

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

**Part II of February 25, 2011**

**SUPPLEMENT**

*(Issued on 28.02.2011)*



**NATION BUILDING TAX (AMENDMENT)**

**A**

**BILL**

**to amend the Nation Building Tax Act No. 9 of 2009**

*Ordered to be published by the Minister of Finance and Planning*

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*Nation Building Tax (Amendment)*

L. D.—O. 15/2011.

AN ACT TO AMEND THE NATION BUILDING TAX ACT NO. 9 OF 2009

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

1. This Act may be cited as the Nation Building Tax (Amendment) Act, No.    of 2011 and shall be deemed to  
5 come into operation from January 1, 2011.

Short title.

2. Section 2 of the Nation Building Act, No. 9 of 2009 (hereinafter referred to as the “principal enactment”) is hereby amended in paragraph (1) of that section, by the substitution  
10 in paragraph (c) thereof, for the words “a service of any description.”, of the following :—

Amendment  
of the section  
2 of the Act  
No. 9 of  
2009.

“a service of any description; or

(d) carries on the business of wholesale or retail sale of any article other than such sale by the manufacturer of that article.”.

15 3. Section 3 of the principal enactment is hereby amended as follows:—

Amendment  
of the section  
3 of the  
principal  
enactment.

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

20 (a) by the substitution for all the words and figures from “every person to whom this Act applies, calculated” to “in the following manner:-”, of the words “every person to whom this Act applies, calculated at the appropriate rate specified in the Second Schedule to this Act, in the following manner:—”

25 (b) in paragraph (ii) thereof, by the substitution for the words “paragraph (b) or (c) of subsection (1)”, of the words “paragraphs (b), (c) or (d) of subsection (1)”

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

5                      (a) by the substitution in paragraph (i) thereof,  
for the words and figures “under section 6 of  
the Value Added Tax Act, No. 14 of 2002;” of  
the words and figures “under section 6 of the  
Value Added Tax Act, No. 14 of 2002, but does  
not include the value of any excepted article;”;

10                    (b) by the substitution in paragraph (ii) thereof,  
for the words “of every article manufactured  
by such person;” of the words “of any article  
manufactured by such person, other than any  
excepted article referred to in the First Schedule  
to this Act;”;

15                    (c) by the substitution in paragraph (iii), for the  
words “any service referred to in that  
paragraph.”, of the following:—

“any service referred to in that paragraph,  
other than any excepted service referred to in  
the First Schedule to this Act;

20                    (iv) with reference to any person referred to in  
paragraph (d) of subsection (1) of section  
2 and to any relevant quarter means the  
sum receivable whether received or not  
from the sale in that quarter, of any article,  
25                    other than—

(1) pharmaceuticals;

30                    (2) any article subject to the Special  
Commodity Levy under the Special  
Commodity Levy Act, No. 48 of  
2007, where such article is  
subsequently sold by the importer of  
such article; and

5 (3) gems or jewellery, if sold on the  
payment of foreign currency by any  
person authorized by the Central Bank  
of Sri Lanka to accept payment in  
foreign currency.”;

(3) in subsection (3) of that section—

10 (a) by the substitution, for the words and figures  
“in paragraph (ii) or (iii) of that section” of the  
words and figures “in paragraph (ii), (iii) or  
(iv) of that section”;

(b) by the addition immediately after paragraph  
(iii) thereof, of the following paragraph:—

15 “(iv) rebate paid under the Export  
Development Rebate in relation to any  
international event as be approved by  
the Minister of Finance;

20 (v) any turnover from the supply of any  
goods or services in relation to any  
international events as approved by  
the Minister of Finance (with effect  
from May 12, 2010).”.

(4) in subsection (4) thereof,

25 (a) by the substitution for the words and figures  
“paragraph (b) or paragraph (c) of subsection  
(1) of section 2”, of the words and figures  
“paragraph (b), paragraph (c) or paragraph (d)  
of subsection (1) of the section 2”;

30 (b) in paragraph (i), by the substitution for the  
words “liable turnover of such person for that  
relevant quarter does not exceeds” of the

words and figures “such quarter is a relevant quarter which commenced prior to January 1, 2011 and the liable turnover of such person for that relevant quarter does not exceed;”;

5 (c) in paragraph (ii) thereof—

(i) by the substitution for the words “that relevant quarter optional Value Added Tax” of the words and figures “that relevant quarter which commenced prior to January 1, 2011, Optional Value Added Tax”;

(ii) by the substitution for the words and figures “Value Added Tax Act, No. 14 of 2002.” of the following:—

“Value Added Tax Act, No. 14 of 2002;

(iii) such relevant quarter is any quarter commencing on or after January 1, 2011 and the liable turnover of such person from the supply of any goods or service other than services referred to in paragraph (iv) and paragraph (v), does not exceed the sum of five hundred thousand rupees; and

(iv) such quarter is a quarter commencing on or after January 1, 2011 and the liable turnover of such person from :

(a) operating a hotel, guest house, restaurant of other similar business;

(b) the processing of any locally procured agricultural produce in the preparation for sale;

5 (c) providing educational services by any institution established locally for that purpose; or

(d) supply of labour (manpower),

and which do not exceed the sum of twenty five million rupees.”.

10 **4.** Section 4 of the principal enactment is hereby amended by the substitution for that section, of the following new section:—

Amendment of the section 4 of the principal enactment.

15 4. Every person to whom this Act applies, referred to in paragraph (b), paragraph (c) or paragraph (d) of subsection (1) of section 2 shall, notwithstanding that no assessment has been made on such person for any relevant quarter, pay—

20 (i) the tax payable for the first month of that quarter on or before the twentieth day of the second month of that quarter;

(ii) the tax payable for the second month of that quarter on or before the twentieth day of the third month of that quarter;

25 (iii) the balance tax payable for that quarter, calculated by deducting the tax paid under paragraphs (i) and (ii) from the tax payable for that quarter,

30 to the Commissioner General, in such manner as may be specified by him in that behalf.”.

5. Section 6 of the principal enactment is hereby repealed and the following section substituted therefor:—

Amendment  
of the section  
6 of the  
principal  
enactment.

“Tax Credits. 6. Where any person to whom this Act  
applies, purchases goods from a manufacturer  
5 who is registered for payment of taxes under  
this Act, or imports by himself any goods which  
are used or to be used partly for the purposes of  
manufacturing of goods by such person which  
is liable to tax and partly for other purposes,  
10 the tax on such supplies and importations shall  
be apportioned so however that only so much  
of the tax on such supplies or importation as is  
referable to an article manufactured which is  
liable to tax shall be counted as this credit  
15 available against the tax payable.”

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

Amendment  
of the section  
10 of the  
principal  
enactment.

- (1) in the definition of the expression “article”, by the  
substitution for the words “any agricultural or  
20 horticultural produce, but does not include any  
excepted article”, of the words “any agricultural or  
horticultural produce, but for any period ended prior  
to January 1, 2011 does not include any excepted  
article”;
- 25 (2) in the definition of the expression “service”, by the  
substitution for the words “does not include any  
excepted service”, of the words “for any period  
ended prior to January 1, 2011 does not include  
any excepted service”,
- 30 (3) in the definition of the expression “person”, by the  
substitution for the words “any company, body of  
persons or any partnership”, of the words “any  
company, body of persons or any partnership”.

7. The Schedule to the principal enactment is hereby amended as follows:—

Amendment  
of the  
Schedule I to  
the principal  
enactment.

- (1) by the renaming the “SCHEDULE” hereto as the “FIRST SCHEDULE”;

- 5 (2) in Part 1 of such Schedule—

- (a) in item (xiii), by the substitution for the words “pharmaceuticals; and”, of the words which terms and conditions as prescribed by the Director-General of Customs.

- 10 (3) in Part II of that Schedule—

- (a) in item (vii), by the substitution for the words “services of a construction contractor, not being a sub-contractor, insofar as”, of the following words and figures:—

15 “Services:

- (a) prior to January 1, 2011, of a construction contractor, not being a sub-contractor; or

- 20 (b) on or after January 1, 2011, of a construction contractor or sub-contractor”,

in so far as”

- 25 (b) in item (xii), by the substitution for the words “operating a hotel, guest house, restaurant or other similar business”, of the words and figures “For any period ended prior to January 1, 2011, operating a hotel, guest house, restaurant or other similar business”;



- (c) in item (xiii), by the substitution for the words “local produce”, of the words “local produce”;
- (d) in item (xxiii), by the substitution for the words “Act, No. 34 of 2002,”, of the words “Act No. 34 of 2002;”;
- (e) by the addition, immediately after the item (xxiii), the following items :—
  - (xxiv) the services provided by foreign consultancies for the large scale infrastructure development projects being projects which have been approved by the Minister of Finance, as beneficial for the economic development of Sri Lanka (effective from 1.7. 2010)
  - (xxv) services provided to any specific project carried on, out of foreign funds or donations received by the Government, as approved by the Minister considering the economic benefit to the country;
  - (xxvi) services provided to the port or airline in relation to international transportation;
  - (xxvii) services provided in relation to ship building for the international market for payments made in foreign currency;
  - (xxviii) telecommunication services;

- (xxix) supply of locally developed soft ware;
- (xxx) services provided by any Government Department, Ministry or any undertaking fully owned by the Government;
- (xxxi) services provided by Sri Lanka Airlines Ltd.;
- (xxxii) services provided by Mihin Air (Pvt) Ltd.;
- (xxxiii) services provided by Air Lanka Catering Services Ltd.;
- (xxxiv) services provided by any society registered under the Co-operative Societies Law No 5 of 1972 or under any Statute enacted by a Provincial Council;

**8.** The following new Schedule, the Second Schedule, is added immediately after the First Schedule—

Addition of new Schedule II to the principal enactment.

“SECOND SCHEDULE [Section 3]

**Tax Rates of Nation Building Tax payable by any person to whom this Act applies**

**PART I**

For the period ending on April 30, 2009 on the liable turnover – 01 *per centum*.

**PART II**

For the period commencing on May 1, 2009 but prior to December 31, 2010—

- (1) on the liable turnover (other than in respect of turnover from the sale of rice manufactured

10                    *Nation Building Tax (Amendment)*

from locally procured paddy for the period  
from July 1, 2009 to December 31, 2010

– 03 *per centum*.

- 5                    (2) on the liable turnover from rice manufactured  
out of locally procured paddy for the period  
from July 1, 2009 to December 31, 2010

– 1.5 *per centum*.

PART III

For any quarter commencing on or after January 01, 2011–

- 10                    (1) on the liable turnover (other than any  
turnover from the wholesale or retail sale of  
any article

– 02 *per centum*.

- 15                    (2) on the liable turnover from wholesale or retail  
sale of any article–

(a) three fourth of liable turnover of any  
distributor–

Nil

- 20                    (b) one half of the liable turnover from  
(the wholesale or retail sale of) any  
article other than any turnover of a  
distributor–

Nil

(c) the balance liable turnover

- 25                    – 02 *per centum*.

For these purposes “distributor” means  
the distributor as defined in the  
economic Service Charge Act, No. 13  
of 2006.”

- 30                    **10.** The Commissioner General shall transfer to a total  
of 33 1/3 *per centum* of the total sum collected as Nation  
Building Tax to the respective Provincial Council within  
such intervals and in such proportions as the Secretary to  
the Treasury may, from time to time, taking into  
35 consideration the required budget of each such Council,  
direct.

Apportionment  
of revenue to  
the  
Provincial  
Councils,

**11.** Where any enterprise or any person or partnership with an annual turnover of not more than rupees million has not paid for any year of assessment ending on or before December 31, 2010, tax under this Act, due to conflict  
5 environment and financial constraints of such person or partnership with a current annual turnover below rupees one hundred million, with an assurance of the compliance with the applicable tax laws thereafter. For these purposes, taxpayers shall be required to obtain a Certificate from the  
10 Department of Inland Revenue for future compliance.

Exemption from tax payable by certain small and medium enterprises.

**12.** 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 an inconsistency.

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