

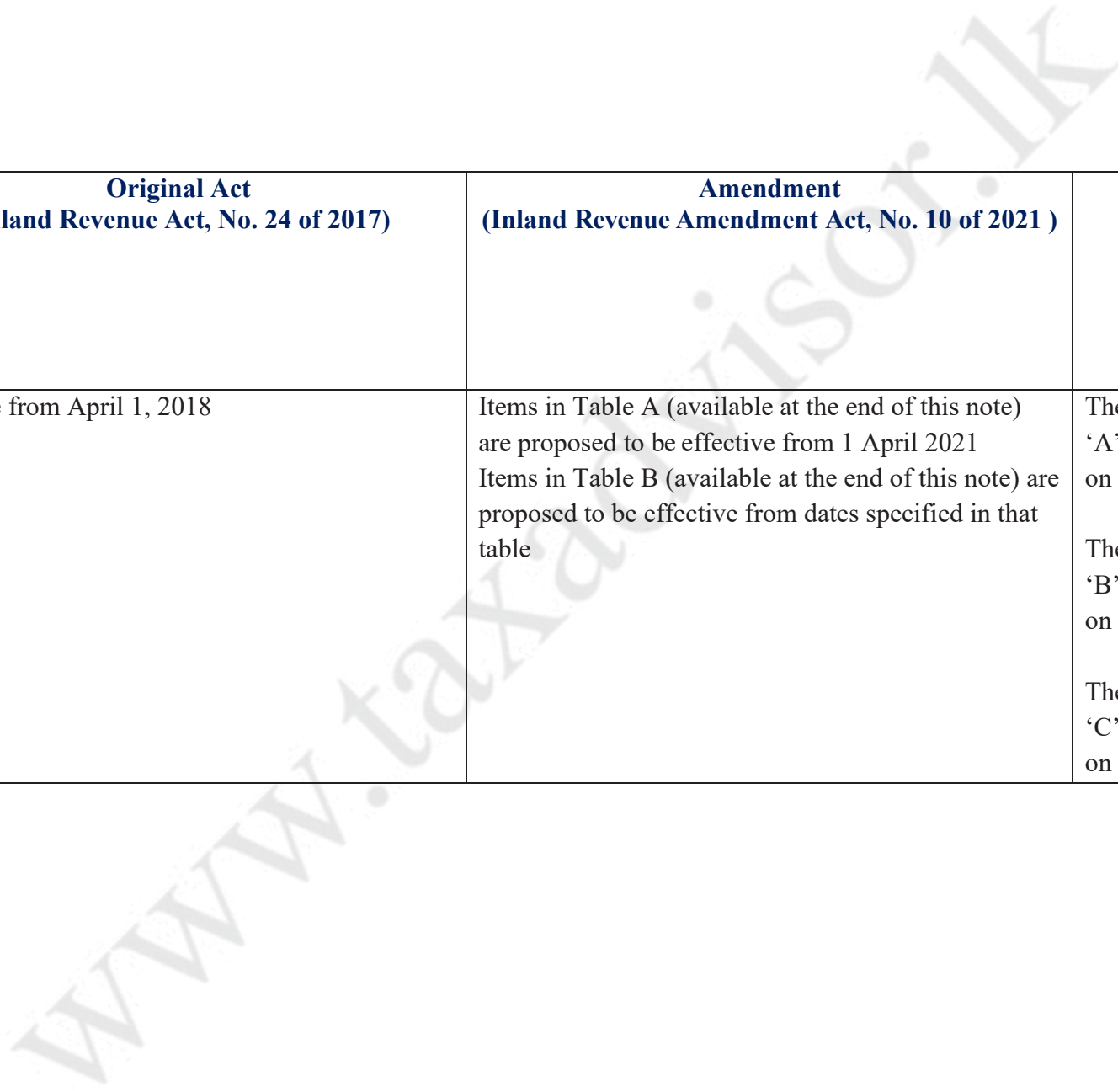


HANDBOOK ON INCOME TAX

(Y/A 2022/2023 Onwards)

**Comparison of Inland Revenue Act,
No. 24 of 2017, Inland Revenue
(Amendment) Act, No 10 of 2021,
Inland Revenue (Amendment)
Act, No. 45 of 2022**

www.taxadvisor.lk



Section According to Inland Revenue Act, No 24 of 2017	Section According to Inland Revenue Amendment Act, No 10 of 2021	Section According to Inland Revenue Amendment Act, No 45 of 2022	Original Act (Inland Revenue Act, No. 24 of 2017)	Amendment (Inland Revenue Amendment Act, No. 10 of 2021)	Amendment (Inland Revenue Amendment Act, No. 45 of 2022)
Section 01 (Changes in effective Date)	Section 01	Section 01	Effective from April 1, 2018	Items in Table A (available at the end of this note) are proposed to be effective from 1 April 2021 Items in Table B (available at the end of this note) are proposed to be effective from dates specified in that table	The provisions of sections referred to in Table 'A' shall be deemed to have come into operation on April 1, 2022. The provisions of sections referred to in Table 'B' shall be deemed to have come into operation on October 1, 2022. 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.

<p>Section 05 (Employment income)</p>	<p>Section 02</p>	<p>Section 02</p>	<p>(c) a discharge or reimbursement of the person's dental, medical or health insurance expenses where the benefit is available to all full-time employees on equal terms;</p> <p>f) subject to conditions as may be specified by the Commissioner-General, contributions made by an employer to an employee's account with a pension, provident or savings fund or savings society approved by the Commissioner-General.</p>	<p>(1) in paragraph (c) of that subsection, by the substitution for the words "on equal terms;" of the words "in the same grade of the service, on equal terms;"</p> <p>(2) in paragraph (f) of that subsection, by the substitution for the words "provident or savings fund or savings society" of the words "provident, gratuity or savings fund or savings society".</p>	<p>(1) in subsection (2) of that section-</p> <p>(a) in paragraph (c) of that subsection, by the substitution for the words "payments providing" of the words "payments providing";</p> <p>(b) in paragraph (f) of that subsection, by the substitution for the words "retirement payments received" of the words "retirement payments received"; and</p> <p>(c) in paragraph (i) of that subsection, by the substitution for the words "the employment; and" of the words "the employment; and";</p> <p>(2) in subsection (3) of that section-</p> <p>(a) in paragraph (e) of that subsection, by the substitution for the words "subsection (2)); and" of the words "subsection (2));";</p> <p>(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</p> <p>(c) by the addition immediately after paragraph (f) of that subsection, of the following new</p>
-------------------------------------------	-------------------	-------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

					<p>“(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 income tax purposes and the employee has paid tax on such contributions in a previous year of assessment.”</p> <p>Effective Date : 01.04.2022</p>
Section 6 (Business Income)	Section 03		(d) amounts required to be included by the Second or Fourth Schedule to this Act on the realization of the person’s depreciable assets of the business;	<p>Section 6 of the principal enactment is hereby amended in paragraph (d) of subsection (2) of that section, by the substitution for the words “the Second or Fourth Schedule to this Act”, of the words “the Fourth Schedule to this Act”.</p> <p>Effective Date : 01.04.2018</p>	
Section 9 (Exempt Amounts)	Section 04		(3) Subsection (2) shall not apply to a provision in another law or an agreement that is in force on date of commencement of this Act.	<p>Section 9 of the principal enactment is hereby amended in subsection (3) of that section, by the substitution for the words “commencement of this Act.” of the words and figures, “commencement of this Act or for any projects approved under the Strategic Development Projects Act, No. 14 of 2008.”</p> <p>Effective Date : 01.04.2018</p>	
Section 10 (General	Section 05	Section 03	Retirement contributions, unless they are included in calculating the income of an employee or consist of a contribution by an employer to a	<p>Section 10 of the principal enactment is hereby amended in subparagraph (v) of paragraph (b) of subsection (1) of that section, by the substitution for</p>	<p>(1) in subparagraph (iv) of that paragraph, by the substitution for the word “expenditure” of the words “expenditure or any other deduction”; and</p>

Deductions)			pension, provident or savings fund or a savings society, which is approved by the Commissioner-General subject to any specified conditions;	the words “provident or savings fund” of the words “provident, gratuity or savings fund”. Effective Date : 01.04.2018	(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.” Effective Date : 01.04.2021
Section 11 (Main deduction)	Section 06			Section 11 of the principal enactment is hereby amended by the addition immediately after subsection (3) of that section, of the following new subsection: “(4) For the purpose of this section, cost of funds of the financial institution incurred on the loans provided for new businesses commenced on or after April 1, 2021 by any individual after successful completion of vocational education from any Vocational Education Institution which is standardized under Technical and Vocational Education and Training concept (TVET concept) and regulated by the Tertiary and Vocational Education Commission, shall be deemed to be incurred in the production of income of such financial institution.”. Effective Date : 01.04.2021	
Section 12 (Interest expense)		Section 04	For the purposes of section 11, the interest incurred by a person during a year of assessment under a debt obligation of the person shall be deemed to be incurred in the production of income to the extent that –		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

			<p>(a) where the debt obligation was incurred in borrowing money, the money is used during the year or was used to acquire an asset that is used during the year in the production of income; and</p> <p>(b) in any other case, the debt obligation was incurred in the production of income.</p>		<p>the words “the money borrowed under such debt obligation was used”.</p> <p>Effective Date : 01.04.2022</p>
Section 14 (Repairs and improvement)	Section 07	Section 05	<p>(2) The deductions referred to in subsection (1) granted for a year of assessment with respect to a depreciable asset of a person – (a) shall not exceed – (i) in the case of repair or improvement to a Class 4 depreciable asset, five percent of the written down value of the asset at the end of the previous year (paragraph 4(3) of the Fourth Schedule); (ii) in all other cases, twenty percent of the written down value of the asset at the end of the previous year (paragraph 4(3) of the Fourth Schedule); and (b) shall be allowed in the order in which the expenses are incurred</p> <p>(3) Excess expense for which a deduction shall not be allowed as a result of the limitation in subsection (2) shall be added to the depreciation basis of the asset year (paragraph (3) of the Fourth Schedule).</p>	<p>Section 14 of the principal enactment is hereby amended as follows: - (1) in subsection (2) of that section (a) by the substitution for the words and the figure “The deductions referred to in subsection (1) granted for a year of assessment”, of the words and figures “The deductions of improvements referred to in subsection (1) granted for any year of assessment commencing from April 1, 2021”; and (b) in subparagraph (i) of paragraph (a) of that subsection, by the substitution for the words “in the case of repair or improvement to”, of the words “in the case of improvement to”; in subsection (3) of that section, by the substitution for the words and figure “(paragraph (3) of the Fourth Schedule)”, of the words and figure “(paragraph 3 of the Fourth Schedule)”; (3) by the addition immediately after subsection (3) of that section, of the following new subsection: - “(4) In this section, “improvement” means the expenditure incurred by a person to make additions or alterations to a depreciable asset which enhances</p>	<p>(1) by the re-numbering of subsection (4) of that section, as subsection (5) of that section; and</p> <p>(2) by the insertion immediately after subsection (3) of that section, of the following new subsection: -</p> <p>“(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-</p> <p>(a) twelve years of assessment, for a Class 4 depreciable asset;</p> <p>(b) three years of assessment, for other Classes of depreciable assets,</p>

				<p>the value of such asset, but excludes the expenditure incurred to maintain or repair a depreciable asset which temporarily enhances the value of such asset.”.</p> <p>Effective Date : 01.04.2021</p>	<p>commencing from the year of assessment in which the expenditure was incurred.”</p> <p>Effective Date : 01.04.2022</p>
<p>Section 15 (Research and development expenses and agricultural startup expenses) “Marketing and communication expenses</p>	<p>Section 08</p>			<p>The following new section is hereby inserted immediately after section 15 of the principal enactment, and shall have effect as section 15A of that enactment: -</p> <p>15A. (1) For any year of assessment commencing on or after April 1, 2021, in calculating a person’s income from a business, marketing and communication expenses incurred by such person in the production of income during the year of assessment shall be deducted irrespective of whether they are of a capital nature or not. (2) In this section, “marketing and communication expenses” means, any expenses incurred by any person in-carrying out a market research by such person or any institution in Sri Lanka on his behalf; the development or production of marketing, advertising and communication campaign to the extent that such development or production is carried out in Sri Lanka; advertising on mainstream media or social media including television, radio, print or as outdoor advertising; product launches or campaign activation carried out by such person or by any local institution on his behalf; development and printing of point-of-</p>	

				sale material by such person or by any local institution on his behalf.”.	
				Effective Date : 01.04.2021	
Section 16 (Capital allowances and balancing allowances)	Section 09	Section 06	(b) the balancing allowances referred to in subsection (4) shall be deducted; (2) Capital allowances are – (a) granted in respect of depreciable assets owned and used by a person at the end of a year of assessment in the production of the person’s income from a business; and (b) Calculated in accordance with the provisions of the Second or Fourth Schedule to this Act.	Section 16 of the principal enactment is hereby amended as follows: - in paragraph (b) of subsection (2) of that section, by the substitution for the words “the Second or Fourth Schedule to this Act.” of the words “the Second, Fourth or Sixth Schedule to this Act.”; (2) in paragraph (b) of subsection (4) of that section, by the substitution for the words “the Second or Fourth Schedule to this Act.” of the words “the Fourth Schedule to this Act.”	(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.”
				Effective Date : 01.04.2018	Effective Date : 01.04.2022
Section 18 (Deductible amount of financial cost)	Section 10	Section 07	(2) The limit shall be computed according to the following formula: - A x B Where: ‘A’ is the total of the issued share capital and reserves of the entity; and ‘B’ is – (a) in the case of a manufacturing entity, the number 3; and (b) in the case of an entity other than a manufacturing entity, the number 4.	Section 18 of the principal enactment is hereby amended 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 the income of a company (other than a financial institution) which is incorporated in or outside Sri	(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-

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 a year of assessment commencing from April 1, 2021, shall not exceed the limit referred to in subsection (2).

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

$A \div X \times C \times B$

Where: 'A' = financial cost of the year; 'B' = value of financial instruments on which the financial cost incurred during the year; and 'C' = 4 x total of the issued share capital and reserves of the company as at the end of the year."

Effective Date : 01.04.2021

(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);

(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).

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

(a) $A \times B$

Where:

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

'B' is-

(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;

(b) $A/B \times C$

Where:

'A' = financial cost of the year;

'B' = value of financial instruments on which the financial cost incurred during the year; and

'C' = 4 x total of the issued share capital and reserves of the company as at the end of the year."; and

(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."

Effective Date : 01.04.2021

Section 19 (Business or investment losses)	Section 11	Section 08	<p>(3) Notwithstanding the provisions of subsections (1) and (2), where a person makes a loss and if the loss were a profit it would be taxed at a reduced rate, the loss shall be deducted only in calculating income taxed at the same reduced rate, a lower reduced rate or exempt amounts. If the loss were a profit and the profit would be exempt, the loss shall be deducted only in calculating exempt amounts.</p>	<p>Section 19 of the principal enactment is hereby amended in subsection (3) of that section, by the substitution for the words “in calculating exempt amounts.” of the following: - “in calculating exempt amounts. For the purpose of this subsection, where any company has an unrelieved loss from business to deduct in the current year of assessment from a period during which that company had operated as a small and medium enterprise and, if-</p> <p>(a) the unrelieved loss was a profit in the year of assessment in which that unrelieved loss was incurred and which would have been taxed at a reduced rate; and</p> <p>(b) (b) the current year business income is not taxable at the same reduced rate as in the year referred to in the paragraph (a),</p> <p>That unrelieved loss shall, (subject to paragraph (b) of subsection (1)), be deemed to be a loss (if it would have been a taxable profit) taxed at the same rate of the current year.”</p> <p>Effective Date : 01.04.2021</p>	<p>(1) in subsection (3) of that section, by the substitution for the words “in calculating exempt amounts.”, of the words as follows: -</p> <p>“in calculating exempt amounts:</p> <p>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.”;</p> <p>(2) in subsection (4) of that section-</p> <p>(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”;</p> <p>(b) by the addition immediately after paragraph (b) of that subsection, of the following new paragraph: -</p> <p>“(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</p>
-----------------------------------------------	------------	------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

					<p>assessment in which such losses were incurred.”; and</p> <p>(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.”.</p> <p>Effective Date : 01.04.2018</p>
Section 20 (Change in the year of assessment)	Section 12		<p>(2) A trust or company may apply to the Commissioner General for a change to its year of assessment and the Commissioner-General may, on such terms and conditions as the Commissioner-General thinks fit, approve the change. The Commissioner-General may revoke an approval if a trust or company fails to comply with a term or condition attached to the approval.</p>	<p>(1) by the repeal of subsection (2) of that section, and the substitution therefor, of the following subsection: - “(2) Where a trust or company is unable to submit the accounts for the period of twelve months of the year of assessment as provided in subsection (1), such trust or company may apply to the Commissioner-General requesting that the accounts based on an alternative period of twelve months be used to compute the income tax payable for a given year of assessment. The Commissioner General may approve such request on such terms and conditions as he thinks fit. The Commissioner-General may revoke such approval if the trust or company fails to comply with terms and conditions attached to the approval.”</p> <p>in subsection (3) of that section, by the substitution for the words “A change in a trust or company’s year of assessment shall”, of the words and the figure “A change approved under subsection (2) shall not”;</p>	

				<p>(3) by the substitution for the marginal note of that section, of the following marginal note: - “Year of assessment”</p> <p>Effective Date : 01.04.2018</p>	
Section 36 (Calculating gains and losses)	Section 13		<p>(4) Where an asset or liability owned by a person is used in the production of two or more sources of income, the cost of and consideration received for the asset shall be apportioned between each source according to the market value of the parts used to produce each source.</p>	<p>Section 36 of the principal enactment is hereby amended by the addition immediately after subsection (4) of that section, of the following new subsection: - “(5) Where, in any year of assessment commencing from April 1, 2021, an asset owned by a person is used in the production of different gains and profits from business (including losses) taxable at different tax rates, the cost of, and consideration received for the asset shall be apportioned among such Page 9 of 73 gains and profits, according to the market value of the parts of the assets used to produce respective gains and profits.”.</p> <p>Effective Date : 01.04.2021</p>	
Section 38 (Consideration received)	Section 14		<p>Subject to this Act, consideration received for an asset of a person at a particular time shall be</p> <p>(a) amounts received or receivable by the person for the asset, including the fair market value of any consideration in kind determined at the time of realization</p>	<p>Section 38 of the principal enactment is hereby amended by the insertion immediately after subsection (1) of that section, of the following new subsection</p> <p>“(1A) Notwithstanding anything to the contrary in subsection (1), the consideration received for the realization of an investment asset of a person shall be the amount received or receivable by the person in respect of such asset or the assessed value at the time of realization, whichever is higher: Provided,</p>	

however, a tax official may determine the consideration received for an asset in terms of subsection (1), if such tax official is of the opinion that the assessed value is not indicative of the market value of such asset. For the purpose of this subsection, “assessed value” means the value at the time of the realization, certified by a professionally qualified valuer in a valuation report.”

Effective Date : 01.04.2021

				<p>however, a tax official may determine the consideration received for an asset in terms of subsection (1), if such tax official is of the opinion that the assessed value is not indicative of the market value of such asset. For the purpose of this subsection, “assessed value” means the value at the time of the realization, certified by a professionally qualified valuer in a valuation report.”</p> <p>Effective Date : 01.04.2021</p>	
<p>Section 46 (Transfer of asset to an associate or for no consideration)</p>		<p>Section 09</p>	<p>(1) Subject to this section and sections 44 and 45, where a person realizes an asset by way of transfer of ownership of the asset to an associate of the person or by way of transfer to any other person by way of gift –</p> <p>(a) the person shall be treated as deriving an amount in respect of the realization equal to the greater of the market value of the asset or the net cost of the asset immediately before the realization; and</p> <p>(b) the person who acquires ownership of the asset shall be treated as incurring expenditure of the amount referred to in paragraph (a) in the acquisition.</p> <p>(2) Where an individual realizes an asset by way of transfer of ownership of the asset to an associate</p>		<p>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: -</p> <p>“(c) at the time of the transfer-</p> <p>(i) prior to April 1, 2021-</p> <p>(i a) the person and the associate were residents; and</p> <p>(i b) the associate or, in the case of an associate partnership, none of its partners is exempt from income tax; and</p> <p>(ii) on or after April 1, 2021-</p> <p>(ii a) the person and the associates are residents;</p>

of the individual or a charitable institution and the requirements of subsection (3) are met –

(a) the individual shall be treated as deriving an amount in respect of the realization equal to the net cost of the asset immediately before the realization; and

(b) the associate or the charitable institution shall be treated as incurring expenditure of the amount referred to in paragraph (a) in acquiring the asset.

(3) The requirements specified in subsection (2) shall be–

(a) in the case of a transfer to an associate–

(i) the associate in relation to the individual is the individual's child by marriage or adoption, spouse, parent, grandparent, grandchild, sibling, aunt, uncle, nephew, niece or first cousin; and

(ii) the asset is an interest in land or a building situated in Sri Lanka; or

(b) in the case of a transfer to a charitable institution, the transfer occurs by way of gift.

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

(ii c) the tax rate applicable on the person's gain from the realization of an asset referred to in subsection (4) is equal or less than the tax rate which is applicable on the gain of the associate from realization of such asset; and”.

Effective Date: 01.04.2021

(4) Where a person realizes an asset, being trading stock, a depreciable asset, an investment asset or a capital asset of a business, by way of transfer of ownership of the asset to an associate of the person and the requirements of subsection (5) are met –

(a) the person shall be treated as deriving an amount in respect of the realization equal to the net cost of the asset immediately before the realization; and

(b) the associate shall be treated as incurring expenditure of the amount referred to in paragraph (a) in acquiring the asset.

(5) The requirements specified in subsection (4) are –

(a) the person or the associate is an entity;

(b) the asset or assets are trading stock, depreciable assets, investment assets or capital assets of a business of the associate immediately after transfer by the person;

(c) at the time of the transfer –

(i) the person and the associate are residents; and

			<p>(ii) the associate or, in the case of an associate partnership, none of its partners is exempt from income tax; and</p> <p>(d) there is continuity of underlying ownership in the asset of at least fifty per cent.</p>		
Section 53 (Partnerships)	Section 15		<p>(1) Subject to subsection (2), a partnership shall not be liable to pay income tax with respect to its taxable income and shall not be entitled to any tax credit with respect to that income, but shall be liable to pay income tax with respect to withholding payments.</p> <p>(9) The precedent partner or in the absence of such partner in Sri Lanka, an agent of the partnership in Sri Lanka, shall withhold tax in accordance with section 84 and at the rate provided for in paragraph 10 of the First Schedule to this Act on each partner's share of any partnership income of the relevant partnership year, excluding the share of any partnership income that includes a gain from the realization of an investment asset in respect of which tax is payable on assessment by the partnership.</p>	<p>in subsection (1) of that section, by the substitution for the words "a partnership", of the words and figures "prior to January 1, 2020, a partnership"; (2) by the insertion immediately after subsection (1) of that section, of the following new subsection: - Page 10 of 73 "(1A) Every partnership shall be liable to pay income tax with effect from January 1, 2020 at the rate provided for in paragraph 2 of the First Schedule to this Act, separately from its partners."</p> <p>in subsection (9) of that section, by the substitution for the words "The precedent partner", of the words and figures "Prior to January 1, 2020, the precedent partner";</p> <p>by the addition immediately after subsection (9) of that section, of the following new subsection: - "(10) Each partner in a partnership shall be responsible for performing any duty or obligation imposed by this Act on the partnership in relation to its income tax payable."</p>	

Effective Date : 01.01.2020

Section 54 (Partnership Income or Loss)		Section 10	<p>(1) Partnership income of a partnership for a year of assessment shall be the partnership's income from its business or investment for that year of assessment (sections 6 and 7).</p> <p>(2) A loss incurred by a partnership for a year of assessment shall be the partnership's loss from its business or investment for the year (subsection (5) of section 19).</p>		<p>Section 54 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution 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 assessment."</p> <p>Effective Date: 01.04.2018</p>
Section 55 (Taxation of partners)	Section 16		<p>(4) Tax paid under the provisions of this Act and foreign income tax paid or treated as paid by the partnership with respect to the partnership income shall be allocated to the partners, proportionately to each partner's share, and shall be treated as paid by them. The allocation occurs at the time partnership income is treated as derived by the partners under paragraph (b) of subsection 3.</p>	<p>Section 55 of the principal enactment is hereby amended in subsection (4) of that section, by the substitution for the words "as paid by them." of the words "as paid by them without any right to a refund (but with a right to carry forward to the next succeeding year to deduct as a tax credit in that year) of any excess of such share of tax attributable to such partner."</p> <p>Effective Date : 01.01.2020</p>	
Section 60 (Taxation of companies)	Section 17		<p>(2) Subject to the provisions of this Act, all business activities of a company shall be treated as conducted in the course of a single company business.</p>	<p>Section 60 of the principal enactment is hereby amended in subsection (2) of that section, by the substitution for the words "a single company business.", of the words "a Page 11 of 73 single company business, unless different tax rates are applicable to the different activities and sources of income, in which case each such different activity and source shall be treated as distinct businesses and sources."</p>	

				Effective Date : 01.04.2021	
Section 62 (Remittance tax.)	Section 18		(2) A non-resident person who has earned remitted profits under subsection (1) shall pay a final tax on the gross amount of the remitted profits to the Commissioner-General in accordance with the rate set out in the First Schedule to this Act on or before the thirtieth day succeeding the date of making such remittances.	Section 62 of the principal enactment is hereby amended in subsection (2) of that section, by the substitution for the words “making such remittances.” of the following: - “making such remittances: Provided however, if a non-resident person retained the total income earned in any year of assessment commencing on or after April 1, 2021 in Sri Lanka for a minimum period of three years commencing from the first day of the immediately succeeding year of assessment in which the income is earned and invested the same in Sri Lanka to expand its business or to acquire shares or securities from the Colombo Stock Exchange licensed by the Securities and Exchange Commission of Sri Lanka or to acquire any treasury bill, treasury bond or Sri Lanka International Sovereign Bond issued on behalf of the Government of Sri Lanka, the tax rate on remittances of such retained income invested shall be zero percent.”.	
				Effective Date : 01.04.2021	
Section 66 (Banking Business)	Section 19	Section 11	(2) Where a person conducting a banking business makes specific provision for a debt claim in accordance with the relevant directives made by the Central Bank of Sri Lanka, the Commissioner-General may specify the extent to which that provision shall be deductible, but a person shall	(1) in subsection (2) of that section, by the substitution for the words “are complied with.”, of the following: - “are complied with: Provided that, where the previously allowed specific provision for a debt claim as a deduction has been	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 subsection (1) of section 76J”, of the words and

			<p>not deduct such provision unless such directives are complied with.</p> <p>(3) In this section, “banking business” means the banking business of a financial institution.</p>	<p>reversed, reduced or paid during the year in full or part, the amount so reversed, reduced or paid shall be included in calculating such person’s income.”;</p> <p>Effective Date : 01.04.2018</p> <p>by the repeal of subsection (3) of that section and the substitution therefor, of the following subsection: -</p> <p>“(3) A person conducting a banking business shall, in addition to the records, accounts or any other document required to be prepared as referred to in any other provision of this Act, prepare and retain the records in respect of specific provision for a debt claim, in such form as may be specified by the Commissioner-General.”;</p> <p>Effective Date : 01.04.2021</p> <p>(3) by the addition immediately after subsection (3) of that section, of the following new subsection:</p> <p>- “(4) In this section-</p> <p>(a) “banking business” means the banking business of a financial institution;</p> <p>(b) (b) “debt claim” does not Page 13 of 73 include the right to receive a payment on deposits, debentures, stocks, treasury bills, promissory notes, bills of exchange and bonds;</p> <p>(c) (c) “directives made by the Central Bank of Sri Lanka” means any directives issued to make specific</p>	<p>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”.</p> <p>Effective Date : 01.04.2022</p>
--	--	--	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

				<p>provisions relating to bad and doubtful debts under subsection (1) of section 76J of the Banking Act, No. 30 of 1988 or under subsection (1) of section 12 of the Finance Business Act, No. 42 of 2011 or under subsection (1) of section 9 of the Finance Companies Act, No. 78 of 1988 by the Central Bank of Sri Lanka and applicable to the relevant year of assessment, but excludes any directives issued in relation to the adaptation of Sri Lanka Accounting Standards.”.</p> <p>Effective Date : 01.04.2018</p>	
Section 68 (Non-Governmental organizations and charitable institutions.)	Section 20		<p>(1) A non-government organization shall pay additional tax of three percent on amounts received in each year of assessment by way of grant, donation or contribution or in any other manner at the rate set out in the First Schedule.</p>	<p>Section 68 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words “additional tax of three percent on amounts” of the words “additional tax on three percent of amounts”</p> <p>Effective Date : 01.04.2018</p>	
Section 69 (Resident persons)		Section 12	<p>1) An individual shall be a resident in Sri Lanka for a year of assessment if the individual –</p> <p>(a) resides in Sri Lanka;</p> <p>(b) is present in Sri Lanka during the year and that presence falls within a period or periods amounting in aggregate to one hundred and eighty</p>		<p>Section 69 of the principal enactment is hereby 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”.</p> <p>Effective Date: 01.04.2018</p>

three days or more in any twelve month period that commences or ends during the year;

(c) is an employee or an official of the Government of Sri Lanka and his spouse is posted abroad during the year; or

(d) is an individual who is employed on a Sri Lanka ship, within the meaning of the Merchant Shipping Act, during the period the individual is so employed.

(2) A partnership shall be resident in Sri Lanka for a year of assessment if –

(a) it was formed in Sri Lanka; or

(b) at any time during the year the management and control of the affairs of the partnership are exercised in Sri Lanka.

(3) A trust shall be resident in Sri Lanka for a year of assessment if –

(a) it was established in Sri Lanka;

(b) at any time during the year a trustee of the trust is resident in Sri Lanka; or

		<p>(c) at any time during the year a person resident in Sri Lanka directs or may direct senior managerial decisions of the trust, whether the direction is made alone or jointly with other persons or directly or through one or more interposed entities.</p> <p>(4) A company shall be resident in Sri Lanka for a year of assessment if –</p> <p>(a) it is incorporated or formed under the laws of Sri Lanka;</p> <p>(b) it is registered or the principal office is in Sri Lanka; or</p> <p>(c) at any time during the year the management and control of the affairs of the company are exercised in Sri Lanka.</p>		
Section 70 (Change of residence)	Section 21	<p>(1) An individual who is resident in Sri Lanka only by reason of paragraph (c) of subsection (1) of section 69, shall be so resident from the start of the one hundred and eighty three day period. Otherwise, a person who is resident in Sri Lanka during a year of assessment shall be treated as a resident for the whole of the year.</p>	<p>Section 70 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words and figures “paragraph (c) of subsection (1) of section 69,” of the words and figures “paragraph (b) of subsection (1) of section 69,”</p> <p>Effective Date : 01.04.2018</p>	

<p>Section 72 (Source Directly to be Included and Amounts to be Deducted)</p>		<p>Section 13</p>	<p>(1) An amount directly included in calculating the income shall be a source in Sri Lanka where it consists of –</p> <p>(a) consideration received, a gain or an amount, referred to in paragraph (b), (c) or (d) of subsection (2) of section 6 or paragraph (b) of subsection (3) of section 7 to the extent to which a domestic asset or domestic liability is involved; and</p> <p>(b) subject to paragraph (a), a payment that has a source in Sri Lanka.</p> <p>(2) An amount directly deducted in calculating income shall have a source in Sri Lanka where it consists of –</p> <p>(a) to the extent to which it relates to domestic assets, an allowance referred to in subsection (1) of section 13 or section 16 or expenditure referred to in subsection (1) of section 14;</p> <p>(b) a loss from the realization of a capital asset or liability of a business or an investment asset where the asset or liability involved shall be a domestic asset or domestic liability; and</p>		<p>Section 72 of the principal enactment is hereby 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)”.</p> <p>Effective Date: 01.04.2018</p>
-----------------------------------------------------------------------------------	--	-------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

			(c) subject to paragraphs (a) and (b), a payment that has a source in Sri Lanka.		
Section 73 (Source of Payments)		Section 14	<p>(c) interest, charges, annuities, a royalty, technical service fee, or similar payment if –</p> <p>(i) paid by a resident person, other than as an expenditure of a business carried on by the resident person through a permanent establishment outside Sri Lanka; or</p> <p>(ii) paid by a non-resident person as an expenditure of a business carried on by the non-resident person through a Sri Lankan permanent establishment;</p>		<p>Section 73 of the principal enactment is hereby amended in paragraph (c) of subsection (1) of that section as follows: -</p> <p>(1) in sub-paragraph (i) of that paragraph, by the substitution for the words “Sri Lanka; or”, of the words “Sri Lanka;”;</p> <p>(2) in sub-paragraph (ii) of that paragraph, by the substitution for the words “permanent establishment;” of the words “permanent establishment; or”; and</p> <p>(3) by the addition immediately after sub-paragraph (ii) of that paragraph, of the following new subparagraph: -</p> <p>“(iii) paid by the Government of Sri Lanka, including such payments made by any institution on behalf of the Government of Sri Lanka;”</p> <p>Effective Date: 01.04.2018</p>
Section 75 (Double taxation agreements and mutual	Section 22		(1) The Minister may give effect to any double taxation agreement or mutual administrative assistance agreement with a foreign government or governments that has been approved by Parliament and published in the Gazette.	(1) by the repeal of subsection (1) of that section and the substitution therefor of the following subsection:- “(1) (a) Where Parliament by resolution approves any double taxation agreement or mutual administrative assistance agreement entered into between the	

administrative assistance agreements)				<p>Government of Sri Lanka and the Government of any other territory, or such agreement entered into by the Government of Sri Lanka with the Governments of any other territories, such agreement shall, notwithstanding anything in any other written law, have the force of law in Sri Lanka. Every such resolution which is so approved by Parliament, shall be published in the Gazette.</p> <p>(c) Every agreement entered into between the Government of Sri Lanka and the Government of any other territory and having the force of law in Sri Lanka by virtue of the provisions of section 70 of the Inland Revenue Act, No. 4 of 1963, or section 82 of the Inland Revenue Act, No. 28 of 1979, or section 92 of the Inland Revenue Act, No. 38 of 2000, or section 97 of the Inland Revenue Act, No. 10 of 2006 shall be deemed for all purposes to be an agreement approved by Parliament under paragraph (a) of this Page 15 of 73 subsection.”;</p> <p>in subsection (5) of that section, in the definition of the expression “double taxation agreement”, by the substitution for the words “international agreement relating to the avoidance of double taxation and the prevention” of the words “international agreement for the purpose of affording relief from double taxation in relation to income tax under Sri Lanka law and any</p>	
----------------------------------------	--	--	--	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

				<p>taxes of a similar character imposed by the laws of the other territory, and the prevention”.</p> <p>Effective Date : 01.04.2018</p>	
Section 76 (Profits and Income or Loss from International Transactions Between Associates)	Section 23		<p>(b) “permanent establishment” –</p> <p>(i) in relation to a country with which an agreement has been entered into on avoidance of double taxation means, a permanent establishment defined in an agreement for the relief of double taxation where an agreement is in force between the government of Sri Lanka and the government of any territory in which any person and their agencies, branches or establishments in Sri Lanka is resident; or</p> <p>(ii) in relation to a country with which an agreement has not been entered into on avoidance of double taxation, includes any business connection or a fixed place of business through which the business of the enterprise is wholly or partly carried out irrespective of the number of days of such business carried out in Sri Lanka;</p>	<p>Section 76 of the principal enactment is hereby amended as follows: -</p> <p>(1) in subsection (2) of that section-</p> <p>(a) by the repeal of paragraph (b) of that subsection, and the substitution therefor of the following paragraph:-</p> <p>“(b) “permanent establishment”, in relation to a country with which an agreement has been entered into on avoidance of double taxation means, a permanent establishment defined in an agreement for the relief of double taxation where an agreement is in force between the Government of Sri Lanka and the Government of any territory in which any person and their agencies, branches or establishments in Sri Lanka is resident;”;</p> <p>(b) in paragraph (c) of that subsection, by the substitution for Page 16 of 73 the words “in Sri Lanka, in which case” of the words “in Sri Lanka or elsewhere, in which case”;</p> <p>(2) in subsection (3) of that section-</p>	

			<p>(a) in paragraph (f) of that subsection, by the substitution for the words and figures “paragraph (a) or (b) of subsection (2)”, of the words and the figure “paragraph (a) or (b) of subsection (3)”;</p> <p>(b) in paragraph (g) of that subsection-</p> <p>(i) by the substitution for the words “reduce or enhance the arm’s length price” of the words “reduce, enhance or annul the arm’s length price”;</p> <p>(ii) by the repeal of items (i) and (ii) of that paragraph, and the substitution therefor, of the following items: -</p> <p>“(i) a final order, where all the members of the Committee are in agreement; or</p> <p>(ii) an interim order, where the majority of the members of the Committee are in agreement.”;</p> <p>(c) in paragraph (j) of that subsection, by the substitution for the words “Where person or partner of a partnership has not”, of the words “Where a person has not”;</p> <p>(d) in paragraph (l) of that subsection, by the substitution for the words “Such person or partner of a Page 17 of 73 partnership who is” of the words “Such person who is”;</p>	
--	--	--	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

				<p>(3) in subsection (4) of that section, by the substitution for the words and figure “under subsection (2) has”, of the words and the figure “under subsection (3) has”.</p> <p>Effective Date : 01.04.2018</p>	
Section 77 (Profits and income or loss from transactions between associates.)	Section 24		<p>(2)(a) Where it appears to the Assistant Commissioner in the course of his audit, the income, gains or profits or the loss referred to in subsection (1), have not been ascertained having regard to the arm’s length price, he may initiate a transfer pricing audit.</p>	<p>in subsection (2) of that section</p> <p>1.(a) by the repeal of item (ii) of paragraph (f) of that subsection, and the substitution therefor of the following item:</p> <p>- “(ii) an interim order in any other circumstances where the majority of the members of the Committee are in agreement.</p> <p>In paragraph (g) of that subsection, by the substitution for the words “may be to such person or partner of such partnership.” of the words “may be to such person.”</p> <p>2. In paragraph (e) of subsection (5) of that section, by the substitution for the words “where a connected transaction” of the words “where a controlled transaction”.</p> <p>Effective Date : 01.04.2018</p>	

Section 78 (Dispute Resolution Panel.)	Section 25		(3) Any person who is dissatisfied with the interim order made by the Transfer Pricing Officer or Assistant Commissioner may communicate in writing or by electronic mean by himself or by his authorized representative to the Commissioner-General, his dissatisfaction with such interim order. Every such communication shall be made to the Secretary to the Panel within fourteen days from the date of receipt of such interim order.	Section 78 of the principal enactment is hereby amended in subsection (3) of that section, by the substitution for the words “made by the Transfer Pricing Officer or Assistant Commissioner may”, of the words “made by the Technical Review Committee may” Effective Date : 01.04.2018	
Section 83 (Withholding by employers)	Section 26		(1) The Commissioner-General may specify the circumstances in which an employer shall withhold tax from a payment that is to be included in calculating the taxable income of an employee.	Section 83 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words “shall withhold tax”, of the words and figures “shall withhold tax prior to January 1, 2020”. Effective Date : 01.01.2020	
Section 83A (Advance Personal Income Tax)	Section 27	Section 15		The following new section is hereby inserted immediately after section 83 of the principal enactment, and shall have effect as section 83A of that enactment: - 83A. (1) An employer shall deduct an Advance Personal Income Tax with effect from April 1, 2020 on any payment which falls under section 5 made to his employee, if such employee – (a) is a non-resident or non-citizen of Sri Lanka; or	(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 January 1, 2023 on”; (2) by the insertion immediately after subsection (1) of that section, of the following new subsection: - “(1A) An employer shall deduct the Advance Personal Income Tax with effect from January 1, 2023 on any payment which falls under section 5

			<p>(b) is a resident and citizen of Sri Lanka who gives his consent, as specified by the Commissioner-General.</p> <p>(2) The obligation of an employer to withhold tax under subsection (1) shall not be reduced or extinguished when</p> <p>(a) the employer has a right or is Page 19 of 73 under an obligation to deduct and withhold any other amount from the payment; or</p> <p>(b) Any other law provides that an employee's income from employment shall not be reduced or subject to attachment.</p> <p>(3) The provisions applicable to the withholding tax under this Act shall, mutatis mutandis, be applicable to the Advance Personal Income Tax and every reference to the term "withholding", "withholding tax" or "tax payable by withholding" in any such provisions of this Act shall, subject to such modification, be deemed to be a reference to the "Advance Personal Income Tax."</p> <p>Effective Date : 01.04.2020</p>	<p>made to his employee, as specified by the Commissioner-General."; and</p> <p>(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)"</p> <p>Effective Date: 01.01.2023</p>
Section 84 (Withholding from	Section 28		<p>(1) Subject to subsection (3), a person shall withhold tax at the rate provided for in paragraph 10 of the First Schedule to this Act where –</p>	<p>Section 84 of the principal enactment is hereby amended in paragraph (a) of subsection (1) of that section as follows:</p>

investment returns)			<p>(a) such person –</p> <p>(i) pays a dividend, interest, discount, charge, natural resource payment, rent, royalty, premium or retirement payment or pays amounts as winnings from a lottery, reward, betting or gambling; or</p> <p>(ii) being the precedent partner or in the absence of such partner in Sri Lanka, the agent of the partnership in Sri Lanka, at the time that each partner’s relevant share of any partnership income of the partnership year under subsection (9) of section 53 has been allocated;</p>	<p>(1) in subparagraph (i) of that paragraph, by the substitution for the words “retirement payment or pays amounts as winnings from a lottery, reward, betting or gambling; or” of the following: - “retirement payment, prior to January 1, 2020; or,</p> <p>(2) by the insertion immediately after subparagraph (i) of that paragraph, of the following new subparagraph: - “(ii) pays amounts as winnings from a lottery, reward, betting or gambling; or;</p> <p>(3) by the re-numbering of subparagraph (ii) of that paragraph, as subparagraph (iii) of that paragraph; and</p> <p>(4) in the re-numbered subparagraph (iii) of that paragraph, by the substitution for the words “has been allocated; and”, of the words and figures “has been allocated prior to January 1, 2020; and”.</p> <p>Effective Date : 01.01.2020</p>	
Section 84A (Advance Income Tax)	Section 29	Section 16		<p>The following new section is hereby inserted immediately after section 84 of the principal enactment, and shall have effect as section 84A of that enactment:</p> <p>(1) Subject to section 83A and subsection (3) of section 84, with effect from April 1, 2020, the</p>	<p>Section 84A of the principal enactment is hereby amended as follows: -</p> <p>(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</p>

				<p>taxpayer who is resident in Sri Lanka may make a request to the withholding agent to deduct Advance Income Tax from the payment of dividend, interest, discount, charge, natural resource payment, rent, royalty, premium or similar periodic payment that the payment or allocation has a source in Sri Lanka. On the receipt of such request, a withholding agent shall deduct advance income tax as specified by the Commissioner-General.</p> <p>(2) (2) The provisions applicable to the withholding tax under this Act shall, mutatis mutandis, be applicable to the Advance Income Tax, and every reference to the term “withholding”, Page 21 of 73 “withholding tax” or “tax payable by withholding” in any such provisions of this Act shall, subject to such modification, be deemed to be a reference to the “Advance Income Tax.”.</p> <p>Effective Date : 01.04.2020</p>	<p>and figures “with effect from April 1, 2020 but prior to January 1, 2023, the taxpayer”; and</p> <p>(2) by the insertion immediately after subsection (1) of that section, of the following new subsection: -</p> <p>“(1A) Subject to section 83A and subsection (3) of section 84, with effect from January 1, 2023, 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.”.</p> <p>Effective Date: 01.01.2023</p>
Section 85 (Withholding from service fees and	Section 30	Section 17	(1) Subject to subsection (3), a person shall withhold tax at the rate provided for in paragraph 10 of the First Schedule to this Act where such person	<p>Section 85 of the principal enactment is hereby amended as follows: -</p> <p>(1) in subsection (1) of that section, by the substitution for the words “shall withhold tax”, of the</p>	<p>Section 85 of the principal enactment is hereby amended as follows: -</p> <p>(1) in subsection (1A) of that section, by the substitution for the words “a person shall.”, of the words “a person shall, prior to January 1, 2023”;</p>

contract payments)		<p>(a) pays a service fee with a source in Sri Lanka to a resident individual who is not an employee of the payer –</p> <p>(i) for teaching, lecturing, examining, invigilating or supervising an examination;</p> <p>(ii) as a commission or brokerage to a resident insurance, sales or canvassing agent;</p> <p>(iii) as an endorsement fee;</p> <p>(iv) in relation to the supply of any article on a contract basis through tender or quotation; or</p> <p>(v) for such other matters as may be prescribed by regulation; or</p> <p>(b) Pays a service fee or an insurance premium with a source in Sri Lanka to a non-resident person.</p>	<p>words and figures “shall, prior to January 1, 2020, withhold tax”;</p> <p>(2)by the insertion immediately after subsection (1) of that section, of the following new subsection: -</p> <p>“(1A) Subject to subsections (2) and (3), a person shall withhold tax at the rate provided for in paragraph 10 of the First Schedule to this Act, where such person pays a dividend, interest, discount, charge, natural resource payment, rent, royalty, premium, service fee or an insurance premium with a source in Sri Lanka to a nonresident person.”; and</p> <p>(3)In the marginal note of that section, by the substitution for the words “fees and contract payments.” of the words “fees, contract payments and payments to non-residents.”</p> <p>Effective Date : 01.01.2020</p>	<p>(2) by the insertion immediately after subsection (1A) of that section, of the following new subsections: -</p> <p>“(1B) Subject to subsections (2) and (3), with effect from January 1, 2023, 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.</p> <p>(1C) Subject to subsection (3), with effect from January 1, 2023, 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 –</p> <p>(a) for teaching, lecturing, examining, invigilating or supervising an examination;</p> <p>(b) as a commission or brokerage to a resident insurance, sales or canvassing agent; or</p> <p>(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</p>
--------------------	--	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

					<p>service provider as may be prescribed by regulation:</p> <p>Provided however, this subsection shall not apply to a service payment which does not exceed Rs.100,000 per month.”; and</p> <p>(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;”.</p> <p>Effective Date: 01.01.2023</p>
Section 87 (Withholding certificates)	Section 31	Section 18	<p>(4)In the case of tax withheld under section 83, a withholding certificate-</p> <p>(b) Shall be served not later than the thirtieth day of April of that year or, where the employee has ceased employment with the withholding agent during the year, no more than thirty days from the date on which the employment ceased.</p>	<p>Section 87 of the principal enactment is hereby Amended in paragraph (b) of subsection (4) of that section, by the substitution for the words “of that year”, of the words “of the subsequent year”.</p> <p>Effective Date : 01.04.2018</p>	<p>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,”</p> <p>Effective Date : 01.04.2022</p>
Section 88 (Final withholding payments)	Section 32	Section 19	<p>(1)For the purposes of this Act, the following shall be the final withholding payments:-</p> <p>(a) dividends paid by a resident company to a resident person;</p>	<p>Section 88 of the principal enactment is hereby amended as follows: -</p> <p>(1)in subsection (1) of that section-</p> <p>(a) by the substitution for the words “the following shall be the final”, of the words and figures “the following shall, prior to January 1, 2020, be the final”;</p>	<p>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: -</p> <p>“(aa) on or after January 1, 2023, dividends paid by a resident company;”.</p>

(d) payments made to non-resident persons that are subject to withholding under this Division, or would be so subject if paragraph (b) of subsection (2) of section 84 and paragraph (b) of subsection (3) of section 85 were disregarded, other than payments derived through a Sri Lankan permanent establishment.

(3) Where a final withholding payment is not subject to withholding (whether by reason of paragraph (b) of subsection (2) of section 84 or paragraph (b) of subsection (3) of section 85 or that the payer is a non-resident) the recipient's tax liability under paragraph (b) of subsection (1) of section 2 with respect to the payment shall be payable by way of instalment and assessment. For the purposes of applying Divisions III and IV, the liability shall be treated as a liability under paragraph (a) of subsection (1) of section 2.

Effective Date : 01.04.2020

(b) in paragraph (d) of that subsection, by the substitution for the words and figures "paragraph (b) of subsection (2) of section 84", of the words and figures "paragraph (b) of subsection (3) of section 84";

Effective Date : 01.04.2018

(2) by the insertion immediately after subsection (1) of that section, of the following new subsection: -
“(1A) For the purposes of this Act, the following shall, on or after January 1, 2020, be the final withholding payments: -

- (a) amounts paid as winnings from a lottery, reward, betting or gambling, other than amounts received in conducting a business consisting of betting and gaming;
- (b) payments made to a non-resident person who is not a citizen of Sri Lanka or to a nonresident entity that is subject to withholding under this Division, other than

Effective Date: 01.01.2023

payments derived through a Sri Lankan Permanent Establishment; and

- (c) interest paid to or treated as being derived by a non-resident individual who is a citizen of Sri Lanka: Provided however, the following interest amounts shall not be deemed as final withholding payments to such non-resident individual who is a citizen of Sri Lanka: -
- i) such amount of interest paid and falling within the relief threshold in paragraph 2(a) of the Fifth Schedule to this Act; or
 - ii) Such amount calculated by deducting the total of other sources of assessable income (total assessable income other than interest) from the relief threshold if the total of assessable income from other sources does not exceed the relief threshold.”

Effective Date : 01.01.2020

(3)In subsection (3) of that section, by the substitution for the words and figures “paragraph (b) of subsection (2) of section 84”, of the words and figures “paragraph (b) or (d) of subsection (3) of section 84”.

				Effective Date : 01.04.2018	
Section 90 (Payment of tax by quarterly instalment)	Section 33	Section 20	<p>(1)A person who is an “installment payer” shall pay tax by quarterly instalments if he derives or expects to derive assessable income during a year of assessment –</p> <p>(a)from a business or investment;</p> <p>(2)An instalment payer shall pay instalments of tax-</p> <p>(a) in the case of a person whose year of assessment is a twelve month period ending on the thirty first day of March, on or before the fifteenth day respectively of August, November and February in that year of assessment and the fifteenth day of May of the next succeeding year of assessment; or</p> <p>(b) in any other case, on or before the fifteenth day after each three-month period commencing at the beginning of each year of assessment and a final instalment on or before the fifteenth day after the end of each year of assessment, unless it coincides with the end of one of the three-month periods.</p>	<p>Section 90 of the principal enactment is hereby amended as follows: -</p> <p>(1)in paragraph (a) of subsection (1) of that section, by the substitution for the words “a business or investment; or”, of the words “a business, investment or other income; or”;</p> <p>(2)by the repeal of subsection (2) of that section and the substitution therefor, of the following subsection: -</p> <p>“(2) An instalment payer shall pay instalments of tax for the year of assessment on or before the Fifteenth day respectively of August, November and February in that year of assessment and the fifteenth day of May of the next succeeding year of assessment.”;</p> <p>Effective Date : 01.04.2018</p> <p>(3)in subsection (3) of that section, by the substitution for the words “payment of Page 25 of 73 the instalment.”, of the following: -</p> <p>“payment of the instalment:</p>	<p>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: -</p> <p>“section 83 or section 83A:</p> <p>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.”.</p> <p>Effective Date: 01.04.2021</p>

				<p>Provided however, in calculating the estimated tax payable by an instalment payer, the Advance Personal Income Tax deducted by an employer or to be deducted by an employer for the year of assessment may be deducted prior to applying the Formula given in this subsection.”;</p> <p>(4)in subsection (5) of that section, by the substitution for the words “instalment for the year.” of the following: -</p> <p>“Instalment for the year. Notwithstanding anything to the contrary in section 55 (but without any right to a refund), a partner in a partnership shall be entitled to a tax credit in calculating the Amount of current instalment of tax payable for such share of tax credit amount treated as being paid by the partner, but subject to the payment of the same instalment due by the partnership.”.</p> <p>Effective Date : 01.04.2020</p>	
Section 93 (Return of income and capital gains)	Section 34		<p>(a)be in the manner and form specified by the Commissioner-General and furnishing the following details :-</p> <p>(i) The person’s assessable income for the year from each employment, business and investment and the source of that income.</p>	<p>Section 93 of the principal enactment is hereby amended as follows: -</p> <p>(1)in subparagraph (i) of paragraph (a) of subsection</p>	

			<p>(3) Every person with taxable income consisting of a gain from the realization of an investment asset shall file with the Commissioner-General a capital gains tax return not later than one month after that realization.</p>	<p>(2)of that section, by the substitution for the words “business and investment”, of the words “business, investment and other income”</p> <p>Effective Date : 01.04.2018</p> <p>(2)by the repeal of subsection (3) of that section, and the substitution therefor of the following subsection: -</p> <p>“(3) Every person with taxable income consisting of a gain from the realization of an investment asset shall file with the Commissioner-General a capital gains tax return within thirty days after the end of the relevant calendar month in which the realization occurred.”</p> <p>Effective Date : 01.04.2021</p>	
Section 94 (Return of Income Not Required)		Section 21	<p>(1) Subject to subsection (2), a return of income for a year of assessment shall not be required under section 93 from –</p> <p>(a) a resident individual –</p> <p>(i) who has no tax payable for the year under paragraph (a) of subsection (1) of section 2; or</p>		<p>Section 94 of the principal enactment is hereby amended as follows: -</p> <p>(1) in subsection (1) of that section-</p> <p>(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</p>

		<p>(ii) whose tax payable for the year under paragraph (a) of subsection (1) of section 2 relates exclusively to income from employment subject to withholding under section 83; or</p> <p>(b) a non-resident person who has no tax payable for the year under paragraph (a) of subsection (1) of section 2.</p> <p>(2) Notwithstanding subsection (1), the Commissioner-General may serve a notice in writing on a person requiring the person to file a return.</p> <p>(3) Notwithstanding subsection (1) a person may elect to file a return even though the person is not required to, where that person ceased an employment during the year.</p>		<p>(b) by the addition immediately after paragraph (b) of that subsection, of the following new paragraph: -</p> <p>“(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</p> <p>(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 83A.”.</p> <p>Effective Date : 01.04.2022</p>
Section 95 (Assessment)	Section 36	A return of income or capital gains tax return filed under section 93 shall result in a self-assessment.	Section 95 of the principal enactment is hereby amended by the substitution for the words “self-assessment.”, of the following:	
			<p>“self-assessment: Provided however, capital gains tax returns filed in relation to any gains from the realization of an</p>	

				investment asset received or derived during a year of assessment by a self-assessment taxpayer who is required to file a return of income under subsection (1) of section 93 for the same year of assessment, shall not result in a self-assessment.” Effective Date : 01.04.2021	
Section 103 (Taxpayer identification number)	Section 37		(1) The Commissioner-General shall assign a unique TIN to every taxpayer which shall be used in all correspondence relating to the administration of this Act.	Section 103 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words “this Act.” of the words “this Act and in all tax related source documents or underlying documents of the taxpayer.” Effective Date : 01.04.2021	
Section 113 (Application of electronic tax system)	Section 38		(1) Notwithstanding any other provisions of this Act, the Commissioner-General may authorize the following to be done either in writing or electronically through a computer system or mobile electronic device:- (b) the filing of a tax return or other document under this Act;	Section 113 of the principal enactment is hereby amended as follows: - (1) in paragraph (b) of subsection (1) of that section, by the substitution for the words “the filing”, of the words and figure “subject to subsection (1A), the filing (2) by the insertion immediately after subsection (1) of that section, of the following new subsection: - “(1A) A company which is incorporated in or outside Sri Lanka Page 28 of 73 or a public corporation shall	

				only file its tax returns electronically through the use of a computer system or mobile electronic device.”	
				Effective Date : 01.04.2021	
Section 120 (Accounts and records)	Section 39	Section 22	(1) A taxpayer engaged in business or investment activity or required under this Act to make a return shall keep and maintain in Sri Lanka records and accounts sufficient to record all transactions and to ascertain the gains and profits made or the loss incurred in respect of those transactions.	Section 120 of the principal enactment is hereby amended by the insertion immediately after subsection (1) of that section, of the following new subsection: - “(1A) With effect from the year of assessment commencing from April 1, 2021, where any person is engaged in business or investment activity and the income tax payable shall be calculated by applying different tax rates for such part of taxable investment activity or may have exempted amounts as the case may be, such person shall maintain and prepare the financial statements to separately identify such part of taxable income from gains and profits in applying each income tax rate to each part of the taxable income or to identify the exempted gains and profits.”.	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: - “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.”.
				Effective Date : 01.04.2021	Effective Date : 01.04.2022
Section 123 (Notice to Obtain		Section 23	(1) For the purpose of this Act, the Assistant Commissioner may require from the tax payer or the Commissioner may require from any other person, by giving reasonable notice in writing—		Section 123 of the principal enactment is hereby amended as follows: -

<p>Information)</p>			<p>(a) to furnish any information that is required by the notice, including information concerning another person;</p> <p>(b) to appear at the time and place designated in the notice for the purpose of being examined or of producing documents or other evidence in control of that person which are referred in the notice; or</p> <p>(c) to produce, within the time specified in the notice, all documents in the person’s custody or under the person’s control relating to the person’s or any other person’s tax affairs as specified in the notice.</p> <p>(2) Without prejudice to the generality of subsection (1), the Commissioner may require any bank—</p> <p>(a) to furnish to the Commissioner details of any banking account or other assets which may be held on behalf of any person, or to furnish a copy of bank statements of any such banking account; or</p> <p>(b) to permit the Commissioner or Assistant Commissioner to inspect the records of the bank with respect to the banking account of any person; or</p>		<p>(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</p> <p>(2) by the addition immediately after subsection (5) of that section of the following new subsections: -</p> <p>“(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.</p> <p>(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.”.</p>
---------------------	--	--	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

(c) to furnish annually a schedule showing the amount of interest paid on deposits together with the names and addresses of the persons to whom such interest accrued or may require the attendance of any officer of a bank before the Commissioner to give evidence with regard to any bank account or other assets which may be held by the bank on behalf of any person.

(3) The provisions of subsection (1) shall extend to the furnishing of information, the production of documents and the giving of evidence to the Commissioner or Assistant Commissioner in relation to—

(a) the payment of income by any person to a non-resident; or

(b) the payment of remuneration by an employer to an employee, the deduction of tax therefrom and the accounting for any tax so deducted.

(4) The Commissioner or Assistant Commissioner may make copies of books of account or other documents that are produced for purposes of this section, or may retain them where such course of action appears to the Commissioner-General to be

Effective Date : 01.04.2022

			<p>necessary for the purposes of any prosecution or the substantiation of any assessment.</p> <p>(5) Subject to subsection (8) of section 122, this section shall have effect notwithstanding anything contrary in any written law relating to confidentiality, privilege, or the public interest with respect to the production of or access to documents or other evidence, including a law relating to bank secrecy and any contractual duty of confidentiality.</p>		
Section 126 (Tax returns)	Section 40		<p>(5) Where a return or part of a return was prepared for reward by some other person, including by an approved accountant, other than a full-time employee of the taxpayer, that other person shall also sign the return.</p>	<p>Section 126 of the principal enactment is hereby amended by the repeal of subsection (5) of that section, and the substitution therefor of the following subsection:—</p> <p>“(5) Where a return or part of a return was prepared for a payment by any person, including by an approved accountant, such person shall certify separately specifying the extent to which he was involved in the preparation of such return and specify the documents examined by him and the information relied upon by him. Such certification shall be submitted along with the return and the said certification shall be deemed to be part and parcel of the said return.”</p> <p>Effective Date : 01.04.2021</p>	

Section 129 (Information Returns)	Section 41		The provisions of this Act relating to returns shall apply to a person required under this Act to file a return of information related to matters other than the person's own tax liability.	<p>(1) by the substitution for the words "returns shall apply to a person required under this Act to file a return of information related", of the words "returns, assessments, objections and appeals shall apply to a person required under this Act to file a return of information or annual statement related";</p> <p>(2) by the substitution for the marginal note to that section, of the following marginal note: - "Information returns and annual statements."</p> <p>Effective Date : 01.04.2018</p>	
Section 133 (Default assessments)		Section 24	<p>(2) The Assistant Commissioner shall serve a taxpayer assessed under subsection (1) with notice, in writing, of a default assessment specifying the following:</p> <p>(a) the amount of tax assessed;</p> <p>(b) the amount assessed as penalty (if any) payable in respect of the tax assessed;</p> <p>(c) the amount of late payment interest (if any) payable in respect of the tax assessed;</p> <p>(d) the tax period to which the assessment relates;</p>		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,"

			<p>(e) the due date for payment of the tax, penalty, and interest being a date that is not less than thirty days from the date of service of the notice; and</p> <p>(f) the manner of objecting to the assessment.</p>		
<p>Section 134</p> <p>(Advance assessments)</p>		Section 25	<p>(4) The Assistant Commissioner shall serve a taxpayer assessed under subsection (1) with notice, in writing, of the advance assessment specifying the following:–</p> <p>(a) the amount of tax assessed;</p> <p>(b) the amount assessed as penalty (if any) payable in respect of the tax assessed;</p> <p>(c) the tax period to which the assessment relates;</p> <p>(d) the due date for payment of the tax and penalty, which may be a date before the tax would otherwise be due for the tax period; and</p> <p>(e) the manner of objecting to the assessment.</p>		<p>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,”</p> <p>Effective Date : 01.04.2022</p>
<p>Section 135</p> <p>(Amended or additional assessments)</p>		Section 26	<p>(5) Where the Assistant Commissioner has made an amended or additional assessment under this section, he shall serve the taxpayer with notice, in writing, of the amended assessment specifying the following:–</p>		<p>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,”</p>

			<p>(a) the original assessment to which the amended assessment relates;</p> <p>(b) the amount of tax assessed and the basis upon which the amended or additional assessment has been made;</p> <p>(c) the amount assessed as penalty (if any) in respect of the tax assessed;</p> <p>(d) the amount of late payment interest (if any) payable in respect of the tax assessed;</p> <p>(e) the tax period to which the assessment relates;</p> <p>(f) the due date for payment of any tax, penalty, and interest being a date that is not less than thirty days from the date of service of the notice; and</p> <p>(g) the manner of objecting to the assessment.</p>		Effective Date : 01.04.2022
Section 136 (Application for Making an Amendment to a Self-Assessment)		Section 27	<p>(2) An application under subsection (1) shall:</p> <p>(b) be filed with the Commissioner-General within the period specified in subparagraph (i) of paragraph (b) of subsection (2) of section 135.</p>		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.”.
					Effective Date : 01.04.2022
Section 139 (Administrative Review)	Section 42		<p>(3)Where the request is an objection against an assessment which has been made in the absence of a return required to be made, the notice of request relating to the objection shall be sent together with a return duly made.</p> <p>(5) The Commissioner-General shall consider the taxpayer’s request and notify the taxpayer in writing of the Commissioner-General’s decision and the reasons for the decision. Taxpayer’s request shall be considered by a tax official other than the tax official who made the assessment or other decision.</p> <p>(6)The Commissioner-General shall give effect to the decision referred to in subsection (5) by confirming an existing assessment or making an amended assessment (including for a nil amount) or an additional assessment in accordance with this Act, or taking such other necessary action to give effect to that decision.</p>	<p>Section 139 of the principal enactment is hereby amended as follows: -</p> <p>(1)by the repeal of subsection (3) of that section and the substitution therefor of the following subsection:- “(3) Where the request for review is an objection against an assessment which has been made in the absence of a return or annual statement required to be furnished, such request shall be sent together with a duly filled return or annual statement, as the case may be.”;</p> <p>Effective Date : 01.04.2018</p> <p>(2) by the repeal of subsection (5) of that section, and the substitution therefor of the following subsection: “(5) (a) On receipt and acknowledgement of a taxpayer’s request for review under subsection (4), Commissioner-General shall review the assessment or other decision and notify the taxpayer in writing of the Commissioner-General's decision and the reasons for the decision.</p>	

				<p>(b)The tax payer’s request for review shall be considered by a tax official other than the tax official who made the assessment or other decision.”</p> <p>Effective Date : 01.04.2021</p> <p>(3)in subsection (6) of that section, by the substitution for the words “in accordance with this Act,” of the words and figures “in accordance with this Act, but notwithstanding the time limits specified in subsections (2) and (3) of section 135,”</p> <p>Effective Date : 01.04.2021</p>	
Section 140 (Appeal from Administrative Review.)	Section 43		<p>(1) A person aggrieved by the decision of administrative review under section 139 may appeal against the decision to the Tax Appeals Commission.</p> <p>(2) An appeal to the Tax Appeals Commission shall not be made unless a request for administrative review has first been made, and —</p> <p>(b) ninety days have lapsed since the request for administrative review was made.</p> <p>(5) Notice of an appeal under this section shall be given in writing to the Tax Appeals Commission with a copy to the Commissioner-General within</p>	<p>Section 140 of the principal enactment is hereby amended as follows: -</p> <p>(1) in subsection (1) of that section, by the substitution for the words and figures “administrative review under section 139 may appeal against the decision to”, of the words and figures “administrative review of an assessment under section 139 may appeal against that decision of review to”;</p> <p>(2) in paragraph (b) of subsection (2) of that section, by the substitution for the words “ninety days have lapsed”, of the words “seven months have lapsed”;</p>	

			<p>thirty days from the date of the decision of the Commissioner-General under section 139.</p> <p>(6) Notwithstanding the provisions of subsection (5), the appellant may appeal against an assessment or other decision upon satisfying the Tax Appeals Commission that owing to absence from Sri Lanka, sickness, or other reasonable cause the appellant was prevented from giving notice of appeal within thirty days as required under subsection (2), and that there has been no unreasonable delay on the appellant's part.</p>	<p>(3) by the repeal of subsection (5) of that section, and the substitution therefor of the following subsection: -</p> <p>“(5) A petition of appeal under this section shall be filed in writing to the Tax Appeals Commission with a copy to the Commissioner-General within thirty days from the date of receipt of the decision of the Commissioner-General or within thirty days from the date on which the period of seven months lapsed since the request for administrative review was made under section 139.”;</p> <p>(4)by the repeal of subsection (6) of that section, and the substitution therefor of the following subsection:-</p> <p>“(6) Notwithstanding anything to the contrary in subsection (5), the appellant may appeal against an assessment upon satisfying the Tax Appeals Commission that owing to absence from Sri Lanka, sickness, or other reasonable cause the appellant was prevented from filing a petition of appeal as required under subsection (2), and that there has been no unreasonable delay on the appellant's part.”.</p> <p>Effective Date : 01.04.2021</p>	
Section 151		Section 28	(3) Where the Commissioner-General does not notify the person who made application under subsection (1), of the decision in writing within		Section 151 of the principal enactment is hereby amended in subsection (3) of that section, by the

(Extension of Time for Payment)			thirty days, the application shall be deemed to be granted.		substitution for the words “in writing”, of the words “in writing or by electronic means”. Effective Date : 01.04.2022
Section 157 (Interest on underpayments)	Section 44		(1) If an amount of tax is not paid by the due date, the taxpayer shall be liable for interest on the amount for the period from the due date (determined without having regard to an extension of time) under section 151 to the date the tax is paid.	Section 157 of the principal enactment is hereby amended as follows: - (1) in subsection (1) of that section, by the substitution for the words and figures “an extension of time) under section 151 to the date”, of the words and figures “an extension of time under section 151) to the date” (2) By the substitution for the marginal note to that section, of the following marginal note: - “Interest on underpayments and late payments.” Effective Date : 01.04.2018	
Section 158 (Interest on refundable amounts)	Section 45		(1) Where the Commissioner-General is required to refund an interest amount, it shall be paid to the taxpayer from the later of – (a) the due date; or (b) the date the tax was paid, Until the date on which the refundable amount is paid.	Section 158 of the principal enactment is hereby amended as follows: - (1) by the repeal of subsection (1) of that section, and the substitution therefor of the following subsection:- “(1) Where the Commissioner-General is required to refund a refundable amount under this Act to a taxpayer, an interest shall be paid on such refundable	

			<p>(2) Notwithstanding the provisions of subsection (1), no interest shall be payable in respect of a refund that is based on a claim for refund and is paid to the taxpayer within sixty days of the filing of the claim for refund.</p>	<p>amount to the taxpayer from the date of the refund claim filed until the date on which the refundable amount is paid.”;</p> <p>Effective Date : 01.04.2018</p> <p>(2) in subsection (2) of that section, by the substitution for the words “within sixty days of”, of the words “within six months of”.</p> <p>Effective Date : 01.04.2021</p>	
Section 159 (Interest rate.)	Section 46		<p>(1) The interest rate for payments pursuant to section 157 shall be one and one-half per cent per month or part month, compounded monthly.</p> <p>(2) The interest rate for payments pursuant to section 158 shall be one-half per cent per month or part month, compounded monthly.</p>	<p>Section 159 of the principal enactment is hereby amended in subsections (1) and (2) of that section, by the substitution for the words “compounded monthly” of the words “computed monthly” respectively.</p> <p>Effective Date : 01.04.2018</p>	
Section 163 (Court Proceedings)		Section 29	No any change from original act.		<p>Section 163 of the principal enactment is hereby amended by the addition immediately after subsection (4) of that section, of the following new subsections:-</p> <p>“(5) The amount of tax, any penalty and interest due as at the date of the certificate referred to in</p>

				<p>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 judgment shall be the tax that is due and payable to the Commissioner -General.</p> <p>(6) The proceedings instituted on or after January 1, 2023, under this section shall be completed within thirty months from the date of production of the certificate referred to in subsection (3).”</p> <p>Effective Date: 01.04.2023</p>
Section 176 (Penalties)		Section 30	<p>(1) This section shall apply to penalties under this Act.</p> <p>(2) Procedures for the assessment, payment, collection, and dispute of a tax shall apply equally to penalties relating to a tax.</p> <p>(3) A person’s liability for a penalty under a section in this Chapter is separate and distinct from the person’s liability, if any, for a penalty under another section of this Act or any other law and is in addition to interest levied under Chapter XV and to a criminal sanction imposed under Chapter XVIII.</p>	<p>Section 176 of the principal enactment is hereby amended as follows: -</p> <p>(1) by the repeal of subsection (2) of that section, and the substitution therefor of the following subsection: -</p> <p>“(2) Procedures for the assessment, payment, collection, and dispute of a tax shall apply equally to penalties relating to a tax.”; and</p> <p>(2) by the insertion immediately after subsection (6) of that section, of the following new subsection: -</p>

(4) The burden of proof shall be on the CommissionerGeneral to show non-compliance with the provisions of this Act with respect to the imposition of a penalty.

(5) The Commissioner-General may make an assessment of a penalty charged as if the penalty were tax payable under this Act, and may specify the date on which the penalty is payable.

(6) A notice of an assessment of a penalty shall be served on the person who is liable to the penalty and shall state the amount of the penalty payable, the provision under which it is payable, and the due date for payment, and on service of the notice

—
(a) the notice and the assessment shall be treated as if they were a notice and assessment of tax payable under this Act;

(b) the amount of the penalty specified in the notice shall be treated as tax payable under this Act; and

(c) the due date for payment is the date specified in the notice.

“(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.”.

(7) A person's liability to pay a penalty shall arise on the making of an assessment by the Commissioner-General under subsection (6).

(8) The period of limitations for assessing a penalty shall be five years after the violation which causes the penalty, except for a violation under section 180, in which case the limitation for assessing a penalty shall be the same as the limitation for assessing the tax to which the penalty relates.

(9) If a person liable for a penalty shows reasonable cause, the Commissioner-General may—

(a) refrain in whole or in part from assessing the penalty; or

(b) remit or waive in whole or in part a penalty that has been assessed.

(10) A penalty payable for each day, month or other period during which a particular state of affairs exists or continues, shall be payable in full for part of that day, month or other period in which the state of affairs commences, continues or ends.

Section
182

Section 31

Section 182 of the principal enactment is hereby amended as follows: -

(Failure to maintain documents or provide facilities)					<p>(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</p> <p>(2) by the insertion immediately after subsection (1) of that section, of the following new subsection: -</p> <p>“(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).”</p>
Section 190 A (Impeding tax administration.)	Section 47			<p>The following new section is hereby inserted immediately after section 190 of the principal enactment, and shall have effect as section 190A of that enactment:-</p> <p>190A. Any person who fraudulently–</p> <p>(a) prepares any document of information; or</p> <p>(b) certifies a document, to be furnished to the Commissioner-General of Inland Revenue, commits an offence under this Act, and on conviction after summary trial before a Magistrate, be liable to a fine</p>	

				not exceeding One Million Rupees or to imprisonment of either description for a term not exceeding six months"	
				Effective Date : 01.04.2021	
Section 195 (Interpretation)	Section 48	Section 32	<p>“agricultural business” means the business of producing agricultural, horticultural or any animal produce and includes an undertaking for the purpose of rearing livestock or poultry; “dividend”–</p> <p>(a) means a payment derived by a member from a company, whether received as a division of profits, in the course of a liquidation or reconstruction, in a reduction of capital or share buy-back or otherwise;</p> <p>“entertainment” means the provision to any person of food, beverages, tobacco, accommodation, amusement, recreation or hospitality of any kind;</p> <p>“Small and Medium Enterprise” means a person who satisfies the following conditions:—</p> <p>(b) the person does not have an associate that is an entity; and</p> <p>“specified undertaking” means an undertaking which is engaged in –</p>	<p>Section 195 of the principal enactment is hereby amended as follows: -</p> <p>(1) by the substitution for the words and the figure “(1) In this Act,” of that section, of the words “In this Act.”;</p> <p>Effective Date : 01.04.2018</p> <p>(2) by the substitution for the definition of the expression “agricultural business” of that section, of the following definitions:-</p> <p>“ “agricultural business” means the business of agro farming or agro processing, but excludes farming of, or processing of liquor or tobacco produces or products, as the case may be;</p> <p>“agro farming” means-</p>	<p>Section 195 of the principal enactment is hereby amended as follows: -</p> <p>(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;”;</p> <p>(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</p> <p>(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: -</p> <p>“in Sri Lanka in foreign currency:</p>

			<p>(k) sale for foreign currency, of any gem or jewellery, being a sale made in Sri Lanka by any person authorized by the Central Bank of Sri Lanka to accept payment for such sale in foreign currency;</p> <p>“Sri Lankan permanent establishment” means a place in Sri Lanka where a non-resident person carries on business or that is at the disposal of the person for that purpose and includes –</p> <p>(a) a place in Sri Lanka where a person has, or is using or is installing substantial equipment or substantial machinery;</p> <p>(b) a place in Sri Lanka where a person is engaged in a construction, assembly or installation project for ninety days or more, including a place where a person is conducting supervisory activities in relation to such a project;</p> <p>(c) the provision of services in Sri Lanka, but only if activities of that nature continues (for the same or a connected project) for a period of one hundred and eighty three days or more in any twelve month period; and</p>	<p>(a) the tillage of the soil and cultivation of land with plants of any description, cultivation in green house, bee-keeping, rearing of fish, shrimp farming or animal husbandry, poultry farms, hatchery, veterinary or artificial insemination services;</p> <p>(b) the cleaning, sizing, sorting, grading, cutting or chilling of any produce produced out of any activity referred to in paragraph (a) by any person who is engaged in any such activity, in preparation of such produce for the market but excludes the agro or food processing;</p> <p>“agro processing” means the processing of any locally produced agricultural, fishing, or animal product and includes an undertaking for the dehydrating, milling, packaging, canning for the purpose of changing the form, contour or physical appearance of such product in preparation for the market but excludes an undertaking of deep-sea fishing or manufacturing;”;</p> <p>Effective Date : 01.04.2019</p> <p>(3) in paragraph (a) of the definition of the expression “dividend” of that section, by the</p>	<p>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;”.</p>
--	--	--	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

(d) a place in Sri Lanka where an agent performs any function on behalf of the business of a nonresident person –

(i) including, in the case of an insurance business, the collection of premiums or the insurance of risks situated in Sri Lanka; but

(ii) excluding a case involving a general agent of independent status acting in the ordinary course of business as such;

“tax return” means a return, including an information return, that a person is required to file with the Department, in which information about that person’s or some other person’s possible tax liability is provided;

substitution for the words “share buy-back”, of the words “ share buy-back”;

Effective Date : 01.04.2018

(4) in the definition of the expression “entertainment” of that section, by the substitution for the words “person of food, beverages, tobacco”, of the words “person of liquor, tobacco”;

Effective Date : 01.04.2021

(5) by the insertion immediately after the definition of the expression “manager” of that section, of the following new definition: -

“manufacture” means a change in a non-living physical object, article or thing-

(a) resulting in transformation of such object, article or thing into a new and distinct object, article or thing having a different name, character or use; or

(b) bringing into existence of a new and distinct object, article or thing with a different chemical composition or integral structure;”

Effective Date : 01.01.2020

(6) in the definition of the expression “Small and Medium Enterprise” of that section–

(a) by the substitution for paragraph (b) of that definition, of the following paragraph:–

“(b) subject to paragraph (d), the person does not have an associate that is an entity;”;

(b) by the addition immediately after paragraph (c) of that definition, of the following new paragraph:–

“(d) the person’s or his associate’s aggregate annual gross turnover is less than Rs. 500,000,000, if such associate is an entity or entities;”;

Effective Date : 01.04.2020

(7) in the definition of the expression “specified undertaking” of that section, by the addition immediately after paragraph (k) of that definition, of the following new paragraphs: -

“(1) sale of goods manufactured in Sri Lanka by an export-oriented company which has entered into an agreement with the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1978, to-

(i) any company which has entered into an agreement with the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1978 including company enjoying tax holidays under the Strategic Development Projects Act, No. 14 of 2008 and which is permitted to import project related goods or raw materials on duty free basis under the provisions of such agreement, during the project implementation period; or

(ii) any person eligible to import specific goods on duty free basis under any Government Authority,

but, up to the quantity approved by the Board of Investment of Sri Lanka as import replacement within the three years period commencing on April 1, 2021;

(m) bunkering services provided for the supply of marine fuel, including the supply of marine fuel to local bunker suppliers within a specified port premises;”

Effective Date : 01.04.2021

(8) by the repeal of the definition of the expression “Sri Lankan permanent establishment” of that section, and the substitution therefor of the following definition: -

“Sri Lankan permanent establishment” means any business connection or fixed place of business through which the business of the enterprise is wholly or partly carried out, irrespective of the number of days of such business being carried out in Sri Lanka”

Effective Date : 01.04.2018

(9) in the definition of the expression “tax return” of that section, by the substitution for the words “means a return,” of the words “means a return or annual statement,”;

				<p>Effective Date : 01.04.2018</p> <p>(10) by the insertion immediately after the definition of the expression “taxpayer” of that section, of the following new definition: - “Tertiary and Vocational Education Commission” means the Tertiary and Vocational Education Commission established under the Tertiary and Vocational Education Act, No 20. of 1990;”</p> <p>Effective Date : 01.04.2021</p>	
Section 201 (Temporary Concessions)	Section 49		2) Unless expressly stated to the contrary, the provisions of the Sixth Schedule – (b) Expire five years after they become operative.	Section 201 of the principal enactment is hereby amended in paragraph (b) of subsection (2) of that section, by the substitution for the words “five years” of the words “seven years”.	
	Section 57 (Power of the Commissioner General to issue guidelines)			Subject to the provisions of this Act, the Commissioner-General may, for the effective implementation of the provisions of this Act, issue guidelines as may be necessary for the purpose of calculating the income tax payable for the year of assessment ending March 31, 2020, specifying the	

	for specific periods)			<p>computation of assessable income (or losses) from each source, deductions of qualifying payments and reliefs, computation of taxable income, applicable tax rates and tax credits in which to apply the pro-rata basis or actual basis only for the required circumstances as the case may be, for over the two periods of the year of assessment as for the first period from April 1, 2019 to December 31, 2019 and for the second period from January 1, 2020 to March 31, 2020.</p> <p>Effective Date : 01.04.2019</p>	
	Section 58 (Tax relief measures to facilitate postCovid-19 economic recovery)			<p>(1) The Commissioner-General shall write off any income tax arrears payable by any Small and Medium Enterprise as defined in section 195 of the principal enactment for the year of assessment commencing on April 1, 2019, if such arrears arise due to any assessment made (other than the assessments made for tax payments as per the returns but including any penalty) up to the year of assessment ending March 31, 2019 which is outstanding as at June 26, 2020, in the records of the Commissioner-General-</p> <p>(a) if such assessment was made as per the provisions of this Act or the provisions of the Inland Revenue Act, No. 10 of 2006 or the provisions of the Inland</p>	

Revenue Act, No. 38 of 2000 or the provisions of the Inland Revenue Act, No. 28 of 1979; but

(b) Subject to the deduction of any refunds duly claimed by such person as provided in any tax Act administered by the Commissioner-General from such income tax arrears.

(2) Subject to section 136 of the principal enactment, the Assistant Commissioner shall not amend the self-assessment under the provisions of section 135 of that enactment for the year of assessment ending on March 31, 2020, where the Assistant Commissioner is satisfied that there is no fraud or willful neglect involved in the disclosure of income or any deduction or relief by such Small and Medium Enterprise and paid the tax declared in the return.

(3) The Commissioner-General shall not impose any penalty or initiate criminal proceedings under Chapter XVIII of the principal enactment against a person who-

(a) files his return of income for the year of assessment commencing on April 1, 2019, before June 30, 2021; and

(b) Makes the payment of tax payable on assessment referred to in subparagraph (ii) of paragraph (c) of subsection (2) of section 82 of the principal

				<p>enactment, for the year of assessment commencing on April 1, 2019, before June 30, 2021.</p> <p>Effective Date : 26.06.2020</p>	
	Section 59 (Retrospective effect)			<p>The amendments made to the principal enactment by the sections specified in Column I of Table 'B' set out in this Amendment Act, to the corresponding sections specified in Column II of that Table shall be deemed, for all purposes, to have come into operation on such dates as are specified in the corresponding entries in Column III of that Table.</p>	
	Section 60 (Validation)			<p>Any person who has collected the income tax as provided for in this Amendment Act during the period commencing from such dates as are specified in Column III of Table 'B' set out in this Amendment Act and ending on the date of commencement of this Amendment Act, shall be deemed to have acted with due authority and such collection shall be deemed, for all purposes, to have been, and to be, validly made and such person is hereby indemnified against all actions civil or criminal in respect of such collection.</p>	
	Section 61 (Sinhala text to prevail in case of			<p>In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.</p>	

	inconsistency)				
--	----------------	--	--	--	--

www.taxadvisor.lk

Schedule	Paragraph	Original Act (Inland revenue Act, No. 24 of 2017)	Amendment (Inland Revenue Amendment Act, No. 11 of 2021)	Amendment (Inland Revenue Amendment Act, No. 45 of 2022)																										
First Schedule (Tax Rates) Section As per Amendment-51	Paragraph 1 (Tax rates for resident and non -resident individuals)	<p>1) Subject to the provisions of subparagraph (2), the taxable income of a resident or non-resident individual for a year of assessment shall be taxed at the following rates:</p> <table border="1"> <thead> <tr> <th>Taxable Income</th> <th>Tax Payable</th> </tr> </thead> <tbody> <tr> <td>Not Exceeding Rs.600,000</td> <td>4% of the amount in excess of Rs.0</td> </tr> <tr> <td>Exceeding Rs.600,000 but not exceeding Rs.1,200,000</td> <td>Rs.24,000 plus 8% of the amount in excess of Rs.600,000</td> </tr> <tr> <td>Exceeding Rs.1,200,000 but not exceeding Rs.1,800,000</td> <td>Rs.72,000 plus 12% of the amount in excess of Rs.1,200,000</td> </tr> <tr> <td>Exceeding Rs.1,800,000 but not exceeding Rs.2,400,000</td> <td>Rs.144,000 plus 16% of the amount in excess of Rs.1,800,000</td> </tr> <tr> <td>Rs.144,000 plus 16% of the amount in</td> <td>Rs.240,000 plus 20% of the amount in excess of</td> </tr> </tbody> </table>	Taxable Income	Tax Payable	Not Exceeding Rs.600,000	4% of the amount in excess of Rs.0	Exceeding Rs.600,000 but not exceeding Rs.1,200,000	Rs.24,000 plus 8% of the amount in excess of Rs.600,000	Exceeding Rs.1,200,000 but not exceeding Rs.1,800,000	Rs.72,000 plus 12% of the amount in excess of Rs.1,200,000	Exceeding Rs.1,800,000 but not exceeding Rs.2,400,000	Rs.144,000 plus 16% of the amount in excess of Rs.1,800,000	Rs.144,000 plus 16% of the amount in	Rs.240,000 plus 20% of the amount in excess of	<p>a) in subparagraph (1) of that paragraph, by the substitution for the words “for a year of assessment shall”, of the words and figures “for a year of assessment commencing on or after April 1, 2018 but for the period prior to January 1, 2020 shall”;</p> <p>b) by the insertion immediately after subparagraph (1) of that paragraph, of the following new subparagraph: -</p> <p>“(1A) subject to the provisions of subparagraph (2), the taxable income of a resident or non-resident individual commencing from January 1, 2020 shall be taxed at the following rates: -</p> <table border="1"> <thead> <tr> <th>Taxable income for a year of assessment</th> <th>Tax payable</th> </tr> </thead> <tbody> <tr> <td>Not exceeding Rs.3 million</td> <td>6% of the amount in excess of Rs.0</td> </tr> <tr> <td>Exceeding Rs.3 million but not exceeding Rs.6 million</td> <td>Rs.180,000 plus 12% of the amount in excess of Rs.3 million</td> </tr> <tr> <td>Exceeding Rs.6 million</td> <td>Rs.540,000 plus 18% of the amount</td> </tr> </tbody> </table>	Taxable income for a year of assessment	Tax payable	Not exceeding Rs.3 million	6% of the amount in excess of Rs.0	Exceeding Rs.3 million but not exceeding Rs.6 million	Rs.180,000 plus 12% of the amount in excess of Rs.3 million	Exceeding Rs.6 million	Rs.540,000 plus 18% of the amount	<p>(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”;</p> <p>(b) by the insertion immediately after subparagraph (1A) of that paragraph, of the following new subparagraphs: -</p> <p>“(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: -</p> <p>(a) Taxable income for the first nine months period of the year of assessment commencing from April 1, 2022:-</p> <table border="1"> <thead> <tr> <th>Taxable Income</th> <th>Tax payable</th> </tr> </thead> <tbody> <tr> <td>Not exceeding Rs. 2,250,000</td> <td>6% of the amount in excess of Rs. 0</td> </tr> <tr> <td>Exceeding Rs.</td> <td>Rs. 135,000 plus 12% of the amount</td> </tr> </tbody> </table>	Taxable Income	Tax payable	Not exceeding Rs. 2,250,000	6% of the amount in excess of Rs. 0	Exceeding Rs.	Rs. 135,000 plus 12% of the amount
Taxable Income	Tax Payable																													
Not Exceeding Rs.600,000	4% of the amount in excess of Rs.0																													
Exceeding Rs.600,000 but not exceeding Rs.1,200,000	Rs.24,000 plus 8% of the amount in excess of Rs.600,000																													
Exceeding Rs.1,200,000 but not exceeding Rs.1,800,000	Rs.72,000 plus 12% of the amount in excess of Rs.1,200,000																													
Exceeding Rs.1,800,000 but not exceeding Rs.2,400,000	Rs.144,000 plus 16% of the amount in excess of Rs.1,800,000																													
Rs.144,000 plus 16% of the amount in	Rs.240,000 plus 20% of the amount in excess of																													
Taxable income for a year of assessment	Tax payable																													
Not exceeding Rs.3 million	6% of the amount in excess of Rs.0																													
Exceeding Rs.3 million but not exceeding Rs.6 million	Rs.180,000 plus 12% of the amount in excess of Rs.3 million																													
Exceeding Rs.6 million	Rs.540,000 plus 18% of the amount																													
Taxable Income	Tax payable																													
Not exceeding Rs. 2,250,000	6% of the amount in excess of Rs. 0																													
Exceeding Rs.	Rs. 135,000 plus 12% of the amount																													

	<table border="1" data-bbox="575 191 1096 492"> <tr> <td>excess of Rs.1,800,000</td> <td></td> </tr> <tr> <td>Rs.3,000,000</td> <td>Rs.2,400,000</td> </tr> <tr> <td>Exceeding Rs.3,000,000</td> <td>Rs.360,000 plus 24% of the amount in excess of Rs.3,000,000</td> </tr> </table> <p>(b)</p> <p>(i) where the period of contribution or the period of employment is 20 years or less:</p> <table border="1" data-bbox="564 743 1096 1299"> <thead> <tr> <th>Total Income from Employment</th> <th>Tax Payable</th> </tr> </thead> <tbody> <tr> <td>Not exceeding Rs.5,000,000</td> <td>0% of the amount in excess of Rs.0</td> </tr> <tr> <td>Exceeding Rs.5,000,000 but not exceeding Rs.6,000,000</td> <td>5% of the amount in excess of Rs.5,000,000</td> </tr> <tr> <td>Exceeding Rs.6,000,000</td> <td>Rs.50,000 plus 10% of the amount in excess of Rs.6,000,000</td> </tr> </tbody> </table> <p>(3) The types of income from employment referred to in subparagraph (2) shall be –</p>	excess of Rs.1,800,000		Rs.3,000,000	Rs.2,400,000	Exceeding Rs.3,000,000	Rs.360,000 plus 24% of the amount in excess of Rs.3,000,000	Total Income from Employment	Tax Payable	Not exceeding Rs.5,000,000	0% of the amount in excess of Rs.0	Exceeding Rs.5,000,000 but not exceeding Rs.6,000,000	5% of the amount in excess of Rs.5,000,000	Exceeding Rs.6,000,000	Rs.50,000 plus 10% of the amount in excess of Rs.6,000,000	<table border="1" data-bbox="1236 191 1774 279"> <tr> <td></td> <td>in excess of Rs.6 million</td> </tr> </table> <p>c) in subparagraph (2) of that paragraph-</p> <p>(i) in item (b)(i) of that subparagraph, by the substitution for the words “where the period”, of the words and figures “prior to January 1, 2020, where the period</p> <p>(ii) in item (b)(ii) of that subparagraph, by the substitution for the words “where the period”, of the words and figures “prior to January 1, 2020, where the period</p> <p>(iii) by the addition immediately after item (b)(ii) of that subparagraph, of the following new item: -</p> <p>(iii) on or after January 1, 2020:</p> <table border="1" data-bbox="1295 1036 1795 1419"> <thead> <tr> <th>Total income from employment referred To in subparagraph (3) for a year of assessment</th> <th>Tax payable</th> </tr> </thead> <tbody> <tr> <td>Not exceeding Rs.10,000,000</td> <td>0% of the amount in excess of Rs.0</td> </tr> </tbody> </table>		in excess of Rs.6 million	Total income from employment referred To in subparagraph (3) for a year of assessment	Tax payable	Not exceeding Rs.10,000,000	0% of the amount in excess of Rs.0	<table border="1" data-bbox="1967 191 2451 574"> <tr> <td>2,250,000 but not exceeding Rs. 4,500,000</td> <td>in excess of Rs. 2,250,000</td> </tr> <tr> <td>Exceeding Rs. 4,500,000</td> <td>Rs. 405,000 plus 18% of the amount in excess of Rs. 4,500,000;</td> </tr> </table> <p>(b) Taxable income for the second three months period of the year of assessment commencing from April 1, 2022:-</p> <table border="1" data-bbox="1929 743 2456 1383"> <thead> <tr> <th>Taxable Income</th> <th>Tax payable</th> </tr> </thead> <tbody> <tr> <td>Not exceeding Rs. 125,000</td> <td>6% of the amount in excess of Rs.0</td> </tr> <tr> <td>Exceeding Rs. 125,000 but not exceeding Rs. 250,000</td> <td>Rs. 7,500 plus 12% of the amount in excess of Rs. 125,000</td> </tr> <tr> <td>Exceeding Rs. 250,000 but not exceeding Rs. 375,000</td> <td>Rs. 22,500 plus 18% of the amount in excess of Rs. 250,000</td> </tr> <tr> <td>Exceeding Rs. 375,000 but not exceeding Rs. 500,000</td> <td>Rs. 45,000 plus 24% of the amount in excess of Rs. 375,000</td> </tr> </tbody> </table>	2,250,000 but not exceeding Rs. 4,500,000	in excess of Rs. 2,250,000	Exceeding Rs. 4,500,000	Rs. 405,000 plus 18% of the amount in excess of Rs. 4,500,000;	Taxable Income	Tax payable	Not exceeding Rs. 125,000	6% of the amount in excess of Rs.0	Exceeding Rs. 125,000 but not exceeding Rs. 250,000	Rs. 7,500 plus 12% of the amount in excess of Rs. 125,000	Exceeding Rs. 250,000 but not exceeding Rs. 375,000	Rs. 22,500 plus 18% of the amount in excess of Rs. 250,000	Exceeding Rs. 375,000 but not exceeding Rs. 500,000	Rs. 45,000 plus 24% of the amount in excess of Rs. 375,000
excess of Rs.1,800,000																																					
Rs.3,000,000	Rs.2,400,000																																				
Exceeding Rs.3,000,000	Rs.360,000 plus 24% of the amount in excess of Rs.3,000,000																																				
Total Income from Employment	Tax Payable																																				
Not exceeding Rs.5,000,000	0% of the amount in excess of Rs.0																																				
Exceeding Rs.5,000,000 but not exceeding Rs.6,000,000	5% of the amount in excess of Rs.5,000,000																																				
Exceeding Rs.6,000,000	Rs.50,000 plus 10% of the amount in excess of Rs.6,000,000																																				
	in excess of Rs.6 million																																				
Total income from employment referred To in subparagraph (3) for a year of assessment	Tax payable																																				
Not exceeding Rs.10,000,000	0% of the amount in excess of Rs.0																																				
2,250,000 but not exceeding Rs. 4,500,000	in excess of Rs. 2,250,000																																				
Exceeding Rs. 4,500,000	Rs. 405,000 plus 18% of the amount in excess of Rs. 4,500,000;																																				
Taxable Income	Tax payable																																				
Not exceeding Rs. 125,000	6% of the amount in excess of Rs.0																																				
Exceeding Rs. 125,000 but not exceeding Rs. 250,000	Rs. 7,500 plus 12% of the amount in excess of Rs. 125,000																																				
Exceeding Rs. 250,000 but not exceeding Rs. 375,000	Rs. 22,500 plus 18% of the amount in excess of Rs. 250,000																																				
Exceeding Rs. 375,000 but not exceeding Rs. 500,000	Rs. 45,000 plus 24% of the amount in excess of Rs. 375,000																																				

		<p>(c) amount received as compensation for loss of office or employment under a scheme which the Commissioner- General considers to be uniformly applicable to all individuals employed by the employer;</p> <p>(d) amount paid to a person at or after the time of retirement from employment from a provident fund approved by the Commissioner-General that does not represent the person’s contributions to that provident fund;</p> <p>(e) amount paid to a person from a regulated provident fund that does not represent the contributions made by the employer to that provident fund before April 1, 1968, and the interest which accrued on such contributions made by the employer, if tax has been paid by the employer at 15% on such contributions made and the interest accruing thereon; and</p> <p>(e) amount paid to a person from a regulated provident fund that does not represent the contributions made by the employer to that provident fund before April 1, 1968, and the interest which accrued on such contributions made by the employer, if tax has been paid by the</p>	<table border="1" data-bbox="1292 190 1792 574"> <tr> <td>Exceeding Rs.10,000,000 but not exceeding Rs.20,000,000</td> <td>6% of the amount in excess of Rs.10,000,000</td> </tr> <tr> <td>Exceeding Rs.20,000,000</td> <td>Rs.600,000 plus 12% of the amount in excess of Rs.20,000,000</td> </tr> </table> <p>d) in subparagraph (3) of that paragraph</p> <p>(i) by the substitution for the words and the figure “referred to in subparagraph (2) shall be-”, of the words and the figure “referred to in item (b) of subparagraph (2) shall be-</p> <p>(ii) in item (c) of that subparagraph, by the substitution for the words “by the employer;” of the words “by the employer; and”</p> <p>(iii) by the repeal of items (d) and (e) of that subparagraph; and</p> <p>(iv) by the re-lettering of item (f) of that subparagraph, as item (d) thereof;</p> <p>Effective Date : 01.01.2020</p>	Exceeding Rs.10,000,000 but not exceeding Rs.20,000,000	6% of the amount in excess of Rs.10,000,000	Exceeding Rs.20,000,000	Rs.600,000 plus 12% of the amount in excess of Rs.20,000,000	<table border="1" data-bbox="1929 190 2456 532"> <tr> <td>Exceeding Rs. 500,000 but not exceeding Rs. 625,000</td> <td>Rs. 75,000 plus 30% of the amount in excess of Rs. 500,000</td> </tr> <tr> <td>Exceeding Rs. 625,000</td> <td>Rs. 112,500 plus 36% of the amount in excess of Rs. 625,000;</td> </tr> </table> <p>(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: -</p> <table border="1" data-bbox="1929 786 2456 1421"> <thead> <tr> <th>Taxable Income</th> <th>Tax payable</th> </tr> </thead> <tbody> <tr> <td>Not exceeding Rs. 500,000</td> <td>6% of the amount in excess of Rs.0</td> </tr> <tr> <td>Exceeding Rs. 500,000 but not exceeding Rs. 1,000,000</td> <td>Rs. 30,000 plus 12% of the amount in excess of Rs. 500,000</td> </tr> <tr> <td>Exceeding Rs. 1,000,000 but not exceeding Rs. 1,500,000</td> <td>Rs. 90,000 plus 18% of the amount in excess of Rs. 1,000,000</td> </tr> <tr> <td>Exceeding Rs. 1,500,000 but not exceeding Rs. 2,000,000</td> <td>Rs. 180,000 plus 24% of the amount in excess of Rs. 1,500,000</td> </tr> </tbody> </table>	Exceeding Rs. 500,000 but not exceeding Rs. 625,000	Rs. 75,000 plus 30% of the amount in excess of Rs. 500,000	Exceeding Rs. 625,000	Rs. 112,500 plus 36% of the amount in excess of Rs. 625,000;	Taxable Income	Tax payable	Not exceeding Rs. 500,000	6% of the amount in excess of Rs.0	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	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
Exceeding Rs.10,000,000 but not exceeding Rs.20,000,000	6% of the amount in excess of Rs.10,000,000																					
Exceeding Rs.20,000,000	Rs.600,000 plus 12% of the amount in excess of Rs.20,000,000																					
Exceeding Rs. 500,000 but not exceeding Rs. 625,000	Rs. 75,000 plus 30% of the amount in excess of Rs. 500,000																					
Exceeding Rs. 625,000	Rs. 112,500 plus 36% of the amount in excess of Rs. 625,000;																					
Taxable Income	Tax payable																					
Not exceeding Rs. 500,000	6% of the amount in excess of Rs.0																					
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																					
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																					

		<p>employer at 15% on such contributions made and the interest accruing thereon; and</p> <p>(4) The type of income referred to in subparagraph (2) (c) shall be income from a business consisting of betting and gaming, liquor or tobacco.</p>	<p>e) In subparagraph (4) of that paragraph, by the Substitution for the words “liquor or tobacco.” of the words “manufacture and sale or import and sale of any liquor or tobacco product.”</p> <p>Effective Date : 01.04.2019</p> <p>(f) by the addition immediately after subparagraph (4) of that paragraph, of the following new subparagraph:-</p> <p>“(5) Notwithstanding anything to the contrary in the provisions of subparagraph (1A), an individual’s following gains and profits shall be taxed at the maximum rate of 14% with effect from April 1, 2021:-</p> <p>(a) consideration received in respect of gems and jewellery;</p> <p>(b) Amounts received on the supply of electricity to national grid generated by using renewable energy resources by any individual.</p> <p>Effective Date : 01.04.2021</p>	<table border="1" data-bbox="1929 190 2456 532"> <tr> <td data-bbox="1929 190 2177 362">Exceeding Rs. 2,000,000 but not exceeding Rs. 2,500,000</td> <td data-bbox="2177 190 2456 362">Rs. 300,000 plus 30% of the amount in excess of Rs. 2,000,000</td> </tr> <tr> <td data-bbox="1929 362 2177 532">Exceeding Rs. 2,500,000</td> <td data-bbox="2177 362 2456 532">Rs. 450,000 plus 36% of the amount in excess of Rs. 2,500,000";</td> </tr> </table> <p>(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 January 1, 2023: -”</p>	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	Exceeding Rs. 2,500,000	Rs. 450,000 plus 36% of the amount in excess of Rs. 2,500,000";
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							
Exceeding Rs. 2,500,000	Rs. 450,000 plus 36% of the amount in excess of Rs. 2,500,000";							

Paragraph 2
(Tax rate for
partnerships.)

Where a partnership's taxable income includes gains from the realization of investment assets, those gains shall be taxed to the partnership at the rate of 10%.

by the repeal of paragraph 2 of that Schedule and the substitution therefor, of the following paragraph:-

2. Tax rate for partnerships.

(1) Subject to the provisions of subparagraph (2), the taxable income of a partnership shall be taxed at the following rates with effect from January 1, 2020: -

Taxable income for a year of assessment	Tax payable
Not exceeding Rs.1,000,000	0% of the amount in excess of Rs.0
Exceeding Rs.1,000,000	6% of the amount in excess of Rs.1,000,000

(2) Where a partnership's taxable income includes gains from the realization of investment assets, then-

(a) those gains shall be taxed to the partnership at the rate of 10%; and

			<p>(b) only the remainder of the partnership's taxable income shall be taxed at the rate referred to in subparagraph (1).</p> <p>Effective Date : 01.01.2020</p>	
	<p>Paragraph 3 (Tax rates for trusts.)</p>	<p>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 [24%].</p>	<p>in subparagraph (1) of paragraph 3 of that Schedule, by the substitution for the words and figures "taxed at the rate of [24%.]", of the words and figures "taxed at the rate of 24% prior to January 1, 2020 and 18% with effect from January 1, 2020.";</p> <p>Effective Date : 01.01.2020</p>	<p>in paragraph 3 of that Schedule, by the repeal of subparagraph (1) of that paragraph and the substitution therefor, of the following subparagraph: -</p> <p>"(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 –</p> <p>(a) 24% prior to January 1, 2020;</p> <p>(b) 18% with effect from January 1, 2020, but prior to April 1, 2022;</p> <p>(c) 18% 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</p> <p>(d) 30% with effect from April 1, 2023.";</p>
	<p>Paragraph 4 (Tax rates for companies.)</p>	<p>(1) Subject to subparagraphs (2) and (3), the taxable income of a company for a year of assessment shall be taxed at the rate of 28%.</p>	<p>(a) by the repeal of subparagraph (1) of that paragraph and the substitution therefor, of the following: -</p>	<p>in paragraph 4 of that Schedule-</p> <p>(a) in subparagraph (1) of that paragraph-</p>

		<p>(2) The taxable income of a company for a year of assessment shall be taxed at the following rates:—</p> <p>(a) in the case of an Small and Medium Enterprises – 14%;</p> <p>(b) in the case of a company predominantly conducting a business of exporting goods and services – 14%;</p> <p>(c) in the case of a company predominantly conducting an agricultural business – 14%;</p> <p>(d) in the case of a company with income from a business consisting of betting and gaming, liquor and tobacco (excluding such income which is merely incidental to another business) – 40%;</p> <p>(e) in the case of a company predominantly providing educational services – 14%;</p> <p>(f) in the case of a company predominantly engaged in an undertaking for the promotion of tourism- 14%; and</p> <p>(g) in the case of a company predominantly providing information technology services-14%.</p>	<p>“(1) Subject to subparagraphs (2), (2A) and (3), the taxable income of a company for a year of assessment-</p> <p>(a) prior to January 1, 2020 shall be taxed at the rate of 28%;</p> <p>(b) with effect from January 1, 2020 shall be taxed at the rate of 24%.”</p> <p>Effective Date : 01.01.2020</p> <p>(b) in subparagraph (2) of that paragraph, by the substitution for the words “for a year of assessment”, of the words and figures “for a year of assessment prior to January 1, 2020</p> <p>Effective Date : 01.01.2020</p> <p>(c) by the insertion immediately after subparagraph (2) of that paragraph, of the following new subparagraph: -</p>	<p>(i) by the repeal of item (b) of that subparagraph, and the substitution therefor of the following item: -</p> <p>“(b) with effect from January 1, 2020, but prior to April 1, 2022, shall be taxed at the rate of 24%. ”;</p> <p>(ii) by the addition immediately after item (b) of that subparagraph, of the following new items: -</p> <p>“(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</p> <p>(d) with effect from April 1, 2023 shall be taxed at the rate of 30%. ”;</p> <p>(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 assessment commencing on April 1, 2022: -”;</p> <p>(c) by the addition immediately after subparagraph (2A) of that paragraph, of the following new subparagraph: -</p>
--	--	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

		<p>(4) Where a company's taxable income includes gains from the realization of investment assets, then – (a) those gains, shall be taxed to the company at the rate of 10%; and (b) only the remainder of the company's taxable income shall be taxed at the rate referred to in subparagraph (1).</p>	<p>(2A) Such part of the gains and profits of a company for a year of assessment shall be taxed at the following rates with effect from January 1, 2020:-</p> <p>(a) gains and profits from the business of a Small and Medium Enterprise, excluding such gains and profits from a business of betting and gaming or from the sale of liquor (in the case of liquor, other than those gains and profits from a business which is merely incidental to another business)- 14%;</p> <p>(b) gains and profits from conducting a business of sale of goods or merchandise including export of goods, where the payment for such sale or export is received in foreign currency and remitted through a bank to Sri Lanka-14%;</p> <p>(c) gains and profits of a specified undertaking- 14%; (d) gains and profits from providing educational services-14%;</p> <p>(e) gains and profits of an undertaking for the promotion of tourism-14%;</p> <p>(f) gains and profits from providing construction services-14%;</p> <p>(g) gains and profits from agro processing- 14%;</p>	<p>“(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 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: -</p> <p>(a) gains and profits from conducting betting and gaming-40%; and</p> <p>(b) gains and profits from the manufacture and sale or import and sale of any liquor or tobacco product- 40%. ”;</p> <p>(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”;</p> <p>(e) in subparagraph (5) of that paragraph, -</p> <p>(i) by the substitution for the word and figures “subparagraphs (1), (2A),” of the word and figures “subparagraphs (1), (2A), (2B),”;</p> <p>(ii) in item (b) of that subparagraph, by the substitution for the words “for the two years of assessment immediately succeeding that year of</p>
--	--	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

			<p>(h) gains and profits from providing health care services-14%;</p> <p>(i) gains and profits from dividends received from a resident company-14%;</p> <p>(j) gains and profits derived by any export company which is registered with the Board of Investments of Sri Lanka established by the Board of Investment of Sri Lanka Law, No. 4 of 1978 from the consideration received in respect of health protective equipment and similar products supplied to the Ministry of Health, Department of Health Services, Sri Lanka Army, Sri Lanka Navy, Sri Lanka Air force, Sri Lanka Police and COVID Center- 14%;</p> <p>Effective Date : 01.01.2020</p> <p>(k) gains and profits of any company (even though a higher rate of income tax is applicable as provided under this Act or under any other written law) which lists its shares on or after January, 1 2021, but prior to December 31, 2021, in the Colombo Stock Exchange licensed by the Securities and Exchange Commission of Sri</p>	<p>assessment,” of the words and figures “for the first six months of the year of assessment commencing from April 1, 2022”; and</p> <p>(iii) by the repeal of item (ii) of sub-paragraph (b) of that subparagraph and the substitution therefore of the following: -</p> <p>“(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.”;</p>
--	--	--	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

			<p>Lanka, for three years of assessment commencing from April 1, 2022 -14%;</p> <p>(l) gains and profits from the consideration received in respect of gems and jewellery – 14%;</p> <p>(ll) with effect from April 1, 2021, gains and profits from the supply of electricity to national grid generated using renewable energy resources by a company – 14%;</p> <p>(m) subject to item (a), (b), (c), (j) or (k) of this subparagraph, gains and profits from manufacturing-18%;</p> <p>(n) gains and profits from conducting betting and gaming40%;</p> <p>(o) gains and profits from the manufacture and sale or import and sale of any liquor or tobacco product-40%.”</p> <p>Effective Date : 01.04.2021</p> <p>(d) by the addition immediately after subparagraph (4) of that paragraph, of the following new subparagraph: -</p>	
--	--	--	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

			<p>(d) by the addition immediately after subparagraph (4) of that paragraph, of the following new subparagraph: -</p> <p>(5) The income tax payable by a company, calculated in accordance with subparagraphs (1), (2A), (3) and (4) of paragraph 4 of this Schedule shall be reduced as follows: -</p> <p>(a) aggregate income tax payable by any company (including income tax payable calculated on the basis and tax rate provided in any agreement with the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1978, but other than on gains from the realization of investment asset) which lists its shares on or after January 1, 2021, but prior to December 31, 2021, in the Colombo Stock Exchange licensed by the Securities and Exchange Commission of Sri Lanka, shall be reduced by fifty per centum for the year of assessment commencing from April 1, 2021;</p> <p>(b) such part of income tax payable on gains and profits from dividends by any multi-national company shall be reduced by twenty-five per centum for the year of assessment commencing</p>	
--	--	--	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

			<p>from April 1, 2021 and fifty per centum for the two years of assessment immediately succeeding that year of assessment, subject to the condition that there shall be-</p> <p>(i) an increase in exports (other than specified undertakings) by thirty per centum in the year of assessment commencing from April 1, 2021, compared to the immediately preceding year of assessment (hereinafter referred to as the “first year”); or</p> <p>(ii) an increase in exports (other than specified undertakings) by fifty per centum in the year of assessment commencing from April 1, 2022, compared to the first year and maintains such status in the subsequent year of assessment.”</p> <p>Effective Date : 01.04.2021</p>	
	<p>Paragraph 5 (Tax rates for unit trusts or mutual funds.)</p>	<p>(1) Subject to the provisions of subparagraph (2), the taxable income of a unit trust or mutual fund to which section 59 applies for a year of assessment shall be taxed at the rate of [28%].</p> <p>(2) Where a unit trust’s or mutual fund’s taxable income includes gains from the realization of capital assets then –</p>	<p>(a) in subparagraph (1) of that paragraph, by the substitution for the words and figures “taxed at the rate of [28%].”, of the words and figures “taxed at the rate of 28% prior to January 1, 2020 and 24% with effect from January 1, 2020.”;</p> <p>Effective Date : 01.01.2020</p>	<p>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: -</p> <p>“shall be taxed at the rate of –</p> <p>(a) 28% prior to January 1, 2020;</p>

		<p>(a) those gains, shall be taxed to the unit trust or mutual fund at the rate of 10%; and</p> <p>(b) only the remainder of the unit trust's or mutual fund's taxable income shall be taxed at the rate referred to in subparagraph (1).</p>	<p>(b) in subparagraph (2) of that paragraph, by the substitution for the words "realization of capital assets", of the words "realization of investment assets";</p> <p>Effective Date : 01.04.2018</p>	<p>(b) 24% with effect from January 1, 2020, but prior to April 1, 2022;</p> <p>(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</p> <p>(d) 30% with effect from April 1, 2023.”;</p>
	<p>Paragraph 7 (Tax rates for non-governmental organizations)</p>	<p>(1) Subject to subparagraph (2), the taxable income of a nongovernmental organization for a year of assessment shall be taxed at the rate of [28%].</p> <p>(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 be [28%].</p>	<p>(a) in subparagraph (1) of that paragraph, by the substitution for the words and figures "taxed at the rate of [28%].", of the words and figures "taxed at the rate of 28% prior to January 1, 2020 and 24% with effect from January 1, 2020.”;</p> <p>(b) in subparagraph (3) of that paragraph, by the substitution for the words and figures "taxed at the rate of [28%].", of the words and figures "taxed at the rate of 28% prior to January 1, 2020 and 24% with effect from January 1, 2020.”;</p> <p>Effective Date : 01.01.2020</p>	<p>in paragraph 7 of that Schedule-</p> <p>(a) by the repeal of subparagraph (1) of that paragraph and the substitution therefor, of the following subparagraph: -</p> <p>“(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 –</p> <p>(a) 28% prior to January 1, 2020;</p> <p>(b) 24% with effect from January 1, 2020, but prior to April 1, 2022;</p> <p>(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</p>

				<p>(d) 30% with effect from April 1, 2023.”;</p> <p>(b) by the repeal of subparagraph (3) of that paragraph and the substitution therefor, of the following subparagraph: -</p> <p>“(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-</p> <p>(a) prior to January 1, 2020, be 28%;</p> <p>(b) be 24% with effect from January 1, 2020, but prior to April 1, 2022;</p> <p>(c) be 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, be 30%; and</p> <p>(d) be 30% with effect from April 1, 2023.”; and</p>
	Paragraph 8 (Tax Rates for Employees Trust Funds, Provident or Pension Funds		in the heading of paragraph 8 of that Schedule, by the substitution for the words “Provident or Pension Funds” of the words “Provident, Pension or Gratuity Funds”;	

	and Termination Funds.)		Effective Date : 01.04.2018	
	Paragraph 10 (Withholding tax rates)	<p>(c) for payments to which section 85 applies –</p> <p>(ii) in the case of service fees referred to in section 85(1)(b) - 14%; and</p> <p>(iii) in the case of insurance premiums referred to in section 85(1)(b) - 14%.</p>	<p>(a) in item (c)(ii) of that subparagraph, by the substitution for the words and figures “14%; and”, of the figures “14%;”;</p> <p>(b) in item (c)(iii) of that subparagraph, by the substitution for the figures “14%.”, of the word and figures “14%; and”;</p> <p>(c) by the addition immediately after item (c)(iii) of that subparagraph, of the following new item: -</p> <p>(iv) in the case of payments referred to in section 85(1A)-</p> <p>(iv a) interest or discount paid-5%</p> <p>(iv b) all other payments- 14%.</p> <p>Effective Date : 01.01.2020</p>	<p>in subparagraph (1) of paragraph 10 of that Schedule –</p> <p>(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-”;</p> <p>(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</p> <p>(c) by the addition immediately after item (c) of that subparagraph, of the following new item:-</p> <p>“(d) for payments to which section 84A (1A) applies –</p> <p>–</p> <p>(i) rent payments made to a resident person where the aggregate payment does not exceed Rs. 100,000 per month – 0%;</p> <p>(ii) interest or discount paid – 5%;</p>

				<p>(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;</p> <p>(iv) all other payments except dividend – 14%; and</p> <p>(v) dividend paid-15%.”; and</p>
	<p>Paragraph 11 (Tax rate for persons who engage in agro farming together with agro processing or manufacturing)</p>		<p>by the addition immediately after paragraph 10 of that Schedule, of the following new paragraphs: -</p> <p>Where a person utilizes agro farming produce produced by him for his agro processing or manufacturing business activity in Sri Lanka, such portion of the tax payable in respect of such agro processing or manufacturing business activity that corresponds to the proportion of the farming produce produced by him to the total farming produce utilized in such agro processing or manufacturing, shall be reduced by twenty-five per centum, for the period of five years of assessment commencing on April 1, 2021.</p> <p>Effective Date : 01.04.2021</p>	<p>In paragraph 11 of that Schedule, by the substitution for the words “five years”, of the words “two years”.</p>
	<p>Paragraph 12 (Application of tax rates for different gains and profits)</p>		<p>Where a person’s taxable income consists of different sources of income or gains and profits from different business activities, the income tax rates applicable to each such source of income or such gains and profits from such different business</p>	

			activities shall be applied to such source of income or such gains and profits.”	
Second Schedule (INVESTMENT INCENTIVES) Section As per Amendment-5	Paragraph 1 (Enhanced Capital Allowances)	<p>(2) A capital allowance of 100% of the expenses incurred by a person on depreciable assets, other than intangible assets during a year of assessment shall be granted to that person for that year if the total expenses incurred by that person during that year on depreciable assets (other than intangible assets) that are used in a part of Sri Lanka other than the Northern Province exceeds USD 3 million but does not exceed USD 100 million.</p> <p>(3) A capital allowance of 150% of the expenses incurred by a person on depreciable assets other than intangible assets during a year of assessment shall be granted to that person for that year if the total expenses incurred by that person during that year on depreciable assets (other than intangible assets) that are used in a part of Sri Lanka other than the Northern Province exceeds USD 100 million.</p> <p>(4) A capital allowance of 200% of the expenses incurred by a person on depreciable assets other than intangible assets during a year of assessment shall be granted to that person for that year where the total expenses incurred by that person during that year on depreciable assets (other than</p>	<p>(a) in subparagraph (2), subparagraph (3) and subparagraph (4) of that paragraph, by the substitution for the words “total expenses incurred by that person during that year”, of the words “total investment made by that person” respectively;</p> <p>(b) in subparagraph (6) of that paragraph, by the substitution for the words “shall be deferred”, of the words “shall not be deferred”;</p> <p>Effective Date : 01.04.2018</p> <p>(c) by the repeal of subparagraph (9) of that paragraph, and the substitution therefor, of the following subparagraph: -</p> <p>“Improvements on Leasehold Lands”</p> <p>(9) Notwithstanding anything to the contrary in any other provision of this Act, for the purpose of this Schedule, any building, structure, or similar work of a permanent nature constructed or made in a leasehold land by the person who made the</p>	<p>The Second Schedule to the principal enactment is hereby amended in paragraph 1 of that Schedule, by the insertion immediately after subparagraph (6) of that paragraph, of the following new subparagraph: -</p> <p>“(6A) Commencing from the first date of investment on a depreciable asset, three years of project implementation period shall be provided to a person who has not made his intended total investment under a subparagraph of this paragraph.</p> <p>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.”</p>

	<p>intangible assets) that are used in the Northern Province exceeds USD 3 million.</p> <p>(6) Capital allowances arising under a subparagraph of this paragraph 1 with respect to a particular year of assessment cannot be accumulated with another subparagraph and shall be taken in that year and shall be deferred to a later year of assessment.</p> <p>Assessable Charges and Balancing Allowances</p> <p>(9) Where an asset for which Capital allowance has been granted under this paragraph is disposed of (or deemed to be disposed of) during a year of assessment</p> <p>(a) if the consideration received for the disposal exceeds the written down value of the asset, the excess shall be included in calculating a person's income for a year of assessment from a business in which the depreciable assets are or were employed; and</p> <p>(b) if the written down value of the asset exceeds the consideration received for the disposal, an additional Capital allowance shall be granted for the year in an amount equal to the excess.</p>	<p>investment shall not be deemed as an intangible asset but deemed as a depreciable asset.”</p> <p>Effective Date : 01.04.2021</p>	
--	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------	--

<p>Paragraph 2 (Exemption of Certain Dividends from Withholding Tax)</p>	<p>2. Notwithstanding anything in the First Schedule, the rate of tax to be withheld from a dividend paid by a company to a non-resident member shall be zero, if the company paying the dividend has incurred more than USD 1,000 million on depreciable assets (other than intangible assets) in Sri Lanka or entitled to an enhanced capital allowance under subparagraph (5) of paragraph 1, and that dividend is paid out of profits sheltered by enhanced Capital allowances under this Schedule.</p>	<p>by the repeal of paragraph 2 of that Schedule, and the substitution therefor, of the following paragraph:-</p> <p>“Exemption of Certain Dividends from Withholding Tax”</p> <p>2. Notwithstanding anything in the First Schedule, the rate of tax to be applied on a dividend paid by a company to a nonresident member prior to January 1, 2020 shall be zero, if the company paying the dividend has incurred more than USD 250 million on depreciable assets (other than intangible assets) in Sri Lanka, for the period in which that payment is made out of profits sheltered by enhanced capital allowances under this Schedule.”</p> <p>Effective Date : 01.04.2021</p>		
<p>Paragraph 3 (Exemption of Employment Income from Withholding Tax)</p>	<p>3. Notwithstanding anything in the First Schedule, the rate of tax to be withheld from a payment made by an employer to an expatriate employee shall be zero, if the company paying the dividend has incurred more than USD 1,000 million on depreciable assets (other than intangible assets in Sri Lanka or entitled to an enhanced capital allowance under subparagraph (5) of paragraph 1, and that dividend is paid out</p>	<p>by the repeal of paragraph 3 of that Schedule, and the substitution therefor of the following paragraph: -</p> <p>Exemption of Employment Income</p> <p>3. Notwithstanding anything in the First Schedule, the rate of tax to be applied on employment income of an expatriate employee shall be zero, if</p>		

		of profits sheltered by enhanced Capital allowances under this Schedule, where the number of expatriate employees is not exceeding twenty.	the company making the payment has incurred more than USD 250 million on depreciable assets (other than intangible assets) in Sri Lanka, for the period in which that payment is made out of profits sheltered by enhanced capital allowances under this Schedule, or for five years from the commencement of commercial operations, whichever is higher, where the number of expatriate employees at any time during that period does not exceed twenty.” Effective Date : 01.04.2021	
Third Schedule (Exempt Amounts) Section As per Amendment-53	Paragraph (d)	(d) an amount paid to an employee at the time of retirement from— (ii) a provident fund approved by the Commissioner- General;	in subparagraph (ii) of paragraph (d) of that Schedule, by the substitution for the words “by the Commissioner-General;”, of the words “by the Commissioner-General or a regulated provident fund;” Effective Date : 01.04.2018	
	Paragraph (g)			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 realization of a capital asset or liability of the business or realization 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;” Effective Date : 01.04.2022
	Paragraph (h)	(h) gain made on realization of an asset consisting of shares quoted in any official list published by any stock exchange licensed by the Securities and Exchange Commission of Sri Lanka;	by the insertion immediately after paragraph (h) of that Schedule, of the following new paragraph: - “(hh) a gain made by a person on or after April 1, 2021 from the Page 55 of 73 realization of land or building which was sold, exchanged or transferred to a real estate investment trust listed in the Colombo Stock Exchange and licensed by the Securities and Exchange Commission of Sri Lanka;” Effective Date : 01.04.2021	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”; Effective Date: 01.04.2020
	Paragraph (i)	(i) the interest derived by a charitable institution, where it is proved to the satisfaction of the Commissioner-General that such interest is applied solely for the purpose of providing care to children, the elderly or the disabled in a home maintained by such charitable institution;	by the repeal of paragraph (i) of that Schedule and the substitution therefor, of the following: - (i) the interest accruing to or derived by- (i) a charitable institution, where it is proved to the satisfaction of the Commissioner-General that such interest is applied solely for the purpose of providing care to children, the elderly or the disabled in a home maintained by such charitable institution;	

			<p>(ii) any person outside Sri Lanka on any loan granted to any person in Sri Lanka or to the Government of Sri Lanka by such person;</p> <p>Effective Date : 01.04.2018</p> <p>(iii) any person on moneys lying to his credit in foreign currency in any foreign currency account opened by him or on his behalf, in any commercial bank or in any specialized bank, with the approval of the Central Bank of Sri Lanka, on or after January 1, 2020;</p> <p>Effective Date : 01.01.2020</p> <p>(iv) any person from a term deposit account titled as “Special Deposit Account” opened and maintained with an authorized dealer in Sri Lanka as prescribed by regulations made by the Minister under section 29 read with section 7 of the Foreign Exchange Act, No. 12 of 2017, (excluding the subsequently renewed accounts), either in any designated foreign currency or in Sri Lanka Rupees on or after April 8, 2020;</p> <p>Effective Date : 08.04.2020</p>	
--	--	--	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

			<p>(v) any welfare society, on or after April 1, 2021; In this subparagraph, “welfare society” means a fund or a society which has been set up or formed for the welfare of its members or their respective families and contributions are made by its members, including benevolent fund which promotes the savings of members, but other than any company which is incorporated or registered under any law in force in Sri Lanka or elsewhere and a partnership;</p> <p>(vi) any multi-national company on any deposit opened and maintained in foreign currency in any domestic bank, if such deposit is maintained to cover its import expenditure for that year of assessment, on or after April 1, 2021;</p> <p>Effective Date : 01.04.2021</p> <p>In this subparagraph, “multi-national company” means a company that is part of a group of associated companies, with business establishments in two or more countries;”</p>	
	Paragraphs (k)	(k) any sum received by a person from the President’s Fund established by the President’s Fund Act, No. 7 of 1978 or National Defense	by the repeal of paragraphs (k) of that Schedule, and the substitution therefor of the following:–	

		Fund established by the National Defense Fund Act, No. 9 of 1985;	<p>(k) any sum received by-</p> <p>(i) any person from the President's Fund established by the President's Fund Act, No. 7 of 1978 or the National Defence Fund established by the National Defence Fund Act, No. 9 of 1985;</p> <p>(ii) any Public Corporation out of the funds voted by Parliament from the Consolidated Fund or out of any loan arranged through the Government;</p> <p>Effective Date : 01.04.2018</p>	
	Paragraphs (l)	(l) an amount equal to the interest or the discount paid or allowed, as the case may be, to any non-resident person or to any licensed commercial bank in Sri Lanka, by the issuer of any sovereign bond denominated in foreign currency, issued on or after October 21, 2008, by or on behalf of the Government of Sri Lanka;	<p>by the repeal of paragraphs (l) of that Schedule, and the substitution therefor of the following:-</p> <p>(l) any income earned by-</p> <p>(i) any non-resident person other than a Sri Lankan permanent establishment by way of interest, discount or realization of any gain on any sovereign bond denominated in local or foreign currency:</p> <p>(ii) any person by way of interest or discount paid or allowed, as the case may be, on any sovereign bond denominated in foreign currency, including</p>	

			<p>Sri Lanka Development Bonds, issued by or on behalf of the Government of Sri Lanka;</p> <p>by the insertion immediately after paragraph (I) of that Schedule, of the following new paragraphs: -</p> <p>(II) a gain from the realisation of Sri Lanka international sovereign bonds issued by or on behalf of the Government of Sri Lanka and received or derived by a commercial bank or authorized dealer who made an aggregate investment not less than USD 100 million in such bonds on or after April 1, 2021;</p> <p>(III) interest or discount accrued or derived Page 58 of 73 on or after April 1, 2021 by any Samurdhi community-based banks established under the Department of Samurdhi Development from security or treasury bonds under the Registered Stocks and Securities Ordinance (Chapter 420) or treasury bills under the Local Treasury Bills Ordinance (Chapter 417);</p> <p>Effective Date : 01.04.2021</p>	
	Paragraph (o)	(o) a dividend paid by a resident company to a member to the extent that dividend payment is attributable to, or derived from, another dividend received by that resident company or another	in paragraph (o) of that Schedule, by the substitution for the words “a dividend paid”, of the words and figures “prior to January 1, 2020, a dividend paid;	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”;

		<p>resident company that was subject to withholding under section 84; and</p>	<p>Effective Date : 01.01.2020</p> <p>by the insertion immediately after paragraph (o) of that Schedule, of the following new paragraph: - (oo) on or after January 1, 2020, a dividend paid by a resident company</p> <p>(i) to a member to the extent that such dividend payment is attributable to, or derived from, gains and profits from dividend received by that resident company; (in this paragraph, “gains and profits from dividend” means the dividend received by that company after the deduction of expenses or losses, if any, subject to the provisions of this Act and income tax paid or payable on such dividend received by that company);</p> <p>(ii) to a member who is a non-resident person;</p> <p>(iii) 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: -</p>	<p>Effective Date : 01.04.2022</p> <p>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-</p> <p>(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: -</p> <p>(ia) entrepot trade involving import, minor processing and re-export;</p> <p>(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;</p> <p>(ic) providing front-end services to clients abroad;</p> <p>(id) headquarters operations of leading buyers for management of financial supply chain and billing operations;</p> <p>(ie) logistics services including bonded warehouse or multi-country consolidation in Sri Lanka;</p> <p>(ii) to a member to the extent that such dividend payment is attributable to, or derived from, another</p>
--	--	-------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

			<p>(iii a) entrepot trade involving import, minor processing and re-export;</p> <p>(iii b) 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;</p> <p>(iii c) providing front-end services to clients abroad;</p> <p>(iii d) headquarters operations of leading buyers for management of financial supply chain and billing operations;</p> <p>(iii e) logistics services including bonded warehouse or multicounty consolidation in Sri Lanka;</p> <p>Effective Date : 01.01.2020</p>	<p>dividend received by that resident company or another resident company which is subject to Advance Income Tax under subsection (1A) of section 84A;”;</p>
	Paragraph (r)	r) Dividends from and gains on the realisation of shares in a non-resident company where derived by a resident company with respect to a substantial participation in the non-resident company. In this paragraph, “substantial participation” means—	<p>in paragraph (r) of that Schedule, by the substitution for the words “by a resident company”, of the words “by any person”;</p> <p>by the insertion immediately after paragraph (r) of that Schedule, of the following new paragraph: -</p>	<p>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,”</p>

		<p>(i) holding 10 percent or more of the value of shares in the company, excluding redeemable shares; together with</p> <p>(ii) control, either directly or indirectly, of 10 percent or more of the voting power in the company;</p>	<p>Effective Date : 01.04.2018</p> <p>“(rr) dividends and gains on the realisation of units or amounts derived as gains from the realisation of capital assets of a business or investment by a unit holder, from real estate investment trust listed in the Colombo Stock Exchange and licensed by the Securities and Exchange Commission of Sri Lanka;”;</p> <p>Effective Date : 01.04.2021</p>	
	Paragraph (t)	(s) any amount derived by a person from the sale of any gem on which tax has been deducted under subsection (2) of section 84.	<p>by the addition immediately after paragraph (s) of that Schedule, of the following new paragraphs: -</p> <p>“(t) any amount derived on or after April 1, 2018, by any non-resident person as any payment for air craft, software licenses or as for other related services from the Sri Lankan Airlines Limited;</p> <p>Effective Date : 01.04.2018</p>	
	Paragraph (u)		<p>u) the gains and profits earned or derived by any person from-</p> <p>(i) the sale of produce from agro farming of such person within the period of five years of assessment commencing from April 1, 2019:</p>	<p>in paragraph (u) of that Schedule-</p> <p>(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,”;</p>

			<p>Provided that in relation to an undertaking which consists of the production of agro farming produce and utilizing such produce to agro processing or manufacture of any product, such produce shall be deemed to have been sold for the agro processor or manufacturer at the market price prevailing at the time of such deemed sale, and the gains and profits computed on the basis of such deemed sale in relation to the agro farming shall be considered as exempt gains and profits within the period of five years of assessment commencing on April 1, 2019;</p> <p>Effective Date : 01.04.2019</p> <p>(ii) providing information technology and enabled services on or after January 1, 2020, as may be prescribed;</p> <p>(iii) any service rendered in or outside Sri Lanka to any person to be utilized outside Sri Lanka, where the payment for such services is received in foreign currency and remitted through a bank to Sri Lanka on or after January 1, 2020;</p> <p>(iv) any foreign source (other than gains and profits referred to in subparagraph</p>	<p>(b) in subparagraph (v) of that paragraph-</p> <p>(i) in that subparagraph, by the substitution for the words “any vocational”, of the words and figures “prior to April 1, 2023, any vocational”;</p> <p>(ii) in item (b) of that subparagraph, by the substitution for the words “five years”, of the words “two years”;</p> <p>(iii) in the proviso to that subparagraph, by the substitution for the words “next four years”, of the words “next year”; and</p> <p>(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</p>
--	--	--	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

			<p>(iii) where such gains and profits are earned or derived in foreign currency and remitted through a bank to Sri Lanka on or after January 1, 2020;</p> <p>Effective Date : 01.01.2020</p> <p>(v) any vocational education programmes of any Vocational Education Institution which is standardized under Technical and Vocational Education and Training concept (TVET concept) and regulated by the Tertiary and Vocational Education Commission</p> <p>(a) if such institution has doubled its student intake of the vocational education programmes for such year of assessment compared to the student intake of such programmes in the year of assessment immediately preceding that year of assessment;</p> <p>(b) for a period of five years commencing on April 1, 2021:</p> <p>Provided however, for the purpose of paragraph (a), any institution which doubled the student intake of the vocational education programmes as provided for in the first year and maintained the same student intake of such programmes of the first year for the next four years shall be deemed</p>	
--	--	--	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

		<p>as an institution which fulfilled the requirement in such years;</p> <p>vi) any business of export of gold, gems or jewellery or from the business of cutting and polishing of gems which are brought to Sri Lanka and exported after such cutting and polishing, where such gains and profits earned in foreign currency are remitted through a bank to Sri Lanka, with effect from April 1, 2021;</p> <p>Effective Date : 01.04.2021</p>	
	Paragraph (v)	<p>(v) any amount derived on or after January 1, 2020 by-</p> <p>(i) any non-resident person from laboratory services or standards certification services;</p> <p>(ii) any religious institution which is registered with the Ministry in charge of the subject of religious affairs, by way of grants or donations;</p> <p>Effective Date : 01.01.2020</p>	
	Paragraph (w)	<p>(w) gains and profits received or derived from business (other than any gains from the realization of capital assets and liabilities of the business as calculated under Chapter IV of this Act) by a</p>	<p>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,”</p>

			<p>person from following any new undertaking (which is not formed by splitting up or re-construction of an existing undertaking) commenced on or after April 1, 2021, for that period, subject to the conditions contained herein:</p> <p>-</p> <p>(i) an undertaking which is involved in the sale of construction materials recycled in a selected separate site established in Sri Lanka to recycle the materials which were already used in the construction industry, (a person who is involved in the provision of construction services using construction materials recycled by him from a site with the same conditions, in the provision of such services provided by him shall be deemed to have sold such materials for the construction service at a market price prevailing at the time of such deemed sale), for a period of ten years;</p> <p>(ii) any business commenced on or after April 1, 2021 by an individual after successful completion of vocational education from any Vocational Education Institution which is standardized under Technical and Vocational Education and Training concept (TVET concept) and regulated by the Tertiary and Vocational Education Commission, for a period of five years;</p>	
--	--	--	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

			<p>(iii) an undertaking commenced by a resident person for the purpose of manufacturing of boats or ships in Sri Lanka and received or derived any gains and profits from the supply of such boats or ships, for a period of seven years;</p> <p>(iv) any renewable energy project established with a capacity to produce not less than one hundred Mega Watts of solar or wind power and supplied such power to the national grid, for a period of seven years;</p> <p>(v) an undertaking commenced on or after January 1, 2021 by any resident person who constructs and installs communication towers and related appliances using local labour and local raw materials in Sri Lanka or provides required technical services for such construction or installation, for a period of five years;</p> <p>(vi) an undertaking for letting bonded warehouses or warehouses related to the offshore business in the Colombo and Hambanthota Ports, if such person has invested on such undertaking on or after April 1, 2021;</p> <p>Tax exemption periods provided in the above subparagraphs (other than in subparagraph (vi)) shall be reckoned from the year of assessment in</p>	
--	--	--	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

			<p>which the undertaking commences to make profits (assessable income from such business) from transactions entered into in that year of assessment or from the commencement of the year of assessment immediately succeeding the year of assessment in which the undertaking completes a period of two years reckoned from the date on which the undertaking commences to carry on commercial operations, whichever occurs earlier.”</p> <p>Effective Date : 01.04.2021</p>	
--	--	--	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

www.taxaqa.com

<p>Fourth Schedule (CAPITAL ALLOWANCS, BALANCING ALLOWANCS AND ASSESSABLE CHARGES)</p> <p>Section As per Amendment-54</p>	<p>Paragraph 1 (Types and classification of depreciable assets)</p>	<p>(1) The types and classification of depreciable assets shall be as follows:</p> <table border="1" data-bbox="537 357 1115 1380"> <thead> <tr> <th>Class</th> <th>Depreciable Assets</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Computers and data handling equipment together with peripheral devices.</td> </tr> <tr> <td>2</td> <td>Buses and minibuses, goods vehicles; construction and earthmoving equipment, heavy general purpose or specialized trucks, trailers and trailer-mounted containers; plant and machinery used in manufacturing.</td> </tr> <tr> <td>3</td> <td>Railroad cars, locomotives, and equipment; vessels, barges, tugs, and similar water transportation equipment; aircraft; specialized public utility plant, equipment, and machinery; office furniture, fixtures, and equipment; any depreciable asset not included in another class.</td> </tr> <tr> <td>4</td> <td>buildings, structures and similar works of a permanent nature</td> </tr> <tr> <td>5</td> <td>Intangible assets, excluding goodwill.</td> </tr> </tbody> </table>	Class	Depreciable Assets	1	Computers and data handling equipment together with peripheral devices.	2	Buses and minibuses, goods vehicles; construction and earthmoving equipment, heavy general purpose or specialized trucks, trailers and trailer-mounted containers; plant and machinery used in manufacturing.	3	Railroad cars, locomotives, and equipment; vessels, barges, tugs, and similar water transportation equipment; aircraft; specialized public utility plant, equipment, and machinery; office furniture, fixtures, and equipment; any depreciable asset not included in another class.	4	buildings, structures and similar works of a permanent nature	5	Intangible assets, excluding goodwill.	<p>in the table in subparagraph (1) of paragraph 1 of that Schedule, by the addition, immediately after Class 5, of the following new Class:-</p> <table border="1" data-bbox="1209 438 1760 617"> <tbody> <tr> <td>6</td> <td>Milking machines with latest technology, used to manufacture local liquid milk related products.</td> </tr> </tbody> </table> <p>Effective Date : 01.04.2021</p>	6	Milking machines with latest technology, used to manufacture local liquid milk related products.	
Class	Depreciable Assets																	
1	Computers and data handling equipment together with peripheral devices.																	
2	Buses and minibuses, goods vehicles; construction and earthmoving equipment, heavy general purpose or specialized trucks, trailers and trailer-mounted containers; plant and machinery used in manufacturing.																	
3	Railroad cars, locomotives, and equipment; vessels, barges, tugs, and similar water transportation equipment; aircraft; specialized public utility plant, equipment, and machinery; office furniture, fixtures, and equipment; any depreciable asset not included in another class.																	
4	buildings, structures and similar works of a permanent nature																	
5	Intangible assets, excluding goodwill.																	
6	Milking machines with latest technology, used to manufacture local liquid milk related products.																	

Paragraph 2
(Capital allowances)

(3) The number of years applicable to a depreciable asset referred to in subparagraph (2) shall be:

Class	Number of Years
1	5
2	5
3	5
4	20
5	The actual useful life of the intangible asset, or where the intangible asset has an indefinite useful life, 20

(4) No Capital allowance shall be granted to a person in respect of a road vehicle, other than—

c) a goods vehicle; or

(d) a heavy general purpose or specialized truck or trailer.

a) in the table in subparagraph (3) of that paragraph, by the addition, immediately after Class 5, of the following new Class:-

“6	2.”;
----	------

in subparagraph (4) of that paragraph

Effective Date : 01.04.2021

b) in item (c) of that subparagraph, by the substitution for the words “vehicle; or”, of the words “vehicle;

(ii) in item (d) of that subparagraph, by the substitution for the words “trailer.”, of the words “trailer; or”;

(iii) by the addition immediately after item (d) of that subparagraph, of the following new item:-

“(e) a motor cycle.”

Effective Date : 01.04.2018

	<p>Paragraph 4 (Balancing allowances and assessable charges.)</p>	<p>Balancing allowances and assessable charges</p> <p>(3) For the purposes of this paragraph and without prejudice to section 39, a person realizes a depreciable asset if the person sells the business in respect of which the expenses were incurred to another person who is not an associate.</p>	<p>by the addition immediately after subparagraph (3) of paragraph 4 of that Schedule, of the following new subparagraph:-</p> <p>“(4) Notwithstanding anything to the contrary in subparagraph (1), where a depreciable asset of a person which was subject to deduction of the enhanced capital allowances calculated in accordance with the provisions of the Second or Sixth Schedule to this Act is realized by that person, an assessable charge included in Calculating the person’s income for the year shall be equal to the consideration received by the person during the year of assessment for such asset, or no balancing allowance shall be granted to the person for the year for such asset.”.</p> <p>Effective Date : 01.04.2021</p>	
--	-----------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

<p>Fifth Schedule (QUALIFYING PAYMENTS AND RELIEFS)</p> <p>Section As per Amendment 55</p>	<p>Paragraph 1 (The qualifying payments referred to in section 52)</p>	<p>(c) Profits remitted to the President's Fund established by the President's Fund Act, No. 7 of 1978 by a public corporation as required by the law by or under which such corporation is established.</p>	<p>(a) in subparagraph (c) of that paragraph, by the substitution for the words "profits remitted to the President's Fund", of the words "any sum paid to the Consolidated Fund or to the President's Fund";</p> <p>Effective Date : 01.04.2019</p> <p>(b) by the insertion immediately after subparagraph (c) of that paragraph, of the following new subparagraphs: -</p> <p>"(d) with effect from April 1, 2021, contribution made by a resident individual in money or otherwise to establish a shop for a female individual who is from a Samurdhi beneficiary family as recommended and confirmed by the Department of Samurdhi Development;</p> <p>(e) with effect from April 1, 2021, expenditure incurred by any financial institution by way of cost of acquisition or merger of any other financial institution where such cost is ascertained by considering all the facts on case-by-case basis and as confirmed by the Central Bank of Sri Lanka. Such deductible expenditure shall be apportioned in equal amounts over a period of three years of assessment and be deductible from the assessable income of that financial institution in each such</p>	<p>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, any other bank licensed under the Banking 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</p> <p>Effective Date : 01.04.2022</p>
------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

		<p>year of assessment commencing from the year of assessment where the expenditure is incurred:</p> <p>Provided however, any amount which was not deducted during the three years period, by reason of the total assessable income in a year has not exceeded the above permitted education, shall be deducted in the year of assessment immediately after the three years period and so on;</p> <p>(f) expenditure incurred on or after April 1, 2021, by any person-</p> <p>(i) in the production of a film at a cost of (including promotional expenditure of such film) not less than five million rupees;</p> <p>(ii) in the construction and equipping of a new cinema at a cost of not exceeding twenty-five million rupees;</p> <p>(iii) in the upgrading of a cinema at a cost of not exceeding ten million rupees:</p> <p>Provided that, the deduction under this subparagraph shall be restricted to one third of the taxable income of the year of assessment, and any amount which is not deducted in current year may be carried forward and deducted in the next</p>	
--	--	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

			<p>succeeding year and so on, subject to the same restriction.</p> <p>For the purpose of this subparagraph-</p> <p>“film” means any audio-visual presentation of the moving image produced on any form or format whatsoever and which is intended primarily to be exhibited by projection on a screen in a cinema; and</p> <p>the expenditure on construction and equipping or upgrading a cinema shall be certified by the National Film Corporation of Sri Lanka established by the National Film Corporation of Sri Lanka Act, No. 47 of 1971 as being equipped with digital technology, Digital Theatre Systems and Dolby Sound Systems.”;</p> <p>Effective Date : 01.04.2021</p>	
	Paragraph 2 (The reliefs referred to in section 52)	<p>(a) Rs. 500,000 for each year of assessment, 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 is not available to be deducted against gains from the realization</p> <p>(b) of investment assets;</p>	<p>(a) by the repeal of subparagraph (a) of that paragraph and the substitution therefor, of the following subparagraph: -</p> <p>“(a) (i) Rs.500,000, for each year of assessment prior to January 1, 2020; and</p> <p>(ii) Rs.3,000,000, for each year of assessment commencing on or after January 1, 2020,</p>	<p>(a) by the repeal of subparagraph (a) of that paragraph and the substitution therefor, of the following subparagraph: -</p> <p>“(a) (i) Rs. 500,000, for each year of assessment prior to January 1, 2020;</p>

		<p>(b) in the case of an individual with income from employment, Rs.700,000 for each year of assessment, up to the total of the individual's income from employment for the year;</p> <p>(d) in the case of an individual who is a senior citizen in a year with interest income derived from a financial institution, Rs.1,500,000 for each year of assessment, up to the total of the individual's interest income for the year;</p> <p>(e) in the case of a resident individual or partner of a partnership with income earned in foreign currency in Sri Lanka, from any service rendered in or outside Sri Lanka to any person to be utilized outside Sri Lanka, Rs.15,000,000 for each year of assessment, up to the total of such income for the year.</p>	<p>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;”;</p> <p>(b) in subparagraph (b) of that paragraph, by the substitution for the words “year of assessment,” of the words and figures “year of assessment, but prior to January 1, 2020,”</p> <p>(c) in subparagraph (d) of that paragraph, by the substitution for the words “for the year;”, of the words and figures “for the year up to December 31, 2019;”;</p> <p>(d) in subparagraph (e) of that paragraph, by the substitution for the words “for the year.”, of the words and figures “for the year up to December 31, 2019;”;</p> <p>(e) by the addition immediately after subparagraph (e) of that paragraph, of the following new subparagraphs:-</p> <p>“(f) in the case of a resident individual, following expenditure up to a total sum of Rs.1,200,000,</p>	<p>(ii) Rs. 3,000,000, for each year of assessment commencing on or after January 1, 2020, but prior to April 1, 2022;</p> <p>(iii) Rs. 2,250,000, for first nine months and Rs. 300,000 for second three months of the year of assessment commencing on April 1, 2022; and</p> <p>(iv) Rs. 1,200,000, for each year of assessment commencing on or after April 1, 2023, 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 realization of investment assets;”;</p> <p>and</p> <p>(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. 900,000, incurred for the first nine months of the year of assessment commencing on April 1, 2022: -”.</p> <p>Effective Date : 01.04.2022</p>
--	--	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

			<p>incurred for a year of assessment on or after January 1, 2020: -</p> <p>(i) health expenditure including contributions to medical insurance;</p> <p>(ii) vocational education or other educational expenditure incurred locally by such individual or on behalf of such individual's children;</p> <p>(iii) interest paid on housing loans;</p> <p>(iv) contributions made to any local pension scheme, other than for a scheme under the employer or on behalf of the employer, by an employee;</p> <p>(v) expenditure incurred for the purchase of shares or any other financial instrument listed in the Colombo Stock Exchange and licensed by the Securities and Exchange Commission of Sri Lanka or treasury bonds under the Registered Stocks and Securities Ordinance (Chapter 420) or treasury bills under the Local Treasury Bills Ordinance (Chapter 417);</p> <p>Effective Date: 01.01.2020</p>	
--	--	--	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

			<p>(g) in the case of a resident individual who has acquired solar panels to fix on his premises and connected to the national grid, Rs.600,000 for each year of assessment, up to the total expenditure on such solar panels or up to the amounts paid to a bank in respect of any loan obtained to acquire such solar panels.”</p> <p>Effective Date : 01.04.2021</p>	
Sixth Schedule (Temporary Concessions) Section As per Amendment-56	Paragraph 1			<p>in item (b) of subparagraph (4) of paragraph 1 of that Schedule, by the substitution for the words “that are used to improve business processes or productivity and fixed”, of the words “that are fixed”;</p> <p>Effective Date : 01.04.2022</p>
	Paragraph 2 (Assessable Charges and Balancing Allowances)	<p>2. (1) Where an asset for which Capital allowances has been granted under this paragraph is disposed of (or deemed to be disposed of) during a year of assessment-</p> <p>(a) where the consideration received for the disposal exceeds the written down value of the asset, the excess shall be included in calculating a person’s income for a year of assessment from a business in which the depreciable assets are or were employed; and</p>	<p>by the repeal of paragraph 2 of that Schedule</p> <p>Effective Date : 01.04.2018</p>	

		<p>(b) where the written down value of the asset exceeds the consideration received for the disposal, an additional Capital allowance shall be granted for the year in an amount equal to the excess.</p> <p>(2) In this paragraph-</p> <p>“Capital allowance expenditure” means expenditure for which Capital allowances are available under this Schedule; and</p> <p>“written down value” of an asset means the cost of the asset less all Capital allowances granted with respect to expenditure included in that cost.</p>		
				<p>by the re-numbering of paragraphs 3, 4, 5, 6, 7, 8, 9 and 11 of that Schedule as paragraphs 2, 3, 4, 5, 6, 7, 8 and 9 of that Schedule, respectively;</p> <p>Effective Date : 01.04.2022</p>
	Paragraph 3 (Expiration period)	Paragraph 1 of this Schedule shall expire three years after it becomes effective.	in paragraph 3 of that Schedule, by the substitution for the words “three years”, of the words “six years”;	<p>Effective Date : 01.04.2018</p>

Paragraph 8 (Research and Development)	A person is entitled to an additional deduction when calculating the person's income from business for a year of assessment equal to 100% of the total amount of research and development expenses deducted for the year under section 15, for three years of assessment after the commencement of this Act.	in paragraph 8 of that Schedule, by the substitution for the words and figures "section 15, for three years", of the words and figures "section 15, during the period of five years"; Effective Date : 01.04.2018	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 to October 1, 2022."; and Effective Date : 01.04.2022
Paragraph 9 (Rate of Interest)	No Paragraph	by the insertion immediately after paragraph 8 of that Schedule, of the following new paragraphs:- 9. Notwithstanding anything to the contrary in subsection (1) of section 159, the rate of interest for any payment due and payable during the period from March 1, 2020 to September 30, 2020 under this Act, shall be zero percent. Effective Date : 01.03.2020	
Paragraph 10 (Marketing and Communication Expenses)	No Paragraph	(1) Subject to subparagraph (2), a person shall be entitled to an additional deduction when calculating his income from business for a year of assessment, equal to 100% of the total amount of marketing and communication expenses deducted under section 15A during the three years of assessment commencing from April 1, 2021. (2) The additional deduction under subparagraph (1) shall be made subject to the following conditions: -	in subparagraph (1) of paragraph 10 of that Schedule, by the substitution for the words "three years", of the words "two years". Effective Date : 01.04.2022

			<p>(a) the payment shall be made to a person who is not an associated person of the tax payer;</p> <p>(b) internal marketing expenses, salaries of marketing staff, expenditure on maintaining an internal marketing department, expenditure on corporate social responsibility initiatives and foreign travel expenses shall not be considered for the purpose of the additional deduction under subparagraph (1);</p> <p>(c) expenditure shall be attributable to goods and services with 65% of local value addition, the mode of calculation of which shall be as specified by the Commissioner-General;</p> <p>Effective Date : 01.04.2021</p>	
	Paragraph 11 (Financial Cost)		<p>Subject to the provisions of this Act, financial cost incurred (other than such amounts, of which deductions is denied in previous years) during the year of assessment commencing on April 1, 2021, shall be deducted irrespective of the limit referred to in subsection (2) of section 18. That year of assessment shall not be recognized for the purpose of six years period referred to in subsection (3) of section 18.”</p>	

			Effective Date : 01.04.2021	
Calculation of income tax payable				<p>(1) The income tax payable by a person for the year of assessment commencing on April 1, 2022, shall be calculated separately for two periods of the year of assessment as first nine months and second three months by individuals and first six months and second six months by persons other than individuals. For the purpose of such calculation of business income, the person may use pro-rata basis (as 75% for first nine months and balance 25% for second three months by individuals and 50% for first six months and balance 50% for second six months by persons other than individuals) to arrive the taxable income for such two periods.</p> <p>(2) Subject to the provisions of this Act, a person may submit a revised estimate for the purpose of tax payable by instalments.</p> <p>Effective Date: 01.04.2022</p>
Sinhala text to prevail in case of inconsistency				<p>In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.</p> <p>Effective Date : 01.10.2022</p>



www.taxadvisor.lk
Silver Winner-Best SME Website 2019



Download Now

GET IT ON
Google Play

Download on the
App Store