>per centum</i> for an individual and 10 <i>per centum</i> for a company.
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- (3) by the addition, immediately after item 33 of that Schedule of the following new items :-

“34. The rate of income tax in respect of profits of any person from any undertaking referred to in section 48B	As per the First Schedule but subject to a maximum of 12 <i>per centum</i> for an individual and 12 <i>per centum</i> for a company.
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35. Rate of income tax applicable to profits and income of any person from any undertaking referred to in section 59c, for any year of assessment falling within the five year period referred to therein.	As per the First Schedule but subject to a maximum of 12 <i>per centum</i> for an individual and 12 <i>per centum</i> for a company.”.
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36. The rate of income tax applicable to profits of any branch of a commercial bank, being a branch established after November 21, 2011 and which is solely engaged in development banking.	24 <i>per centum</i> .
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| 37. The rate of income tax applicable to profits and income of any person from research activities defined in paragraph (i) of subsection (1) of section 25. | As per the First Schedule, but subject to a maximum of 16 <i>per centum</i> for an individual and 20 <i>per centum</i> for a company. |
| 38. The rate of income tax applicable to profits and income of any person from the provision of health care services. | As per the First Schedule but subject to a maximum of 12 <i>per centum</i> for an individual and 12 <i>per centum</i> for a company. |
| 39. The rate of income tax applicable to any grower or manufacturer of tea who has established a joint venture with a tea exporter for exporting pure Sri Lankan tea, in value added form with a Sri Lankan brand name, on the manufacturing income attributable to the tea purchased from a tea auction in Sri Lanka for that purpose by the joint venture. | 12 <i>per centum</i> . |
| 40. The rate of income tax applicable to profits and income of any person engaged in the manufacture (locally) of handloom products. | As per the First Schedule but subject to a maximum of 12 <i>per centum</i> , for an individual and 12 <i>per centum</i> for a company. |

Sinhala text to prevail in case of an inconsistency.

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

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