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INLAND REVENUE (AMENDMENT)

A

BILL

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

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STATEMENT OF LEGAL EFFECT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

L.D.-O. 7/2022

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

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

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

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

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

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

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

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

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

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

25 providing” ;
(b) in paragraph (f) of that subsection, by the substitution for the words “ retirement payments received” of the words “ retirement payments received” ; and

5 (c) in paragraph (i) of that subsection, by the substitution for the words “ the employment; and” of the words “ the employment; and” ; (2) in subsection (3) of that section-

10 (a) in paragraph (e) of that subsection, by the substitution for the words “ subsection (2)); and” of the words “ subsection (2));” ; and

15 (b) in paragraph (f) of that subsection, by the substitution for the words “ approved by the Commissioner-General.” of the words “ approved by the Commissioner-General; and” ; and

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

20 “ (g) any retirement payments received at the time of the retirement from employment, subject to the condition
25 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.” .

3. Section 10 of the principal enactment is hereby Amendment amended in paragraph (b) of subsection (1) of that section as of section 10 follows: -
of the

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

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

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

15 (1) by the re-numbering of subsection (4) of that section, of the
principal
enactment as
subsection (5) of that section; and

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

“ (4) In the event of the written down value referred
20 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-

4 Inland Revenue (Amendment)

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

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

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

6. Section 16 of the principal enactment is hereby Amendment

amended as follows: -

of section 16

of the

principal

(1) in paragraph (a) of subsection (1) of that section, enactment by the substitution for the words “ the Capital

5 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: -

10 “ (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.” .

15 7. Section 18 of the principal enactment is hereby Amendment

amended as follows: -

of section 18

of the

principal

(1) by the repeal of subsection (1) and subsection (2) enactment

of that section, and the substitution therefor of the

following subsections: -

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

(a) the income of an entity (other than a
financial institution) from conducting
a business or investment, for any year
25 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

30 (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

5 the date on which the year of assessment ends, from
conducting a business or investment for
any year of assessment commencing on
or after

10 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: -

6 Inland Revenue (Amendment)

(a) $A \times B$

15 Where:

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

‘ B ’ is-

20 (i) in the case of a manufacturing entity, the number 3; and

(ii) in the case of an entity other than a manufacturing entity, the number 4;

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

Where:

‘ A ’ = financial cost of the year;

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

5 ‘ 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: -

10 “ for the year:

15 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.” .

8. Section 19 of the principal enactment is hereby amended Amendment of section 19 of the principal enactment as follows: -

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

25 if it had been a profit would have been taxable at a rate specified under this Act and such rate is subsequently increased, such loss shall not be considered as being taxable at a reduced rate.” ;

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

(a) in paragraph (b) of that subsection, by the substitution for the words “ income from an investment.” , of the words “ income from an investment; and” ;

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

5

“ (c) unrelieved losses from an investment shall be deducted only within the six years of assessment commencing on the first date of the year of assessment immediately succeeding the year of assessment in which such losses were incurred.” ; and

10

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

15

(3) loss.” .

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

20

Amendment
of section 46
of the
principal
enactment

“ (c) at the time of the transfer-

(i) prior to April 1, 2021-

(ia) the person and the associate were residents; and

25

(ib) the associate or, in the case of an associate partnership, none of its partners is exempt from income tax; and (ii) on or after April 1, 2021-

30 (iii) the person and the associates are residents;

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

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

10 10. Section 54 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution 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.” .

Amendment of section 54 of the principal enactment

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

Amendment of section 66 of the principal enactment

25 12. 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” .

Amendment of section 69 of the principal enactment

30 13. Section 72 of the principal enactment is hereby amended in paragraph (a) of subsection (1) of that

Amendment of section 72 of the principal enactment

section, by the substitution for the word and figure “ subsection (3)” of the word and figure “ subsection (2)” .

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

enactment (1) in sub-paragraph (i) of that paragraph, by the principal
5 substitution for the words “ Sri Lanka; or” , of the words “ Sri Lanka;” ;

(2) in sub-paragraph (ii) of that paragraph, by the substitution for the words “ permanent establishment;” of the words “ permanent 10 establishment; or” ; and

(3) by the addition immediately after sub-paragraph (ii) of that paragraph, of the following new subparagraph: -

15 “ (iii) paid by the Government of Sri Lanka, including such payments made by any institution on behalf of the Government of Sri Lanka;” .

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

83A of the principal
20 (1) in subsection (1) of that section, by the substitution enactment for the words and figures “ from April 1, 2020 on” of the words and figures “ from April 1, 2020, but prior to the date of commencement of this (Amendment) Act on” ;

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

“ (1A) An employer shall deduct the Advance Personal Income Tax with effect from the date of commencement of this (Amendment) Act on any

- 30 payment which falls under section 5 made to his
employee, as specified by the
CommissionerGeneral.” ; and
- (3) in subsection (2) of that section, by the substitution
for the word and figure “ subsection (1)” , of the
words and figures “ subsection (1) or subsection
(1A)” .
- 5 16. Section 84_A of the principal enactment is hereby Amendment
amended as follows: - of section
- (1) 84A of the
principal
in subsection (1) of that section, by the substitution enactment
for the words and figures “ with effect from April 1, 2020,
10 the taxpayer” , of the words and figures “ with effect from
April 1, 2020 but prior to the date of commencement of this
(Amendment) Act, the taxpayer” ; and
- (2) by the insertion immediately after subsection (1) of
that section, of the following new subsection: -
- 15 “ (1A) Subject to section 83A and
subsection (3) of section 84, with effect from
the date of commencement of this
(Amendment) Act, a person shall deduct
Advance Income Tax from the payment of
dividend, interest, discount, charge, natural
resource payment, rent, royalty or premium
which has a source in Sri Lanka, at the rate
provided in paragraph 10 of the First Schedule
to this Act.” .

20 17. Section 85 of the principal enactment is hereby Amendment
amended as follows: - of section 85

(1) in subsection (1A) of that section, by the enactment
substitution for the words “ a person shall.” , of the
25 words “ a person shall, prior to the date of
commencement of this (Amendment) Act” ;

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

“ (1B) Subject to subsections (2) and (3),
with effect from the date of commencement of
this (Amendment) Act, a person shall withhold
tax at the rate of 14% of the payment, where
such

5 person pays a service fee or an insurance premium with a
source in Sri Lanka to a nonresident person.

(1C) Subject to subsection (3), with effect
from the date of commencement of this

10 (Amendment) Act, a person shall withhold tax at the rate of
5% of the payment, where such person pays a
service fee with a source in Sri Lanka to a
resident individual who is not an employee of
the payer –

- 15 (a) for teaching, lecturing, examining, invigilating or supervising an examination;
- (b) as a commission or brokerage to a resident insurance, sales or canvassing agent; or
- 20
- (c) for services provided by such individual in the capacity of independent service provider such as doctor, engineer, accountant, lawyer, software developer, researcher, academic or any individual service provider as may be prescribed by regulation:
- 25
- 30 Provided however, this subsection shall not apply to a service payment which does not exceed Rs.100,000 per month.” ; and
- (3) in paragraph (a) of subsection (3) of that section, by the substitution for the word and figures “ section 83;” , of the words and figures “ section 83, section 83A or section 84A;” .

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

Amendment of section 87 of the principal enactment

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

Amendment of section 88 of the principal enactment

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

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

Amendment of section 90 of the principal enactment

“ section 83 or section 83A:

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

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

Insertion of new section 92A in the principal enactment

“ Assistant Commissioner 92A. (1) Where a person has failed to file an estimate of tax as required under section 91, an

to estimate the
tax
payable 5

Assistant Commissioner may serve a notice in writing to such person to furnish such estimate and any other information as such Assistant Commissioner may consider necessary to enable such estimate.

(2) Where-

10

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

15

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

20

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

25

30

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

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

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

of section 94

of the principal in

(1) subsection (1) of that section-

(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

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

5

" (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

10

(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." .

15

20

23. Section 120 of the principal enactment is hereby amended in subsection (1A) of that section by the

of section

120 of the principal

substitution for the words " exempted gains and profits." , Of

25 the following: -

enactment

30

" exempted gains and profits:

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

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

123 of the
 principal 10 (1) in subsection (1) of that section, by the substitution enactment for the words “ notice in writing-” , of the words “ notice in writing or by electronic means-” ; and

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

15 “ (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
 20 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
 25 custody, to a tax official authorized by the Commissioner-General.

(7) Notwithstanding anything to the contrary in any other written law, the Registrar-General of Companies shall provide information to the
 30 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.” .

35

25. Section 133 of the principal enactment is hereby amended in subsection (2) of that section, by the substitution for the words “ with notice, in writing,” of the words “ with notice, in writing or by electronic means,” .

Amendment of section 133 of the principal enactment

5 26. Section 134 of the principal enactment is hereby amended in subsection (4) of that section, by the substitution for the words “ with notice, in writing,” of the words “ with notice, in writing or by electronic means,” .

Amendment of section 134 of the principal enactment

10 27. Section 135 of the principal enactment is hereby amended in subsection (5) of that section, by the substitution for the words “ with notice, in writing,” of the words “ with notice, in writing or by electronic means,” .

Amendment of section 135 of the principal enactment

15 28. Section 136 of the principal enactment is hereby amended in paragraph (b) of subsection (2) of that section, by the substitution for the word and figures “ section 135.” , of the words and figures “ section 135, for any year of assessment ending prior to April 1, 2022 and within a period of twelve months from the date on which the self-assessment return was filed, for any year of assessment commencing on or after April 1, 2022.” .

Amendment of section 136 of the principal enactment

20

29. Section 139 of the principal enactment is hereby amended as follows: -

Amendment of section 139 of the principal

(1) in subsection (2) of that section, by the substitution for the words “ thirty days” , of the words and figures “ thirty days or where such request is made on or after April 1, 2023, not later than fourteen working days” ;

25

(2) in subsection (4) of that section, by the substitution for the words “ thirty days” , of the words “ thirty days

30 or where such request is made on or after April 1, 2023, not later than fourteen working days” ; and

(3) in paragraph (a) of subsection (5) of that section, by the substitution for the words “ in writing” , of the words “ in writing or by electronic means” .

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

Amendment
of section
151 of the
principal
enactment

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

Amendment
of section
163 of the
principal
enactment

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

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

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

Amendment
of section
176 of the
principal
enactment

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

25 “ (2) Procedures for the assessment, payment,

collection, and dispute of a tax shall apply equally to penalties relating to a tax.” ; and

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

30 “ (6A) For the purposes of subsection (6), it shall be lawful to issue a single notice of assessment stating the penalty charged under this Chapter together with the tax and interest payable in complying with the other provisions of this Act.” .

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

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

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

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

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

(1) in subsection (1) of that section, by the substitution ^{182 of the} principal
enactment

25 for the words “ A person” , of the words and figures “ For
any year of assessment ending prior to April 1, 2023, a
person” ; and

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

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

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

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

“ in Sri Lanka in foreign currency:

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

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

Amendment of the First Schedule to the principal enactment

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

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

5 the following rates: -

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

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

20 (b) Taxable
the second six

income for
months

period of the year of assessment commencing from April 1, 2022: -

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10 (1C) Subject to provisions of subparagraph

the

Taxable Income	Tax payable
Not exceeding Rs. 250,000	6% of the amount in excess of Rs.0
Exceeding Rs. 250,000 but not exceeding Rs. 500,000	Rs. 15,000 plus 12% of the amount in excess of Rs. 250,000
Exceeding Rs. 500,000 but not exceeding Rs. 750,000	Rs. 45,000 plus 18% of the amount in excess of Rs. 500,000
Exceeding Rs. 750,000 but not exceeding Rs. 1,000,000	Rs. 90,000 plus 24% of the amount in excess of Rs. 750,000
Taxable Income	Tax payable
Exceeding Rs. 1,000,000 but not exceeding Rs. 1,250,000	Rs. 150,000 plus 30% of the amount in excess of Rs.1,000,000
Exceeding Rs. 1,250,000	Rs. 225,000 plus 36% of the amount in excess of Rs. 1,250,000;

(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: -

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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. 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";

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

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

“ (1) Subject to the provisions of

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

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

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

(c) 18% for first six months of the year of assessment commencing on April 1, 2022 and for second six months of

20 the same year of assessment at the rate of 30%; and

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

(3) in paragraph 4 of that Schedule-

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

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

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

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

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

the same year of assessment at the rate of 30%; and

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

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

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

25 “ (2B) Such part of the following gains and profits of a company which includes in its taxable income for the six months period commencing on October 1, 2022 in the year of assessment commencing on

30 April 1, 2022 and for any year of assessment commencing on or after April 1, 2023, the gains and profits of a company shall be taxed at the following rates: -

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

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

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

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

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

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

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

“ (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.” ;

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

“ shall be taxed at the rate of –

(a) 28% prior to January 1, 2020;

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

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

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

(5) in paragraph 7 of that Schedule-

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

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

(a) 28% prior to January 1, 2020;

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

(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

5 same year of assessment at the rate of 30%; and

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

(b) by the repeal of subparagraph (3) of that paragraph and the substitution therefor, of the following subparagraph: -

“ (3) The rate of tax payable by a nongovernmental organization on amounts received in a year of assessment by way of grant, donation or contribution or in any other manner under section 68 shall-

(a) prior to January 1, 2020, be 28%;

(b) be 24% with effect from January 1, 2020, but prior to April 1, 2022;

20 (c) be 24% for first six months of the year of assessment commencing on April 1, 2022 and for second six months of the same year of assessment, be 30%; and

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

(6) in subparagraph (1) of paragraph 10 of that Schedule -

(a) in item (a) of that subparagraph, by the substitution for the words and figures “ section 83 applies-” , of the words and figures “ section 83 or section 83A applies-” ;

(b) in item (b) of that subparagraph, by the substitution for the words and figures “ section 84(1)(a)(i) applies-” , of the

words and figures “ section 84(1)(a) applies-” ; and

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

“ (d) for payments to which section 84A (1A) applies –

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(i) rent payments made to a resident person where the aggregate payment does not exceed Rs. 100,000 per month – 0%;

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(ii) interest or discount paid – 5%;

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(iii) rent payments made to a resident person where the aggregate payment exceeds or is equal to Rs. 100,000 per month – 10% on full amount;

(iv) all other payments except dividend – 14%; and

(v) dividend paid-15%.” ; and

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in paragraph 11 of that Schedule, by the substitution for the words “ five years” , of the

(7) words “ two years” .

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37. The Second Schedule to the principal enactment is Amendment hereby amended in paragraph 1 of that Schedule, by the of the insertion immediately after subparagraph (6) of that Second paragraph, of the following new subparagraph: - Schedule to

the principal

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“ (6A) Commencing from the first date of enactment 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.

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
5 intended investment, but before the expiration of such project implementation period.” .

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

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

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

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

25 (3) in paragraph (oo) of that Schedule, by the substitution for the words and figures “ on or after January1, 2020” , of the words and figures “ on or after January 1, 2020 but prior to October1, 2022” ;

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

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

- (i) which is engaged in any one or more of the following businesses in accordance with the provisions of Part IV of the Finance Act, No. 12 of 2012 and which has entered into an agreement with the Board of Investment of Sri Lanka established under the Board of Investment of Sri Lanka Law, No. 4 of 1978: -

5 (ia) entrepot trade involving import, minor processing and re-export;

(ib) offshore business where goods can be procured from one country or manufactured in one country and
10 shipped to another country without bringing the same into Sri Lanka;

(ic) providing front-end services to clients abroad;

(id) headquarters operations of leading
15 buyers for management of financial supply chain and billing operations;

(ie) logistics services including bonded warehouse or multi-country consolidation in Sri Lanka;

20 (ii) to a member to the extent that such dividend payment is attributable to, or derived from, another dividend received by that resident company or another resident company which is subject to Advance Income Tax under 25 subsection (1A) of section 84A;” ;

(5) in paragraph (rr) of that Schedule, by the substitution for the words “ dividends and gains” , of the words

and figures “ dividends and gains prior to October 1, 2022,” ;

30 (6) in paragraph (u) of that Schedule-

(a) in subparagraph (ii) of that paragraph, by the substitution for the word and figures “ January 1, 2020,” , of the words and figures “ January 1, 2020, but prior to April 1, 2023,” ;

(b) in subparagraph (v) of that paragraph-

(c)

5 (i) in that subparagraph, by the substitution for the words “ any vocational” , of the words and figures “ prior to April 1, 2023, any vocational” ;

10 (ii) in item (b) of that subparagraph, by the substitution for the words “ five years” , of the words “ two years” ;

(iii) in the proviso to that subparagraph, by the substitution for the words “ next four years” , of the words “ next year” ; and

15 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

(7) in paragraph (w) of that Schedule, by the substitution for the words and figures “ on or after April 1, 2021,” , of the words and figures “ on or after April 1, 2021 but prior to April 1, 2023,” .

Amendment of the Fifth Schedule to the principal enactment

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

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

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(2) in paragraph 2 of that Schedule-

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

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

15

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

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

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(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

25 deduct this personal relief as such trustee, receiver, executor
or liquidator, and the relief shall not be deducted
against gains from the realisation of investment
assets;" ; and

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

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

Schedule to

- 5 (1) the principal
in item (b) of subparagraph (4) of paragraph 1 of enactment 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” ;
- 10 (2) 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;
- 15 (3) in the re-numbered paragraph 8 of that Schedule,
by the substitution for the words “ zero percent.” ,
of the words and figures “ zero percent, if such
payment has been made to the Commissioner-
General prior to October 1, 2022.” ; and
- (4) in subparagraph (1) of paragraph 10 of that
Schedule, by the substitution for the words “ three
years” , of the words “ two years” .
- 20 41. (1) The income tax payable by a person for the year Calculation of
assessment commencing on April 1, 2022, shall be ^{of income}
calculated separately for two periods of the year of assessment ^{tax payable}
^{for the year as}
25 first six months and second six months. For the purpose of ^{of assessment}
such calculation, the person may use pro-rata basis (as 50% commencing
for first six months and balance 50% for second six months ^{on April 1,} of
the year of assessment) to arrive the taxable income for ²⁰²² such two
periods.
- (2) Subject to the provisions of this Act, a person may
30 submit a revised estimate for the purpose of tax payable by
instalments.
42. In the event of any inconsistency between the Sinhala Sinhala text
and Tamil texts of this Act, the Sinhala text shall prevail. ^{to prevail in}
^{case of}
^{inconsistency}

Table 'A' (section 1)

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

40(1) and (2)	item (b) of subparagraph (4) of paragraph 1 and paragraphs 2,3,4,5,6,7,8 and 9 of the Sixth Schedule
41	new section

34 Inland Revenue (Amendment) Table ' B' (section 1)

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

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Table ' C' (section 1)

Column I	Column II	Column III
section of this Act	section of the principal enactment	Date of operation
3	10	01.04.2021
7	18	01.04.2021
8	19	01.04.2018

9	46	01.04.2021
10	54	01.04.2018
12	69	01.04.2018
13	72	01.04.2018
14	73	01.04.2018
20	90	01.04.2021
29	139	01.04.2023
35(2)	195	01.04.2020
36(1) and (7)	subparagraph (1C) of paragraph 1 and paragraph 11 of the First Schedule	01.04.2023
38(6) and (7)	paragraph (u) and (w) of the Third Schedule	31.03.2023
39(1)	subparagraph (e) of paragraph (1) of the Fifth Schedule	01.04.2021

DEPARTMENT OF GOVERNMENT PRINTING