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SRI LANKA**

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SUPPLEMENT

(Issued on 11. 10. 2022)



INLAND REVENUE (AMENDMENT)

A

BILL

to amend the Inland Revenue Act, No. 24 of 2017

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STATEMENT OF LEGAL EFFECT

Clause 2: This Clause amends section 5 of the Inland Revenue Act, No.24 of 2017 (hereinafter referred to as the “principal enactment”) for the purpose of clarity.

Clause 3: This Clause amends section 10 of the principal enactment and the legal effect of that section as amended is to enhance the scope of the section.

Clause 4: This Clause amends section 12 of the principal enactment and the legal effect of that section as amended is to enhance the scope of the section.

Clause 5: This Clause amends section 14 of the principal enactment and the legal effect of that section as amended is to enhance the scope of the section.

Clause 6: This Clause amends section 16 of the principal enactment and the legal effect of that section as amended is to restrict the cost of depreciable asset in calculating the capital allowance.

Clause 7: This Clause amends section 18 of the principal enactment and the legal effect of that section as amended is to introduce a basis to calculate limitation for brought forward financial cost.

Clause 8: This Clause amends section 19 of the principal enactment and the legal effect of that section as amended is to provide for a revised methodology in calculating the exempt amounts.

Clause 9: This Clause amends section 46 of the principal enactment and the legal effect of that section as amended is to enhance the scope of the section.

Clause 10: This Clause amends section 54 of the principal enactment and the legal effect of that section as amended is to make provisions to consider other income when calculating the partnership income or loss.

Clause 11: This Clause amends section 66 of the principal enactment and the legal effect of that section as amended is to broaden the scope of the definition of “directives made by the Central Bank of Sri Lanka”.

Clause 12: This Clause amends section 69 of the principal enactment for the purpose of clarity.

Clause 13: This Clause amends section 72 of the principal enactment for the purpose of clarity.

Clause 14: This Clause amends section 73 of the principal enactment and the legal effect of that section as amended is to include payments paid by an institute on behalf of the government of Sri Lanka as a source of payment.

Clause 15: This Clause amends section 83A of the principal enactment and the legal effect of that section as amended is to enhance the scope of the section.

Clause 16: This Clause amends section 84A of the principal enactment and the legal effect of that section as amended is to enhance the scope of the section.

Clause 17: This Clause amends section 85 of the principal enactment and the legal effect of that section as amended is to widen the application of that section.

Clause 18: This Clause amends section 87 of the principal enactment for the purpose of clarity.

Clause 19: This Clause amends the section 88 of the principal enactment and the legal effect of that section as amended is to enhance the scope of the section.

Clause 20: This Clause amends section 90 of the principal enactment for the purpose of clarity.

Clause 21: This Clause inserts section 92A of the principal enactment and the legal effect of that section as amended is to make provisions for Assistant Commissioners to estimate the tax payable.

Clause 22: This Clause amends section 94 of the principal enactment and the legal effect of that section as amended is to exclude the employees who have paid the Advance Personal Income Tax from submitting return of income.

Clause 23: This Clause amends section 120 of the principal enactment for the purpose of clarity.

Clause 24: This Clause amends section 123 of the principal enactment and the legal effect of that section as amended is to broaden the applicability of that section.

Clause 25: This Clause amends section 133 of the principal enactment and the legal effect of that section as amended is to make provisions to serve notice by electronic means.

Clause 26: This Clause amends section 134 of the principal enactment and is consequential to the amendment made by clause 25.

Clause 27: This Clause amends section 135 of the principal enactment and is consequential to the amendment made by clause 25.

Clause 28: This Clause amends section 136 of the principal enactment and the legal effect of that section as amended is to specify the time period to submit a request to amend the self-assessment.

Clause 29: This Clause amends section 139 of the principal enactment and the legal effect of that section as amended is to broaden the applicability of the section.

Clause 30: This Clause amends section 151 of the principal enactment and is consequential to the amendment made by clause 25.

Clause 31: This Clause amends section 163 of the principal enactment and the legal effect of that section as amended is to extend the time to recover the taxes in default.

Clause 32: This Clause amends the section 176 of the principal enactment for the purpose of clarity.

Clause 33: This Clause amends the section 179 of the principal enactment and the legal effect of that section as amended is to broaden the purview of that section.

Clause 34: This Clause amends section 182 of the principal enactment and the legal effect of that section as amended is to introduce mandatory provisions for tax payers to maintain proper accounts, records or documents as required by the Act.

Clause 35: This Clause amends section 195 of the principal enactment for the purpose of clarity.

Clause 36: This Clause amends First Schedule of the principal enactment and the legal effect of that Schedule as amended is to specify different tax rates for different gains and income.

Clause 37: This Clause amends Second Schedule of the principal enactment for the purpose of clarity.

Clause 38: This Clause amends Third Schedule of the principal enactment and the legal effect of that Schedule as amended is to grant tax exemptions on certain gains, profits and income.

Clause 39: This Clause amends Fifth Schedule of the principal enactment for the purpose of clarity.

Clause 40: This Clause amends Sixth Schedule of the principal enactment for the purpose of clarity.

Clause 41: This clause makes provisions to calculate the income tax payable for the year of assessment commencing on April 1, 2022, separately for two periods of the year of assessment as first six months and second six months.

Inland Revenue (Amendment)

L.D.-O. 7/2022

AN ACT TO AMEND THE INLAND REVENUE
ACT, No. 24 OF 2017

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

1. (1) This Act may be cited as the Inland Revenue Short title
(Amendment) Act, No. of 2022. and the date
of operation

5 (2) The provisions of this Act (other than the provisions
of sections referred to in *Table 'A'*, *Table 'B'* and *Table 'C'*)
shall come into operation on the date on which the certificate
of the Speaker is endorsed thereon.

(3) The provisions of sections referred to in *Table 'A'*
10 shall be deemed to have come into operation on April 1,
2022.

(4) The provisions of sections referred to in *Table 'B'*
shall be deemed to have come into operation on October 1,
2022.

15 (5) The provisions of sections referred to in *Table 'C'*
shall be deemed to have come into operation on the
respective dates specified in the Table.

2. Section 5 of the Inland Revenue Act, No. 24 of 2017 Amendment
(hereinafter referred to as the “principal enactment”) is hereby of section 5
20 amended as follows: - of Act,
No. 24 of
2017

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

(a) in paragraph (c) of that subsection, by the
substitution for the words “payments
providing” of the words “payments
25 providing”;

- (b) in paragraph (f) of that subsection, by the substitution for the words “retirement payments received” of the words “retirement payments received”; and
- 5 (c) in paragraph (i) of that subsection, by the substitution for the words “the employment; and” of the words “the employment; and”;
- (2) in subsection (3) of that section-
- 10 (a) in paragraph (e) of that subsection, by the substitution for the words “subsection (2)); and” of the words “subsection (2));”; and
- 15 (b) in paragraph (f) of that subsection, by the substitution for the words “approved by the Commissioner-General.” of the words “approved by the Commissioner-General; and”; and
- (c) by the addition immediately after paragraph (f) of that subsection, of the following new paragraph: -
- 20 “(g) any retirement payments received at the time of the retirement from employment, subject to the condition that the respective retirement contributions have already been considered for
- 25 income tax purposes and the employee has paid tax on such contributions in a previous year of assessment.”.
- 30 **3.** Section 10 of the principal enactment is hereby amended in paragraph (b) of subsection (1) of that section as follows: -
- (1) in subparagraph (iv) of that paragraph, by the substitution for the word “expenditure” of the words “expenditure or any other deduction”; and
- Amendment of section 10 of the principal enactment

- 5 (2) in subparagraph (x) of that paragraph, by the substitution for the words “the Commissioner-General.” of the words “the Commissioner-General and any tax or levy which is not allowed to be deducted in calculating a person’s income in terms of any other written law.”.

10 **4.** Section 12 of the principal enactment is hereby amended in paragraph (a) of that section, by the substitution for the words “where the debt obligation was incurred in borrowing money, the money is used during the year or was used”, of the words “the money borrowed under such debt obligation was used”. Amendment of section 12 of the principal enactment

5. Section 14 of the principal enactment is hereby amended as follows: - Amendment of section 14 of the principal enactment

- 15 (1) by the re-numbering of subsection (4) of that section, as subsection (5) of that section; and
- (2) by the insertion immediately after subsection (3) of that section, of the following new subsection: -

20 “(4) In the event of the written down value referred to in subsection (2) is zero for a depreciable asset, notwithstanding the provisions of subsection (2), the deduction for improvement referred to in subsection (1) shall be deducted in equal amounts apportioned over-

25 (a) twelve years of assessment, for a Class 4 depreciable asset;

(b) three years of assessment, for other Classes of depreciable assets,

30 commencing from the year of assessment in which the expenditure was incurred.”.

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

Amendment
of section 16
of the
principal
enactment

- (1) in paragraph (a) of subsection (1) of that section, by the substitution for the words “the Capital allowances” of the words and figures “subject to subsections (3) and (3A), the Capital allowances”; and

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

“(3A) The total of the Capital allowances granted and calculated under the Fourth Schedule to this Act in respect of a depreciable asset shall not exceed the cost of such depreciable asset in any circumstances.”.

7. Section 18 of the principal enactment is hereby amended as follows: -

Amendment
of section 18
of the
principal
enactment

- (1) by the repeal of subsection (1) and subsection (2) of that section, and the substitution therefor of the following subsections: -

“(1) The amount of financial costs deducted in calculating-

- (a) the income of an entity (other than a financial institution) from conducting a business or investment, for any year of assessment commencing prior to April 1, 2021 shall not exceed the amount of financial costs attributable to financial instruments within the limit referred to in paragraph (a) of subsection (2);

- 5 (b) the income of a company (other than a financial institution) which is incorporated in or outside Sri Lanka and having an issued share capital as at the date on which the year of assessment ends, from conducting a business or investment for any year of assessment commencing on or after April 1, 2021, shall not exceed the limit referred to in paragraph (b) of subsection (2).
- 10

- (2) The limit shall be computed according to the following formula: -

(a) $A \times B$

15 Where:

‘A’ is the total of the issued share capital and reserves of the entity; and

‘B’ is-

- 20 (i) in the case of a manufacturing entity, the number 3; and
- (ii) in the case of an entity other than a manufacturing entity, the number 4;

25 (b) $\frac{A}{B} \times C$

Where:

‘A’ = financial cost of the year;

5

(2) in subsection (3) of that section, by the substitution for the words “for the year.” of the following: -

“for the year:

Provided that, in the case where there is no financial cost incurred during the year, in calculating the unused limitation for the above purpose, the limit referred to in subsection (2) shall be calculated by using the same amounts of the immediately preceding year and so on.”.

20

(1) in subsection (3) of that section, by the substitution for the words “in calculating exempt amounts.”, of the words as follows: -

Amendment
of section 19
of the
principal
enactment

“in calculating exempt amounts:

Provided however, where a person had incurred a loss, in relation to a business which if it had been a profit would have been taxable at a rate specified under this Act and such rate is subsequently increased, such loss shall not be considered as being taxable at a reduced rate.”;

30

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

- (a) in paragraph (b) of that subsection, by the substitution for the words “income from an investment.”, of the words “income from an investment; and”;
- 5 (b) by the addition immediately after paragraph (b) of that subsection, of the following new paragraph: -
- 10 “(c) unrelieved losses from an investment shall be deducted only within the six years of assessment commencing on the first date of the year of assessment immediately succeeding the year of assessment in which such losses were incurred.”; and
- 15 (3) in subsection (5) of that section, by the substitution for the words “by any loss on the disposal of another investment asset.”, of the words “by any loss.”.

20 **9.** Section 46 of the principal enactment is hereby amended in subsection (5) of that section by the repeal of paragraph (c) of that subsection and the substitution therefor, of the following paragraph: -

Amendment of section 46 of the principal enactment

- “(c) at the time of the transfer-
- (i) prior to April 1, 2021-
- 25 (ia) the person and the associate were residents; and
- (ib) the associate or, in the case of an associate partnership, none of its partners is exempt from income tax; and
- (ii) on or after April 1, 2021-
- 30 (iia) the person and the associates are residents;

(iib) in the case of an associate partnership, any of its partners, or the associate, is not exempt from income tax; and

5 (iic) the tax rate applicable on the person's gain from the realisation of an asset referred to in subsection (4) is not less than the tax rate which is applicable on the gain of the associate from realisation of such asset; and".

10 **10.** Section 54 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution of section 54 of the principal enactment for the words and figures "its business or investment for that year of assessment (sections 6 and 7)." of the words "its business, investment or other income for that year of
15 assessment.".

11. Section 66 of the principal enactment is hereby amended in paragraph (c) of subsection (4) of that section, by the substitution for the words and figures "issued to make specific provisions relating to bad and doubtful debts under
20 subsection (1) of section 76j", of the words and figures "issued for classification, recognition and measurement of credit facilities under the powers conferred by, subsection (1) of section 46, section 46A and subsection (1) of section 76j".

12. Section 69 of the principal enactment is hereby
25 amended in paragraph (b) of subsection (4) of that section, by the substitution for the words "in Sri Lanka; or" of the words "in Sri Lanka; or". Amendment of section 69 of the principal enactment

13. Section 72 of the principal enactment is hereby
30 amended in paragraph (a) of subsection (1) of that section, by the substitution for the word and figure "subsection (3)" of the word and figure "subsection (2)". Amendment of section 72 of the principal enactment

14. Section 73 of the principal enactment is hereby amended in paragraph (c) of subsection (1) of that section as follows: -

Amendment
of section 73
of the
principal
enactment

- 5 (1) in sub-paragraph (i) of that paragraph, by the substitution for the words “Sri Lanka; or”, of the words “Sri Lanka;”;
- (2) in sub-paragraph (ii) of that paragraph, by the substitution for the words “permanent establishment;” of the words “permanent establishment; or”; and
- 10 (3) by the addition immediately after sub-paragraph (ii) of that paragraph, of the following new sub-paragraph: -
 - 15 “(iii) paid by the Government of Sri Lanka, including such payments made by any institution on behalf of the Government of Sri Lanka;”.

15. Section 83A of the principal enactment is hereby amended as follows: -

Amendment
of section
83A of the
principal
enactment

- 20 (1) in subsection (1) of that section, by the substitution for the words and figures “from April 1, 2020 on” of the words and figures “from April 1, 2020, but prior to the date of commencement of this (Amendment) Act on”;
- 25 (2) by the insertion immediately after subsection (1) of that section, of the following new subsection: -
 - 30 “(1A) An employer shall deduct the Advance Personal Income Tax with effect from the date of commencement of this (Amendment) Act on any payment which falls under section 5 made to his employee, as specified by the Commissioner-General.”; and

- (3) in subsection (2) of that section, by the substitution for the word and figure “subsection (1)”, of the words and figures “subsection (1) or subsection (1A)”.

5 **16.** Section 84A of the principal enactment is hereby amended as follows: -

Amendment
of section
84A of the
principal
enactment

- (1) in subsection (1) of that section, by the substitution for the words and figures “with effect from April 1, 2020, the taxpayer”, of the words and figures “with effect from April 1, 2020 but prior to the date of commencement of this (Amendment) Act, the taxpayer”; and

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

15 “(1A) Subject to section 83A and subsection (3) of section 84, with effect from the date of commencement of this (Amendment) Act, a person shall deduct Advance Income Tax from the payment of dividend, interest, discount, charge, natural resource payment, rent, royalty or premium which has a source in Sri Lanka, at the rate provided in paragraph 10 of the First Schedule to this Act.”.

25 **17.** Section 85 of the principal enactment is hereby amended as follows: -

Amendment
of section 85
of the
principal
enactment

- (1) in subsection (1A) of that section, by the substitution for the words “a person shall.”, of the words “a person shall, prior to the date of commencement of this (Amendment) Act”;
- 30 (2) by the insertion immediately after subsection (1A) of that section, of the following new subsections: -

5 “(1B) Subject to subsections (2) and (3), with effect from the date of commencement of this (Amendment) Act, a person shall withhold tax at the rate of 14% of the payment, where such person pays a service fee or an insurance premium with a source in Sri Lanka to a non-resident person.

10 (1C) Subject to subsection (3), with effect from the date of commencement of this (Amendment) Act, a person shall withhold tax at the rate of 5% of the payment, where such person pays a service fee with a source in Sri Lanka to a resident individual who is not an employee of the payer –

15 (a) for teaching, lecturing, examining, invigilating or supervising an examination;

20 (b) as a commission or brokerage to a resident insurance, sales or canvassing agent; or

25 (c) for services provided by such individual in the capacity of independent service provider such as doctor, engineer, accountant, lawyer, software developer, researcher, academic or any individual service provider as may be prescribed by regulation:

30 Provided however, this subsection shall not apply to a service payment which does not exceed Rs.100,000 per month.”; and

(3) in paragraph (a) of subsection (3) of that section, by the substitution for the word and figures “section 83;”, of the words and figures “section 83, section 83A or section 84A;”.

5 **18.** Section 87 of the principal enactment is hereby amended in subsection (4) of that section, by the substitution for the word and figures “section 83;”, of the words and figures “section 83 or section 83A;”. Amendment of section 87 of the principal enactment

10 **19.** Section 88 of the principal enactment is hereby amended in subsection (1A) of that section, by the insertion immediately after paragraph (a) of that subsection of the following new paragraph: - Amendment of section 88 of the principal enactment

15 “(aa) on or after the date of commencement of this (Amendment) Act, dividends paid by a resident company;”.

20 **20.** Section 90 of the principal enactment is hereby amended in paragraph (b) of subsection (1) of that section, by the substitution for the word and figures “section 83.”, of the following: - Amendment of section 90 of the principal enactment

“section 83 or section 83A:

25 Provided however, gains derived or expected to be derived from the realization of an investment asset, during a year of assessment shall not be considered for the purpose of quarterly installments.”.

21. The following new section is hereby inserted immediately after section 92 of the principal enactment, and shall have effect as section 92A of that enactment:- Insertion of new section 92A in the principal enactment

“Assistant
Commissioner
to estimate
the tax
payable

5

92A. (1) Where a person has failed to file an estimate of tax as required under section 91, an Assistant Commissioner may serve a notice in writing to such person to furnish such estimate and any other information as such Assistant Commissioner may consider necessary to enable such estimate.

(2) Where-

10

(a) a person has failed to file an estimate of tax as required by notice served under subsection (1); or

15

(b) a person has filed an estimate of tax stating an amount which is less than the aggregate of tax payable by instalments and assessment in the immediately preceding year of assessment, as the estimated income tax payable and failed to prove such estimate,

20

the Assistant Commissioner may serve an estimate of tax to such person, stating the estimated tax payable by such person for the year of assessment based on such evidence as may be available and according to the best of his judgement.

25

30

(3) The Assistant Commissioner shall serve his estimate referred to in subsection (2) prior to the date of payment of the fourth tax instalment, but after the date of payment of the first tax instalment.

(4) Where the Assistant Commissioner has served an estimate under subsection (2), such estimate shall remain in force as the estimate or a revised estimate.”.

22. Section 94 of the principal enactment is hereby amended as follows: -

Amendment
of section 94
of the
principal
enactment

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

5 (a) in paragraph (b) of that subsection, by the substitution for the word and figure “section 2.”, of the words and figure “section 2; or”; and

10 (b) by the addition immediately after paragraph (b) of that subsection, of the following new paragraph: -

15 “(c) an individual whose tax payable for the year of assessment under paragraph (a) of subsection (1) of section 2 relates exclusively to income from employment where the employer has deducted Advance Personal Income Tax under section 83A and no tax shall be payable under paragraph (b) or (c) of subsection (2) of section 82.”; and

20 (2) in subsection (3) of that section, by the substitution for the words “during the year.”, of the words and figures “during the year or where such person’s employer has deducted Advance Personal Income Tax on his employment income, under section
25 83A.”.

23. Section 120 of the principal enactment is hereby amended in subsection (1A) of that section by the substitution for the words “exempted gains and profits.”, of the following: -

Amendment
of section
120 of the
principal
enactment

30 “exempted gains and profits:

 Provided however, in the case where such person has commonly incurred expenses or commonly used

any assets, on all business or investment activities and any expense or deduction cannot be separately identified for the purpose of this subsection, it shall be lawful to divide such expenses or deductions on a proportionate basis (according to the proportion of turnover or proportion of asset usage) in preparing such financial statements.”.

24. Section 123 of the principal enactment is hereby amended as follows: -

Amendment
of section
123 of the
principal
enactment

(1) in subsection (1) of that section, by the substitution for the words “notice in writing-”, of the words “notice in writing or by electronic means-”; and

(2) by the addition immediately after subsection (5) of that section of the following new subsections: -

“(6) Notwithstanding anything to the contrary in any other written law, the Commissioner-General may, by notice, require the Commissioner-General of Elections to provide the names, addresses or National identity Card numbers of such persons as may be specified in such notice, and it shall be the duty of the Commissioner-General of Elections to provide such particulars to the Commissioner-General or provide access to the records under his custody, to a tax official authorized by the Commissioner-General.

(7) Notwithstanding anything to the contrary in any other written law, the Registrar-General of Companies shall provide information to the Commissioner-General on any changes or new appointments in relation to the directors of companies registered with the Registrar-General of Companies, including the names and addresses of such directors, once in every six months.”.

- 25.** Section 133 of the principal enactment is hereby amended in subsection (2) of that section, by the substitution for the words “with notice, in writing,” of the words “with notice, in writing or by electronic means,”. Amendment of section 133 of the principal enactment
- 5 **26.** Section 134 of the principal enactment is hereby amended in subsection (4) of that section, by the substitution for the words “with notice, in writing,” of the words “with notice, in writing or by electronic means,”. Amendment of section 134 of the principal enactment
- 10 **27.** Section 135 of the principal enactment is hereby amended in subsection (5) of that section, by the substitution for the words “with notice, in writing,” of the words “with notice, in writing or by electronic means,”. Amendment of section 135 of the principal enactment
- 15 **28.** Section 136 of the principal enactment is hereby amended in paragraph (b) of subsection (2) of that section, by the substitution for the word and figures “section 135.”, of the words and figures “section 135, for any year of assessment ending prior to April 1, 2022 and within a period of twelve months from the date on which the self-assessment return was filed, for any year of assessment commencing on or after April 1, 2022.”. Amendment of section 136 of the principal enactment
- 20 **29.** Section 139 of the principal enactment is hereby amended as follows: - Amendment of section 139 of the principal enactment
- 25 (1) in subsection (2) of that section, by the substitution for the words “thirty days”, of the words and figures “thirty days or where such request is made on or after April 1, 2023, not later than fourteen working days”;
- 30 (2) in subsection (4) of that section, by the substitution for the words “thirty days”, of the words “thirty days or where such request is made on or after April 1, 2023, not later than fourteen working days”; and
- (3) in paragraph (a) of subsection (5) of that section, by the substitution for the words “in writing”, of the words “in writing or by electronic means”.

30. Section 151 of the principal enactment is hereby amended in subsection (3) of that section, by the substitution for the words “in writing”, of the words “in writing or by electronic means”. Amendment
of section
151 of the
principal
enactment

5 **31.** Section 163 of the principal enactment is hereby amended by the addition immediately after subsection (4) of that section, of the following new subsections:- Amendment
of section
163 of the
principal
enactment

10 “(5) The amount of tax, any penalty and interest due as at the date of the certificate referred to in subsection (3) and any legal interest due on the amount stated in the certificate from the date of such certificate up to the date of the judgement shall be the tax that is due and payable to the Commissioner -General.

15 “(6) The proceedings instituted on or after the commencement of this (Amendment) Act, under this section shall be completed within thirty months from the date of production of the certificate referred to in subsection (3).”.

20 **32.** Section 176 of the principal enactment is hereby amended as follows: - Amendment
of section
176 of the
principal
enactment

(1) by the repeal of subsection (2) of that section, and the substitution therefor of the following subsection: -

25 “(2) Procedures for the assessment, payment, collection, and dispute of a tax shall apply equally to penalties relating to a tax.”; and

(2) by the insertion immediately after subsection (6) of that section, of the following new subsection: -

30 “(6A) For the purposes of subsection (6), it shall be lawful to issue a single notice of

assessment stating the penalty charged under this Chapter together with the tax and interest payable in complying with the other provisions of this Act.”.

5 **33.** Section 179 of the principal enactment is hereby amended as follows: -

Amendment
of section
179 of the
principal
enactment

10 (1) in subsection (1) of that section, by the substitution for the words “the due date, or by the due date specified in the notice of assessment, if later, shall”, of the words “the due date, shall”; and

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

15 “(4) Notwithstanding anything to the contrary in subsection (3), a person shall be liable for late payment penalty payable on any amended or additional assessment, despite the time of payment extension granted under section 151, in relation to such amended or additional assessment, pending resolution of an appeal.”.

20 **34.** Section 182 of the principal enactment is hereby amended as follows: -

Amendment
of section
182 of the
principal
enactment

25 (1) in subsection (1) of that section, by the substitution for the words “A person”, of the words and figures “For any year of assessment ending prior to April 1, 2023, a person”; and

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

30 “(1A) For any year of assessment commencing on or after April 1, 2023, a person who fails to maintain proper accounts, records or documents as required by this Act shall be liable for a penalty calculated as provided for in subsection (2).”.

35. Section 195 of the principal enactment is hereby amended as follows: -

Amendment
of section
195 of the
principal
enactment

- 5 (1) in the definition of the expression “export” of that section, by the substitution for the word “undertaking;”, of the words and figures “undertaking, prior to April 1, 2022;”;
- 10 (2) in the definition of the expression “Small and Medium Enterprise” of that section, by the substitution in paragraph (d) of that definition for the words “the person’s or his” of the words “the person’s and his”; and
- 15 (3) in the definition of the expression “specified undertaking” of that section, by the substitution in paragraph (h) of that definition, for the words “in Sri Lanka in foreign currency;”, of the following: -

“in Sri Lanka in foreign currency:

20 Provided however, where the exporter was prevented from making payments in foreign currency for services referred to in this paragraph, due to any directive of the Central Bank, the exporter shall issue a confirmation of his foreign currency receipts;”.

36. The First Schedule to the principal enactment is hereby amended as follows: -

Amendment
of the First
Schedule to
the principal
enactment

- 25 (1) in paragraph 1 of that Schedule –
 - (a) in subparagraph (1A) of that paragraph, by the substitution for the word and figures “January 1, 2020”, of the words and figures “January 1, 2020, but prior to April 1, 2022”;
 - 30 (b) by the insertion immediately after subparagraph (1A) of that paragraph, of the following new subparagraphs: -

“(1B) Subject to the provisions of subparagraph (2), the taxable income of a resident or non-resident individual for the year of assessment commencing from April 1, 2022 shall be taxed at the following rates: -

(a) Taxable income for the first six months period of the year of assessment commencing from April 1, 2022: -

	<i>Taxable Income</i>	<i>Tax payable</i>
10	Not exceeding Rs. 1,500,000	6% of the amount in excess of Rs. 0
15	Exceeding Rs. 1,500,000 but not exceeding Rs. 3,000,000	Rs. 90,000 plus 12% of the amount in excess of Rs. 1,500,000
20	Exceeding Rs. 3,000,000	Rs. 270,000 plus 18% of the amount in excess of Rs. 3,000,000;

(b) Taxable income for the second six months period of the year of assessment commencing from April 1, 2022: -

	<i>Taxable Income</i>	<i>Tax payable</i>
25	Not exceeding Rs. 250,000	6% of the amount in excess of Rs.0
30	Exceeding Rs. 250,000 but not exceeding Rs. 500,000	Rs. 15,000 plus 12% of the amount in excess of Rs. 250,000
35	Exceeding Rs. 500,000 but not exceeding Rs. 750,000	Rs. 45,000 plus 18% of the amount in excess of Rs. 500,000
	Exceeding Rs. 750,000 but not exceeding Rs. 1,000,000	Rs. 90,000 plus 24% of the amount in excess of Rs. 750,000

	<i>Taxable Income</i>	<i>Tax payable</i>
5	Exceeding Rs. 1,000,000 but not exceeding Rs. 1,250,000	Rs. 150,000 plus 30% of the amount in excess of Rs.1,000,000
	Exceeding Rs. 1,250,000	Rs. 225,000 plus 36% of the amount in excess of Rs. 1,250,000;

10 (1C) Subject to the provisions of subparagraph (2), the taxable income of a resident or non-resident individual for a year of assessment commencing from April 1, 2023 shall be taxed at the following rates: -

15	<i>Taxable Income</i>	<i>Tax payable</i>
	Not exceeding Rs. 500,000	6% of the amount in excess of Rs.0
20	Exceeding Rs. 500,000 but not exceeding Rs. 1,000,000	Rs. 30,000 plus 12% of the amount in excess of Rs. 500,000
	Exceeding Rs. 1,000,000 but not exceeding Rs. 1,500,000	Rs. 90,000 plus 18% of the amount in excess of Rs. 1,000,000
25	Exceeding Rs. 1,500,000 but not exceeding Rs. 2,000,000	Rs. 180,000 plus 24% of the amount in excess of Rs. 1,500,000
30	Exceeding Rs. 2,000,000 but not exceeding Rs. 2,500,000	Rs. 300,000 plus 30% of the amount in excess of Rs. 2,000,000
35	Exceeding Rs. 2,500,000	Rs. 450,000 plus 36% of the amount in excess of Rs. 2,500,000";

- (c) in subparagraph (5) of that paragraph, by the substitution for the word and figures “April 1, 2021: -”, of the words and figures “April 1, 2021, but prior to October 1, 2022: -”;

- 5 (2) in paragraph 3 of that Schedule, by the repeal of subparagraph (1) of that paragraph and the substitution therefor, of the following subparagraph: -

10 “(1) Subject to the provisions of subparagraph (2), the taxable income of a trust for a year of assessment to which subsection (1) of section 57 applies shall be taxed at the rate of –

(a) 24% prior to January 1, 2020;

15 (b) 18% with effect from January 1, 2020, but prior to April 1, 2022;

20 (c) 18% for first six months of the year of assessment commencing on April 1, 2022 and for second six months of the same year of assessment at the rate of 30%; and

(d) 30% with effect from April 1, 2023.”;

- (3) in paragraph 4 of that Schedule-

(a) in subparagraph (1) of that paragraph-

25 (i) by the repeal of item (b) of that subparagraph, and the substitution therefor of the following item: -

“(b) with effect from January 1, 2020, but prior to April 1, 2022, shall be taxed at the rate of 24%. ”;

5 (ii) by the addition immediately after item (b) of that subparagraph, of the following new items: -

10 “(c) shall be taxed at the rate of 24% for first six months of the year of assessment commencing on April 1, 2022 and for second six months of the same year of assessment at the rate of 30%; and

(d) with effect from April 1, 2023 shall be taxed at the rate of 30%. ”;

15 (b) in subparagraph (2A) of that paragraph, by the substitution for the word and figures “January 1, 2020: -”, of the words and figures “January 1, 2020 but prior to April 1, 2022 and for the first six months of the year of
20 assessment commencing on April 1, 2022: -”;

(c) by the addition immediately after subparagraph (2A) of that paragraph, of the following new subparagraph: -

25 “(2B) Such part of the following gains and profits of a company which includes in its taxable income for the six months period commencing on October 1, 2022 in the year of assessment commencing on
30 April 1, 2022 and for any year of assessment commencing on or after April 1, 2023, the gains and profits of a company shall be taxed at the following rates: -

(a) gains and profits from conducting betting and gaming-40%; and

5 (b) gains and profits from the manufacture and sale or import and sale of any liquor or tobacco product-40%.”;

10 (d) in item (a) of subparagraph (4) of that paragraph, by the substitution for the words and figures “rate of 10%; and” of the words and figures “rate of 10% prior to October 1, 2022 and 30% with effect from October 1, 2022; and”;

(e) in subparagraph (5) of that paragraph, -

15 (i) by the substitution for the word and figures “subparagraphs (1), (2A),” of the word and figures “subparagraphs (1), (2A), (2B),”;

20 (ii) in item (b) of that subparagraph, by the substitution for the words “for the two years of assessment immediately succeeding that year of assessment,” of the words and figures “for the first six months of the year of assessment commencing from April 1, 2022”; and

25 (iii) by the repeal of item (ii) of sub-paragraph (b) of that subparagraph and the substitution therefore of the following: -

30 “(ii) an increase in exports (other than specified undertakings) by fifty *per centum* in the first six months of the year of assessment commencing from April 1, 2022, compared to the first six months of the first year.”;

- 5 (4) in subparagraph (1) of paragraph 5 of that Schedule,
by the substitution for the words and figures “shall
be taxed at the rate of 28% prior to January 1, 2020
and 24% with effect from January 1, 2020.”, of the
following: -

“shall be taxed at the rate of –

- (a) 28% prior to January 1, 2020;
- (b) 24% with effect from January 1, 2020,
but prior to April 1, 2022;
- 10 (c) 24% for the first six months of the year
of assessment commencing on April 1,
2022 and for the second six months of
the same year of assessment at the rate
of 30%; and
- 15 (d) 30% with effect from April 1, 2023.”;

- (5) in paragraph 7 of that Schedule-

(a) by the repeal of subparagraph (1) of that
paragraph and the substitution therefor, of
the following subparagraph: -

- 20 “(1) Subject to subparagraph (2), the
taxable income of a non-governmental
organization for a year of assessment
shall be taxed at the rate of –

- (a) 28% prior to January 1, 2020;
- 25 (b) 24% with effect from January 1,
2020, but prior to April 1, 2022;

- 5 (c) 24% for the first six months of the year of assessment commencing on April 1, 2022 and for the second six months of the same year of assessment at the rate of 30%; and
- (d) 30% with effect from April 1, 2023.”;
- 10 (b) by the repeal of subparagraph (3) of that paragraph and the substitution therefor, of the following subparagraph: -
- 15 “(3) The rate of tax payable by a non-governmental organization on amounts received in a year of assessment by way of grant, donation or contribution or in any other manner under section 68 shall-
- (a) prior to January 1, 2020, be 28%;
- (b) be 24% with effect from January 1, 2020, but prior to April 1, 2022;
- 20 (c) be 24% for first six months of the year of assessment commencing on April 1, 2022 and for second six months of the same year of assessment, be 30%; and
- 25 (d) be 30% with effect from April 1, 2023.”; and
- (6) in subparagraph (1) of paragraph 10 of that Schedule -
- 30 (a) in item (a) of that subparagraph, by the substitution for the words and figures “section 83 applies-”, of the words and figures “section 83 or section 83A applies-”;

- (b) in item (b) of that subparagraph, by the substitution for the words and figures “section 84(1)(a)(i) applies-”, of the words and figures “section 84(1)(a) applies-”; and
- 5 (c) by the addition immediately after item (c) of that subparagraph, of the following new item:-
- “(d) for payments to which section 84A (1A) applies –
- 10 (i) rent payments made to a resident person where the aggregate payment does not exceed Rs. 100,000 per month – 0%;
- 15 (ii) interest or discount paid – 5%;
- 20 (iii) rent payments made to a resident person where the aggregate payment exceeds or is equal to Rs. 100,000 per month – 10% on full amount;
- (iv) all other payments except dividend – 14%; and
- (v) dividend paid-15%.”; and
- 25 (7) in paragraph 11 of that Schedule, by the substitution for the words “five years”, of the words “two years”.
- 37.** The Second Schedule to the principal enactment is hereby amended in paragraph 1 of that Schedule, by the
 30 insertion immediately after subparagraph (6) of that paragraph, of the following new subparagraph: -
- “(6A) Commencing from the first date of investment on a depreciable asset, three years of project implementation period shall be provided
 35 to a person who has not made his intended total investment under a subparagraph of this paragraph.
- Amendment of the Second Schedule to the principal enactment

Notwithstanding the provisions of subparagraph (6), capital allowance arising under a subparagraph of this paragraph shall be deducted in that year of assessment in which he has completed the total intended investment, but before the expiration of such project implementation period.”.

38. The Third Schedule to the principal enactment is hereby amended as follows: -

Amendment
of the Third
Schedule to
the principal
enactment

(1) by the insertion immediately after paragraph (g) of that Schedule, of the following new paragraph: -

“(gg) a gain made by an entity fully owned by the Government of Sri Lanka as a gain from the realisation of a capital asset or liability of the business or realisation of an investment asset, if such gain was made due to any decision by the Government of Sri Lanka as being essential for the economic development of Sri Lanka and subject to the prior written approval of the Minister;”;

(2) in paragraph (hh) of that Schedule, by the substitution for the word and figures “April 1, 2021”, of the words and figures “April 1, 2021 but prior to October 1, 2022”;

(3) in paragraph (oo) of that Schedule, by the substitution for the words and figures “on or after January 1, 2020”, of the words and figures “on or after January 1, 2020 but prior to October 1, 2022”;

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

“(ooo) on or after October 1, 2022, a dividend paid by a resident company-

(i) which is engaged in any one or more of the following businesses in accordance with the provisions of Part IV of the Finance

Act, No. 12 of 2012 and which has entered into an agreement with the Board of Investment of Sri Lanka established under the Board of Investment of Sri Lanka Law, No. 4 of 1978: -

- 5 (ia) entrepot trade involving import, minor
processing and re-export;
- 10 (ib) offshore business where goods can be
procured from one country or
manufactured in one country and
shipped to another country without
bringing the same into Sri Lanka;
- 15 (ic) providing front-end services to clients
abroad;
- (id) headquarters operations of leading
buyers for management of financial
supply chain and billing operations;
- (ie) logistics services including bonded
warehouse or multi-country
consolidation in Sri Lanka;
- 20 (ii) to a member to the extent that such dividend
payment is attributable to, or derived from,
another dividend received by that resident
company or another resident company which
is subject to Advance Income Tax under
25 subsection (1A) of section 84A;”;
- (5) in paragraph (rr) of that Schedule, by the
substitution for the words “dividends and gains”,
of the words and figures “dividends and gains prior
to October 1, 2022,”;
- 30 (6) in paragraph (u) of that Schedule-

- (a) in subparagraph (ii) of that paragraph, by the substitution for the word and figures “January 1, 2020,” of the words and figures “January 1, 2020, but prior to April 1, 2023,”;
- 5 (b) in subparagraph (v) of that paragraph-
 - (i) in that subparagraph, by the substitution for the words “any vocational”, of the words and figures “prior to April 1, 2023, any vocational”;
 - 10 (ii) in item (b) of that subparagraph, by the substitution for the words “five years”, of the words “two years”;
 - (iii) in the proviso to that subparagraph, by the substitution for the words “next four years”, of the words “next year”; and
 - 15 (c) in subparagraph (vi) of that paragraph, by the substitution for the words “any business”, of the words and figures “prior to April 1, 2023, any business”; and
 - 20 (7) in paragraph (w) of that Schedule, by the substitution for the words and figures “on or after April 1, 2021,” of the words and figures “on or after April 1, 2021 but prior to April 1, 2023,”.

39. The Fifth Schedule to the principal enactment is
 25 hereby amended as follows: -

Amendment
 of the Fifth
 Schedule to
 the principal
 enactment

- (1) in subparagraph (e) of paragraph 1 of that Schedule, by the substitution for the words “acquisition or merger of any other financial institution where”, of the words and figures “acquisition, partial acquisition, absorption of business or merger of,
- 30 any other bank licensed under the Banking

5 Act, No. 30 of 1988, finance company licensed under the Finance Business Act, No. 42 of 2011 or finance leasing company registered in terms of paragraph (c) of section 3 of the Finance Leasing Act, No. 56 of 2000 where”; and

(2) in paragraph 2 of that Schedule-

(a) by the repeal of subparagraph (a) of that paragraph and the substitution therefor, of the following subparagraph: -

10 “(a) (i) Rs. 500,000, for each year of assessment prior to January 1, 2020;

15 (ii) Rs. 3,000,000, for each year of assessment commencing on or after January 1, 2020, but prior to April 1, 2022;

(iii) Rs. 1,500,000, for first six months and Rs. 600,000 for second six months of the year of assessment commencing on April 1, 2022; and

20 (iv) Rs. 1,200,000, for each year of assessment commencing on or after April 1, 2023,

25 except that an individual who is a trustee, receiver, executor or liquidator shall not be entitled to deduct this personal relief as such trustee, receiver, executor or liquidator, and the relief shall not be deducted against gains from the realisation of investment assets;”; and

30 (b) in subparagraph (f) of that paragraph, by the substitution for the words and figures “on or after January 1, 2020: -”, of the words and figures “on or after January 1, 2020, but prior to April 1, 2022 and sum of Rs. 600,000, incurred for the first six months of the year of assessment commencing on April 1, 2022: -”.

35

40. The Sixth Schedule to the principal enactment is hereby amended as follows: -

Amendment
of the Sixth
Schedule to
the principal
enactment

- (1) in item (b) of subparagraph (4) of paragraph 1 of that Schedule, by the substitution for the words
5 “that are used to improve business processes or productivity and fixed”, of the words “that are fixed”;
- (2) by the re-numbering of paragraphs 3, 4, 5, 6, 7, 8, 9
10 and 11 of that Schedule as paragraphs 2, 3, 4, 5, 6, 7, 8 and 9 of that Schedule, respectively;
- (3) in the re-numbered paragraph 8 of that Schedule, by the substitution for the words “zero percent.”, of the words and figures “zero percent, if such payment has been made to the Commissioner-General prior
15 to October 1, 2022.”; and
- (4) in subparagraph (1) of paragraph 10 of that Schedule, by the substitution for the words “three years”, of the words “two years”.

41. (1) The income tax payable by a person for the year
20 of assessment commencing on April 1, 2022, shall be calculated separately for two periods of the year of assessment as first six months and second six months. For the purpose of such calculation, the person may use pro-rata basis (as 50% for first six months and balance 50% for second six months
25 of the year of assessment) to arrive the taxable income for such two periods.

Calculation
of income
tax payable
for the year
of assessment
commencing
on April 1,
2022

(2) Subject to the provisions of this Act, a person may submit a revised estimate for the purpose of tax payable by instalments.

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

Sinhala text
to prevail in
case of
inconsistency

Table 'A'

(section 1)

<i>Column I</i>	<i>Column II</i>
<i>section of this Act</i>	<i>section of the principal enactment</i>
2	5
4	12
5	14
6	16
11	66
18	87
21	92A
22	94
23	120
25	133
26	134
27	135
28	136
35(1) and (3)	195
36(1), (2), (3), (4) and (5)	subparagraphs (1A) and (1B) of paragraph 1, paragraph 3, 4, 5 and 7 of the First Schedule
37	subparagraph (6A) of paragraph 1 of the Second Schedule
38(1)	paragraph (gg) of the Third Schedule
40(1) and (2)	item (b) of subparagraph (4) of paragraph 1 and paragraphs 2,3,4,5,6,7,8 and 9 of the Sixth Schedule
41	new section

Table 'B'

(section 1)

<i>Column I</i>	<i>Column II</i>
<i>section of this Act</i>	<i>section of the principal enactment</i>
36(1)	subparagraph (5) of paragraph (1) of the First Schedule
38 (2), (3), (4) and (5)	paragraphs (<i>hh</i>), (<i>oo</i>), (<i>ooo</i>) and (<i>rr</i>) of the Third Schedule
39(2)	paragraph (2) of the Fifth Schedule
40 (3) and (4)	paragraphs (8) and (10) of the Sixth Schedule

Table 'C'

(section 1)

<i>Column I</i>	<i>Column II</i>	<i>Column III</i>
<i>section of this Act</i>	<i>section of the principal enactment</i>	<i>Date of operation</i>
3	10	01.04.2021
7	18	01.04.2021
8	19	01.04.2018
9	46	01.04.2021
10	54	01.04.2018
12	69	01.04.2018
13	72	01.04.2018
14	73	01.04.2018
20	90	01.04.2021
29	139	01.04.2023
35(2)	195	01.04.2020
36(1) and (7)	subparagraph (1C) of paragraph 1 and paragraph 11 of the First Schedule	01.04.2023
38(6) and (7)	paragraph (u) and (w) of the Third Schedule	31.03.2023
39(1)	subparagraph (e) of paragraph (1) of the Fifth Schedule	01.04.2021

