

PARLIAMENT OF THE DEMOCRATIC

SOCIALIST REPUBLIC OF

SRI LANKA

—————————

INLAND REVENUE (AMENDMENT)

ACT, NO. 19 OF 2009

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[Certified on 31st March, 2009]

Printed on the Order of Government

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Inland Revenue (Amendment) 1

Act, No. 19 of 2009

[Certified on 31st March, 2009]

L.D. —O 53/2008

AN ACT 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. 19 of 2009.

2. Section 7 of the Inland Revenue Act, No. 10 of 2006 Amendment of

section 7 of Act,

(hereinafter referred to as the “principal enactment”) as

No. 10 of 2006.

amended by Act, No. 9 of 2008, is hereby further amended in

paragraph (b) of that section, by the addition immediately

after sub-paragraph (lix) of that paragraph, of the following

new sub-paragraph:—

“(lx) the Telecommunications Regulatory Commission

of Sri Lanka, established by the Sri Lanka

Telecommunications Act, No. 25 of 1991;”.

3. Section 8 of the principal enactment as last amended Amendment of

by Act, No. 9 of 2008, is hereby further amended as follows:— section 8 of the

principal

enactment.

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

in paragraph (d) thereof for the words and figures

“the emoluments arising in Sri Lanka prior to

April1, 2008, and any income”, of the words “the

emoluments arising in Sri Lanka and any income”;

and

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

for the words and figures “whichever is earlier, but

not later than April 1, 2008.”, of the words

“whichever is earlier.”.

4. Section 9 of the principal enactment as last amended Amendment of

by Act, No. 9 of 2008 is hereby further amended as follows:— section 9 of the

principal

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

for the words “interest accruing to any person”, of

2—PL 003763—4,250 (03/2009)

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the words and figures “interst accruing on or before

31, March 2009, to any person”; and

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

that section, of the following new paragraph:—

“(n) the interest accruing to Lady Lochore Loan

Fund on any loan granted by such Fund to

any employee, of any Government

Institution as defined in section 132 of this

Act.”.

Amendment of 5. Section 13 of the principal enactment as last amended

section 13 of the by Act, No. 9 of 2008, is hereby further amended as follows:—

principal

enactment.

(1) by the insertion immediately after paragraph (ddd)

of that section, of the following new paragraphs:—

“(dddd) notwithstanding the provisions of paragraph

(ddd) of this section, the profits and income

for the period commencing from April 1,

2009 and ending on March 31, 2011, earned

in foreign currency by any resident company,

any resident individual or any partnership

in Sri Lanka, from any serivce rendered in or

outside Sri Lanka to any person or partnership

outside Sri Lanka, if such profits and income

(less such amount, if any, expended outside

Sri Lanka as is considered by the

Commissioner-General to be reasonable

expenses) are remitted to Sri Lanka, through

a bank;”;

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

that section, of the following new paragraphs:—

“(qq) one half of the profits and income of any

person for any year of assessment

commencing on or after April 1, 2009,

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derived from the sales or from any other

means of any book written by him and

whether published by himself or by any other

person, for a period of one year commencing

from the date of its first publication;

(qqq) one half of the profits and income of any

person for any year of assessment

commencing on or after April 1, 2009,

derived from the production of any drama,

for a period of one year commencing from

the date of its first public performance.

For the purpose of this paragraph,

“drama” means a theatrical presentation

based on a text, either written, oral or

otherwise, which through dramatic

performance by actors on a stage or any other

suitable space, conveys a story or any other

narrative, for a collective public audience;

(qqqq) any export development rebate paid to an

exporter by the Export Development Board,

established by the Sri Lanka Export

Development Act, No. 40 of 1979, under the

Export Development Reward Scheme;”;

(3) by the insertion immediately after paragraph (xx)

of that section, of the following new paragraphs:—

“(xxx) an amount equal to the interest or the

discount paid or allowed, as the case may

be, to any non resident person or to any

licensed commercial bank in Sri Lanka,

by the issuer of any sovereign bond

denominated in foreign currency, issued

on or after October 21, 2008 by or on behalf

of the Government of Sri Lanka;

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(xxxx) an amount equal to the interest or the

discount paid or allowed, as the case may

be, to any person on or after April 1, 2009,

on any Sri Lanka Development Bond

denominated in Untied States Dollars,

issued by the Central Bank of Sri Lanka;

(xxxxx) the profits and income derived by or

accruing to :—

(i) any non resident person or any

licensed commercial bank from the

sale of any sovereign bond referred to

in paragraph (xxx) ; or

(ii) any person from the sale on or after

April 1, 2009, of any Sri Lanka

Development Bond referred to in

paragraph (xxxx);”;

(4) by the insertion immediately after paragraph (yy)

of that section of the following new paragraph:—

“(yyy) any profit or income from any song or other

musical composition, derived by or

accruing to the lyricist, the composer of

the music or the singer, as the case may be,

of such song or musical composition, on

or after April, 1, 2009;”; and

(5) by the addition immediately after paragraph (zzz)

of that section, of the following new paragraph:—

“(zzzz) the profits and income derived by or

accruing to any person or partnership from

investment in Economic Resurgence

Certificates, utilizing money lying to

credit of any account referred to in

paragraph (d) of section 9 of this Act, from

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and out of monies deposited in such

account on or after February 1, 2009:

Provided that where investment in

Economic Resurgence Certificates is made

by utilizing money partly from money

deposited on or after February 1, 2009 and

partly from money which was already

lying to the credit of the account as of that

date, the exemption from income tax

granted by this paragraph shall apply only

to such part of the profits and income

which is attributable to the money out of

the deposits made on or after February 1,

2009.”.

6. Section 16 of the principal enactment as amended by Amendment of

Act, No. 10 of 2007, is hereby further amended as follows:— section 16 of the

principal

enactment.

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

in paragraph (b) thereof for the words “the market,

other than an undertaking for the manufacture of

tea; and”, of the words “the market; or”; and

(2) by the repeal of subsection (3) of that section, and

the substitution therefor of the following

subsection:—

“(3) In relation to an undertaking which consists

of the production of any agricultural, horticultural

or dairy produce and utilizing such produce to

manufacture any product (other than any product

specified under paragraph (c) of subsection (2)),

such produce shall be deemed to have been sold for

the manufacture of such product at the open market

price prevailing at the time of such deemed sale,

and the exemption granted under subsection (1)

shall be applicable to that undertaking, on the

profits and income computed on the basis of such

deemed sale.”.

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Amendment of 7. Section 17 of the principal enactment as last amended

section 17 of the

by Act, No. 9 of 2008, is hereby further amended in

principal

enactment. subsection (4) of that section as follows:—

(1) by the substitution in paragraph (c) thereof, for the

words “(other than black tea in bulk,”, of the words

“(other than black tea not in packet or package

form and each packet or package weighing not more

than one kilogram,”; and

(2) by the substitution in paragraph (d) thereof, for the

words “by any person or partnership of any

commodities (other than black tea in bulk,”, of the

words “by any person or partnership, of any

commodity (other than black tea not in packet or

package form and each packet or package weighing

not more than one kilogram,”.

Amendment of 8. Section 24A of the principal enactment is hereby

section 24A of amended as follows:—

the principal

enactment.

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

in paragraph (b) thereof, for the words “five years,”,

of the words “seven years,”; and

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

for the words “period of five years,”, of the words

“period of seven years,”.

Amendment of 9. Section 25 of the principal enactment is hereby

section 25 of the

amended in the further proviso to paragraph (b) of subsection

principal

enactment. (3) thereof, by the substitution for the words “nothing in this

paragraph”, of the words “nothing in paragraph (a) or (b)”.

Amendment of 10. Section 34 of the principal enactment as last amended

section 34 of

by Act, No. 9 of 2008, is hereby further amended in

the principal

enactment. subsection (2) thereof, as follows:—

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(1) by the addition, immediately after sub-paragraph

(ix) of paragraph (b) of that subsection, of the

following new proviso:—

“Provided where the fund referred to in sub-

paragraph (v) of this paragraph is the President’s

Fund established by the President’s Fund Act, No. 7

of 1978 and any public corporation is required in

terms of the law by or under which such corporation

is established to remit any profits of such

corporation to the President’s Fund, the profits so

remitted shall be deemed for the purpose of this

paragraph, to be donations made to such Fund;”;

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

subsection, for the words “provident fund, no part”,

of the words “provident fund, where no part”; and

(3) by the addition immediately after sub-paragraph

(xi) of paragraph (f) of that subsection, of the

following new sub-paragraph:—

“(xii) the Institution of Engineers, Sri Lanka,

incorporated by the Institution of

Engineers, Sri Lanka Act, No. 17 of 1968;”.

11. Section 40A of the principal enactment is hereby Replacement of

repealed and the following section is substituted therefor:— section 40A of

the principal

enactment.

“Rates of 40A. Where the taxable income of any

income tax

on the profits individual being a citizen of Sri Lanka, for any

from year of assessment commencing on or after

employment April 1, 2008, includes any profits from

of any pilot.

employment as a pilot under any airline

licensed under the Air Navigation Act (Chapter

365) (hereinafter in this section referred to as

“relevant profits”) and the rate of income tax

payable on a part of such taxable income

(hereinafter in this section referred to as the

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“relevant part of the taxable income”) exceeds

twenty per centum, then in regard to the relevant

part of the taxable income, the tax payable shall

be computed as follows:—

(a) where such relevant part of the taxable

income exceeds the amount of the

relevant profits:—

(i) the tax payable on such portion of

the relevant part of the taxable

income as is equal to the amount

of such relevant profits, shall be

computed at the rate of twenty per

centum; and

(ii) the tax payable on the balance of

the relevant part of the taxable

income, shall be computed

according to such of the rates above

twenty per centum, as are

applicable thereto, under the First

Schedule to this Act; or

(b) where such relevant part of the taxable

income does not exceed the amount of

the relevant profits, the tax payable on

the entirety of the relevant part of the

taxable income, shall be computed at the

rate of twenty per centum.”.

Insertion of new 12. The following new section is hereby inserted

section 40B in immediately after section 40A of the principal enactment

the principal

and shall have effect as section 40B of that enactment:—

enactment.

“Rate of tax 40B (1) Where the taxable income for any

on qualified

year of assessment commencing on or after

profits of

qualified April 1, 2009 of any qualified individual,

individuals. includes any profits from employment under

any qualified person in foreign currency

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(hereinafter in this section referred to as

“qualified profits”) and the rate of income tax

payable on a part of such taxable income

(hereinafter in this section referred to as the

“relevant part of the taxable income”) exceeds

twenty per centum, then in regard to the relevant

part of the taxable income, the tax payable

shall, subject to the provisions of subsection

(2), be computed as follows:—

(a) where the relevant part of the taxable

income exceeds the amount of such

qualified profits—

(i) the tax payable on such portion of

the relevant part of the taxable

income as is equal to the amount of

such qualified profits, shall be

computed at the rate of twenty per

centum; and

(ii) the tax payable on the balance of

the relevant part of the taxable

income, shall be computed

according to such of the rates above

twenty per centum, as are applicable

thereto under the First Schedule to

this Act; or

(b) where such relevant part of the taxable

income does not exceed the amount of

the qualified profits, the tax payable on

the entirety of the qualified part of the

taxable income shall be computed at the

rate of twenty per centum.

(2) The provisions of subsection (1) shall not apply

unless the qualified person referred to in that subsection

certifies, that the aggregate of the qualified profits paid in

any year of assessment to all qualified individuals employed

by such qualified person, does not exceed the amount of the

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total earnings of such qualified person in foreign currency,

the profits and income attributable to which are exempt from

income tax under paragraph (ddd) of section 13 or would

have been exempt under that paragraph had such qualified

person not entered into any agreement with the Board of

Investment of Sri Lanka under section 17 of the Board of

Investment Law, No. 4 of 1978, and earned by such qualified

person in the year of assessment immediately preceding that

year of assessment.

(3) For the purposes of this section—

(a) “qualified individual” means an

individual who is an employee of a

qualified person, and who provides in

the course of such employment any

service, being a service rendered in the

course of any profession or vocation as

specified by the Commissioner-General

under paragraph (ddd) of section 13;

and

(b) “qualified person” means any person

or partnership, the entirety or a part of

whose profits and income are exempt

from income tax under paragraph (ddd)

of section 13 or would have been

exempt under that paragraph had such

person or partnership not entered into

any agreement with the Board of

Investment of Sri Lanka under section

17 of the Board of Investment of Sri

Lanka Law, No. 4 of 1978.”.

Amendment of 13. Section 57 of the principal enactment is hereby

section 57 of the amended, by the substitution for the words “The profits and

principal

enactment. income earned in foreign currency by any company”, of the

words and figures “The profits and income earned in foreign

currency in any year of assessment ending on or before March

31, 2008 by any company”.

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14. Section 60 of the principal enactment is hereby Amendment of

section 60 of the

amended by the substitution for the words ‘“non traditional

principal

goods” means goods other than black tea in bulk, crepe enactment.

rubber,”, of the words “non traditional goods” means goods

other than black tea not in packet or package form and each

packet or package weighing not more than one kilogram,

crepe rubber,’”.

15. Section 78 of the principal enactment as amended Amendment of

by Act, No. 10 of 2007, is hereby further amended in section 78 of the

principal

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

enactment.

words and figures “against the Economic Service Charge

levied under the Finance Act, No. 11 of 2004”, of the words

and figures “against the Economic Service Charge levied

under the Economic Service Charge Act, No. 13 of 2006”.

16. Section 106 of the principal enactment as amended Amendment of

by Act, No. 10 of 2007 is hereby further amended as Section 106 of

the principal

follows :—

enactment.

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

(a) by the substitution for the words “thirtieth

day of September”, of the words “thirtieth

day of November”; and

(b) by the repeal of paragraph (a) of the proviso

to that subsection and the substitution

therefor of the following paragraph:—

“(a) profits from employment as specified

in section 4 and chargeable with income

tax, does not exceed—

(i) rupees four hundred and twenty

thousand, where such year of

assessment is any year of

assessment ending on or before

March 31, 2009; or

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(ii) rupees one million, where such year

of assessment is any year of

assessment commencing on or after

April 1, 2009,

and income tax under Chapter XIV has been

deducted by the employer on such profits from

employment;”; and

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

for the words “on or before September 30”, of

the words “on or before the thirtieth day of

November”.

Amendment of 17. Section 113 of the principal enactment as amended

section 113 of by Act No. 9 of 2008, is hereby further amended as follows:—

the principal

enactment. (1) in subsection (3) of that section, by the substitution

for the words “thirtieth day of September”, of the

words “thirtieth day of October,”; and

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

for the word “individual” wherever such word

appears in that subsection, of the word “individual”.

Amendment of 18. Section 133 of the principal enactment as amended

section 133 of by Act, No. 9 of 2008, is hereby further amended in paragraph

the principal

(c) of subsection (4) of that section as follows:—

enactment.

(1) in sub-paragraph (ii) thereof by the substitution for

the words and figure “not exceed 600,000 rupees,”,

of the words and figure “not exceed 1,000,000

rupees,”; and

(2) in sub-paragraph (iii) thereof, by the substitution

for the words and figure “exceeds 600,000 rupees,”,

of the words and figure “exceeds 1,000,000

rupees,”.

Amendment of 19. Section 153 of the principal enactment as amended

section 153 of by Act, No. 10 of 2007, is hereby further amended in

the principal

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

enactment.

expression “specified fee”, by the substitution for the words

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“(a) fifty thousand rupees for any month; or”, of the words

“(a) fifty thousand rupees for any calendar month; or”.

20. Section 163 of the principal enactment as amended Amendment of

by Act, No. 9 of 2008, is hereby further amended as section 163 of

the principal

follows :—

enactment.

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

for the word “September” wherever such word

appear in that subsection, of the word “November”:

and

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

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

subsection, for words “thirtieth day of

September” and for the words “expiry of

eighteen months”, of the words “thirtieth day

of November” and of the words “expiry of a

period of two years”, respectively ; and

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

substitution for the words “three years”, of

the words “four years”.

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

amended in subsection (2) of that section, by the substitution section 173 of

the principal

for the words and figures “ in subsection (3) or subsection

enactment.

(4) of section 113, ”, of the words and figures “in subsection

(3) of section113,”.

22. Section 200 of the principal enactment as amended Amendment of

by Act, No. 10 of 2007, is hereby further amended by the section 200 of

the principal

repeal of subsection (8) of that section, and the substitution

enactment.

therefor of the following subsection:—

“(8) Nothing in the preceding provisions of this

section shall apply in relation to the income tax paid

by deduction or otherwise, by any person for any year

of assessment in respect of the whole or any part of his

income, if such income is not included in his assessable

income for that year of assessment.”.

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Amendment of 23. Section 217 of the principal enactment as amended

section 217 of

by Act, No. 9 of 2008, is hereby further amended as follows:—

the principal

enactment.

(1) by the repeal of the definition of the phrase

“approved by the Commissioner-General”, and the

substitution therefor of the following definition:—

‘“approved by the Commissioner-General” when

used in relation to a pension, provident,

gratuity or savings fund means, approved

by the Commissioner-General as conforming

to such conditions as may be specified by

him, either generally or specifically in

relation to any such fund, by notice

published in the Gazette, having regard to

the need for the protection of the interests of

the contributors to any such fund and the

protection of revenue;’; and

(2) by the insertion immediately after the definition of

the word “Assessor”, of the following new

definition:—

‘“associate company” means a company over

which an investing company has a significant

influence and which is neither a subsidiary

of the investing company nor is a joint

venture of which the investing company is a

partner;’.

Amendment of 24. The First Schedule to the principal enactment is

the First hereby amended as follows:—

Schedule to the

principal

enactment. (1) by the substitution in Part I of that Schedule, for

the words “Any individual other than an individual

referred to in Part II or Part III”, of the words and

figures “For any year of assessment ending on or

before March 31, 2009, any individual other than

an individual referred to in Part II or Part III”; and

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(2) by the insertion immediately after Part I of that

Schedule, of the following new Part:—

“PART I A

For any year of assessment commencing on or after April

1, 2009, any individual other than an individual referred to

in Part II or Part III

On the first Rs. 400,000 of the taxable income 05 per centum

On the next Rs. 400,000 of the taxable income 10 per centum

On the next Rs. 400,000 of the taxable income 15 per centum

On the next Rs. 500,000 of the taxable income 20 per centum

On the next Rs. 500,000 of the taxable income 25 per centum

On the next Rs. 500,000 of the taxable income 30 per centum

On the balance of the taxable income 35 per centum

.”.

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

hereby amended as follows:— the Second

Schedule to the

principal

(1) in item 1 of “PART-A” of that Schedule, by the enactment.

substitution for the words “venture

capitalcompany-”, of the words “venture capital

company-”; and

(2) in item 2 of “PART-B” of that Schedule, by the

substitution for the words and figure “income

exceeds Rs. 5,000,000/-”, of the words and figure

“income exceeds Rs. 5,000,000/- or if such company

is a holding company, a subsidiary company or an

associated company of a group of companies-”.

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Sinhala text to 26. In the event of any inconsistency between the

prevail in case

Sinhala and Tamil texts of this Act the Sinhala text shall

of inconsistency.

prevail.

Retrospective 27. (1) The amendments made to paragraph (e) of

effect.

subsection (2) of section 34, subsection (3) of section 78,

subsection (4) of section 113, subsection (2) of section 153

and subsection (2) of section 173 of the principal enactment,

by sections 10 (2), section 15, section 17, section 19 and

section 21 respectively, of this Act, shall be deemed for all

purposes to have come into force on April 1, 2006.

(2) The amendment made to the Second Schedule to the

principal enactment by section 25 of this Act, shall be

deemed for all purposes to have come into force on April 1,

2007.

(3) The amendment made to section 8, section 40A and

section 57 of the principal enactment, by section 3(1) and

(2), section 11 and section 13 respectively, of this Act, shall

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

1, 2008.

(4) The amendment made to section 13 of the principal

enactment by section 5(2) of this Act, shall be deemed for all

purposes to have come into force on October 21, 2008.

(5) The amendment made to section 13 by section 5(4)

of this Act, shall be deemed for all purposes to have come

into force, on February 1, 2009.

(6) The amendments made to the principal enactment by

this Act, other than the amendments specifically referred to

in subsections (1), (2), (3), (4) and (5) of this section, shall

come into force on April 1, 2009.

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