

PARLIAMENT OF THE DEMOCRATIC

SOCIALIST REPUBLIC OF

SRI LANKA

—————————

ECONOMIC SERVICE CHARGE

(AMENDMENT) ACT, No. 15 OF 2007

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[Certified on 12th April, 2007]

Printed on the Order of Government

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Economic Service Charge (Amendment) 1

Act, No. 15 of 2007

[Certified on 12th April 2007]

L.D.—O. 9/2007.

ANACT TO AMEND THE ECONOMIC SERVICE CHARGEACT

BE it enacted by the Parliament of the Democratic Socialist

Republic of Sri Lanka as follows :—

1. This Act may be cited as the Economic Service Charge Short Title.

(Amendment) Act, No. 15 of 2007, and shall come into

operation with effect from April 1, 2007.

2. Section 2 of the Economic Service Charge Act, No. Amendment of

Section 2 of Act,

13 of 2006 (hereinafter referred to as the “principal

No. 13 of 2006.

enactment”) is hereby amended as follows:—

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

for the words “for that relevant quarter does not

exceed rupees ten million.”, of the words and

figures—

“ for that relevant quarter,—

(a) commencing before March 31, 2007, does

not exceed rupees ten million ; and

(b) commencing on or after April 1, 2007 does

not exceed rupees seven million five

hundred thousand.”;

(2) in the proviso to paragraph (a) of subsection (3) of

that section, by the substitution for all the words

from “shall not include any trade or business” to the

end of that paragraph, of the words and figures—

“shall not include—

(i) for any relevant quarter of the year of

assessment commencing on April 1, 2006

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and ending on March 31, 2007, any trade or

business of any person or partnership, which

deals in the wholesale or retail trade of any

goods not manufactured or produced by such

person or partnership ; and

(ii) for any relevant quarter of the year of

assessment commencing on or after April 1,

2007, any trade or business, other than—

(A) any manufacturing business; and

(B) any business of a reopened factory

referred to in section 24B of the

Inland Revenue Act, No. 10 of 2006.

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

Section 3 of the as follows :—

principal

enactment.

(1) by the repeal of subsections (3), (4) and (5) of that

section and the substitution therefor of the following

subsection :—

“(3) The balance, if any, of the amount levied

as Economic Service Charge after the deduction

in accordance with subsections (1) or (2) as the

case may be, apportioned to each year of assessment

within the period of four years immediately

succeeding the first mentioned year of assessment

and the amount so apportioned to any such year of

assessment shall be deducted to the extent, it can

be so deducted from the income tax payable by

such person or partner of such partnership for that

year of assessment.”;

(2) by the renumbering of subsection (6) of that section

as subsection (4) thereof ; and

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(3) in the renumbered subsection (4), by the substitution

for paragraph (b) thereof, of the following

paragraph:—

“(b) The remaining portion, if any, of the balance

referred to in subsection (3) after its deduction

in accordance with that subsection, be

deducted from any income tax payable for

any year of assessment succeeding the fourth

year of assessment immediately succeeding

the first mentioned year of assessment . ”.

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

by the substitution for the words and figures “referred to in section 4 of the

principal

sub-paragraph (b) of subsection (6) of section 3, shall” of the

enactment.

words and figures “referred to in sub-paragraph (b) of

subsection (4) of section 3, shall”.

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

as follows :— section 9 of the

principal

enactment.

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

of that section ;

(2) by the addition, immediately after the renumbered

subsection (1) of the following new subsections :—

“(2) Where it appears to an Assessor that any

person or partnership liable to pay the Economic

Service Charge for any relevant quarter of any

year of assessment, has been assessed at less than

the proper amount, the Assessor may, subject to

the provisions of subsection (3) and subsection

(4), assess such person or partnership for the

additional amount (which in his opinion such

person or partnership ought to have been assessed

in addition to the amount originally assessed), and

the provisions of this Act as to notice of assessment,

appeal and other proceedings shall thereupon

apply to the recovery of such additional amount.

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(3) Where a person or partnership has furnished

a return of Economic Service Charge, the assessor

may in making an assessment on such person or

partnership under subsections (1) or (2), either :—

(a) accept the return furnished by such person

or partnership ; or

(b) refuse to accept the return made by that

person or partnership, and estimate the

amount of the relevant turnover and assess

such person or partnership accordingly :

Provided that where the Assessor refuses to accept

a return furnished by any person or partnership and

makes an assessment or an additional assessment for

any relevant quarter on such person or partnership

under subsection (1) or subsection (2), he shall

communicate to such person in writing, stating the

reasons as to why he is not accepting the return

furnished by that person or partnership.

(4) No assessment or additional assessment

shall be made under this Act in respect of a person

or partnership who or which has made a return for

any relevant quarter in any year of assessment on

or before the dates referred to in section 7, after the

expiry of eighteen months from the end of the year

of assessment within which such relevant quarter

falls, if his or its return of income has been made

under subsection (1) or subsection (7) of section

106 of the Inland Revenue Act, No. 10 of 2006.”.

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

section 13 of the amended in the definition of the expression “person”, by the

principal

addition immediately after the sub-paragraph (b) of that

enactment.

definition, of the following :—

“(c) any government institution or any local authority

as defined in the Inland Revenue Act, No. 10 of

2006.”.

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7. The Schedule to the principal enactment is hereby Amendment

of Schedule

repealed and the following Schedule substituted therefor:— to the

principal

enactment.

“SCHEDULE

Part of the Liable Turnover Rate of the

service charge

Applicable to

that Part

1. Such part of the relevant turnover as consists of

the turnover from any trade, business, profession

or vocation:

(i) the profit and income from which are

exempt from income tax;

(ii) of any enterprise which has entered into 0.25 per centum

an agreement under the Board of

Investment of Sri Lanka Law No. 4 of

1978, being the relevant turnover during

the period for which the profits and

income of such enterprise are exempt

from income tax under such agreement.

2. Such part of the relevant turnover as consists of

the turnover from any trade or business which

deals in wholesale or retail of such goods (other

than as a distributor or dealer in motor vehicles

or liquor) not manufactured or produced by the

dealer. 0.25 per centum

3. Such part of the relevant turnover as consists of

the turnover from the primary conversion of

any produce of any tea, rubber or coconut

plantation including desicated coconut, coconut

oil, coconut fibre, copra and sheet rubber but

excluding any such conversion which produces

any alcoholic beverage. 0.25 per centum

4. Such part of the relevant turnover as consists of

the turnover from any trade, business, profession

or vocation:

(i) the profits and income from which are

chargeable with income tax at any rate

specified in the Fifth Schedule to the

Inland Revenue Act other than in item

28 of that Schedule.

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(ii) of any enterprise which has entered into

an agreement under the Board of

Investment of Sri Lanka Law, No. 4 of

1978, being the relevant turnover during

the period for which the profits and

income of such enterprise are taxable at

the rate equal to a rate specified in the

Fifth Schedule to the Inland Revenue

Act, No. 10 of 2006. 0.5 per centum

5. Such part of the relevant turnover as consists of

the turnover from any trade or business which

deals in the wholesale or retail (other than as

distributor) of motor vehicles or liquor not

manufactured by the dealer. 0.5 per centum

6. Such part of the relevant turnover as consists of

the turnover from any trade, business, profession

or vocation, the profits and income such are

chargeable with income tax at the rates specified

in Part A or B (i) of the Second Schedule to the

Inland Revenue Act, except in the case such

turnover falls within the turnover referred to in

items 1, 2 or 3 of this Schedule. 0.5 per centum

7. Such part of the relevant turnover as consists of

the turnover from any trade or business of a

distributor. 0.05 per centum

8. Such part of the relevant turnover as consists of

the turnover from any trade, business, profession

or vocation the profits and income of which are

chargeable with income tax at any rate other

than a rate specified in the Fifth Schedule to the

Inland Revenue Act, No. 10 of 2006. 1.0 per centum

9. Such part of the relevant turnover as consists of

the turnover from any trade or business of

carrying on any activity referred to in item 28 of

the Fifth Schedule to the Inland Revenue Act,

No. 10 of 2006. 1.0 per centum

10. Such part of the relevant turnover, which consists

of, the relevant turnover from any trade or

business referred to in Section 42 of the Inland

Revenue Act, No. 10 of 2006. 0.1 percentum

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11. Such part of the relevant turnover as consists of—

(i) the turnover from the export of apparels or the

supply of locally manufactured textiles to

apparel exporters to be used in the manufacture

of apparels for export by such exporter. 0.1 per centum.

(ii) the turnover of a trading house approved by

the Board of Investment so far as such trading

house engages in the business of the export of

apparels.

12. Any relevant turnover not referred to in items 1 to

11 above. 1.0 per centum.

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

prevail in case of

and Tamil texts of this Act, the Sinhala text shall prevail. inconsistency.

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