PARLIAMENT OF THE DEMOCRATIC

SOCIALIST REPUBLIC OF

SRI LANKA

ECONOMIC SERVICE CHARGE

(AMENDMENT) ACT, No. 11 OF 2011

[Certified on 31st March, 2011]

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Economic Service Charge (Amendment) 1

Act, No. 11 of 2011

[Certified on 31st March, 2011]

L.D.—O. 11/2011.

ANACT TO AMEND THE ECONOMIC SERVICE CHARGE

ACT, NO. 13 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 Economic Service Short title.

Charge (Amendment) Act, No. 11 of 2011.

2. The Economic Service Charge Act, No. 13 of 2006 Amendment of

(hereinafter referred to as the “principal enactment”) is hereby section 2 of the

Economic

amended in section 2 as follows:—

Service Charge

Act, No. 13 of

(1) by the substitution for paragraph (a) and (b) of

2006.

subsecion (2) thereof, of the following—

“(a) commencing before March 31, 2007, does not

exceed ten million;

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

before April 1, 2011, does not exceed rupees

seven million five hundred thousand;

(c) commencing on or after April 1, 2011, does

not exceed rupees twenty-five million.”; and

(2) by the substitution for the word “Schedule” in

subsection 1 of that section the words “Schedule I”

or “Schedule II” as the case may be of the words

“First Schedule”.

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

amended as follows :— section 7 of the

principal

“(1) by the re-numbering of that section as subsection enactment.

(1) thereof;

(2) in the re-numbered subsection (1), by the substitution

for the words “for any relevant quarter shall,” of the

words and figures “for any relevant quarter ending

on or before March 31, 2011 shall,”; and

2—PL 005581—4,040 (03/2011)

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

subsection (1) of the following new subsecion:—

“(2) Every person and partnership chargeable

with the service charge for any relevant quarter

commencing on or after April 1, 2011 shall,

whether or not requested by an Assessor to do so,

furnish to an Assessor, on or before the twentieth

day of April of each year, a return for the year of

assessment ending on March 31 of that year, in

such form and containing such particulars as may

be specified by the Commissioner-General, of the

relevent turnover of such person or partnership,

as the case may be. The return shall also indicate

the basis of the calculation of the service charge

and other details, if any, specified by the

Commissioner-General in relation to this

section.”.

Insertion of new 4. The following new section is hereby inserted

section 10A in immediately after section 10 of the principal enactment and

the principal

shall have effect as section 10A of that enactment :—

enactment.

“Turnover 10A. (1) The turnover from the business of

from Islamic any Islamic Financial Transaction shall be

Financial

chargeable to tax in terms of the provisions of

Transactions

to be this Act.

chargeable to

tax. (2) The Commissioner-General of Inland

Revenue shall in order to determine the extent

of liability to tax of any particular Islamic

Financial Transaction, issue from time to time,

such rules and guidelines as may be required

for the purpose of—

(a) identifying the circumstances which

would amount to an Islamic Financial

Transaction ; and

(b) ascertaining the profit and income

arising out of any Islamic Financial

Transaction.”.

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

amended by the substitution for the definition of the section 13 of the

principal

expression “person” of the following definition :— enactment.

“person” includes a company or body of persons, but

does not include—

(a) any registered society, within the meaning of

the Co-operative Societies Law, No. 5 of 1972

or under the respective Statute enacted by a

Provincial Council providing for such

registration;

(b) any person carrying on business as an owner or

charterer of an aircraft or ship;

(c) any government institution or local authority as

defined in the Inland Revenue Act, No. 10 of

2006;

(d) any distributor;

(e) any dealer in a lottery;

(f) any Unit Trust or Mutual Fund.”.

6. The Schedule to the principal enactment is hereby Amendment of

amended by the substitution for the word “Schedule” of the the Schedule to

the principal

following:— enactment.

“SCHEDULE I

For the period ending on March 31, 2011”; and

7. The following new Schedule is hereby inserted Replacement of

the Schedule to

immediately after Schedule I of the principal enactment and

the principal

shall have effect as Schedule II of that enactment:— enactment.

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“SCHEDULE II (Section 2)

For the period commencing on April 1, 2011

PART OF THE LIABLE TURNOVER RATE OF THE

SERVICE CHARGE

APPLICABLE TO

THAT PART

1. Enterprises to which the Board of

Investment of Sri Lanka Law, No. 4 of

1978 is applicable (liable to pay income

tax)—

(a) Apparel exporters;

(b) Board of Investment houses;

0.1 per centum

(c) Manufacturers of textiles for

apparel exporters.

2. Persons granted Exemptions/

Concessionary Rates/Others

(a) who are exempt from income tax

(including tax holiday companies);

(b) who during certain periods are

incurring losses;

(c) who are subject to tax under

concessionary rates;

(d) who are engaged in wholesale or

retail trade other than products

manufactured or produced by the 0.25 per centum

seller (excepting distributors or

dealers in motor vehicles or liquor);

(e) who carry out primary conversion

of any tea, rubber or coconut

plantation including desiccated

coconut, coconut oil or fiber, copra

and sheet rubber, but excluding any

conversion which produces any

alcoholic beverage.

3. Advertising Agents—

(a) prior to April 1, 2011 1.0 per centum

(b) on or after April 1, 2011 0.25 per centum

4. any other businesses including of

which the turnover is defined by

Notice published in the Gazette. 1.0 per centum

(including dealers in motor vehicles,

liquor, tobacco and petroleum)”

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8. Any person or partnership carrying on an enterprise, Exemption of

having an annual turnover of a sum not exceeding rupees certain small and

medium

one hundred million who is liable to pay the economic

enterprises from

service charge under this Act, who has defaulted in the the payment of

payment of such economic service charge as is payable by taxes payable by

him under this Act in respect of any year of assessment them.

ending on or before December 31, 2010, due to the existence

generally of any conflict environment or due to any financial

constraints of such person or partnership, shall be exempt

from the payment of such charge as is in default under this

Act :

Provided that, the Commissioner-General of Inland

Revenue shall on a request made in that behalf, issue to such

person or partnership a Certificate of Exemption in respect

of the sum in default :

Provided further, the person or partnership to whom the

Certificate of Exemption is issued, shall simultaneously

forward to the Commissioner-General of Inland Revenue a

written assurance to the effect that such person or partnership

will be responsible for the payment of all sums which may

become payable by him under this Act, in respect of any

future year of assessment commencing on or after January 1,

2011.

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

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

of an

inconsistency.

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