



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

**INLAND REVENUE (AMENDMENT)
ACT, No. 19 OF 2009**

[Certified on 31st March, 2009]

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*Inland Revenue (Amendment)
Act, No. 19 of 2009*

[Certified on 31st March, 2009]

L.D. —O 53/2008

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:—

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| <p>1. This Act may be cited as the Inland Revenue (Amendment) Act, No. 19 of 2009.</p> <p>2. Section 7 of the Inland Revenue Act, No. 10 of 2006 (hereinafter referred to as the “principal enactment”) as amended by Act, No. 9 of 2008, is hereby further amended in paragraph (b) of that section, by the addition immediately after sub-paragraph (lix) of that paragraph, of the following new sub-paragraph:—</p> <p style="padding-left: 40px;">“(lx) the Telecommunications Regulatory Commission of Sri Lanka, established by the Sri Lanka Telecommunications Act, No. 25 of 1991;”.</p> <p>3. Section 8 of the principal enactment as last amended by Act, No. 9 of 2008, is hereby further amended as follows:—</p> <p style="padding-left: 40px;">(1) in subsection (1) of that section, by the substitution in paragraph (d) thereof for the words and figures “the emoluments arising in Sri Lanka prior to April 1, 2008, and any income”, of the words “the emoluments arising in Sri Lanka and any income”; and</p> <p style="padding-left: 40px;">(2) in subsection (3) of that section, by the substitution for the words and figures “whichever is earlier, but not later than April 1, 2008.”, of the words “whichever is earlier.”.</p> <p>4. Section 9 of the principal enactment as last amended by Act, No. 9 of 2008 is hereby further amended as follows:—</p> <p style="padding-left: 40px;">(1) in paragraph (f) of that section, by the substitution for the words “interest accruing to any person”, of</p> | <p>Short title.</p> <p>Amendment of section 7 of Act, No. 10 of 2006.</p> <p>Amendment of section 8 of the principal enactment.</p> <p>Amendment of section 9 of the principal enactment.</p> |
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the words and figures “interest accruing on or before 31, March 2009, to any person”; and

- (2) by the addition immediately after paragraph (*m*) of that section, of the following new paragraph:—

“(n) the interest accruing to Lady Lochore Loan Fund on any loan granted by such Fund to any employee, of any Government Institution as defined in section 132 of this Act.”.

Amendment of
section 13 of the
principal
enactment.

5. Section 13 of the principal enactment as last amended by Act, No. 9 of 2008, is hereby further amended as follows:—

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

“(ddd) notwithstanding the provisions of paragraph (*ddd*) of this section, the profits and income for the period commencing from April 1, 2009 and ending on March 31, 2011, earned in foreign currency by any resident company, any resident individual or any partnership in Sri Lanka, from any service rendered in or outside Sri Lanka to any person or partnership outside Sri Lanka, if such profits and income (less such amount, if any, expended outside Sri Lanka as is considered by the Commissioner-General to be reasonable expenses) are remitted to Sri Lanka, through a bank;”;

- (2) by the insertion immediately after paragraph (*q*) of that section, of the following new paragraphs :—

“(qq) one half of the profits and income of any person for any year of assessment commencing on or after April 1, 2009,

derived from the sales or from any other means of any book written by him and whether published by himself or by any other person, for a period of one year commencing from the date of its first publication;

- (qqq) one half of the profits and income of any person for any year of assessment commencing on or after April 1, 2009, derived from the production of any drama, for a period of one year commencing from the date of its first public performance.

For the purpose of this paragraph, “drama” means a theatrical presentation based on a text, either written, oral or otherwise, which through dramatic performance by actors on a stage or any other suitable space, conveys a story or any other narrative, for a collective public audience;

- (qqqq) any export development rebate paid to an exporter by the Export Development Board, established by the Sri Lanka Export Development Act, No. 40 of 1979, under the Export Development Reward Scheme;”;

- (3) by the insertion immediately after paragraph (xx) of that section, of the following new paragraphs:—

- “(xxx) an amount equal to the interest or the discount paid or allowed, as the case may be, to any non resident person or to any licensed commercial bank in Sri Lanka, by the issuer of any sovereign bond denominated in foreign currency, issued on or after October 21, 2008 by or on behalf of the Government of Sri Lanka;

- (xxx) an amount equal to the interest or the discount paid or allowed, as the case may be, to any person on or after April 1, 2009, on any Sri Lanka Development Bond denominated in United States Dollars, issued by the Central Bank of Sri Lanka;
- (xxxx) the profits and income derived by or accruing to :—
- (i) any non resident person or any licensed commercial bank from the sale of any sovereign bond referred to in paragraph (xxx) ; or
 - (ii) any person from the sale on or after April 1, 2009, of any Sri Lanka Development Bond referred to in paragraph (xxxx);”;
- (4) by the insertion immediately after paragraph (yy) of that section of the following new paragraph:—
- “(yyy) any profit or income from any song or other musical composition, derived by or accruing to the lyricist, the composer of the music or the singer, as the case may be, of such song or musical composition, on or after April, 1, 2009;” and
- (5) by the addition immediately after paragraph (zzz) of that section, of the following new paragraph:—
- “(zzzz) the profits and income derived by or accruing to any person or partnership from investment in Economic Resurgence Certificates, utilizing money lying to credit of any account referred to in paragraph (d) of section 9 of this Act, from

and out of monies deposited in such account on or after February 1, 2009 :

Provided that where investment in Economic Resurgence Certificates is made by utilizing money partly from money deposited on or after February 1, 2009 and partly from money which was already lying to the credit of the account as of that date, the exemption from income tax granted by this paragraph shall apply only to such part of the profits and income which is attributable to the money out of the deposits made on or after February 1, 2009.”.

6. Section 16 of the principal enactment as amended by Act, No. 10 of 2007, is hereby further amended as follows:—

Amendment of section 16 of the principal enactment.

- (1) in subsection (2) of that section, by the substitution in paragraph (b) thereof for the words “the market, other than an undertaking for the manufacture of tea; and”, of the words “the market; or”; and
- (2) by the repeal of subsection (3) of that section, and the substitution therefor of the following subsection:—

“(3) In relation to an undertaking which consists of the production of any agricultural, horticultural or dairy produce and utilizing such produce to manufacture any product (other than any product specified under paragraph (c) of subsection (2)), such produce shall be deemed to have been sold for the manufacture of such product at the open market price prevailing at the time of such deemed sale, and the exemption granted under subsection (1) shall be applicable to that undertaking, on the profits and income computed on the basis of such deemed sale.”.

Amendment of
section 17 of the
principal
enactment.

7. Section 17 of the principal enactment as last amended by Act, No. 9 of 2008, is hereby further amended in subsection (4) of that section as follows:—

- (1) by the substitution in paragraph (c) thereof, for the words “(other than black tea in bulk,” of the words “(other than black tea not in packet or package form and each packet or package weighing not more than one kilogram,”; and
- (2) by the substitution in paragraph (d) thereof, for the words “by any person or partnership of any commodities (other than black tea in bulk,” of the words “by any person or partnership, of any commodity (other than black tea not in packet or package form and each packet or package weighing not more than one kilogram,”.

Amendment of
section 24A of
the principal
enactment.

8. Section 24A of the principal enactment is hereby amended as follows:—

- (1) in subsection (1) of that section, by the substitution in paragraph (b) thereof, for the words “five years,” of the words “seven years,”; and
- (2) in subsection (2) of that section, by the substitution for the words “period of five years,” of the words “period of seven years,”.

Amendment of
section 25 of the
principal
enactment.

9. Section 25 of the principal enactment is hereby amended in the further proviso to paragraph (b) of subsection (3) thereof, by the substitution for the words “nothing in this paragraph”, of the words “nothing in paragraph (a) or (b)”.

Amendment of
section 34 of
the principal
enactment.

10. Section 34 of the principal enactment as last amended by Act, No. 9 of 2008, is hereby further amended in subsection (2) thereof, as follows:—

- (1) by the addition, immediately after sub-paragraph (ix) of paragraph (b) of that subsection, of the following new proviso:—

“Provided where the fund referred to in sub-paragraph (v) of this paragraph is the President’s Fund established by the President’s Fund Act, No. 7 of 1978 and any public corporation is required in terms of the law by or under which such corporation is established to remit any profits of such corporation to the President’s Fund, the profits so remitted shall be deemed for the purpose of this paragraph, to be donations made to such Fund;”;

- (2) by the substitution in paragraph (e) of that subsection, for the words “provident fund, no part”, of the words “provident fund, where no part”; and
- (3) by the addition immediately after sub-paragraph (xi) of paragraph (f) of that subsection, of the following new sub-paragraph:—

“(xii) the Institution of Engineers, Sri Lanka, incorporated by the Institution of Engineers, Sri Lanka Act, No. 17 of 1968;”.

11. Section 40A of the principal enactment is hereby repealed and the following section is substituted therefor:—

“Rates of income tax on the profits from employment of any pilot.

40A. Where the taxable income of any individual being a citizen of Sri Lanka, for any year of assessment commencing on or after April 1, 2008, includes any profits from employment as a pilot under any airline licensed under the Air Navigation Act (Chapter 365) (hereinafter in this section referred to as “relevant profits”) and the rate of income tax payable on a part of such taxable income (hereinafter in this section referred to as the

Replacement of section 40A of the principal enactment.

“relevant part of the taxable income”) exceeds twenty *per centum*, then in regard to the relevant part of the taxable income, the tax payable shall be computed as follows:—

- (a) where such relevant part of the taxable income exceeds the amount of the relevant profits:—
 - (i) the tax payable on such portion of the relevant part of the taxable income as is equal to the amount of such relevant profits, shall be computed at the rate of twenty *per centum*; and
 - (ii) the tax payable on the balance of the relevant part of the taxable income, shall be computed according to such of the rates above twenty *per centum*, as are applicable thereto, under the First Schedule to this Act; or
- (b) where such relevant part of the taxable income does not exceed the amount of the relevant profits, the tax payable on the entirety of the relevant part of the taxable income, shall be computed at the rate of twenty *per centum*.”.

Insertion of new section 40B in the principal enactment.

12. The following new section is hereby inserted immediately after section 40A of the principal enactment and shall have effect as section 40B of that enactment:—

“Rate of tax on qualified profits of qualified individuals.

40B (1) Where the taxable income for any year of assessment commencing on or after April 1, 2009 of any qualified individual, includes any profits from employment under any qualified person in foreign currency

(hereinafter in this section referred to as “qualified profits”) and the rate of income tax payable on a part of such taxable income (hereinafter in this section referred to as the “relevant part of the taxable income”) exceeds twenty *per centum*, then in regard to the relevant part of the taxable income, the tax payable shall, subject to the provisions of subsection (2), be computed as follows:—

- (a) where the relevant part of the taxable income exceeds the amount of such qualified profits—
 - (i) the tax payable on such portion of the relevant part of the taxable income as is equal to the amount of such qualified profits, shall be computed at the rate of twenty *per centum*; and
 - (ii) the tax payable on the balance of the relevant part of the taxable income, shall be computed according to such of the rates above twenty *per centum*, as are applicable thereto under the First Schedule to this Act; or
- (b) where such relevant part of the taxable income does not exceed the amount of the qualified profits, the tax payable on the entirety of the qualified part of the taxable income shall be computed at the rate of twenty *per centum*.

(2) The provisions of subsection (1) shall not apply unless the qualified person referred to in that subsection certifies, that the aggregate of the qualified profits paid in any year of assessment to all qualified individuals employed by such qualified person, does not exceed the amount of the

total earnings of such qualified person in foreign currency, the profits and income attributable to which are exempt from income tax under paragraph (*ddd*) of section 13 or would have been exempt under that paragraph had such qualified person not entered into any agreement with the Board of Investment of Sri Lanka under section 17 of the Board of Investment Law, No. 4 of 1978, and earned by such qualified person in the year of assessment immediately preceding that year of assessment.

(3) For the purposes of this section—

(a) “qualified individual” means an individual who is an employee of a qualified person, and who provides in the course of such employment any service, being a service rendered in the course of any profession or vocation as specified by the Commissioner-General under paragraph (*ddd*) of section 13; and

(b) “qualified person” means any person or partnership, the entirety or a part of whose profits and income are exempt from income tax under paragraph (*ddd*) of section 13 or would have been exempt under that paragraph had such person or partnership not entered into any agreement with the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1978.”.

Amendment of
section 57 of the
principal
enactment.

13. Section 57 of the principal enactment is hereby amended, by the substitution for the words “The profits and income earned in foreign currency by any company”, of the words and figures “The profits and income earned in foreign currency in any year of assessment ending on or before March 31, 2008 by any company”.

14. Section 60 of the principal enactment is hereby amended by the substitution for the words ‘ “non traditional goods” means goods other than black tea in bulk, crepe rubber,’ , of the words “non traditional goods” means goods other than black tea not in packet or package form and each packet or package weighing not more than one kilogram, crepe rubber,’ ”.

Amendment of section 60 of the principal enactment.

15. Section 78 of the principal enactment as amended by Act, No. 10 of 2007, is hereby further amended in subsection (3) of that section, by the substitution for the words and figures “against the Economic Service Charge levied under the Finance Act, No. 11 of 2004”, of the words and figures “against the Economic Service Charge levied under the Economic Service Charge Act, No. 13 of 2006”.

Amendment of section 78 of the principal enactment.

16. Section 106 of the principal enactment as amended by Act, No. 10 of 2007 is hereby further amended as follows :—

Amendment of Section 106 of the principal enactment.

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

- (a) by the substitution for the words “thirtieth day of September”, of the words “thirtieth day of November”; and
- (b) by the repeal of paragraph (a) of the proviso to that subsection and the substitution therefor of the following paragraph:—

“(a) profits from employment as specified in section 4 and chargeable with income tax, does not exceed—

- (i) rupees four hundred and twenty thousand, where such year of assessment is any year of assessment ending on or before March 31, 2009; or

- (ii) rupees one million, where such year of assessment is any year of assessment commencing on or after April 1, 2009,

and income tax under Chapter XIV has been deducted by the employer on such profits from employment;"; and

- (2) in subsection (2) of that section, by the substitution for the words "on or before September 30", of the words "on or before the thirtieth day of November".

Amendment of section 113 of the principal enactment.

17. Section 113 of the principal enactment as amended by Act No. 9 of 2008, is hereby further amended as follows:—

- (1) in subsection (3) of that section, by the substitution for the words "thirtieth day of September", of the words "thirtieth day of October,"; and
- (2) in subsection (4) of that section, by the substitution for the word "individual" wherever such word appears in that subsection, of the word "individual".

Amendment of section 133 of the principal enactment.

18. Section 133 of the principal enactment as amended by Act, No. 9 of 2008, is hereby further amended in paragraph (c) of subsection (4) of that section as follows:—

- (1) in sub-paragraph (ii) thereof by the substitution for the words and figure "not exceed 600,000 rupees," of the words and figure "not exceed 1,000,000 rupees,"; and
- (2) in sub-paragraph (iii) thereof, by the substitution for the words and figure "exceeds 600,000 rupees," of the words and figure "exceeds 1,000,000 rupees,".

Amendment of section 153 of the principal enactment.

19. Section 153 of the principal enactment as amended by Act, No. 10 of 2007, is hereby further amended in subsection (2) of that section in the definition of the expression "specified fee", by the substitution for the words

“(a) fifty thousand rupees for any month; or”, of the words
“(a) fifty thousand rupees for any calendar month; or”.

20. Section 163 of the principal enactment as amended by Act, No. 9 of 2008, is hereby further amended as follows :—

Amendment of
section 163 of
the principal
enactment.

- (1) in subsection (1) of that section, by in substitution for the word “September” wherever such word appear in that subsection, of the word “November”:
and
- (2) in subsection (5) of that section:—
 - (a) by substitution in paragraph (a) of that subsection, for words “thirtieth day of September” and for the words “expiry of eighteen months”, of the words “thirtieth day of November” and of the words “expiry of a period of two years”, respectively ; and
 - (b) in paragraph (b) of that subsection, by the substitution for the words “three years”, of the words “four years”.

21. Section 173 of the principal enactment is hereby amended in subsection (2) of that section, by the substitution for the words and figures “ in subsection (3) or subsection (4) of section 113, ”, of the words and figures “in subsection (3) of section 113,”.

Amendment of
section 173 of
the principal
enactment.

22. Section 200 of the principal enactment as amended by Act, No. 10 of 2007, is hereby further amended by the repeal of subsection (8) of that section, and the substitution therefor of the following subsection:—

Amendment of
section 200 of
the principal
enactment.

“(8) Nothing in the preceding provisions of this section shall apply in relation to the income tax paid by deduction or otherwise, by any person for any year of assessment in respect of the whole or any part of his income, if such income is not included in his assessable income for that year of assessment.”.

Amendment of
section 217 of
the principal
enactment.

23. Section 217 of the principal enactment as amended by Act, No. 9 of 2008, is hereby further amended as follows:—

- (1) by the repeal of the definition of the phrase “approved by the Commissioner-General”, and the substitution therefor of the following definition:—

‘ “approved by the Commissioner-General” when used in relation to a pension, provident, gratuity or savings fund means, approved by the Commissioner-General as conforming to such conditions as may be specified by him, either generally or specifically in relation to any such fund, by notice published in the *Gazette*, having regard to the need for the protection of the interests of the contributors to any such fund and the protection of revenue;’; and

- (2) by the insertion immediately after the definition of the word “Assessor”, of the following new definition:—

‘ “associate company” means a company over which an investing company has a significant influence and which is neither a subsidiary of the investing company nor is a joint venture of which the investing company is a partner;’.

Amendment of
the First
Schedule to the
principal
enactment.

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

- (1) by the substitution in Part I of that Schedule, for the words “Any individual other than an individual referred to in Part II or Part III”, of the words and figures “For any year of assessment ending on or before March 31, 2009, any individual other than an individual referred to in Part II or Part III”; and

- (2) by the insertion immediately after Part I of that Schedule, of the following new Part:—

“PART I A

For any year of assessment commencing on or after April 1, 2009, any individual other than an individual referred to in Part II or Part III

On the first Rs. 400,000 of the taxable income	05 <i>per centum</i>
On the next Rs. 400,000 of the taxable income	10 <i>per centum</i>
On the next Rs. 400,000 of the taxable income	15 <i>per centum</i>
On the next Rs. 500,000 of the taxable income	20 <i>per centum</i>
On the next Rs. 500,000 of the taxable income	25 <i>per centum</i>
On the next Rs. 500,000 of the taxable income	30 <i>per centum</i>
On the balance of the taxable income	35 <i>per centum</i>

”.

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

Amendment of
the Second
Schedule to the
principal
enactment.

- (1) in item 1 of “PART-A” of that Schedule, by the substitution for the words “venture capital company-”, of the words “venture capital company-”; and
- (2) in item 2 of “PART-B” of that Schedule, by the substitution for the words and figure “income exceeds Rs. 5,000,000/-”, of the words and figure “income exceeds Rs. 5,000,000/- or if such company is a holding company, a subsidiary company or an associated company of a group of companies-”.

Sinhala text to
prevail in case
of inconsistency.

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

Retrospective
effect.

27. (1) The amendments made to paragraph (e) of subsection (2) of section 34, subsection (3) of section 78, subsection (4) of section 113, subsection (2) of section 153 and subsection (2) of section 173 of the principal enactment, by sections 10 (2), section 15, section 17, section 19 and section 21 respectively, of this Act, shall be deemed for all purposes to have come into force on April 1, 2006.

(2) The amendment made to the Second Schedule to the principal enactment by section 25 of this Act, shall be deemed for all purposes to have come into force on April 1, 2007.

(3) The amendment made to section 8, section 40A and section 57 of the principal enactment, by section 3(1) and (2), section 11 and section 13 respectively, of this Act, shall be deemed for all purposes to have come into force on April 1, 2008.

(4) The amendment made to section 13 of the principal enactment by section 5(2) of this Act, shall be deemed for all purposes to have come into force on October 21, 2008.

(5) The amendment made to section 13 by section 5(4) of this Act, shall be deemed for all purposes to have come into force, on February 1, 2009.

(6) The amendments made to the principal enactment by this Act, other than the amendments specifically referred to in subsections (1), (2), (3), (4) and (5) of this section, shall come into force on April 1, 2009.

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