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**நிதி அமைச்சு**  
**MINISTRY OF FINANCE**



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දිනය } 28.11.2019  
திகதி }  
Date }

Commissioner General  
Department of Inland Revenue  
Colombo 2



### Implementation of New Tax Proposals

As you are aware, the Cabinet of Ministers has granted approval at its meeting held on November 27, 2019 to the following new tax proposals / measures with a view to provide systemic incentives to promote savings and investments by a simple transparent tax system.

Accordingly, the new tax proposals as approved by the Cabinet of Ministers (*Copy of the Cabinet Memorandum together with its decision is in the Annexure for your easy reference*) are to be implemented as follows.

#### A. Proposals on Value Added Tax and Nation Building Tax

- 1) Rate of Value Added Tax should be reduced from 15% to 08% effective from December 01, 2019. However, the rate of Value Added Tax applicable on the supply of Financial Services should be continued at 15%.
- 2) Nation Building Tax (NBT) shall be abolished effective from December 01, 2019
- 3) Threshold of registration for Value Added Tax (VAT) purposes shall be increased from Rs. 12 Mn per annum to Rs. 300 Mn per annum effective from January 01, 2020 to provide immediate relief particularly to small and medium businesses in all sectors in the economy.
- 4) Tourism industry shall be treated as "Zero Rated Export" for the purpose of Value Added Tax (VAT) if 60% of value of the inputs are sourced from local supplies / sources

#### B. Proposals on Income Tax

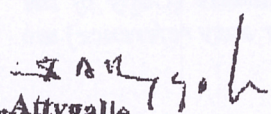
- 1) Income from Agriculture, Fisheries and Livestock shall be exempted from income effective from the year of Assessment 2019/20
- 2) Income Tax Rate applicable on construction industry shall be reduced from 28% to 14% effective from the year of Assessment 2019 /20

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- 3) Religious institutions shall fully be exempted from income tax effective from December 01, 2019
- 4) Tax free threshold of the employment income of all public and private sector employees for the purpose of the Pay-As-You-Earn (PAYEE) shall be increased from Rs.100,000 per month to Rs. 250,000 per month and the excessive personal income shall be liable for income tax at the progressive rate of 06%, 12% and 18% for every tax slab of Rs.250,000 effective from January 01, 2020.
- 5) Interest income upto Rs. 250,000 per month shall be exempted from the Withholding Tax (WHT) effective from January 01, 2020
- 6) Personal income upto Rs.3,000,000 per annum from any source of income shall be exempted from income tax and the excessive personal income shall be liable for income tax at the progressive rate of 06%, 12% and 18% for every tax slab of Rs.250,000 effective from January 01, 2020.
- 7) Income earned from the supply of services for the receipt of foreign currency shall be exempted from income tax effective from December 01, 2019
- 8) Income from the Information Technology and enabling services shall be exempted from all taxes

You are hereby authorized to implement the above new tax measures as indicated without delay and actions will be taken complete the required legislative amendments as appropriate.

  
S.R. Attygalle  
Secretary to the Treasury