

PARLIAMENT OF THE DEMOCRATIC

SOCIALIST REPUBLIC OF

SRI LANKA

INLAND REVENUE (AMENDMENT)

ACT, No. 10 OF 2007

[Certified on 30th March, 2007]

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Inland Revenue (Amendment) Act, No. 10 of 2007 1

[Certified on 30th March 2007]

L.D.—O. 04/2007.

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

Be it enacted by the Parliament of the Democratic Socialist

Republic of Sri Lanka, as follows :—

1. This Act may be cited as the Inland Revenue Short title.

(Amendment) Act, No. 10 of 2007.

2. Section 4 of the Inland Revenue Act, No. 10 of 2006 Amendment of

(hereinafter referred to as the “principal enactment”) is hereby section 4 of Act,

No. 10 of 2006.

amended in subsection (1) of that section, as follows :—

(1) in paragraph (d) of that subsection by the

substitution for all the words “(ii) the gross rent paid

for such place of residence, whichever is higher,” to

the end of that paragraph, of the following—

“(ii) the gross rent paid for such place of residence,

whichever is higher :

Provided that for any year of assessment,

any excess of the rental value—

(A) over one hundred and twenty thousand

rupees, where the aggregate of the profits

referred to in paragraph (a) does not

exceed one million and eight hundred

thousand rupees ; and

(B) over one hundred and eighty thousand

rupees, where the aggregate of the profits

referred to in paragraph (a) exceeds one

million and eight hundred thousand

rupees,

shall be disregarded ;”; and

2 Inland Revenue (Amendment) Act, No. 10 of 2007

(2) in paragraph (e) of that subsection by the

substitution for the words “at the time of its disposal,

of any share”, of the words and figures “at the time

of its disposal, where such disposal takes place prior

to April 1, 2007, of any share”.

Amendment of 3. Section 8 of the principal enactment is hereby amended

section 8 of the in subsection (1) of that section, as follows :-

principal

enactment.

(1) in paragraph (n) of that subsection, by the

substitution for the words, “public corporation or at

any subsequent time,”, of the words and figures

“public corporation other than any public

corporation referred to in sub-paragraph (ii) of

paragraph (b), or at any subsequent time,”;

(2) in sub-paragraph (ii) of paragraph (o) of that

subsection, by the substitution for the words “the

Commissioner of Labour”, of the words “the

Commissioner of Labour;”; and

(3) by the addition immediately after paragraph (o) of

that subsection, of the following new paragraphs :-

“(p) the value of any benefit accruing to an

employee of any employer from the allotment

or the grant, as the case may be, to such

employee or to any nominee of such employee

by or on behalf of such employer, of any share

or any option to buy any share in any company,

in accordance with a scheme which in the

opinion of the Commissioner-General is

uniformly applicable to all the employees of

such employer.

In this paragraph, the “value” in relation to

any benefit accruing from the allotment of

any share or the option to buy any share,

means the excess, if any, of the market value

of such share at the time of its allotment or at

the time of the sale of the option, as the case

may be, over the price charged for such

allotment or grant, as the case may be ; and

Inland Revenue (Amendment) Act, No. 10 of 2007 3

(q) the emoluments earned in any year of

assessment commencing on or after April 1,

2007, by any resident individual from

employment on a ship which is—

(i) owned or chartered by a company

registered as an off-shore company

under Part XI of the Companies Act,

No. 7 of 2007 ; or

(ii) deemed to be a Sri Lanka ship by virtue

of a determination made under paragraph

(c) of section 30 of the Merchant

Shipping Act, No. 52 of 1971.”.

4. Section 9 of the principal enactment is hereby amended Amendment of

as follows :— section 9 of the

principal

(1) in paragraph (j) of that section, by the substitution enactment.

for the words “such charitable institution.”, of the

words “such charitable institution ;”; and

(2) by the addition immediately after paragraph (j) of

that section, of the following new paragraph :—

“(k) the interest accruing to any person from any

money deposited in any Treasury Bond

Investment External Rupee Account.”.

5. Section 10 of the principal enactment is hereby Amendment of

amended in subsection (1) of that section, by the substitution section 10 of the

principal

for paragraph (b) of that subsection, of the following

enactment.

paragraph :–

“(b) any dividend paid to a unit holder by any unit trust

or mutual fund;”.

6. Section 13 of the principal enactment is hereby Amendment of

amended as follows :— section 13 of the

principal

enactment.

4 Inland Revenue (Amendment) Act, No. 10 of 2007

(1) in sub-paragraph (i) of paragraph (b) of that section,

by the substitution for the words “outside Sri Lanka

(including services relating to any construction

project); and”, of the words and figures “outside Sri

Lanka (including, in relation to the year of

assessment commencing on April 1, 2006, services

relating to any construction project); and”;

(2) by the insertion, immediately after paragraph (d) of

that section, of the following new paragraph :—

“(dd) the profits and income for any year of

assessment earned in foreign currency by any

resident company, a resident individual or any

partnership from services rendered outside Sri

Lanka in that year of assessment, in carrying

out any contruction project in the course of

any trade, business or vocation, if such profits

and income (less any such amount expended

by that compnay, individual or partnership

outside Sri Lanka as is considered by the

Commissioner-General to be reasonable

expenses) are remitted to Sri Lanka through a

bank;”;

(3) in paragraph (t) of that section, by the substitution

for the words “any profits and income derived by or

accruing to any person or partnership other than any

unit trust, mutual fund or any venture capital

company, from the sale of any share”, of the words

and figures—

“any profits and income—

(i) for the year of assessment commencing on

April 1, 2006, derived by or accruing to any

person or partnership other than any unit trust,

mutual fund or venture capital company ; and

(ii) for any year of assessment commencing on or

after April 1, 2007, derived by or accruing to

any person or partnership,

from the sale of any share”; and

Inland Revenue (Amendment) Act, No. 10 of 2007 5

(4) by the substitution, for paragraph (x) of that section

of the following paragraph :—

“(x) an amount equal to the interest payable to any

bank in Sri Lanka, in respect of any loan

granted to a company, the full amount of which

is invested :—

(i) in any new undertaking referred to in

subsection (2) of section 20, where such

company is a company referred to in that

section ; and

(ii) in any relocated undertaking referred to

in subsection (2) of section 21, where

such company is a company referred to

in that section;”.

7. Section 16 of the principal enactment is hereby Amendment of

amended in subsection (1) of that section, by the substitution section 16 of the

principal

for the words “The profits and income of any person”, of the

enactment.

words “The profits and income within the meaning of

paragraph (a) of section 3, other than any profits and income

from the disposal of any capital asset, of any person”.

8. Section 17 of the principal enactment is hereby Amendment of

amended as follows :- section 17 of the

principal

enactment.

(1) in subsection (1) of that section, by the substitution

for the words and figures “on or after April 1, 2002”,

of the words and figures “on or after April 1, 2006”;

and

(2) in sub-paragraph (ii) of paragraph (a) of subsection

(2) of that section, by the substitution for the words

“incorporated with a minimum”, of the words and

figures “incorporated on or after April 1, 2002, with

a minimum”.

6 Inland Revenue (Amendment) Act, No. 10 of 2007

Insertion of new 9. The following new sections are hereby inserted

sections 24A and immediately after section 24 of the principal enactment and

24B in the

principal shall have effect as section 24A and section 24B of that

enactment. enactment :—

“Exemption 24A. (1) The profits and income within the

from income

meaning of paragraph (a) of section 3, (other

tax of the

profits and than any profits and income from the disposal

income from of any capital asset) from the exhibition on or

any new or

after April 1, 2007 of any cinematographic film

upgraded

cinema. in any new cinema or any upgraded cinema

referred to in subsection (3), shall be exempt

from income tax for a period of :—

(a) ten years, where the cinema is a new

cinema ; or

(b) five years, where the cinema is an

upgraded cinema.

(2) The period of ten years or the period of

five years, as the case may be, referred to in

subsection (1) shall, in relation to any cinema,

commence from the commencement of the year

of assessment in which the exhibition of

cinematographic films in such new cinema or

upgraded cinema, as the case may be,

commenced.

(3) For the purposes of this section :—

(a) “new cinema” means a cinema—

(i) in which the exhibition of

cinematographic films commences

on or after April 1, 2007 ; and

Inland Revenue (Amendment) Act, No. 10 of 2007 7

(ii) which is 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 and Digital Theatre

Systems and Dolby Sound

Systems ; and

(b) “upgraded cinema” means a cinema—

(i) in which the exhibition of

cinematographic films had

commenced prior to April 1,

2007 ;

(ii) which was not equipped with

digital technology and Digital

Theatre Systems and Dolby

Sound Systems prior to April 1,

2007 ; and

(iii) which is 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 on or after April

1, 2007, with digital technology

and Digital Theatre Systems and

Dolby Sound Systems.

Exemption 24B. (1) The profits and income within the

from income meaning of paragraph (a) of section 3, (other

tax of the

profits and than any profits from the disposal of any

income from capital asset) of any person from the operation

the operation of any reopened abandoned factory referred to

of any re- in subsection (2), shall be exempt from

opened

abandoned income tax for the period ending on March 31,

factory. 2011.

8 Inland Revenue (Amendment) Act, No. 10 of 2007

(2) For the purpose of subsection (1),

“reopened abandoned factory” means a factory

which :—

(a) was engaged in the production or

manufacture of any commodity or

article but which had not been so

engaged for an unbroken period of not

less than three years, preceding

November 16, 2006; and

(b) commences to produce or

manufacture such commodity or

article or any other commodity or

article in commercial quantities before

April 1, 2008.”.

Amendment of 10. Section 25 of the principal enactment is hereby

section 25 of the amended in subsection (1) of that section as follows:—

principal

enactment. (1) by the substitution for paragraph (b) of the proviso

to paragraph (a) of that subsection, of the following

paragraph :—

“(b) where:—

(i) any plant or machinery acquired is used

in any business of providing health care,

printing on paper, gem cutting and

polishing, packaging of any commodity

for commercial purposes, rice milling

or such other business as may be

prescribed by the Commissioner-

General by Order published in the

Gezette; or

(ii) the asset consists of a ship acquired on

or after April 1, 2007, being a ship which

is owned or chartered by a company

registered under Part XI of the

Companies Act, No.7 of 2007 or is

Inland Revenue (Amendment) Act, No. 10 of 2007 9

deemed to be a Sri Lanka ship by virtue

of a determination made under

paragraph (c) of section 30 of the

Merchant Shipping Act, No. 52 of 1971,

the rate shall be 33 1/3 per centum of the cost

of acquisition;”;

(2) by the insertion immediately after paragraph (b) of

the proviso to paragraph (a) of that subsection, of

the following new paragraph :-

“(c) where any plant or machinery is acquired on

or after April 1, 2007 and is used in any

business of carrying out construction work,

the rate shall be twenty five per centum of the

cost of acquisition;”;

(3) in paragraph (e) of that subsection, by the

substitution for the words “a sum equal to the bad

debts incurred”, of the words and figures “for the

year of assessment commencing on April 1, 2006, a

sum equal to the bad debts incurred”; and

(4) by the insertion immediately after paragraph (e) of

that subsection, of the following new paragraphs :-

“(ee) for any year of assessment commencing on or

after April 1, 2007, a sum equal to the bad

debts incurred by such person in any trade,

business, profession, vocation or employment

which have become bad debts during the

period for which the profits are being

ascertained :

Provided that, all sums recovered during

such period on account of the amounts

previously written off or allowed in respect of

bad debts shall, for the purposes of this Act,

be treated as receipts of that trade, business,

profession, vocation or employment, for such

period ;

10 Inland Revenue (Amendment) Act, No. 10 of 2007

(eee) for any year of assessment commencing on or

after April 1, 2007, where such person is a

bank or a financial institution, such sum as

the Commissioner-General considers

reasonable for doubtful debts, to the extent

that they are estimated to have become bad

during the period for which the profits are

being ascertained, and notwithstanding that

such debts were due and payable prior to the

commencement of that period :

Provided that :—

(i) such sum so considered reasonable shall

not exceed one per centum of the

aggregate debts outstanding at the end

of that period ;

(ii) where the doubtful debts estimated by

such person as having become bad

during the period for which the profits

are being ascertained exceeds the sum

deducted under this paragraph, the

excess shall be deemed to be doubtful

debts estimated by such person as

having become bad during the period

immediately succeeding the period

hereinbefore referred to ; and

(iii) where the estimated amount of any

doubtful debt previously allowed as a

deduction has been reduced or such

amount or any part thereof has been paid

during such period, the sum by which

such amount has been so reduced or the

sum so paid shall for the purposes of

this Act, be treated as a receipt of such

bank or financial institution for that

period.

Inland Revenue (Amendment) Act, No. 10 of 2007 11

For the purposes of this paragraph, “financial

institution” shall have the same meaning as

given for that expression in section 147 ;

(eeee) for any year of assessment commencing on or

after April 1, 2007, where such person is not a

bank or a financial institution, such sum as

the Commissioner-General considers

reasonable for doubtful debts, to the extent

that they are estimated to have become bad

during the period for which the profits are

being ascertained :

Provided that, where the estimated amount

of any doubtful debt previously allowed as a

deduction has been reduced or such amount

or any part thereof has been paid during such

period, the sum by which such amount has

been so reduced or the sum so paid shall, for

the purposes of this Act, be treated as a receipt

of such person for such period.

For the purposes of this paragraph “financial

institution” shall have the same meaning as

given for that expression in section 147;”;

(5) in paragraph (h) of that subsection, by the omission

of the provisos to that paragraph ;

(6) in the proviso to paragraph (k) of that

subsection :—

(a) by the substitution in paragraph (iv) of that

proviso, for all the words and figures from “the

trade, business, profession or vocation carried

on by such employer.”, to the end of that

paragraph, of the words, “the trade, business,

profession or vocation carried on by such

employer ; and”;

(b) by the substitution in pargraph (v) of that

proviso, for the words, “place of employment

or vice versa;” , of the following words :—

12 Inland Revenue (Amendment) Act, No. 10 of 2007

“ place of employment or vice versa.

For the purpose of this proviso, “expenses

incurred”, shall include any lease rental or

other rental payment in respect of such vehicle

or the cost of acquisition of such vehicle;”;

and

(7) by the addition, immediately after paragraph (q) of

that subsection, of the following paragraph :—

“(r) the accreditation expenses, where such person

is a person carrying on any profession.”.

Amendment of 11. Section 26 of the principal enactment is hereby

section 26 of the amended as follows :—

principal

enactment.

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

(a) in paragraph (l) of that subsection :—

(i) by the substitution in sub-paragraph (i)

of that paragraph, for the words and

figures “paragraph (c) of subsection (1)

of section (97);”, of the words and

figures “paragraph (c) of subsection (1)

of section 97,;”;

(ii) by the substitution in sub-paragraph

(iii) of that paragraph, for the words “tax

or levy; and”, of the words “tax or levy;

or”;

(iii) by the substitution in sub-paragraph (iv)

of that paragraph, for the words and

figures “Economic Service Charge Act,

No. 13 of 2006;”, of the words and

figures “Economic Service Charge Act,

No. 13 of 2006 ; or”;

Inland Revenue (Amendment) Act, No. 10 of 2007 13

(iv) by the substitution in sub-paragraph (v)

of that paragraph, for the words and

figures “Value Added Tax Act, No. 14 of

2002;”, of the words and figures, “Value

Added Tax Act, No. 14 of 2002 ; or”;

(v) by the substitution in sub-paragraph (vi)

of that paragraph, for the word and

figure “item iv”, of the word and figure

“item 4”;

(b) in paragraph (x) of that subsection, by the

substitution in paragraph (B) of sub-paragraph

(iv) of that paragraph, for the words “any

previous year.”, of the following words :—

“any previous year ; and

(v) “loan” includes the collection of funds

from the issue of any debt instrument.”;

and

(c) by the addition immediately after paragraph

(x) of that subsection, of the following new

paragraph :—

“(y) the excess, if any, of the aggregate

amount of the interest payable for any

year of assessment by any holding

company to any subsidiary company of

such holding company, in respect of any

loan obtained from such subsidiary

company, over such part of the interest

so payable as is attributable to such part

of such loan as is equal to thrice the

aggregate of the issued share capital

and reserves of such holding company,

at the end of that year of assessment,

where such holding company is a

manufacturer :

14 Inland Revenue (Amendment) Act, No. 10 of 2007

Provided that, where such holding

company is not a manufacturer, the

provisions of the preceding paragraph

shall apply as if for the reference in that

paragraph to the words “thrice the

aggregate of the issued share capital

and reserves”, there were substituted the

words “four times the aggregate of the

share capital and reserves.

In this paragraph—

(i) the expressions “subsidiary

company” and “holding

company” shall have the same

respective meanings assigned to

them in the Companies Act,

No. 7 of 2007;

(ii) any holding company shall,

in relation to any year of

assessment, be deemed to be “a

manufacturer”, if more than fifty

per centum of the turnover for that

year of assessment of such holding

company, is from the sale of

products manufactured by such

holding company ;

(iii) “reserves” do not include reserves

created for the purpose of

accounting for any surplus from

the revaluation of any asset ; and

(iv) “turnover” in relation to any year

of assessment of any holding

company, means the total amount

receivable, whether actually

received or not, from every sale

made in that year of assessment

of products manufactured by such

holding company :—

Inland Revenue (Amendment) Act, No. 10 of 2007 15

(A) after deducting therefrom:—

(i) any sum included in

such total amount,

being proceeds from

the disposal of any

capital asset ;

(ii) the amount of any

bad debt incurred

during that year of

assessment, being an

amount which had

been included in the

turnover of such

holding company for

that or any previous

year of assessment ;

and

(iii) any sum included in

such total amount,

being a sum which

represents the value

added tax ; and

(B) after adding thereto any

sum received during that

year of assessment on

account of any bad debt,

written off or allowed in any

previous year ; and

(v) “loan” includes the collection of

funds from the issue of any debt

instrument.”; and

(2) by the substitution for subsection (4) of that section,

of the following subsection:—

16 Inland Revenue (Amendment) Act, No. 10 of 2007

“(4) In computing the statutory income for any

year of assessment of any person from any trade,

business, profession or vocation carried on or

exercised by such person, no deduction shall be

allowed under section 25 or this section or section

27, in respect of any expenditure or any part thereof,

if it appears to the Assessor that the debt or such part

thereof attributable to such expenditure or any part

thereof, remains unpaid at the time an assessment

for that year of assessment is made:

Provided that, if it is proved to the satisfaction of

the Assessor within three years from the end of that

year of assessment, that such debt or such part thereof

has been paid within two years from the end of that

year of assessment, the Assessor shall,

notwithstanding the provisions of section 171, revise

the assessment allowing the deduction of the sum

so paid and any tax found to have been paid

consequent to such disallowance of such deduction,

shall notwithstanding anything to the contrary in

any other provision of this Act, be refunded.”.

Amendment of 12. Section 32 of the principal enactment is hereby

section 32 of the amended as follows:—

principal

enactment.

(1) in subsection (1) of that section, by the substitution

for paragraph (c) of that subsection, of the following

paragraph :—

“(c) statutory income from interest arising or

accruing to any individual, being interest from

which income tax has been deducted under

section 134 or section 135, as the case may

be ;”;

(2) in subsection (3) of that section, by the addition

immediately after paragraph (c) of that subsection

the following new paragraph :—

Inland Revenue (Amendment) Act, No. 10 of 2007 17

“(d) interest accruing to such person from any

Rupee Denominated Treasury Bond,

purchased out of funds drawn from any

Treasury Bond Investment External Rupee

Account.”; and

(3) in subsection (4) of that section by the substitution

for the words and figure from “in sub-paragraph

(xvii) of that paragraph,”, to the end of that

subsection, of the following words and figures :–

“in sub-paragraph (xvii) of that paragraph, shall

not include :—

(a) any interest from which tax has been deducted

under section 133 or section 134; or

(b) any dividend from which tax has been

deducted under subsection (1) of section 65.”;

(4) in subsection (5) of that section:—

(a) by the substitution in paragraph (a) of that

subsection for the words and figure “referred

to in paragraph (x) of subsection (1)”, of the

words and figures, “referred to in paragraph

(x) or paragraph (y) of subsection (1)”;

(b) in paragraph (b) of that subsection:—

(i) by the substitution for the words “the

amount of a loss incurred”, of the words

“the amount of a loss, other than a loss

referred to in paragraph (c), incurred”;

(ii) by the substitution for all the words and

figures from “this section previously

and any deemed loss,”, to the words

“forward to the next year of assessment

and so on:”, of the following :–

18 Inland Revenue (Amendment) Act, No. 10 of 2007

“this section previously, and any

excess treated as a loss under paragraph

(ii) of the proviso to paragraph (a), upto

a maximum limit of thirty five per

centum of the excess of the total

statutory income for that year, over the

aggregate of :—

(i) statutory income from interest

and dividends referred to in

subsection (1) ;

(ii) any interst income referred to in

subsection (2) ; and

(iii) any reward, share of fine, any

lottery winning and any interest

on compensation payable, as

referred to in subsection (3),

for that year of assessment and any loss

which cannot be deducted, may be

carried forward to the next year of

assessment and so on:”;

(iii) by the substitution in paragraph (B) of

the proviso to that paragraph, for the

words “no loss can be carried forward”,

of the words, “no loss shall be carried

forward”;

(iv) in paragraph (D) of the proviso to that

paragraph:—

(a) by the substitution for the words

“no loss can be deducted”, of the

words “no loss shall be

deducted”; and

Inland Revenue (Amendment) Act, No. 10 of 2007 19

(b) by the substitution for all the

words from “that in which the loss

was incurred.”, to the end of that

proviso, of the following

words:—

“that in which the loss was

incurred.

For the purposes of this

paragraph, a change of ownership

of a company is deemed to have

occurred where more than one

third of the issued share capital of

the company is held at any time

in the year of assessment for

which the claim for deduction is

made, either directly or through

nominees, by persons who did not

hold such capital at any time in

the year of assessment in which

the loss was incurred.

(c) by the addition, at the end of paragraph (b) of

that subsection, of the following new

paragraph:—

“(c) any loss incurred on or after April

1, 2007, in any business of life

insurance, to the extent of any

profits from such business

included in such total statutory

income; the balance, if any, of

such loss after such deduction,

shall be deemed to be a loss for

20 Inland Revenue (Amendment) Act, No. 10 of 2007

the year of assessment

immediately succeeding that year

of assessment.

For the purpose of this

paragraph, profits or loss from any

business of life insurance shall be

computed in accordance with the

provisions of section 92.”; and

(5) in subsection (6) of that section, by the substitution

in paragraph (b) for the words and figures “provided

for paragraph (b) of subsection (2).”, of the words

and figures “provided for in paragraph (b) of

subsection (5).”.

Amendment of 13. Section 34 of the principal enactment is hereby

section 34 of the

principal amended as follows:—

enactment.

(1) in paragraph (b) of subsection (2) of that section :—

(a) by the substitution in sub-paragraph (viii) of

that paragraph, for the words “approved by

the Minister :”, of the words “approved by the

Minister.”; and

(b) by the omission of the proviso to that

paragraph; and

(2) in paragraph (a) of subsection (4) of that section, by

the substitution in sub-paragraph (iii) of that

paragraph, for the words “in that year of assessment

shall not exceed ten million rupees;”, of the

following words and figures :—

Inland Revenue (Amendment) Act, No. 10 of 2007 21

“in that year, of assessment shall not exceed:—

(A) ten million rupees, where such year of

assessment is the year of assessment

commencing on April 1, 2006; and

(B) twenty five million rupees, where such

year of assessment is any year of

assessment commencing on or after April

1, 2007;”; and

(3) in paragraph (b) of subsection (4) of that section, by

the substitution in sub-paragraph (ii) of that

paragraph, for the words “in that year of assessment

shall not exceed ten million rupees; ”, of the

following words and figures:—

“in that year, of assessment shall not exceed:—

(A) ten million rupees, where such year of

assessment is the year of assessment

commencing on April 1, 2006; and

(B) twenty five million rupees, where such

year of assessment is any year of

assessment commencing on or after April

1, 2007;”.

14. Section 37 of the principal enactment is hereby Amendment of

amended in paragraph (d) of subsection (2) of that section, section 37 of the

principal

by the substitution for the words, “fifteen per centum”

enactment.

wherever it occurs in that paragraph, of the words “ten per

centum”.

15. Section 42 of the principal enactment is hereby Amendment of

section 42 of the

amended as follows:—

principal

enactment.

(1) by the renumbering of that section as subsection (1)

of that section;

22 Inland Revenue (Amendment) Act, No. 10 of 2007

(2) in the renumbered subsection (1), by the substitution

for the words “The profits and income arising in Sri

Lanka”, of the words and figures “The profits and

income, for the year of assessment commencing on

April 1, 2006, arising in Sri Lanka”; and

(3) by the addition at the end of the renumbered

subsection (1), of the following new subsection:—

“(2) The profits and income for any year of

assessment commencing on or after April 1, 2007,

arising in Sri Lanka to any consignor or consignee

from the export of any goods brought to Sri Lanka

on a consignment basis and re-exported without

subjecting such goods to any process of manufacture,

shall be liable to income tax at the appropriate rate

specified in the Fifth Schedule to this Act.”.

Amendment of 16. Section 44 of the principal enactment is hereby

section 44 of the

amended by the substitution for the words, “unit trust or

principal

enactment. mutual fund, from the sale of any share or a right to any

share”, of the words and figures “unit trust or mutual fund,

from the sale on or before March 31, 2007, of any share or

right to any share”.

Amendment of 17. Section 45 of the principal enactment is hereby

section 45 of the amended in subsection (1) of that section, by the substitution

principal

enactment. for the words “such specified profits shall be chargeable with

tax at the appropriate rate specified in the Fifth Schedule to

this Act, notwithstanding anything to the contrary in any

other provision of this Act.”, of the words “such specified

profits shall, subject to the other provisions of this Act, be

chargeable with tax at the appropriate rate specified in the

Fifth Schedule to this Act.”.

Amendment of 18. Section 61 of the principal enactment is hereby

section 61 of the

principal amended as follows:—

enactment.

(1) in subsection (1) of that section:—

Inland Revenue (Amendment) Act, No. 10 of 2007 23

(a) by the substitution for paragraph (b) of that

subsection, of the following paragraph:—

“(b) equal to:—

(i) ten per centum of the relevant part

of the aggregate amount of the

gross dividends distributed by

such company in that year of

assessment, out of the profits for

any year of assessment; and

(ii) fifteen per centum of the excess

of thirty three and one third per

centum of the distributable profits

of such company for the year

of assessment immediately

preceding that year of assessment,

(hereinafter in this paragraph

referred to as the “preceding

year”) over the aggregate of the

gross dividends distributed by

such company in such preceding

year, where such company has in

the preceding year distributed

dividends less in amount than

twenty five per centum of the

distributable profits for that

preceding year:

Provided that, where the

Commissioner-General is satisfied,

that any company has been

restrained from distributing or has

set apart, the whole or any part of

its distributable profits for any

year of assessment in order to

comply with any requirement

imposed by any other written law,

24 Inland Revenue (Amendment) Act, No. 10 of 2007

the whole or such part so

restrained from being distributed

or so set apart, shall be deemed to

have been distributed, for the

purposes of determining whether

such company has distributed

twenty five per centum of its

distributable profits for that year

of assessment.

In this paragraph—

“company” does not

include any unit trust

or mutual fund;

“distributable profits” in

relation to any year of

assessment and to any

company means, the

book profits of that

company for that year

of assessment,

reduced by the

aggregate of—

(a) the income tax

payable by that

company for

that year of

assessment

calculated in

accordance

with paragraph

(a);

(b) the cost incurred

by that

company in

that year of

assessment in

the acquisition

of any land or

any capital

asset; and

Inland Revenue (Amendment) Act, No. 10 of 2007 25

(c) any notional

p ro fit

computed on

the basis of a

revaluation of

any capital

asset and

included in

such book

profits,

increased by the

aggregate of the

allowance for

depreciation

deducted in respect

of such capital asset

in calculating such

book profits and any

notional loss

computed on the

basis of a revaluation

of any capital asset

and included in such

book profits;

“relevant part” in relation

to the aggregate amount

of the gross dividends

distributed by any

company, means the

balance of such aggregate

after deducting therefrom

any dividend distributed:—

26 Inland Revenue (Amendment) Act, No. 10 of 2007

(a) to any

company or

other body of

person, who or

which is

exempt from

income tax

u n d e r

paragraph (a)

or paragraph

(c) of section 7;

(b) to any unit

trust or

mutual fund;

(c) to any

shareholder

who is exempt

from income

tax under

section 10 in

respect of such

dividend; or

(d) out of any

dividend

received from

another

resident

company;”;

(b) in paragraph (ii) of the proviso to paragraph

(c) of that subsection, by the substitution for

the words from, “of such balance over such

amount of such dividend.”, to the and of that

paragraph, of the words “of such balance over

such amount of such dividend.”;

(c) by the repeal of paragraph (d) of that

subsection; and

Inland Revenue (Amendment) Act, No. 10 of 2007 27

(2) by the repeal of subsection (2) of that section and

the substitution therefore of the following

subsection:—

“(2) For the purposes of this section “gross

dividends” in relation to any dividend distributed

by any company, means the amount of the dividend

before any deduction is made under section 65.”.

19. Section 63 of the principal enactment is hereby Amendment of

amended as follows:— section 63 of the

principal

enactment.

(1) in paragraph (b) of that section, by the substitution

for the words and figure, “under section 10; or”, of

the words and figure “under section 10;”;

(2) in paragraph (c) of that section, by the substitution

for the words “another resident company,”, of the

words “another resident company;or”;

(3) by the insertion immediately after paragraph (c) of

that section, of the following new paragraph:—

“(d) such dividend is a dividend declared by a

quoted public company,”; and

(4) in the marginal note to that section, by the

substitution for the words “part of the assessable

income”, of the words “part of the total statutory

income”.

20. Section 65 of the principal enactment is hereby Amendment

amended as follows:— of section 65

of the

principal

(1) in subsection (1) of that section :— enactment.

(a) by the substitution for the words “an order to

pay money out of profits on which the taxable

income of that company is computed for any

28 Inland Revenue (Amendment) Act, No. 10 of 2007

year of assessment, income tax equal to ten

per centum:”, of the words “and order to pay

money, income tax equal to ten per centum of

such gross dividend:”; and

(b) by the repeal of the proviso to that subsection

and of the definition of the expression

“amount of gross dividend”, and the

substitution therefor, of the following

proviso:—

“Provided that, in determining for the

purposes of this subsection, the amount of

gross dividend in relation to any dividend

payable by any resident company, no account

shall be taken of such part of that dividend, if

any, as is paid by any other resident company

and received by the first mentioned resident

company, either directly or through one or

more intermediary companies.”; and

(2) in pargraph (d) of subsection (2) of that section :—

(a) by the substitution for sub-paragraph (i)

of that paragraph, of the following

sub-paragraph :—

“(i) dividends received;”; and

(b) by the omission of sub-paragraph (ii) of that

paragraph; and

(3) in the marginal note to that section, by substitution

for the words “entitled to deduct tax”, of the words

“to deduct tax”.

Amendment of 21. Section 66 of the principal enactment is hereby

section 66 of the amended in paragraph (b) of subsection (5) of that section,

principal

by the substitution for the words “and recovery shall apply

enactment.

accordingly.”, of the following words:—

“and recovery shall apply accordingly:

Inland Revenue (Amendment) Act, No. 10 of 2007 29

Provided that the tax so assessed and charged

shall be reduced by the amount of the tax, if any,

referred to in sub-paragraph (ii) of paragraph (b) of

subsection (1) of section 61.”.

22. Section 70 of the principal enactment is hereby Amendment of

amended in subsection (4) of that section, by the substitution section 70 of the

principal

for the words and figure “provisions of section 114,”, of the

enactment.

words and figure “provisions of section 113,”.

23. Section 73 of the principal enactment is hereby Amendment of

section 73 of the

amended in subsection (5) of that section, by the substitution

principal

for the words and figure “provisions of section 114,”, of the enactment.

words and figure “provisions of section 113,”.

24. Section 75 of the principal enactment is hereby Amendment of

amended in subsection (4) of that section, by the substitution section 75 of the

principal

for all the words and figures from “Such part of the taxable

enactment.

income,” to “Act No. 36 of 1987”, of the following words and

figures:—

“Such part of the taxable income:—

(a) for the year of assessment commencing on

April 1, 2006, of any unit trust or mutual fund,

as consists of the profits and income derived

from the business of dealing in shares or debt

instruments; and

(b) for any year of assessment commencing on or

after April 1, 2007, of any unit trust or mutual

fund as consists of the profits and income

derived from dealing in debt instruments,

in accordance with the Securities and Exchange

Commission of Sri Lanka Act, No. 36 of 1987”.

25. Section 78 of the principal enactment is hereby Amendment of

amended in subsection (1) of that section, as follows :— section 78 of the

principal

enactment.

30 Inland Revenue (Amendment) Act, No. 10 of 2007

(1) by the substitution for the words “shall be charged

with income tax on the aggregated amount of the

divisible profits as referred to in section 76 and other

income at the appropriate rate”, of the words and

figures “shall be charged with income tax:—

(a) for the year of assessment commencing on

April 1, 2006, on the aggregate of the divisible

profits referred to in section 76 and other

income; and

(b) for any year of assessment commencing on or

after April 1, 2007, on the excess, if any, of the

aggregate of the divisible profits referred to

in section 76 and other income over six

hundred thousand rupees,

at the appropriate rate”;

(2) by the substitution in the first proviso to that

subsection, for the words and figures “under the

Finance Act, No. 11 of 2004”, of the words and

figures “under the Economic Service Charge Act,

No. 13 of 2006, for that year of assessment”; and

(3) by the substitution in the second proviso to that

subsection, for the words and figures “paid under

the Finance Act, No. 11 of 2004,”, of the words and

figures “paid under the Economic Service Charge

Act, No. 13 of 2006,”.

Replacement of 26. Section 102 of the principal enactment is hereby

section 102 of repealed and the following section is substituted therefore:—

the principal

enactment.

“Deemed 102. (1) Where any non governmental

profits and

organization as defined in subsection (2) of this

income of

any non- section, receives in any year of assessment any

governmental money in the form of a grant, donation,

organization

to be contribution or in any other form, an amount

chargeable equal to three per centum of the aggregate of

with income

tax. such money after deducting from such

Inland Revenue (Amendment) Act, No. 10 of 2007 31

aggregate any part of such money as is received

from the Government of Sri Lanka, shall,

notwithstanding anything to the contrary in any

other provision of this Act, be deemed to be the

profits and income attributable to the aggregate

of such money (hereinafter in this section

referred to as “deemed profits and income”) of

such non-governmental organization for that

year of assessment, and such deemed profits

and income of such non governmental

organization for such year of assessment, shall

be deemed to have arisen in Sri Lanka.

(2) For the purposes of subsection (1) a “non-

governmental organization” means any

organization or association, whether corporate

or unincorporate, formed by a person or a group

of persons on a voluntary basis and which is

non governmental in nature, dependent on

money received in the manner referred to in

subsection (1) and established and constituted

for the provision or relief and services of a

humanitarian nature to the poor and destitute,

the sick, orphans, widows, youth, children or

generally for the provision of relief to the needy,

unless such organization or association is

determined by the Commissioner-General not

to be a non-governmental organization for the

purposes of this section, but does not include

any approved charity within the meaning of

paragraph (a) of subsection (8) of section 34, in

respect of which any remission or reduction has

been granted under subsection (3) of section 35.

(3) The deemed profits and income of a non-

governmental organization shall, subject to the

provisions of paragraph (e) of section 7, be

chargeable with income tax at the appropriate

rate specified in the Fifth Schedule to this Act :

32 Inland Revenue (Amendment) Act, No. 10 of 2007

Provided that where the Commissioner-

General is satisfied that any non-governmental

organization is engaged, in any year of

assessment, in :—

(a) rehabilitation and the provision of

infrastructure facilities and livelihood

support to displaced persons in any

area identified by the Government for

the purposes of such rehabilitation and

provision; or

(b) any other activity approved by the

Minister as being of humanitarian in

nature, taking into consideration the

nature and gravity of any disaster and

the magnitude of relief required to be

provided consequently,

the Commissioner-General may reduce or remit

the tax payable by such non-governmental

organization for that year of assessment, if it

appears to him that such reduction is just and

equitable in all the circumstances of the case.”.

Amendment of 27. Section 106 of the principal enactment is hereby

section 106 of

amended as follows:—

the principal

enactment.

(1) in paragraph (c) of the proviso to subsection (1) of

that section, by the substitution for the words and

figure “under section 133,”, of the words and figures

“under section 133, section 134 or section 135, as

the case may be, ”; and

(2) in subsection (2) of that section, by the substitution

for the words and figure “on or before the November

30”, of the words and figure “on or before

September 30”.

Inland Revenue (Amendment) Act, No. 10 of 2007 33

28. Section 112 of the principal enactment is hereby Amendment of

amended in subsection (1) of that section as follows :— section 112 of

the principal

enactment.

(1) by the substitution in paragraph (c) of that

subsection, for the words and figure “of section 120;

or”, of the words and figure “of section 120;”;

(2) by the substitution in paragraph (d) of that

subsection, for the words “ under that section,”, of

the words “under that section; or”; and

(3) by the addition immediately after paragraph (d) of

that subsection, of the following new paragraph :—

“(e) where any precedent partner of a partnership

fails to furnish within the time specified in a

notice given under subsection (3) of section

76, a return which such precedent partner is

required to furnish under that subsection,”.

29. Section 113 of the principal enactment is hereby Amendment of

amended by the repeal of subsection (3) of that section and section 113 of

the principal

the substitution therefor of the following subsection :—

enactment.

“(3) Notwithstanding anything contained in sub section

(1) and subsection (2) of this section, the entirety of

the tax payable :—

(a) (i) by any company resident in Sri Lanka,

under sub-paragraph (i) of paragraph (b)

of subsection (1) of section 61; or

(ii) by any company not resident in Sri Lanka,

under paragraph (b) of subsection (1) of

section 62 in respect of remittances made

by such company,

shall be paid on or before the thirtieth day

succeeding the date of distribution of such

dividends or making such remittances, as the

case may be;

34 Inland Revenue (Amendment) Act, No. 10 of 2007

(b) by any company resident in Sri Lanka, under

sub-paragraph (ii) of paragraph ((b) of

subsection (1) of section 61, shall be paid on or

before the fifteenth day of May of the year of

assessment immediately succeeding the year

of assessment for which such tax is payable.”.

Replacement of 30. Section 133 of the principal enactment is hereby

section 133 of

repealed and the following section is substituted therefor :–

the principal

enactment.

“Banks and 133. (1) Where any bank or financial

financial

institution pays any interest on any sum of

institutions to

deduct money deposited with it, such bank or financial

income tax. institution shall, subject to the provisions of

subsection (2), deduct income tax in accordance

with the provisions of this section from the

interest payable and such deduction shall be

made at the appropriate rate specified in

subsection (4) and at the time such interest is

paid.

(2) Where any sum of money (in this

subsection referred to as the “first mentioned

sum”) is paid to any bank or financial institution

in return for any pledge in writing that such

bank or financial institution shall pay to the

bearer of the pledge not identified by name in

such pledge, a sum of money which is in excess

of the first mentioned sum (in this subsection

referred to as the “stated sum”) at the time such

pledge is presented for redemption or after such

date as is stated in such pledge, such bank or

financial institution shall deduct income tax

on the excess of the stated sum over the first

mentioned sum. The deduction shall be made

at the rate of ten per centum of such excess and

at the time the first mentioned sum is paid to

such bank or financial institution.

Inland Revenue (Amendment) Act, No. 10 of 2007 35

(3) The deduction referred to in subsection

(1) from any interest referred to therein shall

not apply to any interest :—

(a) of which the recipient is :—

(i) any foreign government;

(ii) the Consolidated Fund of the

Government of Sri Lanka: or

(iii) any Provincial Fund of any

Provincial Council;

(b) which is exempt from income tax under

this Act; or

(c) from which income tax is deductible

under section 37 or section 96.

(4) Where the recipient of the interest from

which income tax is deductible under this

section is :—

(a) any partnership, company or body of

persons other than any charitable

institution, the deduction shall be

made at the rate of ten per centum of

such interest;

(b) any charitable institution which

tenders to the branch of such bank or

financial institution with which the

deposit is made, a declaration in

writing in relation to any year of

assessment that its assessable income

for that year of assessment:—

36 Inland Revenue (Amendment) Act, No. 10 of 2007

(i) does not exceed 300,000 rupees,

no deduction shall be made from

such interest payable to such

charitable institution for that

year of assessment; or

(ii) exceeds 300,000 rupees,

deduction shall be made from

the interest payable to such

charitable institution at the rate

of ten per centum of such interest

for that year of assessment;

(c) any individual then, in relation to any

year of assessment where such

individual tenders to the branch of the

bank or of the financial institution with

which the deposit is made, a

declaration in writing that for that

year of assessment his assessable

income :—

(i) does not exceed 300,000 rupees,

no deduction shall be made from

such interest payable for that

year of assessment;

(ii) exceeds 300,000 rupees but does

not exceed 600,000 rupees,

deduction shall be made from

such interest payable for that

year of assessment, at the rate of

two and a half per centum of

such interest; and

(iii) exceeds 600,000 rupees,

deduction shall be made from

such interest payable for that

Inland Revenue (Amendment) Act, No. 10 of 2007 37

year of assessment on every sum

of money deposited, at the rate

of ten per centum of such

interest;

(d) any charitable institution which has

not tendered the declaration referred

to in paragraph (b) or any individual

referred to in paragraph (c) who has

not tendered the declaration referred

to in that paragraph, as the case may

be, deduction shall be made at the rate

of ten per centum of such interest:

Provided that where such charitable

institution or such individual

maintains:—

(a) one savings account, no

deduction shall be made from

interest paid for any month; or

(b) more than one savings account,

no deduction shall be made from

interest paid for any month in

respect of only one such account,

where the interest paid is less than five

thousand rupees.

For the purpose of this proviso,

“savings account” means an account,

whether or not subject to any

condition affecting the right to

withdraw money therefrom and which

bears interest at a rate not dependent

on the period for which the deposit is

maintained.

38 Inland Revenue (Amendment) Act, No. 10 of 2007

(5) Where any interest payable to any person

or partnership is credited to any account

maintained by any bank or financial institution

for or on behalf of such person or partnership,

such interest shall be deemed to have been paid

to such person or partnership, at the time such

interest is so credited.

(6) The interest payable by any bank or

financial institution on any sum of money

deposited with it jointly by two or more

individuals, shall be apportioned among such

individuals in accordance with the mandate

given to such bank or financial institution in

relation to the apportionment among such

individuals of such sum or the interest thereon,

and such part of the interest as is apportioned

to any such individual, shall be deemed to be

the interest payable to such individual on such

part of such sum as is apportioned to him.

(7) Every bank or financial institution which

deducts income tax in accordance with the

provisions of subsection (1) from any interest

paid by it to any person or partnership, as the

case may be, shall issue to such person or

partnership a statement setting out the

following particulars:—

(a) the gross amount of the interest paid;

(b) the rate of tax and the amount of tax

deducted;

(c) the net amount of interest actually

paid; and

(d) the period to which such interest

relates.

Inland Revenue (Amendment) Act, No. 10 of 2007 39

(8) (a) Where income tax is deductible by

any bank or financial institution in accordance

with this section, from the interest payable to

any individual or charitable institution, such

individual or charitable institution may, if the

amount of income tax payable by him or it for

any year of assessment, had the interest from

which tax is deductible under this section been

included in the assessable income of such

individual or such charitable institution, as the

case may be, for that year of assessment, is less

than the income tax deductible for that year of

assessment under this section, make an

application to the Commissioner-General in

such form and containing such particulars as

may be specified by the Commissioner-

General, requesting that a direction be issued

to that bank or financial institution to make

the necessary adjustments in the deduction of

income tax for that year of assessment.

(b) The Commissioner-General or any other

officer authorized by the Commissioner-

General may, on an application made by any

individual or charitable institution under

paragraph (a), issue to the bank or financial

institution specified in such application, the

necessary direction in writing (a copy of which

shall be issued to the applicant) and such bank

or financial institution shall comply with such

direction :

Provided that any such direction issued, may

be varied at any time.

(c) Any individual or charitable institution

who or which is not satisfied with a direction

issued under paragaraph (b) in respect of any

year of assessment may, within thirty days of

40 Inland Revenue (Amendment) Act, No. 10 of 2007

the issue of such direction, appeal to the

Commissioner-General in writing setting out

precisely the grounds of such appeal. The

decision of the Commissioner-General on any

appeal made to him under this paragraph, shall

be final and conclusive:

Provided that the Commissioner-General

shall on request made in writing by such

individual or charitable institution, cause an

assessment to be made under section 163 on

such individual or charitable institution for that

year of assessment, for the purpose of enabling

such individual or charitable institution to

prefer an appeal under section 165 against such

assessment.

(d) Every bank and financial institution

shall:—

(i) keep a proper record of the interest

paid by it in any year of assessment to

any person or partnership and the date

or dates on which such interest is paid,

in such manner as may be specified by

the Commissioner-General ; and

(ii) permit any officer authorized in

writing by the Commissioner- General,

to inspect any record maintained by it

under sub- paragraph (i) .”.

Amendment of 31. Section 134 of the principal enactment is hereby

section 134 of amended as follows :—

the principal

enactment. (1) by the renumbering of that section, as subsection

(1) of that section ; and

(2) by the addition immediately after the re-numbered

subsection (1) of that section, of the following new

subsection :–

Inland Revenue (Amendment) Act, No. 10 of 2007 41

“(2) The excess referred to in subsection (1) shall

be deemed to be interest accruing from such

Security, Treasury Bond, Treasury Bill or

Central Bank Security, as the case may be.”.

32. Section 135 of the principal enactment is hereby Amendment of

amended by the repeal of subsection (2) of that section. section 135 of

the principal

enactment.

33. Section 137 of the principal enactment is hereby Amendment of

amended as follows :– section 137 of

the principal

(1) by the renumbering of that section, as subsection enactment.

(1) of that section;

(2) in the re-numbered subsection (1) of that section,

by the substitution for the words and figure “referred

to in section 133, on which”, of the words and figure

“referred to in section 134, on which”; and

(3) by the addition immediately after the re-numbered

subsection (1) of that section, of the following new

subsection :–

“(2) Where any person is engaged in any primary

market transaction or any secondary market

transaction involving any corporate debt

security issued by or on behalf of any

company, on which income tex has been

deducted under section 135 during any year

of assessment at the rate of ten per centum at

the time the interest is paid or credited or the

discount is allowed on such security, such

person shall be entitled to a notional tax credit

at ten per centum of the grossed up amount of

interest income from such transaction, to an

amount of one ninth of the same, if such

interest income forms part of the statutory

income of such person being a company or

the assessable income of such person being a

person other than a company, for that year of

assessment.”.

42 Inland Revenue (Amendment) Act, No. 10 of 2007

Amendment of 34. Section 138 of the principal enactment is hereby

section 138 of

the principal amended in subsection (2) of that section, by the substitution

enactment. for the words “Where any person being a company which has

included any interest income referred to in section 133 of

this Act”, and for the words “assessment, but such company”,

of the words “Where any person other than an individual

who or which has included any interest income referred to in

section 134 of this Act” and of the words “assessment, but

such person”, respectively.

Amendment of 35. Section 139 of the principal enactment is hereby

section 139 of

the principal amended as follows :—

enactment.

(1) in subsection (1) of that section, by the substitution

for the words and figures “of section 133 or section

136” and for the words and figures “under section

133 or section 136”, of the words and figures “of

section 133 or section 135” and of the words and

figures “under section 133 or section 135”

respectively ;

(2) in subsection (5) of that section, by the substitution

for the words and figures “under section 133 or

section 136”, of the words and figures “under section

133 or section 135” ; and

(3) in the marginal note to that section, by the substitution

for the words and figures “sections 133 or 136.”, of

the words and figures “sections 133 or 135.”.

Amendment of 36. Section 153 of the principal enactment is hereby

section 153 of

amended as follows :—

the principal

enactment.

(1) in subsection (1) of that section by the substitution,

for the words“of such specified fee.”, of the

following words and figures:—

Inland Revenue (Amendment) Act, No. 10 of 2007 43

“of such specified fee:

Provided that where the specified fee for any year

of assessment commencing on or after April 1, 2007,

consists of fees in respect of any construction work,

the rate at which income tax is deductible from such

fees, shall be one pre centum.”; and

(2) in subsection (2) of that section in the definition of

the expression “specified fee”, by the substitution

for the words “includes any commission, brokerage

or other sums”, of the words “includes any

commission, brokerage, a payment made for the

supply of any article on a contract basis through

tender or quotation or other sums”.

37. Section 166 of the principal enactment is hereby Amendment of

amended in subsection (1) of that section, by the substitution section 166 of

the principal

for the words “consisting of not more than twenty members”, enactment.

of the words “consisting of not more than thirty members”.

38. Section 173 of the principal enactment is hereby Amendment of

amended in subsection (3) of that section as follows :— section 173 of

the principal

enactment.

(1) by the substitution for all the words from “For the

purposes of this paragraph “income tax”, to the end

of sub-paragraph (B) of that subsection, of the

following words and figures :—

“For the purposes of this paragraph “income

tax”:—

(A) in relation to a company for any year of

assessment shall not include tax payable

by that company, under paragraph (b)

of subsection (1) of section 61, for that

year of assesssment ;

44 Inland Revenue (Amendment) Act, No. 10 of 2007

(B) in relation to any person, for any year of

assessment means, the income tax which

would have been payable by such

person for the year preceding that year

of assessment (hereinafter referred to as

the “preceding year”) had any profits

and income, other than the net annual

value of a residence and any subsidy

exempt from income tax under this Act,

which were exempt from income tax,

under this Act or any other written law

and in respect of which such exemption

ceased in such preceding year, been

taken into account in computing the

assessable income of that person for that

year of assessment;”;

(2) by the substitution for sub-paragraph (c) of that

subsection of the following :—

“(iii) the Commissioner-General may reduce or

waive any penalty payable under this section,

if it appears to the Commissioner-General that

such reduction or waiver is just and equitable

in all the circumstances ;

(iv) the Commissioner-General shall waive the

penalty accrued on the tax for any year of

assessment ending on or before March 31,

2005, and which remained unpaid as at

October 1, 2005, if the entirety of such tax is

paid in accordance with a scheme agreed to

on or before December 31, 2007, with him in

that behalf, within a period of not more than

three years succeeding the date of such

agreement. Where any such scheme so agreed

Inland Revenue (Amendment) Act, No. 10 of 2007 45

to is not adhered to, the Commissioner-

General shall, notwithstanding the provisions

of the preceding paragraph, not reduce or

waive such penalty.”.

39. Section 175 of the principal enactment is hereby Amendment of

amended as follows :— section 175 of

the principal

enactment.

(1) in paragraph (b) of that section, by the substitution

for the words “which was in default or goes into

default”, of the words “which was in default or went

into default” ;

(2) by the insertion immediately after paragraph (b) of

that section, of the following new paragraph :—

“(bb) any income tax charged and levied under the

Inland Revenue Act, No. 38 of 2000 and which

was in default or goes into default on or after

April 1, 2006 ;”;

(3) in paragraph (d) of that section, by the substitution

for the words and figures “or in section 113”, of the

words and figures “or in section 165 of the Inland

Revenue Act, No. 38 of 2000, or in section 113” ;

and

(4) in paragraph (e) of that section by the substitution

for the words “a company is required to pay under

this Act ; or under”, of the words “a company was

required to pay under”.

40. Section 200 of the principal enactment is hereby Amendment of

amended as follows :— section 200 of

the principal

enactment.

(1) in subsection (7) of that section, by the substitution

for the words and figures “paragraph (a) of section

8, shall be refunded”, of the words and figures

“paragraph (a) section 7, shall be refunded” ; and

46 Inland Revenue (Amendment) Act, No. 10 of 2007

(2) in subsection (8) of that section:—

(a) by the substitution in paragraph (a) of that

subsection, for the word and figure “section

134”, of the words and figures “section 133 or

section 134” ; and

(b) in paragraph (b) of that subsection, by the

substitution for the word and figure “section

133”, of the words and figures “section 133 or

section 134”.

Amendment of 41. Section 207 of the principal enactment is hereby

section 207 of amended by the substitution for the words, “authorized

the principal

enactment. representative to the Commissioner-General or a

Commissioner or a Deputy Commissioner or an Assessor,

then,”, of the words “authorized representative to the

Commissioner-General or the Senior Deputy Commissioner-

General or a Deputy Commissioner-General or a Senior

Commissioner or a Commissioner or a Deputy Commissioner

or a Senior Assessor or an Assessor, then”.

Amendment of 42. Section 208 of the principal enactment is hereby

section 208 of

amended and follows :—

the principal

enactment.

(1) in subsection (4) of that section, by the substitution

for the words “with the written approval of a

Commissioner of Inland Revenue or”, of the words

“with the written approval of the Commissioner-

General of Inland Revenue or” ; and

(2) in subsection (5) of that section, by the substitution

for the words “an Assessor of Inland Revenue, shall

be deemed”, of the words “an Assessor of Inland

Revenue or a Tax Officer of Inland Revenue, shall

be deedmed”.

Inland Revenue (Amendment) Act, No. 10 of 2007 47

43. Section 217 of the princpal enactment is hereby Amendment of

section 217 of

amended as follows :— the principal

enactment.

(1) by the insertion, immediately after the definition of

the expression “commercial bank”, of the following

new definition :—

“Commissioner” means a Commissioner of Inland

Revenue, appointed or deemed to be

appointed under this Act;”;

(2) in paragraph (a) of the definition of the expression

“Commissioner-General” by the substitution for the

words. “includes a Senior Deputy Commissioner, a

Deputy Commissioner-General, Senior

Commissioner and Deputy Commissioner,”, of the

words “includes the Senior Deputy Commissioner-

General, a Deputy Commissioner-General, Senior

Commissioner, a Commissioner and Deputy

Commissioner”;

(3) by the insertion immediately after the definition of

the expression “Deputy Commissioner” of the

following new definition :—

“Deputy Commissioner-General” means a Deputy

Commissioner-General of Inland Revenue

appointed or deemed to be appointed under

this Act;”;

(4) by the repeal of the definition of the expression

“mutual fund”; and

(5) by the insertion immediately after the definition of

“Securities and Exchange Commission”, of the

following new definitions:—

48 Inland Revenue (Amendment) Act, No. 10 of 2007

“Senior Deputy Commissioner-General” means the

the Senior Deputy Commissioner-General of

Inland Revenue appointed or deemed to be

appionted under this Act ;

“Senior Commissioner” means a Senior

Commissioner of Inland Revenue appionted

or deemed to be appionted under this Act ;”.

Amendment of 44. Section 218 of the principal enactment is hereby

section 218 of amended as follows :—

the principal

enactment.

(1) in subsection (2) of that section:—

(a) by the substitution for the words and figures

“under any provisions of the Inland Revenue

Act, No. 38 of 2000 for a period specified in

those provisions and there remains on March

31, 2000, in relation to any person,” of the

words and figures “under any provisions of

the Inland Revenue Act, No. 28 of 1979 or of

the Inland Revenue Act, No. 38 of 2000, as

the case may be, for a period as specified in

any of those provisions and there remains on

March 31, 2006, in relation to any person,”;

(b) by the substitution in the proviso to that

subsection, for the words and figures “year of

assessment commencing on or after April 1,

2000, shall,”, of the words and figures “year

of assessment commencing on or after April 1,

2006, shall,”;

(2) in subsection (4) of that section, by the substitution

for the words and figures “any year of assessment

commencing on or after April 1, 2000, such balance

shall,”, of the words and figures “any year of

assessment commencing on or after April 1, 2006,

such balance shall,”;

Inland Revenue (Amendment) Act, No. 10 of 2007 49

(3) by the substitution for subsection (5) of that section,

of the following subsection:—

“(5) Where an individual:—

(a) pays on or after April 1, 2006, to the

Government of Sri Lanka or to any

institution referred to in paragraph (ee)

of subsection (2) of section 31 of the

Inland Revenue Act, No. 28 of 1979,

any amount:—

(i) in the repayment of the capital of

any loan ; or

(ii) as monthly payments in terms of

any rent purchase agreement,

referred to in that paragraph ; or

(b) has incurred prior to Apirl 1, 2006, any

expenditure referred to in paragraph (i)

of subsection (2) of section 31 of the

Inland Revenue Act, No. 38 of 2000,

and apportioned to any year of

assessment commencing on or after April

1, 2006,

the amount so paid or the expenditure so

apportioned, as the case may be, shall,

notwithstanding anything in subsection (1) but

subject to the conditions specified in the respective

paragraphs referred to in paragraph (a) and (b), be

deductible from the assessable income of that

individual for any year of assessment commencing

on or after April 1, 2006, as if the Inland Revenue

Act, No. 28 of 1979 or the Inland Revenue Act, No.

38 of 2000, as the case may be, continues to be in

force.”;

50 Inland Revenue (Amendment) Act, No. 10 of 2007

(4) by the substitution for subsection (6) of that section,

of the following subsection:—

“(6) The allowance for depreciation in respect of

any :—

(a) capital asset acquired prior to April 1,

2000, or any qualified building

constructed prior to April 1, 2000 ; or

(b) capital asset acquired on or after April

1, 2000, but prior to April 1, 2006, or

any qualified building constructed on

or after April 1, 2000, but prior to April

1, 2006,

shall, notwithstanding the non-application

referred to in subsection (1), be computed in

accordance with the respective provisions of

the Inland Revenue Act, No. 28 of 1979 or the

Inland Revenue Act, No. 38 of 2000, as the

case may be.”; and

(5) in the marginal note to that section, by the

substitution for the words and figures “Inland

Revenue Act, No. 38 of 2000.”, of the words and

figures “Inland Revenue Act, No. 28 of 1979 or

Inland Revenue Act, No. 38 of 2000.”.

Amendment of 45. The First Schedule to the principal enactment is

the First hereby amended as follows :—

Schedule to the

principal

enactment. (1) by the substitution for Part IV of that Schedule

of the following P art—

“Part IV

The rates of income tax applicable to certain profits from

employment specified in subsection (2) of section 35.

Inland Revenue (Amendment) Act, No. 10 of 2007 51

(a) For the year of assessment commencing

on April 1, 2006-

Where the period of contribution or

the period of service, as the case may

be, in relation to the excess referred

to in subsection (2) of section 35

(other than any sum referred to in the

proviso to that subsection) is less than

20 years.

on the first Rs. 1,000,000 of the sum

received NIL

Where the period of contribution or

the period of service, as the case may

be, in relation to the excess referred

to in subsection (2) of section 35

(other than any sum referred to in the

proviso to that subsection) is not less

than 20 years.

on the first Rs. 2,000,000 of the sum

received NIL

on the next Rs. 500,000 5 per centum

on the next Rs. 500,000 10 per centum

on the balance 15 per centum

(b) For any year of assessment

commencing on or after April 1,

2007-

Where the period of contribution or

the period of service, as the case may

be, in relation to the excess referred

to in subsection (2) of section 35

(other than any sum referred to in the

proviso to that subsection) is less than

20 years.

52 Inland Revenue (Amendment) Act, No. 10 of 2007

on the first Rs. 2,000.000 NIL

on the next Rs. 1,000,000 5 per centum

on the balance 10 per centum

Where the period of contribution or

the period of service, as the case may

be, in relation to the excess referred

to in subsection (2) of section 35

(other than any sum referred to in the

proviso to that subsection) is not less

than 20 years.

on the first Rs. 5,000,000 NIL

on the next Rs. 1,000,000 5 per centum

on the balance 10 per centum.”.

(2) by the addition at the end of Part IV of that Schedule,

of the following new Part :—

“Part V

The rate of income tax applicable to as per Part I,

any sum referred to in the proviso to but subject

subsection (2) of section 35 to a

maximum

of 20 per

centum.

Amendment of 46. The Second Schedule to the principal enactment is

the Second hereby repealed and the following Schedule is substituted

Schedule to the

therefore :—

principal

enactment.

Inland Revenue (Amendment) Act, No. 10 of 2007 53

“SECOND SCHEDULE [Section 61 and 75]

Rates of Income Tax-Companies

PART - A

1. Any venture capital company-on

the taxable income for every year

of assessment commencing on or

after April 1, 2006. 20 per centum

2. Any unit trust or mutual fund—

(a) For the year of assessment

commencing on April

1, 2006—

(i) on such part of the

taxable income as is

referred to in sub

section (4) of

section 75 ; 10 per centum

(ii) on the balance part of

the taxable income; 20 per centum

(b) For any year of assessment

commencing on or after

April 1, 2007—

on the taxable income 10 per centum

PART - B

1. (a) For the year of assessment commencing on April

1, 2006—

Any company other than a

company referred to in PART

A and of which the taxable

income does not exceed Rs.

5,000,000. 15 per centum

54 Inland Revenue (Amendment) Act, No. 10 of 2007

(b) For any year of assessment

commencing on or after April

1, 2007—

any Company—

(A) (i) of which the

taxable income

does not

exceed Rs.

5,000,000 ;

(ii) which is not a

company

referred to in

PART A ; and

(B) which is not the

holding company,

a subsidiary

company, or an

associate company

of a group of

companies.

on the taxable

income. 15 per centum

For the purpose of item(B), the

expressions “holding company”,

“subsidiary company”, and,

“group of companies” shall have

the same respective meanings

which they have in the Companies

Act, No.7 of 2007.

2. Any company for the year of assessment in which its

shares are first quoted in any official list published

by a stock sxchange licensed by the Securities and

Inland Revenue (Amendment) Act, No. 10 of 2007 55

Exchange Commission of Sri Lanka, (hereinafter

referred to as the “first year of assessment”) and for

each year of assessment within the period of four

years immediately succeeding that first year of

assessment, for which the taxable income exceeds

Rs. 5,000,000—

on the taxable income for

that year of assessment 33 1/3 per centum

Provided that where such first year of assessment

is any year of assessment which commences prior to

April 1, 2006, the rate of 33 1/3 per centum shall

apply in relation to any year of assessment which

falls within such period of four years, but which

commences on or after April 1, 2006.

3. Any company other than any company herein before

referred to in this Schedule, for any year of

assessent—

on the taxable income for

that year of assessment 35 per centum

4. Where the taxable income of any company for any

year of assessment exceeds five million rupees, then

such part of the tax computed in accordance with

this Act, as being payable by such company for such

year of assessment as is attributable to such excess,

shall not be more than such excess.”.

47. (1) Amendments made to sections 4(1), 13, 25(1), Retrospective

78(1), 102, 153, 218 and the First Schedule to the principal effect.

enactment by sections 2(1), 6(4), 10(5) and (6), 25(2) and (3),

26, 36(2), 44(3) and (4) and 45(2) respectively, of this Act,

shall be deemed for all purposes to have come into force on

April 1, 2006.

56 Inland Revenue (Amendment) Act, No. 10 of 2007

(2) The amendment made to section 32(3) of the principal

enactment by section 11(1) of this Act, shall be deemed for

all purposes to have come into force on November 1, 2006.

Validation of 48. Where, prior to the date of commencement of this

certain Act but on or after April, 1, 2006 the Board of Investment of

exemptions

provided for in Sri Lanka has entered into an agreement with an enterprise

agreements under section 17 of the Board of Investment of Sri Lanka

entered into by Law, No. 4 of 1978, and the agreement provides for the

the Board of exemption of the whole or any part of the profits and income

Investment of

Sri Lanka. of such enterprise from income tax payable under the principal

enactment, such exemption shall be deemed to have been

and to be, valid and effectual from the date of such agreement,

as if such exemption had been expressly granted to that

enterprise by the principal enactment.

Sinhala text to 49. In the event of any inconsistency between the

prevail in case of Sinhala and Tamil texts of this Act, the Sinhala text shall

inconsistency.

prevail.

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