



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

**INLAND REVENUE (AMENDMENT)
ACT, No. 8 OF 2014**

[Certified on 24th April, 2014]

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Inland Revenue (Amendment) Act, 8 of 2014

[Certified on 24th April, 2014]

L.D.—O. 5/2014

AN ACT TO AMEND THE INLAND REVENUE ACT, NO. 10 OF 2006

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

1. This Act may be cited as the Inland Revenue (Amendment) Act, No. 8 of 2014, and shall be deemed for all purposes to have come into operation on April 1, 2014.

Short title and the date of operation.

2. The Inland Revenue Act, No. 10 of 2006 (hereinafter referred to as the “principal enactment”) as last amended by Act, No.18 of 2013 is hereby further amended as follows:-

Amendment of Act, No. 10 of 2006.

- (1) by the substitution for the words “Senior Deputy Commissioner-General” wherever such words occur in the principal enactment, of the words “Additional Commissioner-General”;
- (2) by the substitution for the word “Commissioner” wherever such word occurs in the principal enactment, of the words “Senior Commissioner”;
- (3) by the substitution for the words “Deputy Commissioner” wherever such words occur in the principal enactment, of the word “Commissioner”;
- (4) by the substitution for the words “Senior Assessor” wherever such words occur in the principal enactment, of the words “Deputy Commissioner or Senior Deputy Commissioner”; and
- (5) by the substitution for the word “Assessor” wherever such word occurs in the principal enactment, of the words “Assessor or Assistant Commissioner”.

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Amendment of section 7 of the principal enactment.

3. Section 7 of the principal enactment as last amended by Act, No. 18 of 2013 is hereby further amended as follows:-

(1) in paragraph (b) of that section –

(a) by the substitution in sub-paragraph (lxviii), for the words and figures “Companies Act, No. 17 of 1982; and”, of the words and figures “Companies Act, No. 17 of 1982;”;

(b) by the substitution in sub-paragraph (lxix), for the words “the circulars issued by such Ministry.”, of the words “the circulars issued by such Ministry;”; and

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

“(lxx) the National Enterprise Development Authority established under the National Enterprise Development Authority Act, No. 17 of 2006;

(lxxi) the Sri Lanka Institute of Marketing incorporated under the Sri Lanka Institute of Marketing (Incorporation) Act, No. 41 of 1980;

(lxxii) the Institute of Physics, Sri Lanka incorporated under the Institute of Physics, Sri Lanka (Incorporation) Act, No. 12 of 1986;”; and

(lxxiii) the Lionel Wendt Memorial Fund incorporated under section 114 of the Trusts Ordinance (Chapter 87).”;

(2) by the substitution in paragraph (k) of that section, for the words "for such year of assessment", of the words "for the year of assessment immediately preceding such year of assessment";

- (3) by the substitution in paragraph (l) of that section, for the words and figures “the Monetary Law Act (Chapter 422).”, of the words and figures “the Monetary Law Act (Chapter 422);”; and
- (4) by the addition immediately after paragraph (l) of that section, of the following new paragraph :-

“(m) the profits and income of any institution, established on or after April 1, 2013, by relocating in Sri Lanka the headquarters or regional head offices of institutions in the international network, as specified by the Commissioner-General by Notice published in the Gazette.”.

4. Section 8 of the principal enactment as last amended by Act, No. 18 of 2013 is hereby further amended in subsection (1) of that section as follows:-

Amendment of section 8 of the principal enactment.

- (1) by the substitution in paragraph (s) of that subsection, for the words “any allowance paid in lieu of the provision of such vehicle;”, of the words “the aggregate of any allowance paid in lieu of the provision of such vehicle and the value of any transport facility as may be specified by the Commissioner-General by Order published in the Gazette.”;
- (2) by the substitution in paragraph (w) of that subsection, for the words “not resident in Sri Lanka.”, of the words “not resident in Sri Lanka;”; and
- (3) by the addition immediately after paragraph (w) of that subsection, of the following new paragraph:-

“(x) the profits and income not exceeding forty eight thousand rupees for any year of assessment, if the aggregate of such profits and income is not more than forty eight thousand rupees other than any employment income or any profits and income which is taxable at source as final

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tax, of any individual who is an employee and who is not engaged in any trade, business, profession or vocation, if tax is deducted from his employment income for that year of assessment.”.

Amendment of section 9 of the principal enactment.

5. Section 9 of the principal enactment as last amended by Act, No. 18 of 2013 is hereby further amended as follows:-

(1) by the substitution in paragraph (a) of that section, for all the words from “to the Government of Sri Lanka” to the words, “to any other undertaking,”, of the words “to any person or partnership in Sri Lanka, notwithstanding whether such company, partnership or body of persons has a permanent establishment or any business connection in Sri Lanka,”; and

(2) by the substitution in paragraph (k) of that section, for the words “Treasury Bond Investment External Rupee Account;”, of the words “Securities Investment Account;”.

Amendment of section 10 of the principal enactment.

6. Section 10 of the principal enactment as last amended by Act, No. 8 of 2012 is hereby further amended in subsection (1) of that section as follows :-

(1) by the substitution in the proviso to paragraph (k) of that subsection, for the words “within one year thereafter.”, of the words “within one year thereafter;”; and

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

“(l) any dividend paid to a shareholder of a company out of such dividend as is referred to in paragraph (j), received by that company, if the first mentioned dividend is paid within three months of the receipt of the second mentioned dividend by that company.”.

7. Section 13 of the principal enactment as last amended by Act, No. 18 of 2013 is hereby further amended as follows:-

Amendment of section 13 of the principal enactment.

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

“(yyyyyyy) the profits and income of any person resident in Sri Lanka who acquires any internationally recognized intellectual property on or after April 1, 2014 and who earns profits and income by way of royalty out of such intellectual property, if such royalty is received in foreign currency and remitted to Sri Lanka through a bank;” and

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

“(zzzzzzz) the profits and income arising or accruing to any company, partnership or body of persons in a country outside Sri Lanka, from any payment made for the use of any computer software, by Sri Lankan Air Lines Ltd or Mihin Lanka (Pvt) Ltd, as a special requirement of such Airlines, if a Double Taxation Avoidance Agreement providing relief for double taxation of such profits and income is not in force between Sri Lanka and that country or tax is not payable in such country on such profits and income.”.

Amendment of section 16D of the principal enactment.

8. Section 16D of the principal enactment as last amended by Act, No. 18 of 2013 is hereby further amended by the substitution for the words and figures “any new undertaking established on or after April 1, 2012 and”, of the words and figures “any new undertaking established on or after April 1, 2012, but prior to April 1, 2015 and”.

Amendment of section 16E of the principal enactment.

9. Section 16E of the principal enactment is hereby amended by the substitution for the words “organic fertilizers,”, of the words “organic fertilizers or biological fertilizers,”.

Amendment of section 17A of the principal enactment.

10. Section 17A of the principal enactment as last amended by Act, No. 18 of 2013 is hereby further amended in subsection (2) of that section, by the substitution for all the words and figures from “the development of national economy ;” to the end of that section, of the following words and figures:-

“the development of national economy ;

- (b) in which the sum invested in the acquisition of fixed assets after March 31, 2011 but prior to April 1, 2015 is not less than the corresponding sum specified in Column I of the Schedule to subsection (1);
- (c) which commences commercial operations on or after April 1, 2011, but prior to April 1, 2016; and
- (d) which is not formed by the splitting up or reconstruction or acquisition of any business which was previously in existence.

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

Amendment of section 22 of the principal enactment.

11. Section 22 of the principal enactment as last amended by Act, No. 9 of 2008 is hereby further amended in subsection (1) of that section, by the substitution for the words “with an investment of not less than two million rupees

made within one year from the commencement of such undertaking,” of the words and figures “with an investment of not less than two million rupees, made within one year from the commencement of such undertaking, but prior to April 1, 2014.”.

12. Section 25 of the principal enactment as last amended by Act, No. 18 of 2013 is hereby further amended in subsection (1) of that section as follows:-

Amendment of section 25 of the principal enactment.

- (1) by the substitution in paragraph (*u*) of that subsection, for the words “to the Government.”, of the words “to the Government;”; and
- (2) by the addition immediately after paragraph (*u*) of that subsection, of the following new paragraphs:-
 - “(v) the cost of acquisition of any internationally recognized intellectual property used for producing such profits and income;
 - (w) any royalty or ground rent paid by such person.”.

13. Section 26 of the principal enactment as last amended by Act, No.18 of 2013 is hereby further amended as follows:-

Amendment of section 26 of the principal enactment.

- (1) in subsection (1) of that section-
 - (a) by the substitution in sub-paragraph (vi) of paragraph (*l*) of that subsection, for the words and figures “Finance Act, No. 5 of 2005.”, of the words and figures “Finance Act, No. 5 of 2005; or”;
 - (b) by the insertion immediately after sub-paragraph (vi) of paragraph (*l*) of that subsection, of the following new sub-paragraph:-
 - “(vii) any Crop Insurance Levy levied under section 14 of PART IV of the Finance Act, No. 12 of 2013.”;

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(c) by the substitution for paragraph (m) of that subsection, of the following paragraph:-

“(m) any annuity paid by such person;”;
and

(2) by the substitution in subsection (4) of that section, for all the words from “any part thereof,” to the words “assessment is made:”, of the words “any part thereof, and an assessment shall be made disallowing the entirety or any part of such expenditure notwithstanding anything to the contrary in any other provisions of this Act, if it appears to the Assessor that the debt or such part thereof attributable to such expenditure or any part thereof, remains unpaid at the time such assessment for that year of assessment is made:”.

Amendment
of section 32
of the principal
enactment.

14. Section 32 of the principal enactment as last amended by Act, No. 8 of 2012 is hereby further amended as follows:-

(1) in subsection (5) of that section –

(a) by the substitution in paragraph (a) of that subsection, for the words and figures “annuity, ground rent, royalty or interest not deductible under section 25.”, of the words and figures “annuity or interest, not deductible under section 25.”; and

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

“(cc) Where any person who is engaged in carrying on both life insurance business and general insurance business segregates such life insurance business and the general insurance business into two separate companies, as required by section 53 of the Regulation of Insurance Industry (Amendment) Act, No. 3 of 2011, incurred any loss prior to such

segregation of which the entirety or any part thereof had not been deducted previously, the balance, if any, as at the date of such segregation shall, notwithstanding anything to the contrary in any other provision of this Act, but subject to the provisions of paragraph (b), be deducted from the total statutory income of the respective companies in the following manner:-

- (i) such part of the loss as attributable to the life insurance business, from the total statutory income of the company which carries on long term insurance business;
 - (ii) such part of the loss as attributable to the general insurance business, from the total statutory income of the company which carries on general insurance business.”; and
- (2) by the substitution in paragraph (a) of subsection (6) of that section, for the words and figures “from income tax under section 16, section 17, section 18,”, of the words and figures “from income tax under section 16, section 16A, section 16B, section 16C, section 16D, section 17, section 17A, section 18,”.

15. Section 33 of the principal enactment as last amended by Act, No. 22 of 2011 is hereby further amended in item (ii) of the further proviso to subsection (1) of that section, by the substitution for the words and figures “any part of any allowance under section 34 from any employment income”, of the words and figures “any part of any allowance under section 34, other than the allowance referred to in paragraphs (u) and (v) of subsection (2) of section 34, from any employment income”.

Amendment of section 33 of the principal enactment.

Amendment
of section 34
of the principal
enactment.

16. Section 34 of the principal enactment as last amended by Act, No.18 of 2013 is hereby further amended as follows:-

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

(a) by the substitution for paragraph (s) of that subsection, of the following paragraph:-

“(s) investment of not less than fifty million rupees in the acquisition of fixed assets made by any person on or after April 1, 2011 but before April 1, 2014 in the expansion of any undertaking which would have been qualified for exemption under section 16c or section 17A had such undertaking commenced to carry on business on or after April 1, 2011:

Provided however, where such investment is made in any high tech plant, machinery or equipment which is acquired for energy efficiency purposes or for technology upgrading purposes or introducing any new technology or for power generation using renewable energy resources in the expansion of such undertaking on or after April 1, 2011, but prior to April 1, 2015 such investment shall comprise a qualifying payment.”;

(b) by the substitution in paragraph (u) of that subsection, for the words “whichever is lower;”, of the words “whichever is lower;”;

(c) by the substitution in paragraph (v) of that subsection, for the words “not resident in Sri Lanka.”, of the words “not resident in Sri Lanka;”; and

- (d) by the addition immediately after paragraph (v) of that subsection, of the following new paragraphs:-

“(w) any expenditure incurred not exceeding six hundred thousand rupees for any year of assessment commencing on or after April 1, 2014 on the repayment of the capital of a loan obtained from any bank licensed under the Banking Act, No. 30 of 1988 or any finance company licensed under the Finance Business Act, No. 42 of 2011, of which the proceeds are utilized to construct a house or to purchase a house or a unit of a residential apartment complex, by an individual who is a professional and who furnishes a return under section 106, whether such individual obtained such loan alone or together with any other individual:

Provided that, if such loan is obtained together with another individual or obtained for a co-owned property, such deduction shall not exceed the amount of expenditure attributable to such individual who obtained such loan.

For the purpose of this paragraph, “professional” shall have the same meaning as given for that expression in section 40c;

- (x) any expenditure incurred by any bank or any finance company licensed under the Finance Business Act, No.42 of 2011, by way of cost of acquisition or merger of any other bank or any other

finance company, where such cost is ascertained by considering all the facts on case by case basis in accordance with the guidelines issued by the Central Bank of Sri Lanka for that purpose, and such expenditure is not deductible under section 25.”;

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

- (a) by the substitution in sub-paragraph (i) of paragraph (a) of that subsection, for the words and figures “(t), (u) and (v) of subsection (2)”, of the words and figures “(t), (u), (v) and (w) of subsection (2)”; and
- (b) by the substitution in sub-paragraph (i) of paragraph (b) of that subsection, for the words and figures “(r), (s) and (t) of subsection (2)”, of the words and figures “(r), (s), (t) and (x) of subsection (2)”.

Amendment of section 40A of the principal enactment.

17. Section 40A of the principal enactment as last amended by Act, No. 18 of 2013 is hereby further amended by the substitution for the words and figures “commencing on or after April 1, 2008,”, of the words and figures “commencing on or after April 1, 2008, but prior to April 1, 2014,”.

Insertion of new section 40c in the principal enactment.

18. The following new section is hereby inserted immediately after section 40B of the principal enactment and shall have effect as section 40c of that enactment :-

“Rates of income tax on the profits from employment of professionals.

40c. (1) Where the taxable income of any individual, being a citizen of Sri Lanka, for any year of assessment commencing on or after April 1, 2014, includes any profits from employment (hereinafter in this section referred to as “relevant profits”) in the exercise of his duties as a professional, 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 sixteen *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 sixteen *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 sixteen *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 sixteen *per centum*.

(2) For the purpose of this section “professional” means a doctor registered under the Medical Ordinance (Chapter 105), a chartered engineer, a chartered architect, a member of the Institute of Chartered Accountants of Sri Lanka, a member of the Association of Chartered Certified Accountants, a member of the Chartered Institute of Management Accountants (U.K.) and an attorney-at-law, and includes a software engineer, a pilot licensed under the Air Navigation Act (Chapter 365), a navigation officer and a researcher or senior academic, recognized as an accredited professional.”

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Amendment of section 50 of the principal enactment.

19. Section 50 of the principal enactment is hereby amended by the substitution for the words and figures “taxable income of that person for any year of assessment commencing prior to April 1, 2014 includes”, of the words “taxable income of that person for any year of assessment includes”.

Amendment of section 51 of the principal enactment.

20. Section 51 of the principal enactment is hereby amended by the substitution for the words and figures “taxable income of that company for any year of assessment commencing prior to April 1, 2014 includes”, of the words “taxable income of that company for any year of assessment includes”.

Amendment of section 52 of the principal enactment.

21. Section 52 of the principal enactment is hereby amended by the substitution for the words and figures “taxable income of that company for any year of assessment commencing prior to April 1, 2015 includes”, of the words “taxable income of that company for any year of assessment includes”.

Amendment of section 56c of the principal enactment.

22. Section 56c of the principal enactment is hereby amended by the substitution for the words “from the sale of any product manufactured in Sri Lanka”, of the words and figures “from the sale of any product manufactured in Sri Lanka, other than such part of the profits and income exempt under section 13,”.

Replacement of section 58 of the principal enactment.

23. Section 58 of the principal enactment is hereby repealed and the following section is substituted therefor:-

“Rate of tax on profits and income from the supply of any services to any exporter.

58. Such part of the profits and income within the meaning of paragraph (a) of section 3, of any person as consists of profits and income from the supply of any services, to any exporter of goods or services or to any foreign principal of such exporter directly, being services which could be treated as essentially related to the manufacture of such goods or provision of such services exported by such exporter either directly or through any export

trading house, including any service provided by an agent of a ship operator to such agent's foreign principal, and the payment for such services are made by such exporter or foreign principal to such person in Sri Lanka in foreign currency, shall, notwithstanding anything to the contrary in any other provision of this Act, be chargeable with income tax at the appropriate rate specified in the Fifth Schedule to this Act, if -

- (a) such supply is covered by an international letter of credit or a letter of credit opened in a bank in Sri Lanka on a back to back basis against an international letter of credit for the remittance to Sri Lanka of the foreign exchange value of the exports related to such supply; or
- (b) (i) the payment of the consideration for such supply is made in foreign currency by means of a draft or telegraphic transfer made in favour of such person by such exporter or foreign principal; and
- (ii) such other documentary evidence as is required by the Commissioner-General to satisfy himself that the goods or services relating to such supply have in fact been exported, is adduced.”.

24. Section 59B of the principal enactment as last amended by Act, No.18 of 2013 is hereby further amended in subsection (1) of that section, by the substitution for the words “any other provisions of this Act”, of the words “any other provisions of this Act, but subject to provisions of section 59F”.

Amendment of section 59B of the principal enactment.

Amendment of section 59D of the principal enactment.

25. Section 59D of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words “holding of its shares by the general public.”, of the following words and figures:-

“holding of its shares by the general public:

Provided however, where any company lists its shares in the aforesaid manner, on or before April 1, 2017 and which is liable to pay income tax at the rate specified in item 3 of PART-B of Second Schedule to this Act, such rate shall be reduced by fifty *per centum* for the year of assessment in which such shares are listed and for another two years of assessment immediately succeeding that year of assessment subject such company after listing continues to maintain not less than twenty *per centum* of holding of its shares by the general public.”.

Insertion of new sections 59F, 59G and 59H in the principal enactment.

26. The following new sections are hereby inserted immediately after section 59E of the principal enactment and shall have effect as sections 59F, 59G and 59H respectively, of that enactment:-

“Rate of income tax on the profits and income from the provision of professional services.

59F. (1) Where the taxable income of any individual being a citizen of Sri Lanka, for any year of assessment commencing on or after April 1, 2014, includes any profits and income from providing professional services as a professional, such part of the taxable income shall, notwithstanding anything to the contrary in any other provisions of this Act, be chargeable with income tax at the appropriate rate specified in the Fifth Schedule to this Act.

(2) For the purpose of this section, “professional” shall have the same meaning as given for that expression in section 40c.

Rate of income tax applicable to the profits and income earned by any bank on loans granted to professionals for construction purposes.

59G. (1) The tax rate applicable on the profits and income earned by a bank for any year of assessment commencing on or after April 1, 2014, on any loan granted to any individual, who is a professional, for the purpose of constructing a house or purchasing a house or a unit of a residential apartment complex, by such individual alone or together with any other individual, shall be reduced by fifty *per centum*.

(2) For the purpose of this section, “professional” shall have the same meaning as given for that expression in section 40c.

Income tax payable by ship operators, ship builders or any agent of a foreign ship.

59H. Such part of the tax computed in accordance with this Act, as being payable by any ship operator, ship builder or any agent of a foreign ship shall, notwithstanding anything to the contrary in any other provision of this Act, be reduced by ten *per centum*, if such ship operator, ship builder or agent provides training on skill development in the shipping industry to trainees.”.

27. Section 63 of the principal enactment as last amended by Act, No. 10 of 2007 is hereby further amended by the substitution for the words “such dividend shall,”, of the words “profits and income from such dividend shall,”.

Amendment of section 63 of the principal enactment.

28. Section 76 of the principal enactment is hereby amended in subsection (2) of that section, by the substitution for the words “the amount of any interest, annuity, ground rent or royalty”, of the words “the amount of any interest or annuity”.

Amendment of section 76 of the principal enactment.

29. Section 79 of the principal enactment as last amended by Act, No.18 of 2013 is hereby further amended by the repeal of subsection (3) of that section, and the substitution therefor, of the following subsection:-

Amendment of section 79 of the principal enactment.

“(3) For any year of assessment commencing prior to April 1, 2013, an individual who has been deemed resident for two or more consecutive years of assessment shall be deemed to be resident until such time as he is continuously absent from Sri Lanka for an unbroken period of three hundred and sixty five days. When such person is so absent, he shall notwithstanding the provisions of subsection (2), be deemed to be non-resident from the commencement of the year of assessment in which such absence commences.”.

Amendment of section 105 of the principal enactment.

30. Section 105 of the principal enactment is hereby amended in subsection (3) of that section, by the substitution for the words “provisions of this Act,”, of the words “provisions of this Act, and shall notwithstanding anything to the contrary in any other provision of this Act, be chargeable with income tax at the appropriate rate specified in the Fifth Schedule to this Act,”.

Amendment of section 106 of the principal enactment.

31. Section 106 of the principal enactment as last amended by Act, No. 22 of 2011 is hereby further amended by the addition immediately after subsection (19) of that section, of the following new subsection:-

“(20) For the purposes of this Act, the Commissioner-General may give notice in writing to any person requiring him to furnish within the period specified in such notice, any information in relation to any transaction between such person and any other person or class of persons.”.

Amendment of section 107 of the principal enactment.

32. Section 107 of the principal enactment as last amended by Act, No.8 of 2012 is hereby further amended in subsection (3) of that section as follows:-

(a) by the substitution in paragraph (a) of that subsection, for the words ““approved accountant” means -”, of the words ““approved accountant” for any year of assessment commencing prior to April 1, 2014 means -”;

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

“(aa) “approved accountant” for any year of assessment commencing on or after April 1, 2014 means an accountant who is a member of the Institute of Chartered Accountant of Sri Lanka;” and

- (c) by the substitution in paragraph (b) of that subsection, for the words “commercial practices and accounting standards;”, of the words “commercial practices and accounting standards and the operational profits calculated in accordance with the Sri Lanka Financial Reporting Standards;”.

33. Section 117 of the principal enactment as last amended by Act, No. 22 of 2011 is hereby further amended in subsection (1) of that section, by the substitution for the words “provides a benefit in cash or in kind to any other person who”, of the words “to any other person and where such director, chairperson or other person”.

Amendment of section 117 of the principal enactment.

34. Section 117A of the principal enactment is hereby amended as follows :-

Amendment of section 117A of the principal enactment.

- (1) by the substitution in subsection (1) of that section, for all the words and figures from “shall deduct tax at the rate of –” to the end of that subsection, of the following words and figures:-

“shall deduct tax at the rate of –

(a) *ten per centum* -

- (i) where the aggregate of such payments or value of such benefits does not exceed twenty five thousand rupees per month; or

- (ii) where the aggregate of such payments or value of such benefits does not exceed fifty thousand rupees per month, if such employee is an individual employed in the public sector; or

(b) sixteen *per centum*—

- (i) where the aggregate of such payments or value of such benefits exceeds twenty five thousand rupees per month; or
- (ii) where the aggregate of such payments or value of such benefits exceeds fifty thousand rupees per month, if such employee is an individual employed in the public sector;

on such payments or the value of such benefits in terms of the provisions of this Chapter. No direction shall be issued or entertained under section 118 in relation to such payments or value of such benefits.”; and

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

“(4) Where an individual is employed under more than one employer or has more than one employment and receiving any benefit from the private use of a motor vehicle or any allowance paid in lieu of the provision of such vehicle or value of any transport facility from more than one employer or from more than one employment, the excess of aggregate of such benefit or allowance or such value over fifty thousand rupees shall form part of such employee’s employment income liable to tax.”.

35. Section 133 of the principal enactment as last amended by Act, No 22 of 2011 is hereby further amended in subsection (3) of that section as follows :-

Amendment of section 133 of the principal enactment.

- (1) by the substitution in paragraph (b) of that subsection, for the words "under this Act ; or", of the words "under this Act ;";
- (2) by the substitution in paragraph (c) of that subsection, for the words and figure "section 95 ."; of the words and figure "section 95 ; or"; and
- (3) by the addition, immediately after paragraph (c) of that subsection, of the following new paragraph :-

“(d) which is paid on the deposits made by any participating institution under the standing deposit facility with the Central Bank of Sri Lanka.”.

36. Section 134 of the principal enactment as last amended by Act, No. 10 of 2007 is hereby further amended by the addition at the end of subsection (2) of that section, of the following new subsection :-

Amendment of section 134 of the principal enactment.

“(3) The deduction referred to in subsection (1) shall not apply to any interest which is exempt from income tax under this Act.”.

37. Section 135 of the principal enactment as last amended by Act, No. 18 of 2013 is hereby further amended by the substitution in paragraph (c) of subsection (1) of that section, for the words and figures “any interest or discount referred to in paragraph (o) of section 9.”, of the words and figures “any interest or discount referred to in paragraph (aa) or paragraph (o) of section 9.”.

Amendment of section 135 of the principal enactment.

Amendment of section 137 of the principal enactment.

38. Section 137 of the principal enactment as last amended by Act, No.10 of 2007, is hereby further amended by the insertion immediately after subsection (2) of that section, of the following new subsection:-

“(3) For the avoidance of doubt, interest income referred to in subsection (1) in relation to any bank or financial institution means the profits and income earned or accrued from any Security, Bond or Bill.”.

Amendment of section 163 of the principal enactment.

39. Section 163 of the principal enactment as last amended by Act, No. 18 of 2013 is hereby further amended in subsection (5) of that section, by the substitution in the proviso to that subsection, for the words “in respect of any year of assessment, consequent to the receipt by such person of any arrears relating to the profits from employment of that person for that year of assessment:”, of the following words:-

“in respect of any year of assessment consequent to –

- (i) the receipt by such person of any arrears relating to the profits from employment of that person for that year of assessment; or
- (ii) any adjustment made in line with the adoption of the Sri Lanka Financial Reporting Standards for the year of assessment in which such adoption was made:”.

Amendment of section 176 of the principal enactment.

40. Section 176 of the principal enactment is hereby amended in subsection (2) of that section, by the substitution for the words “chargeable for one complete year of assessment”, of the words “chargeable for five complete years of assessment”.

Amendment of section 195 of the principal enactment.

41. Section 195 of the principal enactment is hereby amended by the addition immediately after subsection (2) of that section, of the following new subsection:-

“(3) Without prejudice to the generality of subsection (1) and subsection (2), no notice, assessment, certificate, or other proceeding purporting to be in accordance with the provisions of this Act shall be quashed, or deemed to be void or voidable or be affected by reason of any variance in the designation of the officer who signed or executed such notice, assessment, certificate or other proceeding as the case may be, due to the implementation of the Minutes of the Sri Lanka Inland Revenue Service as published in the *Gazette*, if the same is in substance and effect in conformity with, or according to, the intent and meaning of this Act or any other Act administered by the Commissioner-General, and if the person assessed or intended to be assessed or affected thereby, is designated therein according to common intent and understanding.”.

42. Section 209 of the principal enactment is hereby amended as follows:-

Amendment
of section 209
of the principal
enactment.

- (1) by the substitution in subsection (1) of that section, for the words “his authorized representative or to the Minister or the Secretary”, of the words “his authorized representative or to the Minister or the Secretary”;
- (2) by the addition immediately after paragraph (d) of subsection (5) of that section, of the following new paragraphs:-
 - “(e) if required by a letter in writing by the Director General of Customs, in the course of carrying out the official duties, furnish as specified in such letter, all information available to him relating to the affairs of any person in respect of whom an investigation is being conducted by the Director General of Customs, or of the spouse or a son or daughter of such person, which is in the possession or under the control of the Commissioner-General;

- (f) if required by a letter in writing by the Director General of Census and Statistics, in the course of carrying out the official duties, furnish as specified in such letter, all information available to him relating to the affairs of any person in respect of whom information and statistics are being collected by the Director General of Census and Statistics, or of the spouse or a son or daughter of such person, which is in the possession or under the control of the Commissioner-General;
- (g) if required in pursuance to an Order issued by a competent Court, by the Inspector General of Police, in the course of an investigation of any crime or proceeds of crime which affects to the public interest, against any person, or after the commencement of prosecution of any person for bribery or corruption, furnish, all information available to him relating to the affairs of such person or of the spouse or a son or daughter of such person, as specified in such order, and provide a certified copy of any document relating to such person, spouse, son or daughter, which is in the possession or under the control of the Commissioner-General.”; and

- (3) by the substitution in subsection (12) of that section, for the words “Minister or the Secretary” of the words “Minister or the Secretary”.

Amendment
of section 212
of the principal
enactment.

43. Section 212 of the principal enactment is hereby amended in subsection (2) of that section as follows:-

- (1) by the substitution in paragraph (d) of that subsection, for the words “five hundred rupees.”, of the words “five hundred rupees;” and

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

“(e) the manner of computation of profits and income whenever the Financial Accounting Standards applicable in Sri Lanka are changed.”.

44. Section 217 of the principal enactment as last amended by Act, No. 18 of 2013 is hereby further amended as follows:-

Amendment of section 217 of the principal enactment.

- (1) in the definition of the expression “authorized representative” by the repeal of item (ii) of subparagraph (a) of paragraph (1); and
- (2) in the definition of the expression “executive officer”, by the substitution for the words “not less than twenty thousand rupees;”, of the words “not less than seventy five thousand rupees;”.

45. The Second Schedule to the principal enactment as last amended by Act, No. 18 of 2013 is hereby further amended in PART- B of that Schedule as follows:-

Amendment of the Second Schedule to the principal enactment.

- (1) in item 1 of that PART –
- (a) by the substitution in paragraph (c) of that item, for all the words and figures from “Any company-” to the end of that item, of the following words and figures:-

“Any company other than any company engaged in the manufacture of any article or in the provision of any service -

(A)(i) of which the taxable income does not exceed Rs. 5,000,000/-;

(ii) which is not a company referred to in PART-A; and

(B) which is not the holding company, a subsidiary company, or an associate company of a group of companies,

on the taxable income *12 per centum;*”;

(b) by the insertion immediately after paragraph (c) of that item, of the following new paragraph:-

“(d) For any year of assessment commencing on or after April 1, 2011, but prior to April 1, 2014 –

any company engaged in the manufacture of any article or in the provision of any service-

(A)(i) of which the taxable income does not exceed Rs. 5,000,000/-;

(ii) which is not a company referred to in PART-A; and

(B) which is not the holding company, a subsidiary company, or an associate company of a group of companies,

on the taxable income *12 per centum;*

For the purpose of item (B) of paragraph (b), paragraph (c) and paragraph (d), the expressions “holding company”, “subsidiary company”, and “group of companies” shall have the same respective meanings which they have in the Companies Act, No.7 of 2007 and includes a holding company or a subsidiary of any company incorporated or registered outside Sri Lanka.”;

- (2) by the substitution for item 2 of that PART, of the following item:-

“2 Any company for the year of assessment being any year of assessment commencing prior to April 1, 2011 in which its shares are first quoted in any official list published by a stock exchange licensed by the Securities and Exchange Commission of Sri Lanka (hereinafter referred to as the “first year of assessment”) and for each year of assessment within the period of four years immediately succeeding that first year of assessment,

- (a) for which the taxable income exceeds Rs. 5,000,000/-; or
- (b) if such company is a holding company, a subsidiary company or an associate company of a group of companies,

on the taxable income for that year of assessment—

- (i) for any year of assessment commencing prior to April 1, 2011 $33 \frac{1}{3}$ per centum
- (ii) for any year of assessment commencing on or after April 1, 2011 28 per centum

Provided that, where such first year of assessment is any year of assessment which commences prior to April 1, 2006, the rate of $33 \frac{1}{3}$ per centum shall apply in relation to any year of assessment which falls within such period of four years, but which commences on or after April 1, 2006.”.

Amendment
of the Fifth
Schedule to the
principal
enactment.

46. The Fifth Schedule to the principal enactment as last amended by the Act, No.18 of 2013 is hereby further amended as follows :-

- (1) by the substitution for item 22 of that Schedule, of the following item:-

“22 The rate of income tax on profits and income referred to in section 58-

(a) for any year of assessment commencing prior to April 1, 2011 *15 per centum*

(b) for any year of assessment commencing on or after April 1, 2011, but prior to April 1, 2014 *12 per centum*

(c) for any year of assessment commencing on or after April 1, 2014 *As per the First Schedule, but subject to a maximum of 12 per centum for an individual, and 12 per centum for a company”;*

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

“33 The rate of income tax applicable to profits and income of any person from any undertaking referred to in section 59B-

(a) for any year of assessment commencing prior to April 1, 2014

As per the First Schedule, but subject to a maximum of 10 per centum for an individual, and 10 per centum for a company

(b) for any year of assessment commencing on or after April 1, 2014

As per the First Schedule but subject to a maximum of 12 per centum for an individual, and 12 per centum for a company”;

(3) by the substitution for item 42 of that Schedule, of the following item:-

“42 The rate of income tax applicable to such part of the profits and income of any person from any undertaking referred to in section 56A-

12 per centum ”;

(4) by the addition immediately after item 45 of that Schedule, of the following new item:-

“46 The rate of income tax applicable to such part of the profits and

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income of any individual, from a profession as referred to in section 59F-

on the first Rs. 500,000/-
of the taxable income *4 per centum*

on the next Rs. 500,000/-
of the taxable income *8 per centum*

on the next Rs. 24,000,000/-
of the taxable income *12 per centum*

on the next Rs. 10,000,000/-
of the taxable income *14 per centum*

on the balance of the taxable
income *16 per centum.*"

"Validation.

47. The amount of tax charged or collected from any person by or on behalf of the Commissioner-General, by virtue of the application of any provision of this Act, during the period commencing on April 1, 2014 and ending on the date on which the certificate of the Speaker is endorsed in respect of this Act, shall be deemed to have been validly and lawfully charged or collected under this Act by the Commissioner-General or by such person who charged or collected such tax on behalf of the Commissioner-General :

Provided that, the aforesaid provision shall not affect any decision or order made by any Court or any proceedings pending in any Court in respect of any tax charged or collected during such period.

Sinhala text to prevail in case of an inconsistency.

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

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