



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

**INLAND REVENUE (AMENDMENT)
ACT, No. 37 OF 2003**

[Certified on 14th November, 2003]

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Inland Revenue (Amendment) Act, No. 37 of 2003

[Certified on 14th November, 2003]

L. D.—O. 19/2003.

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 : —

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|--|---|
| <p>1. This Act may be cited as the Inland Revenue (Amendment) Act, No. 37 of 2003.</p> | <p>Short title.</p> |
| <p>2. Section 2 of the Inland Revenue Act, No. 38 of 2000 (hereinafter referred to as the “principal enactment”) is hereby amended by the substitution for the words “specified in the First, Second and Third Schedules to this Act, ”, of the words “specified in the First, Second, Third, Fourth, Fifth and Sixth Schedules to this Act,”.</p> | <p>Amendment of section 2 of Act, No. 38 of 2000.</p> |
| <p>3. Section 4 of the principal enactment is hereby amended in subsection (1) of that section as follows :—</p> <p>(1) in the proviso to paragraph (d) of that section by the substitution for the words “shall be disregarded.”, of the words “shall be disregarded ; ” ; and</p> <p>(2) by the insertion immediately after paragraph (d) of the proviso to that subsection of the following paragraph :—</p> <p>“(e) the value at the time of its disposal, of any share of a company, received as a benefit, from the employer or on behalf of the employer at no cost or at a price which is less than the prevailing market value of such share of a company whether directly or through a share option scheme ;</p> <p>The value at the time of its disposal of such share shall be the surplus over the cost of acquisition of such share —</p> <p>(i) in the case of a sale, the sale price or the market value, of such share as at the date of sale, whichever is higher ;</p> | <p>Amendment of section 4 of the principal enactment.</p> |

- (ii) in the case of a disposal, otherwise than by way of sale, the market value of such share as at the date of disposal ;
- (iii) in the case of an employee ceasing to be in the employment of such employer, without selling or disposing of such share, the market value as at the last date of his employment with such employer which date shall be deemed to be the date of the disposal of such share :

Provided however, in the event of the death of such employee during his period of employment with such employer the value of such share shall be zero.

For the purpose of this paragraph the profits from employment arising in accordance with the preceeding provisions shall be charged with income tax in the year of assessment during which such sale, disposal or cessation of employment took place, on the basis that such profits from the sole taxable income within the meaning of Chapter VII for that year of assessment and such tax shall be recovered in accordance with the provisions of Chapter XIV of this Act :

Provided further, that where the employer was not instrumental in the disposal of such share such employee shall pay the tax due on such profit from employment in accordance with the provisions of Chapter XIII of this Act.”.

Amendment of section 8 of the principal enactment.

4. Section 8 of the principal enactment as amended by Act, No. 10 of 2002 is hereby further amended in paragraph (f) of that section, by the substitution for the words “for any year of assessment”, of the words and figures “for any year of assessment commencing prior to April 1, 2003”.

Amendment of section 9 of the principal enactment.

5. Section 9 of the principal enactment as amended by Act, No. 8 of 2001 is hereby further amended in subsection (1) of that section as follows : —

- (1) in paragraph (j) of that subsection, by the substitution for the words “any year of assessment”, of the words and figures “any year of assessment commencing prior to April 1, 2003”; and
- (2) in paragraph (k) of that subsection, by the substitution for the words “from all sources other than employment,”, of the words and figures “from all sources other than employment for any year of assessment commencing prior to April 1, 2003.”.

6. Section 11 of the principal enactment as amended by Act, No. 10 of 2002, is hereby further amended as follows :—

Amendment of section 11 of the principal enactment.

- (1) in paragraph (f) of that section by the substitution for the word and figure “or 21B”, of the word and figures “21B, 21C, 21D, 21E, 21F, 21G or 21H”;
- (2) in paragraph (h) of that section by the substitution for the words “within one year thereafter.”, of the words “within one year thereafter ;” ; and
- (3) by the addition at the end of that section of the following paragraph :—

“ (i) any dividend paid to a share holder of a unit trust or a mutual fund, on or after April 1, 2003, out of the taxable profits and income of such unit trust or mutual fund.”.

7. Section 12 of the principal enactment is hereby amended as follows :—

Amendment of section 12 of the principal enactment.

- (1) in paragraph (b) of subsection (1) of that section, by the substitution for the words “income accruing to the owner of a house”, of the words and figures “income accruing to the owner of any house constructed prior to April 1, 2003”;

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

(1A) There shall be exempt from income tax the income accruing to the owner of any house constructed on or after April 1, 2003, for the year of assessment, in which the construction of such house was completed and for the four years of assessment immediately succeeding that year of assessment if such house is used solely for residential purposes. ”.

Amendment of section 15 of the principal enactment.

8. Section 15 of the principal enactment, amended by Act. No. 8 of 2001, is hereby further amended as follows :—

(1) in paragraph (*aa*) of that section, by the substitution for the words and figures “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)” of the following—

“in any year of assessment commencing—

(i) on or after April 1, 2001, in respect of services rendered by that company or partnership in that year of assessment out side Sri Lanka (including services relating to any construction project) ; and

(ii) on or after April 1, 2003, in respect of any off-shore business which does not any way involve any goods manufactured or produced in Sri Lanka or any goods imported into Sri Lanka.”; and

(2) in paragraph (*d*) of that section by the substitution for the words “by an informer as a reward”, of the words and figures “by an informer prior to April 1, 2003 as a reward”.

9. Section 21A of the principal enactment as amended by Act, No. 19 of 2003, is hereby further amended by the repeal of subsection (2) of that section, and the substitution therefor of the following subsection :—

Amendment of section 21A of the principal enactment.

‘(2) For the purposes of subsection (1) “specified undertaking” in relation to a company means—

(a) an undertaking carried on by a company incorporated on or after April 1, 2002, or by any company incorporated prior to April 1, 2002 as a new undertaking commenced on or after April 1, 2002 with an investment of not less than rupees two and onehalf of million and which is engaged in agriculture, agroprocessing, industrial and machine tool manufacturing, electronics, export of non-traditional goods or information technology and allied services ;

(b) (i) any designated project carried on by a company, incorporated on or after April 1, 2002, or by any company incorporated prior to April 1, 2002 as a new undertaking commenced on or after April 01, 2002 with an investment of not less than rupees two and onehalf of million ;
or

(ii) an undertaking having an investment in excess of rupees two hundred and fifty million,

and which confirms to the prescribed guidelines :

Provided however, the amount of investment referred to in sub-paragraph (i) of paragraph (b) shall not be applicable to any Export Production Village Company.”.

In the case of a company receiving income from any other trade or business in addition to the income from any specified undertaking, the exemption provided under this section shall be applicable only in respect of the profits and income from the relevant specified undertaking.

For the purpose of this subsection—

- (i) “agriculture” means the cultivation of land with plants of any description and the rearing of fish ;
- (ii) “export of non-traditional goods” means the export of any goods, as defined in section 52 including deemed export of such goods within the meaning of section 49, not less than eighty *per centum* of the total turnover of such undertaking for any year of assessment.’.

Insertion of new sections 21H and 21I in the principal enactment.

10. The following new sections are hereby inserted immediately after section 21G of the principal enactment and shall have effect as sections 21H and 21I of the principal enactment :—

“Exemption from income tax of any venture capital company.

“21H. (1) The profits and income within the meaning of paragraph (a) of section 3 (other than profits and income from the sale of any capital asset within the meaning of paragraph (b) of subsection (7) of section 23) of any venture capital company shall be exempt from income tax, for a period of five years commencing from the year of assessment in which the company commences to carry on commercial operations, where such company invests a sum of money as specified in subsection (2), which investment shall be identified as a specific investment, for the purchase of ordinary shares in a company engaged in—

- (i) a project which is of a pioneering nature and the operation of which results in, value addition and the promotion of economic development;

- (ii) a project which is engaged in the business of information technology ;
- (iii) a project which is connected to the rehabilitation of non-performing or under performing industries within the meaning of section 21E ; or
- (iv) any other project as may be specified by the Minister by Order published in the Gazette,

and such investment shall be for the financing of seed capital or start up or early stage financing of the investee company :

Provided however -

- (a) the venture capital company shall not have commenced commercial operations prior to April 1, 2003 ; and
- (b) the specific investment shall not be made in relation to a company which is at the time of making the first investment an associate company within the meaning of the Companies Act, No. 17 of 1982.

(2) In order to qualify for the tax exemption provided for in subsection (1), the venture capital company shall have invested a sum-

- (i) not less than forty *per centum* of the total equity capital of such company during the second year from the year in which such company commenced its commercial operations, on or before the end of that second year ;
- (ii) not less than eighty *per centum* of the total equity capital of such company during the third year from the year in which such company commenced its commercial operations, on or before the end of that third year ;

- (iii) not less than eighty *per centum* of the total equity capital of such company during the fourth and fifth years from the year of commencement of commercial operations, on or before the end of such fourth and fifth years respectively,

in any project specified in subsection (1) :

Provided that if a company which has claimed exemption under this section fails to comply with the provisions of this subsection, or any dividends have been declared during the first two years from the year of assessment in which the company commences to carry on commercial operations the exemption afforded to such company shall be withdrawn and the assessment shall be issued for the relevant years.

(3) Investments may be made in foreign companies, and such investments shall be considered as a specific investment for the purpose of this section, in the second year and thereafter where such investment is not more than ten *per centum* of equity capital of such company during the second year and not more than twenty *per centum* of equity capital of such company during the third year and subsequent years respectively, from the year in which such company commences its commercial operations.

(4) During the first three years including the year in which such company commences its commercial operations any equity capital in excess of the minimum investments required by subsection (2) may be invested in Government Securities and such investment shall be considered as a specific investment.

(5) For the purposes of this section “a venture capital company” means any company registered under the Companies Act, No. 17 of 1982 with a minimum issued share capital of rupees one hundred million and which is engaged in the business of providing equity investment in relation to any project as is specified in subsections (1), (2), (3) and (4) ; and—

- (i) which has entered into a Technical Service Agreement a management company possessing the required experience in the relevant area of investment ; or
- (ii) which has in its employment, professional staff who have been trained by foreign venture capital companies and other local staff possessing the required professional venture capital management experience.

(6) The year of commencement of commercial operations for the purpose of this section, shall be the year in which the issued equity capital of the venture capital company has reached rupees one hundred million and shall not apply in respect of commercial operations commencing on or after April 1, 2008.

‘Exemption from income tax of any person engaged in the business of providing Manor Houses or Thematic Bungalows to tourists.

21i. (1) the profits and income within the meaning of paragraph (a) of section 3 (other than any profits and income from the sale of capital assets) of any person engaged in business as specified in section 2 shall be exempt from income tax, for a period of three years commencing from the year of assessment in

which such person commences to make profits in such business or any year of assessment not later than two years reckoned from the date of commencement of commercial operation, which ever is earlier.

(2) The provisions of subsection (1) shall apply to any person registered with the Ceylon Tourist Board established by the Ceylon Tourist Board Act, No. 10 of 1966 on or after April 1, 2003 under the scheme for providing accommodation to tourist in Manor Houses or Thematic Bungalows for a period of ten years from the date of registration.”.

Amendment of
section 29 of the
principal
enactment.

11. Section 29 of the principal enactment as last amended by Act, No. 19 of 2003 is hereby further amended as follows
:—

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

“(e) For any year of assessment commencing on or after April 1, 2003 the amount of a loss (other than any brought forward loss incurred by him from any period prior to April 1, 2003 which is deductible under this section) in any trade, business, profession or vocation shall be deducted as follows :—

- (i) any loss from a trade or business to be deducted only from the statutory income from trade and business ;
- (ii) any loss from a profession to be deducted only from the statutory income from profession ;

- (iii) any loss from a vocation to be deducted only from the statutory income from vocation.

Any balance loss not deductible may be carried forward and deducted from the next year of assessment and so on from the statutory income as mentioned above subject to the limitations on carry forward of losses under this section :

Provided however, the preceding provisions shall not be applicable to any loss—

- (i) if the loss represents any excess payments of annuity, ground rent, royalty or interest not deductible under section 23 ;
 - (ii) if the loss represents any allowance for depreciation or cost of renewal under section 23 ;
 - (iii) if the total statutory income from which such loss is deductible for that year of assessment does not exceed one million rupees.”;
- (2) by the insertion immediately after subsection (1B) of that section of the following new subsection :—

“(1C) The assessable income of any person shall not include—

- (a) any reward received by such person as an informer under any scheme for the payment of such rewards ; or
- (b) a share of fine received by such person under any scheme for the distribution of such share of fine,

from any Government Institution, on or after April 1, 2003, from which income tax has been deducted in accordance with Chapter XVIB.”;

- (3) in subsection (2) of that section by the substitution for the words “within such period of six years or eleven years as the case may be ;”, of the following :—

“within such period of six years, or eleven years, as the case may be :

Provided however, notwithstanding the provisions of paragraphs (b) or (c) the Minister may determine the maximum period for which a loss may be carried forward in relation to any specific activity considering the importance of such activity for the economic development of Sri Lanka .”; and

- (4) in paragraph (a) of subsection (3) of that section, by the substitution for the words and figures “or section 20 of this Act”, of the words and figures “or section 20 or section 21A or section 21B or section 21C or section 21D or section 21E or section 21F or section 21G or section 21H of this Act.”.

Amendment of
section 31 of the
principal
enactment.

12. Section 31 of the principal enactment as amended by Act, No. 10 of 2002 is hereby further amended as follows :—

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

(a) in paragraph (j) of that subsection, by the substitution for the words “Minister in charge of the subject of Housing,”, of the words “Minister in charge of the subject of Housing ;”;

(b) by the addition immediately after paragraph (j) of that subsection, of the following paragraph :—

“(k) fifty *per centum* of any investment of not less than rupees five hundred thousand in any year of assessment in the purchase by any person of ordinary shares, other

than the existing shares, issued by a venture capital company during the period that such company is exempted from income tax under section 21H.”; and

(2) in subsection (4) of that section :—

(a) in paragraph (a) of that subsection —

(i) in subparagraph (vi) of that paragraph by the substitution for the words “one hundred thousand rupees which ever is less.”, of the words “rupees one hundred thousand whichever is less ;”;

(ii) by the insertion immediately after subparagraph (vi), of that paragraph of the following subparagraph —

“(vii) in respect of all qualifying payments referred to in paragraph (k) of subsection (2) made by him in that year of assessment, shall not exceed one third of his assessable income or such qualifying payment which ever is less.”;

(b) in paragraph (b) of that subsection —

(i) in subparagraph (i) of that paragraph by the substitution for the word and letters “paragraphs (b) and (h)”, of the word and letters “paragraphs (b) and (h) and (k)”;

(ii) in subparagraph (ii) of that paragraph by the substitution for the words “ten million rupees.”, of the words “ten million rupees ;”; and

- (c) by the addition at the end of sub-paragraph, (ii) of paragraph (b) of the following sub-paragraph :—

“(iii) in respect of all qualifying payments referred to in paragraph (k) of subsection (2) made by that company shall not exceed one fifth of its assessable income or such qualifying payment which ever is less.”.

Amendment of section 32 of the principal enactment.

13. Section 32 of the principal enactment as amended by Act, No. 10 of 2002 is hereby further amended in the proviso to subsection (2) of that section by the substitution for the words “such sum shall be treated as a capital gain,”, to the end of that proviso of the following :—

“such sum —

- (i) is a capital gain within the meaning of this Act which is chargeable with tax at the rate of a maximum of twenty five *per centum* for any year of assessment commencing prior to April 1, 2002 ;
- (ii) is income from employment which shall be chargeable with tax at the appropriate rate specified in the First Schedule for any year of assessment commencing on or after April 1, 2002.”.

Amendment of section 33 of the principal enactment.

14. Section 33 of the principal enactment is hereby amended in paragraph (a) of subsection (2) of that section, by the substitution for the words “at the rate of ten *per centum*.”, of the words “at the appropriate rate specified in the Sixth Schedule to this Act.”.

Amendment of section 34 of the principal enactment.

15. Section 34 of the principal enactment is hereby amended in subsection (2) of that section as follows :—

- (1) in paragraph (a) of that subsection by the substitution for the words “at the rate of fifteen *per centum*”, of the words and figures “at the rate of fifteen *per*

centum for any year of assessment commencing prior to April 1, 2003 and at the appropriate rates specified in the Sixth Schedule to this Act, for any year of assessment commencing on or after April 1, 2003,” and

- (2) In paragraph (b) of that subsection, by the substitution for the words “fifteen *per centum*” of the words “ten *per centum*.”.

16. Section 35 of the principal enactment is hereby amended by the substitution for the words “at the rate of fifteen *per centum*.”, of the words “at the appropriate rate specified in the Sixth Schedule to this Act.”.

Amendment of section 35 of the principal enactment.

17. Section 36 of the principal enactment is hereby amended by the substitution for the words “at the rate of fifteen *per centum*.”, of the words “at the appropriate rate specified in the Sixth Schedule to this Act.”.

Amendment of section 36 of the principal enactment.

18. Section 37 of the principal enactment is hereby amended as follows :—

Amendment of section 37 of the principal enactment.

- (1) in subsection (1) of that section by the substitution for the words “at the rate of fifteen *per centum*.”, of the words “at the rate specified in Part II of the First Schedule to this Act.”; and
- (2) in subsection (2) of that section by the substitution for the words “at the rate of fifteen *per centum*.”, of the words “at the rate specified in Part II of the First Schedule to this Act.”.

19. Section 38 of the principal enactment is hereby amended by the substitution for the words “at the rate of fifteen *per centum*.”, of the words “at the appropriate rate specified in the Sixth Schedule to this Act.”.

Amendment of section 38 of the principal enactment.

Amendment of section 39 of the principal enactment.

20. Section 39 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words “and the rate of income tax” to the end of that subsection, of the words “such specified profits shall be chargeable with tax at the appropriate rates specified in the Sixth Schedule to this Act notwithstanding anything to the contrary in other provisions of this Act.”.

Amendment of section 40 of the principal enactment.

21. Section 40 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words “at the rate of fifteen *per centum*.”, of the words “at the appropriate rate specified in the Sixth Schedule to this Act.”.

Amendment of section 40A of the principal enactment.

22. Section 40A of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words “at the rate of twenty *per centum*.” of the words “at the appropriate rate as specified in the Sixth Schedule to the Act.”.

Amendment of section 40B of the principal enactment.

23. Section 40B of the principal enactment is hereby amended as follows :—

- (1) in subsection (1) of that section, by the substitution for the words “at the rate of fifteen *per centum*.”, of the words “at the appropriate rate as specified in the Sixth Schedule to the Act.”; and
- (2) by the addition at the end of that section of the following new subsection :—

“(3) The profits and income within the meaning of paragraph (a) of section 3 of any company referred to in section 21E for any year of assessment commencing after the expiry of the period during which the profits and income of such company were exempt from income tax shall notwithstanding any thing contained in this Act be chargeable with income tax at the rate of —

- (a) at the appropriate rate specified in item 7, 12 or 14 of the Sixth Schedule to this Act if such company is a company engaged in any undertaking referred to in section 40 or in the export or deemed export of non-traditional goods ;
- (b) at the appropriate rate specified in the Sixth Schedule to this Act, if such company is a company engaged in any undertaking other than undertakings and activities referred to in paragraph (a).”.

24. Section 41 of the principal enactments is hereby amended as follows :—

Amendment of
section 41 of the
principal
enactment.

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

- (a) in item (ii) of that subsection by the substitution for the words and figures “or of Chapter VIII.”, of the words and figures “or of Chapter VIII; ”;
- (b) by the insertion at the end of that subsection of the following proviso :—

“Provided however, for any year of assessment commencing on or after April 1, 2003, any dividend referred to in subparagraphs (a) and (b), shall be chargeable with income tax at the appropriate rate as specified in the Sixth Schedule to this Act.” ;
and

- (2) in subsection (2) of that section by the substitution for the words “fifteen *per centum*”, of the words “fifteen *per centum* for any year of assessment commencing prior to April 1, 2003 and at the appropriate rate as specified in the Sixth Schedule to this Act, for any year of assessment commencing on or after April 1, 2003.”.

Amendment of
section 42 of the
principal
enactment.

25. Section 42 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words “for any year of assessment”, of the words and figures “for any year of assessment commencing prior to April 1, 2003.”.

Amendment of
section 43 of the
principal
enactment.

26. Section 43 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words “for any year of assessment”, of the words and figures “for any year of assessment commencing prior to April 1, 2003.”.

Amendment of
section 44 of the
principal
enactment.

27. Section 44 of the principal enactment is hereby amended by the substitution for the words “any qualified export profits and income,”, to the end of that section, of the words “any qualified export profits and income, such income shall be chargeable with tax at the appropriate rate as specified in the Sixth Schedule to this Act. ”.

Amendment of
section 45 of the
principal
enactment.

28. Section 45 of the principal enactment is hereby amended by the substitution for the words “at the rate of fifteen *per centum*,” of the words “at the appropriate rate as specified in the Sixth Schedule to this Act.”.

Amendment of
section 46 of the
principal
enactment.

29. Section 46 of the principal enactment is hereby amended by the substitution for the words “any qualified export profits and income” to the end of that section, of the words “any qualified export profits and income, such income shall be chargeable with tax at the appropriate rate as specified in the Sixth Schedule to this Act.”.

Amendment of
section 47 of the
principal
enactment.

30. Section 47 of the principal enactment is hereby amended by the substitution for the words “at the rate of fifteen *per centum*.”, of the words “at the appropriate rate as specified in the Sixth Schedule to this Act.”.

Amendment of
section 48 of the
principal
enactment.

31. Section 48 of the principal enactment is hereby amended as follows :—

- (1) in subsection (1) of that section, by the substitution for the words “notwithstanding anything to the contrary in this Act.”, of the words “notwithstanding anything to the contrary in this Act :”;

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

“Provided however, any dividend referred to in sub-paragraphs (a), (b) and (c) which are taxable for any year of assessment commencing on or after April 1, 2003 shall be chargeable with tax at the appropriate rate as specified in the Sixth Schedule to this Act.”;

- (3) in subsection (2) of that section, by the substitution for the words “notwithstanding anything to the contrary in this Act.”, of the words notwithstanding anything to the contrary in this Act :”; and

- (4) by the addition immediately after subsection (2) of that section, of the following proviso:—

“Provided however, any dividend referred to in sub-paragraphs (a), (b) and (c) which are taxable for any year of assessment commencing on or after April 1, 2003 shall be chargeable with tax at the appropriate rate as specified in the Sixth Schedule to this Act.”.

32. Section 48A of the principal enactment is hereby amended by the substitution for the words “in the form of shares or debentures”, to the end of that section of the following :—

Amendment of section 48A of the principal enactment.

- “(i) not in the form of money or an order to pay money ;
- (ii) out of dividend received from another company where such dividend is not exempt from income tax under section 11 without a deduction of tax under subsection (1A) of section 61 irrespective of whether such company is entitled to deduct such tax or not,

the income from such dividend shall be charged with tax at the appropriate rate as specified in the Sixth Schedule to this Act.”.

Insertion of new section 48B in the principal enactment.

33. 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 on dividend received from outside Sri Lanka.

48B. Where the taxable income of any person for any year of assessment commencing on or after April 1, 2003, includes a dividend received from outside Sri Lanka, the taxable income representing such dividend, shall be charged with tax at the appropriate rate as specified in the Sixth Schedule to this Act, subject to the provisions of any agreement for the avoidance of double taxation”.

Amendment of section 49 of the principal enactment.

34. Section 49 of the principal enactment is hereby amended by the repeal of paragraph (a) of subsection (1) of that section and the substitution therefor of the following paragraph :—

“(a) of any commodity (other than black tea in bulk, crepe rubber, sheet rubber, scrap rubber, latex or fresh coconut) for export by such specified undertaking without further production or manufacture by such specified undertaking ; or”.

Amendment of section 50 of the principal enactment.

35. Section 50 of the principal enactment is hereby amended as follows :—

- (1) in subsection (1) of that section, by the substitution for the words “in accordance with the succeeding provisions of this section”, of the words “at the appropriate rate as specified in the Sixth Schedule to this Act.” ; and
- (2) by the repeal of subsections (2) and (3) of that section.

Amendment of section 51 of the principal enactment.

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

- (1) in subsection (1) of that section by the substitution for the words “in accordance with the succeeding provisions of this section.”, of the words “at the appropriate rate as specified in the Sixth Schedule to this Act. ” ; and
- (2) by the repeal of subsection (2) of that section.

37. Section 52 of the principal enactment is hereby amended as follows :—

Amendment of section 52 of the principal enactment.

- (1) the repeal of sub-paragraph (ii) of paragraph (b) and by the substitution of the following sub-paragraph :—

“(ii) any amount receivable, whether received or not from the export of black tea in bulk, crepe rubber, sheet rubber, scrap rubber, latex or fresh coconuts ; or

- (2) in paragraph (d) of that section by the substitution for all the words from “For the purposes of this section” and ending with “published in the Gazette” of the following :—

“For the purposes of this section non-traditional goods means goods other than black tea in bulk, crepe rubber, sheet rubber, scrap rubber, latex or fresh coconuts.”.

38. The following new section is hereby inserted immediately after section 52 of the principal enactment and shall have effect as section 52A of that enactment :—

Insertion of new section 52A in the principal enactment.

“Payment of income tax on taxable income by an individual whose employment income is exempt under paragraph (a) or (b) of subsection (1) of section 9.

52A. (1) Where any individual referred to in paragraph (a) or (b) of subsection (1) of section 9 is in receipt of profits from employment, exempt under such section and any other profits and income chargeable with income tax, for any year of assessment commencing on or after April 1, 2003, the income tax payable by such person on income chargeable with tax shall be calculated notwithstanding any other provisions of this Act, as follows —

(2) The statutory income of such individual for any year of assessment commencing on or after April 1, 2003 shall include the income chargeable with tax and the emoluments and other benefits referred to in paragraph (a) or (b) of subsection (1) of section 9, other than benefits referred to in section 4(1)(c) which shall not be subject to the provisions of this section.

(3) The assessable income and taxable income of such individual for each year of assessment shall be ascertained as provided for in section 29 and section 30 respectively.

(4) The income tax on such taxable income for each year of assessment shall be calculated applying the tax rates specified in the First Schedule to this Act.

(5) A special employment tax credit in addition to other tax credits available for each year of assessment under this Act shall be granted before granting of other tax credits, calculated as given below.

(6) (a) For the purpose of calculating the special employment tax credit, the employment income for the relevant year which is exempt from tax under paragraph (a) or (b) of subsection (1) of section 9, shall be considered as the total statutory income of such person for such year and any deductions allowable under section 29 and any allowance due under section 30 for such year to such person shall be deducted from such total statutory income and the residue of such total statutory income, if any shall be considered as the taxable income and the tax shall be calculated applying the rates specified in the First Schedule to this Act, to such taxable income ;

(b) The amount of tax calculated in accordance with the provisions of paragraph (a) shall be the special employment tax credit.

(7) A special employment tax credit calculated in accordance with subsection (6) shall be deducted before taking credit for any other tax credits as may be available for set off against the tax payable on other income.

(8) Any excess amount of such credit as may arise from the special employment tax credit shall not be refundable.”.

39. Section 53 of the principal enactment is hereby amended in subsection (1) of that section as follows :—

Amendment of section 53 of the principal enactment.

(1) in paragraph (d) of that subsection, by the substitution for the words “business of life insurance.”, of the words “business of life insurance ;”;

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

“(e) in the case of any company liable to pay tax under paragraph (1) of this section at a rate not less than thirty *per centum* for any year of assessment commencing on or after April 1, 2003 an amount equal to two and one half *per centum* of the taxable income of such company and such tax to be credited to the Human Resource Endowment Fund established by the Government :

Provided however, such amount of tax shall be credited to the Consolidated Fund pending the establishment of the Human Resources Endowment Fund. ”.

40. Section 57 of the principal enactment is hereby amended in subsection (1) of that section as follows :—

Amendment of section 57 of the principal enactment.

- (1) in paragraph (b) of that subsection—
 - (a) by the substitution for the words “in that year of assessment” of the words and figures “in any year of assessment and where such year of assessment is any year of assessment commencing prior to April 1, 2003” ; and
 - (b) in sub-paragraph (ii) of that paragraph by the substitution for the words “one third of such taxable income.”, of the words “one third of such taxable income ; ” ;
- (2) by the insertion immediately after paragraph (b) of that section of the following paragraph :—
 - “(c) in any year of assessment commencing on or after April 1, 2003, where there is any remittance by such company a sum equal to ten *per centum* of the aggregate amount of the remittances by such company.” ; and
- (3) in paragraph (a) of subsection (2) of that section, by the substitution for the words “profits of the company”, of the words “profits and income chargeable with income tax, of the company and any sum received outside Sri Lanka by or on behalf of such company in relation to any trade, business, profession or vocation carried out in Sri Lanka by such company the profits of which are chargeable with income tax in Sri Lanka”.

Amendment of
section 61 of the
principal
enactment.

41. Section 61 of the principal enactment is hereby amended as follows :—

- (1) in subsection (1A) of that section by the substitution for the words “shall be entitled to deduct” of the words “shall deduct [excluding any dividend payable to any institution referred to in items (ix), (xi), (xv), (xvii), (xx), (xxi), (xxxix), (liv), (lxiv), (lxv), (lxvi), (lxxii), (lxxiii), and (lxxiv) of section 8 (a)]” ; and

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

(a) in paragraph (b) of the proviso to that subsection, by the substitution for the words “income tax under this Act.”, of the words “income tax under this Act ; or” ;

(b) by the insertion immediately after the proviso to paragraph (b) of the following paragraph :—

“(c) the amount of any dividend received from any other company on or after April 1, 2002, subject to the deduction of income tax under subsection (1A).”.

42. The following new section is hereby inserted immediately after section 63 of the principal enactment and shall have effect as section 63A of that enactment :—

Insertion of new section 63A in the principal enactment.

“Provisions of this Chapter not to apply to charitable institutions etc.

63A. The provisions of this Chapter shall not apply to, any charitable institution or any body of persons which is a body corporate and assessable under section 96.”.

43. Section 70 of the principal enactment is hereby amended by the addition immediately after subsection (3) of that section of the following subsection :—

Amendment of section 70 of the principal enactment.

“(4) Any unit trust or mutual fund which engages in the business of investing in shares, securities or other investments in accordance with the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987, or any regulation or rule made thereunder, such unit trust or mutual fund shall be a unit trust or mutual fund which invest in specified areas for the purpose of this Act.”.

44. Section 96 of the principal enactment is hereby amended by the addition immediately after subsection (4) of that section, of the following subsection—

Amendment of section 96 of the principal enactment.

“(5) The provisions of Chapter X shall not apply to any body of persons which is a body corporate and which is assessable for income tax under this section.”.

Amendment of section 98 of the principal enactment.

45. Section 98 of the principal enactment is hereby amended as follows :—

- (1) in subsection (1) of that section, by the substitution for the words “the income of such child.”, of the words “the income of such child : ”.
- (2) by the insertion immediately after subsection (1) of that section of the following proviso :—

“Provided however, the preceding provisions shall not apply to an individual whose income for any year of assessment comprises solely of one or a combination of the following—

- (a) profits from employment as specified in section 4 and chargeable with income tax does not exceed rupees four hundred and twenty thousand and income tax under Chapter XIV has been deducted by the employer on the gross amount of such profit and income ;
- (b) dividends chargeable with tax on which tax at ten *per centum* has been deducted under subsection (1A) of section 61 ;
- (c) income from interest chargeable with tax on which income tax at the rate of ten *per centum* has been deducted under section 122A or 122B.” ;
- (3) in subsection (2) of that section by the substitution for the words “an assessor” of the words “a Deputy Commissioner” ;
- (4) by the insertion immediately after subsection (4) of that section, of the following subsection :—

“(4A) Where any person receives an intimation under subsection (4), such person may within thirty days of receipt of such intimation furnish necessary particulars required to make such return a proper return and the provisions of subsection (3) shall, thereafter not apply in respect of such return.”.

- (5) by the repeal of subsection (5) of that section and substitution therefor of the following subsection :—

“(5) Where any person carries on or exercises more than one business, trade, profession or vocation and the profits and income from such business, trade, profession or vocation are chargeable with tax at different rates, such person shall maintain and prepare statements of accounts in a manner that the profits and income from each such activity may be separately identified.”.;

- (6) in subsection (6) of that section—

(a) in paragraph (b) of that subsection by the substitution for the words “by such person.” of the words “by such person :”:

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

“Provided however, no such returns or information shall be called by an Assessor from such person after the expiry of five years from the end of the relevant year of assessment.”;

- (7) in subsection (7) of that section—
 - (a) in paragraph (b) of that subsection by the substitution for the words “regarding his income.”, of the words “regarding his income : ” ;
 - (b) by the insertion immediately after paragraph (b) of that subsection of the following proviso :—

“Provided however, such notice shall not be issued by an Assessor after the expiry of five years from the end of the relevant year of assessment.”;

- (8) in subsection (8) of that section—
 - (a) in paragraph (c) of that subsection by the substitution for the words “class of persons.”, of the words “class of persons : ”;
 - (b) by the insertion immediately after paragraph (c) of that subsection of the following proviso :—

“Provided however, such notice shall not be issued by an Assessor after the expiry of five years from the end of the relevant year of assessment.”;

- (9) in subsection (10) of that section—
 - (a) by the substitution for the words “his possession.”, of the words “his possession : ”;

- (b) by the insertion immediately after that subsection, of the following proviso —

“Provided however, such retention by an Assessor shall not be valid after the expiry of a period of five years from the end of the relevant year of assessment”.

46. Section 99 of the principal enactment is hereby amended as follows :—

Amendment of section 99 of the principal enactment.

- (1) in subsection (1) of that section, by the substitution, for the words “within the period specified in such notice”, of the words, “within the period specified in such notice, all particulars as may be necessary for the ascertainment of the statutory income in respect of any year of assessment including” ;

- (2) in the proviso to subsection (1) of that section—

- (i) in paragraph (a) of that proviso for the words “published in the Gazette ;and”, of the words “Published in the Gazette.”;

- (ii) by the insertion immediately after paragraph (a) of that proviso of the following :—

“For any year of assessment commencing on or after April 1, 2003, the provisions of subparagraph (a) shall not apply to any company other than a quoted public company, or any other company having a turnover of not less than rupees two hundred and fifty million or net profit of not less than rupees one hundred million for the year.”.

- (iii) by the addition immediately after paragraph (b) of that proviso to that subsection of the following :—

“For any year of assessment commencing on or after April 1, 2003, the provisions of subparagraph (b) shall not apply to any partnership

or any person other than a company, having a turnover of less than rupees fifty million or in the case of a partnership a divisible profit of less than rupees twenty-five million or in the case of any other person a net profit of less than rupees twenty-five million for the year.”.

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

“For any year of assessment commencing on or after April 1, 2003 the provisions of this subsection shall apply only to a quoted public company or any other person or partnership having a turnover of not less than rupees two hundred and fifty million or a net profit or divisible profit, as the case may be not less than rupees one hundred million for the year.”;

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

- (a) in sub-paragraph (ii) of paragraph (a) of that subsection by the substitution for the words “authorized representative ; or”, of the words “authorized representative; ” ;
- (b) in sub-paragraph (iii) of paragraph (a) of that subsection by the substitution for the words “authorized representative ; and” of the words “authorized representative ; or” ;
- (c) by the insertion immediately after sub-paragraph (iii) of paragraph (a) of that subsection of the following :—

“(iv) an auditor authorized to carry out audits of co-operative societies registered under the Co-operative Societies Law, No. 5 of 1972, in relation to any such co-operative society where the turnover of such society for the year does not exceed rupees fifty million;”;

- (d) in sub-paragraph (b) of that subsection by the substitution for the words “sale of capital assets)”, of the words “sale of capital assets) ; and” ;
- (e) by the addition at the end of that subsection of the following paragraph —

[“(c) “net profit” in relation to any trade, business, profession or vocation means net profit ascertained in accordance with accepted commercial practices and accounting standards.”.]

47. Section 106 of the principal enactment is hereby amended in subsection (2) of that section by the substitution for the words “remuneration of an employee”, of the words “remuneration of an employee and remitted to the Commissioner-General as provided in this Chapter.”.

Amendment of section 106 of the principal enactment.

48. Section 118 of the principal enactment is hereby amended as follows :—

Amendment of section 118 of the principal enactment.

- (1) in paragraph (ii) of the proviso to that section, by the substitution for the words “tax in default.”, of the words “tax in default ; ” ;
- (2) by the addition at the end of that proviso of the following new paragraph :—

“(iii) where any penalty is payable as at November 6, 2002 —

- (A) such penalty shall be waived where the tax in default in respect of which the penalty is payable has been paid on or before such date ;
- (B) where a portion of such tax in default has been paid on or before such date the portion of the penalty as is attributable to the amount of tax that has been paid shall be waived.

Insertion of new Chapter XVIB in the principal enactment.

49. The following new Chapter is hereby inserted immediately after Chapter XVIA of the principal enactment, and shall have effect as Chapter XVIB of that enactment :—

‘CHAPTER XVIB

DEDUCTION OF INCOME TAX FROM, REWARD PAYMENTS MADE BY ANY GOVERNMENT INSTITUTION TO INFORMANTS AND OTHERS AND SHARES OF FINES PAID TO ANY PERSON AND LOTTERY PRIZES, WINNINGS FROM GAMBLING OR WINNINGS FROM BETTING, PAID BY ANY PERSON OR PARTNERSHIP.

Government institution paying rewards or fines or other person or partnership paying lottery prizes ect. to deduct income tax.

132A. Where, on or after April 1, 2003 —

- (a) any Government institution pays a reward or distributes a share of fine to any person ;
- (b) any person or partnership pays a lottery prize, winnings from gambling or winnings from betting to any person,

such institution, person or partnership, as the case may be, shall deduct at the time of the payment of such reward, share of fine, a lottery prize, winning from gambling or winning from betting as the case may be, income tax at the rate of ten *per centum* on such gross payment :

Provided, however, in case of any payment referred to in paragraph (b), the tax shall be deducted only where such payment is not less than rupees five hundred thousand :

Provided further, where any person or partnership pays a lottery prize, winnings from gambling or winnings from betting, other than in cash, such person shall be liable to, pay the relevant amount of income tax on such lottery prize winnings from gambling or winnings from betting to the Commissioner-General.

Provisions of Chapter XV to apply in relation to the deduction under this Chapter.

132B. (1) The provisions of Chapter XV relating to the deduction of income tax from interest paid by banks and financial institutions, duties of banks and financial institutions, default in the deduction of income tax, issue of assessments of banks and financial institutions, appeals and penalty for default, shall, *mutatis mutandis*, apply to the deduction of income tax from such payments of rewards, share of fines, lottery prizes, winnings from gambling or winnings from betting as is mentioned in section 132A, duties of persons or partnerships making such reward payments, share of fine, lottery prize, winnings from gambling or winnings from betting, default in the deduction of income tax, issue of assessments on such persons and partnerships, appeals and penalty for default under this Chapter as if there were substituted in Chapter XV for the words “banks and financial institutions” of the words “any person or partnership paying any reward, share of fine, a lottery prize, winnings from gambling or winnings from betting” and for the word “interest” of the words “any reward, share of fine, lottery prize, winnings from gambling or winnings from betting” where ever they appear in that Chapter,

(2) (a) The aggregate amount of—

- (i) rewards paid to any person during any calendar month shall be deemed to be one reward payment and the income tax on such payment shall be deducted on the last working day of each month ;
- (ii) shares of fines paid to any person during any calendar month shall be deemed to be one share of fine payment and the income tax on such payment shall be deducted on the last working day of each month ;

- (iii) winnings from gambling paid or winnings from betting paid per day to any person shall be deemed to be one payment of winnings from gambling or winnings from betting and the income tax on such payment shall be deducted during the course of that day ;
- (b) in the case of lottery prizes each such prize whether paid in cash or otherwise shall be considered as a separate prize.

(3) For the purposes of this Chapter—

“reward” means any gift made or reward paid by the Government under any scheme for the payment of rewards to the informants and others ;

“share of fine” means any share of fine collected and distributed or paid by the Government in accordance with any scheme for the payment of fines ;

“lottery prize” means any prize either in money or otherwise offered and won in any lottery conducted by any person in Sri Lanka ;

“winnings from gambling” means any payment received for winning in any gambling or gaming activity from any party including a casino ;

“winnings from betting” means any payment received for winning in any on-course or off-course betting.

(4) Notwithstanding the provisions of section 125 the total amount of the tax deducted—

- (a) from lottery prizes shall be remitted, to the Commissioner – General on the first day of the week and where such first day of the week is not a working day on the following working day, which amount shall be the total tax deducted during the week ending on the Sunday immediately preceding the date of such remittance;
- (b) from the winnings from gambling or winnings from betting shall be remitted to the Commissioner-General, on the first day of the week and where such first day of the week is not a working day on the following working day, and the amount to be remitted shall be the total tax deducted during the week ending on the Sunday immediately preceding the date of such remittance.’.

50. Section 134 of the principal enactment is hereby amended in subsection (5) of that section as follows :—

Amendment of section 134 of the principal enactment.

- (1) in paragraph (b) of that subsection, by the substitution for the words “after the expiry of six years from the end of that year of assessment ;”, of the words “or where no return of income has been made, after the expiry of five years from the end of the relevant year of assessment in respect of which such return relates or such return is due ;”;
- (2) in the second proviso to that subsection, by the substitution for the words “at any time after the end of that year of assessment”, of the words “not later than five years after the end of that year of assessment”.

Amendment of
section 136 of the
principal
enactment.

51. Section 136 of the principal enactment is hereby amended as follows :—

- (1) in subsection (6) of that section, by the substitution for the words “made by an Assessor,”, of the words “made by an Assessor, other than the Assessor who made such assessment against which the appeal is preferred”;
- (2) in the subsection (13) of that section—
 - (a) in sub-paragraph (ii) of paragraph (b) of that subsection, by the substitution for the words “the Commissioner-General or an Assessor”, of the words “the Commissioner-General or an Assessor ;”;
 - (b) by the addition at the end of paragraph (b) of that section, of the following proviso :—

“Provided, however an appeal received by the Commissioner-General on or after April 1, 2003, shall be determined by the Commissioner-General within two years from the date of receipt of such appeal.”.

Amendment of
section 140 of the
principal
enactment.

52. Section 140 of the principal enactment is hereby amended as follows :—

- (1) in subsection (10) of that section, by the substitution for the words “the Commissioner-General in writing”, of the words “the Commissioner-General in writing ;”.
- (2) by the addition at the end of that subsection, of the following proviso :—

“Provided, however, the Board shall make its determination or express its opinion as the case may be, within two years from the date of commencement of the hearing of such appeal :

Provided further where the hearing of any appeal has commenced at the date of commencement of this Act, the appeal shall be determined or an opinion shall be expressed within two years from the commencement of this Act.”.

53. Section 141 of the principal enactment is hereby amended by the insertion immediately after subsection (6) of that section of the following new subsection :—

Amendment of section 141 of the principal enactment.

“(6A) The Court of Appeal may, pending the determination of the case stated to such court, make an interim determination as regards the amount of tax recoverable by the Commissioner-General in respect of the amount of tax in dispute on the basis of a report furnished by the Commissioner-General.”.

54. Section 144 of the principal enactment is hereby amended as follows :—

Amendment of section 144 of the principal enactment.

(1) in the proviso to paragraph (b) of section (3) of that section—

(a) by the substitution in sub-paragraph (ii) of that proviso for the words “quarterly instalment of tax became due.”, of the words “quarterly instalment of tax became due;”;

(b) by the addition at the end of subparagraph (ii) thereof of the following—

“(iii) where any penalty is payable as at November 6, 2002—

(A) such penalty shall be waived where the tax in default in respect of which the penalty is payable, has been paid, on or before November 6, 2002 ;

(B) where only a portion of such tax in default has been paid on or before November 6, 2002 the proportionate amount of such penalty attributable to the amount of such tax paid shall be waived.”; and

- (2) by the addition immediately after subsection (12) of that section of the following subsection :—

“(12A) Where any tax held over by the Commissioner-General becomes payable, either wholly or partly on settlement of the appeal, then any amount payable shall be recovered within one year from the date of settlement of the appeal unless a case has been stated in relation to such appeal to the Court of Appeal under section 141.”;

Replacement of the First Schedule to the principal enactment.

55. The First Schedule of the principal enactment is hereby repealed and the following Schedule substituted therefor :—

“FIRST SCHEDULE

(Section 32)

Rate of Income Tax-Individuals other than any Receivers, Trustees, Executors or Liquidators

PART I

Individuals other than those referred to in Part II

For any year of assessment commencing prior to April 1, 2002

On the first Rs. 100,000 of the taxable income	10 <i>per centum</i>
On the next Rs. 100,000 of the taxable income	15 <i>per centum</i>
On the next Rs. 100,000 of the taxable income	25 <i>per centum</i>
On the balance taxable income	35 <i>per centum</i>

PART I A

For the year of assessment commencing on April 1, 2002

On the first Rs. 180,000 of the taxable income	10 <i>per centum</i>
On the next Rs. 180,000 of the taxable income	20 <i>per centum</i>
On the balance taxable income	35 <i>per centum</i>

PART I B

For any year of assessment commencing on or after April 1, 2003.

On the first Rs. 180,000 of the taxable income	10 <i>per centum</i>
On the next Rs. 180,000 of the taxable income	20 <i>per centum</i>
On the balance taxable income	30 <i>per centum</i>

PART II

Any individual who is not a citizen of Sri Lanka and also is deemed, under subsection (7) of section 73, to be non-resident

Section 37(1) and (2)

15 *per centum*

PART III

- (a) The rates of income tax applicable to certain profits from employment specified in subsection (2) of section 32—

For any year of assessment commencing prior to April 1, 2002

On the first Rs. 500,000	Nil
On the next Rs. 150,000	5 <i>per centum</i>
On the next Rs. 150,000	10 <i>per centum</i>
On the balance	15 <i>per centum</i>

- (b) the rate of income tax applicable to any sum referred to in paragraph (c) of subsection (2) of section 32 paid under a scheme not uniformly applicable to all the employees of such employer—

As per Part IA or Part IB subject to the maximum of 20 *per centum*

PART III A

The rate of income tax applicable to certain profits from employment specified in subsection (2) of section 32

For any year of assessment commencing on or after April 1, 2002

On the first Rs. 1,000,000	Nil
On the next Rs. 500,000	5 <i>per centum</i>
On the next Rs. 500,000	10 <i>per centum</i>
On the balance	15 <i>per centum</i> ”.

Replacement of
the Second
Schedule to the
principal
enactment.

56. The Second Schedule to the principal enactment is hereby repealed and the following Schedule substituted therefor :—

“SECOND SCHEDULE (Section 53 and 70)
RATES OF INCOME TAX - COMPANIES

PART I

For any year of assessment commencing prior to April 1, 2002 –

Company including unit trust and mutual fund *35 per centum*

PART IA

For the year of assessment commencing on April 1, 2002

Company including unit trust and mutual fund when taxable income does not exceed Rs. 5,000,000 for the year of assessment *20 per centum*

Where taxable income exceeds Rs. 5,000,000 for the year of assessment *35 per centum*

“PART IB

The following rates shall be applicable subject to the rates specified in the Sixth Schedule for any year of assessment commencing on or after April 1, 2003.

Where the taxable income of the company, exceeds Rs. 5,000,000 in that year of assessment (other than a quoted public company with 300 or more than 300 members during the year of assessment, venture capital company, unit trust or mutual fund) *32.5 per centum (inclusive of 2.5 per centum contribution to the Human Resource Endowment Fund)*

A quoted public company with 300 or more than 300 members during the year of assessment and the taxable income exceeds Rs. 5,000,000 in that year of assessment *30 per centum (inclusive of 2.5 per centum contribution to the Human Resource Endowment Fund)*

Where the taxable income of the company, does not exceed Rs. 5,000,000 in that year of assessment (other than unit trust, mutual fund or a venture capital company) *20 per centum*

A venture capital company 20 *per centum*

An unit trust or mutual fund-profits 10 *per centum*
under specified areas

An unit trust or mutual fund-profits 20 *per centum*”.
under un-specified areas

57. The Third Schedule of the principal enactment is hereby amended as follows :—

Amendment of the Third Schedule to the principal enactment.

- (1) by the substitution for item 1 thereof, of the following item :—

“1, Hindu undivided families

For any year of assessment commencing prior to April 1, 2003

35 *per centum*;

For any year of assessment commencing on or after April 1, 2003

30 *per centum*”;

- (2) in item 2 thereof by the substitution for the words “institutions” of the words “institutions” (including corporate bodies)” ;

- (3) by the substitution for item 3 thereof, of the following item :—

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

For any year of assessment commencing prior to April 1, 2003.

35 *per centum*;

For any year of assessment commencing on or after April 1, 2003.

30 *per centum*;

- (4) by the substitution for item 4 thereof of the following item :—

“4. Trustees (including trustees under last wills)

For any year of assessment commencing prior to April 1, 2003.

35 *per centum*;

For any year of assessment commencing on or after April 1, 2003.

30 *per centum*;

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- (5) by the substitution for item 5 thereof, of the following item :—

“5 Partnerships

For any year of assessment commencing prior to April 1, 2003.

35 per centum

For any year of assessment commencing on or after April 1, 2003

30 per centum” ;

- (6) by the substitution for item 9 thereof, of the following item :—

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

For any year of assessment commencing prior to April 1, 2003

35 per centum;

For any year of assessment commencing on or after April 1, 2003

30 per centum” ;

- (7) by the substitution for item 10 thereof, of the following item —

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

For any year of assessment commencing prior to April 1, 2003

35 per centum;

For any year of assessment commencing on or after April 1, 2003

30 per centum” ;

- (8) by the substitution for item 13 thereof, of the following item —

“13. Persons (other than those referred to above and in the First and Second Schedules)

For any year of assessment commencing prior to April 1, 2003

20 per centum;

For any year of assessment commencing on or after April 1, 2003

30 per centum.” .

58. The following new Schedule is hereby added immediately after the Fifth Schedule to the principal enactment and shall have effect as the Sixth Schedule to the principal enactment –

Addition of the Sixth Schedule to the principal enactment.

“SIXTH SCHEDULE

The following rates shall be applicable notwithstanding the rates specified in the First, Second and Third Schedules.

- | | |
|---|--|
| 1. Rate of income tax on the total amount of interest on compensation payable in respect of property vested in the Government, the Land Reform Commission or a public corporation or a local authority. (section 33) | 10 <i>per centum</i> |
| 2. Rate of income tax on the total amount of interest received from any bank deposit. (section 34) | 10 <i>per centum</i> |
| 3. Rate of income tax on the gross interest on loans granted by a company, partnership or other body of person outside Sri Lanka (section 35) | 15 <i>per centum</i> |
| 4. Rate of income tax on royalty payable to any company, partnership or other body of person outside Sri Lanka (section 36) | 15 <i>per centum</i> |
| 5. Rate of income tax on the profits and income of any foreign currency banking unit arising from any on - shore foreign currency banking transactions (section 38) | 15 <i>per centum</i> |
| 6. Rate of income tax on profits from an undertaking carried on by a person other than a company and engaged in agriculture, promotion of tourism or construction work as defined in section 186 and section 39, (section 39) | as per the First Schedule subject to a maximum of 15 <i>per centum</i> |

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7. Rate of income tax on profits from any undertaking carried on by a company and engaged in agriculture, promotion of tourism or construction work as defined in section 186 and section 40 (section 40) 15 *per centum*
8. Rate of income tax applicable to specialized housing banks (section 40A) 20 *per centum*
9. Rate of income tax applicable to certain companies which are exempt from income tax under section 21A or 21C for a period of two years immediately succeeding such period of exemption (section 40B) 10 *per centum*
10. Rate of income tax applicable to certain companies after the expiry of the tax exemption period where such exemption is under section 21B or 21D (Section 40B) 15 *per centum*
11. Rate of income tax applicable to certain companies after the expiry of the tax exemption where such exemption is under section 21A, 21C or 21E and where 10 *per centum* or 15 *per centum* is not applicable (section 40B) 20 *per centum*
12. Rate of income tax applicable to dividends paid out of profits and income, taxable in accordance with section 40 and any dividend received from outside Sri Lanka and other dividends referred to in section 48A. (section 41, section 48A and section 48B). 10 *per centum* for any year of assessment commencing on or after April , 2003.
13. Rate of income tax on qualified export profits and income of a person not being a company, who commenced to carry on any specified undertaking prior to April 1, 2014 (section 44) As per the First Schedule but subject to a maximum of 15 *per centum*

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| 14. Rate of income tax on qualified export profits and income of a company which commenced to carry on any specified undertaking prior to April 1, 2014 (section 45) | 15 <i>per centum</i> |
| 15. Rate of income tax on qualified export profits and income of a person (not being a company) who carries on any specified undertaking prior to April 1, 2015 (section 46) | as per the First Schedule but subject to a maximum of 15 <i>per centum</i> |
| 16. Rate of income tax on qualified export profits and income of a company which carries on any specified undertaking prior to April 1, 2015. (section 47) | 15 <i>per centum</i> |
| 17. Rate of income tax on dividends out of qualified export profits and income (section 48) | 10 <i>per centum</i> for any year of assessment commencing on or after April 1, 2003. |
| 18. Rate of income tax on profits and income from deemed exports of any person or partnership (section 49) | as per the First Schedule subject to a maximum of 15 <i>per centum</i> for an individual, and 15 <i>per centum</i> for a company |
| 19. Rate of income tax on profits and income from services rendered outside Sri Lanka by any resident company or a partnership (section 50) | 15 <i>per centum</i> in case of a partner as per the First Schedule subject to a maximum of 15 <i>per centum</i> |
| 20. The rate of income tax on emoluments and fees earned in foreign currency by an individual or by a partner or a partnership, (section 51) | as per the First Schedule subject to a maximum of 15 <i>per centum</i> ”. |

59. The amendments made to —

Retrospective effect.

- (a) sections 21A, 32 and 48A of the principal enactment by sections 9, 13 and 32 respectively by this Act shall for all purposes be deemed to have come into force on April 1, 2002 ;

- (b) the principal enactment, by this Act, other than to the sections specified in paragraph (a), shall for all purposes be deemed to have come into force on April 1, 2003.

Sinhala text to prevail in case of inconsistency.

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

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