

PARLIAMENT OF THE DEMOCRATIC

SOCIALIST REPUBLIC OF

SRI LANKA

INLAND REVENUE (AMENDMENT)

ACT, NO. 8 OF 2012

[Certified on 30th March, 2012]

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Inland Revenue (Amendment) Act, No. 8 of 2012 1

[Certified on 30th March, 2012]

L.D.—O. 10 /2012.

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

(Amendment) Act, No. 8 of 2012. the date of

operation.

(2) The provisions of this Act, shall come into operation

on April 1, 2012:

Provided however—

(a) the amendments made to section 7 of the Inland

Revenue Act, No.10 of 2006 (hereinafter referred

to as the “principal enactment”) by section 2 (2)

of this Act;

(b) the amendments made to section 16C of the

principal enactment by section 6 of this Act;

(c) the amendments made to section 17A of the

principal enactment by section 9 of this Act,

(d) the amendments made to—

(i) subsection (2) of section 34 of the principal

enactment by the addition of new sub

paragraph (s) to that subsection by section

15 (1) of this Act; and

(ii) paragraph (a) and paragraph (b) respectively

of subsection (4) of section 34 of the principal

encatmant by the addition of new item (A) in

new subparagraph (x) and new item (A) in

2 Inland Revenue (Amendment) Act, No. 8 of 2012

new subparagraph (ix) to that subsection

respectively, by section 15 (2) of this Act,

shall be deemed for all purposes to have come into

operation on April 1, 2011.

Amendment of 2. Section 7 of the principal enactment as last

section 7 of the amended by Act, No. 22 of 2011 is hereby further amended

principal

as follows :—

enactment.

(1) in paragraph (b) of that section—

(a) by the substitution in sub paragraph (xxviii),

for the words and figures “part VIII of the

Companies Act, No. 17 of 1982”, of the words

and figures “part XI of the Companies Act,

No. 7 of 2007”;

(b) by the substitution in sub-paragraph (lxi), for

the words and figures “the profits and income

of the Insurance Board of Sri Lanka,

established by the Regulation of Insurance

Industry Act, No. 43 of 2000,”, of the words

and figures “the Insurance Board of Sri Lanka,

established by the Regulation of Insurance

Industry Act, No. 43 of 2000;”;

(c) by the addition, immediately after

sub-paragraph (lxi), of the following new

sub-paragraphs:—

“(lxii) the Institute of Certified Management

Accountants of Sri Lanka established

by the Institute of Certified

Management Accountants of Sri Lanka

Act, No. 23 of 2009; and

(lxiii) the Fund established by the National

Child Protection Authority Act, No. 50

of 1998.”;

Inland Revenue (Amendment) Act, No. 8 of 2012 3

(2) in paragraph (e) of that section—

(a) by the substitution for the words and figures

“the profits and income accruing prior to

April 1, 2011, of a charitable institution,”, of

the words “the profits and income of a

charitable institution,”;

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

that paragraph, for the words “the profits of a

business”, of the words and figures “the profits

for any year of assessment commencing prior

to April 1, 2011, of a business”.

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

by Act, No. 22 of 2011 is hereby further amended as section 9 of the

principal

follows:— enactment.

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

for the words “if such loan is approved by the

Minister as being essential for the economic progress

of Sri Lanka;”, of the following words and figures,

“if such loan is—

(i) granted prior to April 1, 2012, and approved

by the Minister as being essential for the

economic progress of Sri Lanka; or

(ii) granted on or after April 1, 2012;”.

(2) in paragraph (b) of that section by the substitution

for the words “if such loan is approved by the

Minister as being essential for the economic progress

of Sri Lanka;”, of the following words and figures,

“if such loan is—

(i) granted prior to April 1, 2012, and approved

by the Minister as being essential for the

economic progress of Sri Lanka; or

(ii) granted on or after April 1, 2012;”.

4 Inland Revenue (Amendment) Act, No. 8 of 2012

Amendment of 4. Section 10 of the principal enactment as last amended

section 10 of the by Act, No. 9 of 2008, is hereby further amended in

principal

subsection (1) as follows :—

enactment.

(1) in paragraph (i) of that subsection, by the substitution

for the words “within one year thereafter.”, of the

words “within one year thereafter;”;

(2) in paragraph (j) of that subsection, by the

substitution for the words “through a bank.”, of the

words “through a bank;”;

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

that subsection, of the following new paragraph:—

“(k) any dividend paid to a shareholder of a

company out of such profits and income

of that company which are exempt from

income tax under section 16C or section

17A of this Act, if such dividend is paid

during the period for which such profits

and income are exempt from income tax:

Provided that where such company is a

resident company engaged in any

construction project, then such exemption

shall be applicable to any dividend paid

by such company during the period for

which such profits and income are exempt

from income tax or within one year

thereafter.”.

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

section 13 of the by Act, No. 22 of 2011 is hereby further amended as

principal

enactment. follows:—

(1) by the insertion immediately after paragraph (t) of

that section, of the following new paragraph:—

“(tt) the profits and income accruing to any

person from the redemption of a unit of a

Unit Trust or a Mutual Fund;”;

Inland Revenue (Amendment) Act, No. 8 of 2012 5

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

that section, of the following new paragraph :-

“(vv) the profits and income of any individual

who is not a citizen of Sri Lanka and who

is brought to Sri Lanka as a trainer of any

sport, being profits and income derived

by such individual in the capacity of such

trainer in Sri Lanka;”;

(3) by the substitution in sub-paragraph (ii) of

paragraph (xxxxxx) for the words and figures

“section 17C;”, of the words and figures “section

16C;”;

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

of that section, of the following new paragraph :-

“(yyyyyy) any royalty received in foreign currency

by any person resident in Sri Lanka from

outside Sri Lanka, if such royalty is

remitted to Sri Lanka through a bank;”;

(5) by the insertion immediately after paragraph (zzzzz)

of that section, of the following new paragraph :-

“(zzzzzz) the profits and income arising or accruing

to any person from the administration of

any sports ground, stadium or sports

complex.”.

6. Section 16C of the principal enactment is hereby Amendment of

amended as follows:- section 16C of

the principal

enactment.

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

for the words “shall be exempt from income tax for

a period of three years reckoned from”, of the words

“shall be exempt from income tax for the period

specified in Column III as corresponding to the

investment specified in Column II and the types of

activities specified in Column I of the Schedule

hereto reckoned from,”;

6 Inland Revenue (Amendment) Act, No. 8 of 2012

(2) by the insertion, immediately after subsection (1)

of that section, of the following Schedule :—

“SCHEDULE

Column I Column II Column III

(Activities) (Amount of investment (Period of

– in Rupees) exemption)

Agriculture, animal Not less than 25 4 years

husbandry or million, but less than

fishing (including 50 million

processing), creative

work including work

of an artist,

Information

Technology

Any activity referred Not less than 50 4 years

to in paragraph (a) of million, but less than

subsection (2), but 100 million

not including services

relating to agriculture

(products shall be Not less than 5 years

with a minimum of 100 million but less

35% value addition, than 200 million

if more than 50% of

the production is to

be sold in the Not less than 200 6 years”.

domestic market) million

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

the substitution therefor of the following new

subsection:—

“(2) For the purposes of subsection (1), “new

undertaking” means an undertaking –

(a) which is engaged in –

(i) agriculture, animal husbandry or

fishing;

(ii) the manufacture of any article

(including the processing of such

article), other than any liquor or any

tobacco product;

Inland Revenue (Amendment) Act, No. 8 of 2012 7

(iii) the provision of services of Information

Technology;

(iv) software development;

(v) business process outsourcing;

(vi) knowledge process outsourcing;

(vii) the provision of healthcare services;

(viii) the provision of educational services;

(ix) the provision of beautycare services;

(x) the provision of cold room and storage

facilities;

(xi) tourism;

(xii) fitness centre services or providing

facilities for sports;

(xiii) creative work including work of an

artist;

(xiv) mini hydro power projects;

(b) in which the sum invested in the acquisition

of fixed assets after March 31, 2011 but prior

to April 1, 2015 is not less than the

corresponding sum specified in Column II

of the Schedule to subsection (1); and

(c) which commences commercial operations

on or after April 1, 2011.

For the purposes of this section “the amount of

investment” means the cost of any land, plant,

machinery, equipment and other fixed assets.”.

8 Inland Revenue (Amendment) Act, No. 8 of 2012

Insertion of new 7. The following new section is hereby

section 16D in

inserted immediately after section 16C of the principal

the principal

enactment. enactment and shall have effect as section 16D of that

enactment :-

“Exemption 16D. The profits and income within the

for five meaning of paragraph (a) of section 3

years,of

profits and (other than any profits and income from the

income of sale of any capital asset) of any new

strategic undertaking established on or after April 1,

import 2012 and engaged in the manufacture of

replacement

undertakings any of the products referred to in Column I of

engaged in the Schedule hereto with an amount not

the less than the corresponding minimum

manufacture investment referred to in Column II thereof,

of specified

products. shall be exempt from income tax for a period

of five years reckoned from the commencement

of the year of assessment in which

such undertaking commences to make

profits from transactions entered into in that

year of assessment or from the commencement

of the year of assessment immediately

succeeding the year of assessment in which

such undertaking completes a period of

two years from the date on which such

undertaking commences to carry on commercial

operations; which ever occurs earlier.

SCHEDULE

Column I Column II

(Product) (Minimum Investment in

USD Million)

Fabric 5

Pharmaceutical 10

Milk Powder 30

Cement 50”.

Inland Revenue (Amendment) Act, No. 8 of 2012 9

8. Section 17 of the principal enactment, as last Amendment of

section 17 of the

amended by Act, No. 22 of 2011, is hereby further amended

principal

in subsection (2) of that section as follows:- enactment.

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

substitution in sub-paragraph (ii), for the words

“rupees ten million invested in such undertaking,”,

of the words and figures “rupees ten million invested

not later than March 31, 2012, in such

undertaking,”;

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

substitution for the words “which qualify under the

same investment criteria”, of the words and figures

“which qualify under the same investment criteria

and incorporated prior to April 1, 2002”; and

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

substitution for the words “Order published in the

Gazette”, of the words and figures “Order published

in the Gazette not later than March 31, 2012”.

9. Section 17A of the principal enactment, is hereby Amendment of

amended as follows :- section 17A of

the principal

enactment.

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

(a) by the substitution for the words “shall be

exempted from income tax for a period of

five years reckoned from”, of the words “shall

be exempt from income tax for the period

specified in Column II of the Schedule hereto

as corresponding to the investment specified

in Column I of that Schedule, reckoned

from”; and

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

and the substitution therefor, of the following

schedule:-

10 Inland Revenue (Amendment) Act, No. 8 of 2012

“SCHEDULE

Column I Column II

(Investment in Rupees Million) (Exemption

period)

More than 300 and not more 6 years

than 500

More than 500 and not more 7 years

than 700

More than 700 and not more 8 years

than 1,000

More than 1,000 and not more 9 years

than 1,500

More than 1,500 and not more 10 years

than 2,500

More than 2,500 12 years”;

(2) by the substitution for the subsection (2) of that

section, of the following new subsection :-

“(2) For the purposes of subsection (1), “new

undertaking” means any undertaking—

(a) which is engaged in any of the activities

specified below:-

(i) manufacture of boats, pharmaceuticals,

tyres and tubes, motor spare parts,

furniture, ceramics, glass ware or other

mineral based products, rubber based

products, cosmetic products, edible

products manufactured out of locally

cultivated agricultural products,

construction materials or electrical or

electronic goods;

(ii) manufacture, production or processing

of non-traditional goods for export,

including deemed exports which shall

constitute not less than ninety per

centum of the total production and in

the case of apparels, seventy five per

centum of the total production ;

Inland Revenue (Amendment) Act, No. 8 of 2012 11

(iii) cultivation of food crops or industrial

crops;

(iv) horticulture;

(v) forestry;

(vi) animal husbandry in relation to dairy,

poultry, swine, goat etc;

(vii) provision of services to a person or

partnership outside Sri Lanka, for

payment where the total amount of such

payment shall not be less than seventy

per centum in convertible foreign

currency;

(viii) tourism or tourism related projects;

(ix) hotels, guest houses or similar services;

(x) infrastructure projects including

construction of commercial buildings;

(xi) development of any warehousing or

storage facility;

(xii) power generation using renewable

resources;

(xiii) establishment of industrial estates,

special economic zones or knowledge

cities;

(xiv) urban housing or town centre

development;

(xv) provision of any sanitation facility or

waste management systems;

(xvi) development of water services;

(xvii) development of internal water ways, or

related transport (goods or passengers);

12 Inland Revenue (Amendment) Act, No. 8 of 2012

(xviii) construction of hospitals and provision

of health care services;

(xix) repair of aircrafts or maritime vessels or

ship breaking;

(xx) sporting services (e.g. motor racing or

golf course);

(xxi) information technology;

(xxii) software development;

(xxiii) business or knowledge process

outsourcing;

(xxiv) any project in light or heavy

engineering industry;

(xxv) artificial insemination for cattle (dairy

development);

(xxvi) provision of educational services;or

(xxvii) any other activity, as may be prescribed

by the Minister taking into

consideration the development of

national economy ; and

(b) which commences commercial operations

on or after April 1, 2011;

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

substitution for the words “ engaged in any

prescribed activities.”, of the words “engaged in

any specified activities.”.

Amendment of 10. Section 19 of the principal enactment is hereby

section 19 of the amended in subsection (2), by the substitution for the words

principal

“invested within one year from the commencement of the

enactment.

undertaking”, of the words and figures “invested within one

year from the commencement of the undertaking, but not

later than March 31, 2012”.

Inland Revenue (Amendment) Act, No. 8 of 2012 13

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

amended in sub section 6 of the definition of the expression section 23 of the

principal

“venture capital company” by the substitution for the words

enactment.

and figures “Companies Act, No. 17 of 1982”, of the words

and figures “Companies Act, No. 7 of 2007”.

12. Section 25 of the principal enactment as last Amendment of

amended by Act, No. 22 of 2011 is hereby further amended section 25 of the

principal

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

enactment.

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

that section by the substitution for the words and

figures “acquired on or after April 1, 2007 and”, of

the words and figures “acquired on or after April 1,

2007 but prior to April 1, 2011”;

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

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

following new paragraph :-

“(d) where for energy efficiency purposes, any

high tech plant, machinery or equipment is

acquired on or after April 1, 2012, the rate

shall be fifty per centum of the cost of

acquisition;”

(3) by the substitution in paragraph (i) of that section

for the words “any trade or business carried on by

such person;”, of the following words and figures:—

“any trade or business carried on by such person:

Provided that for any year of assessment

commencing on of after April 1, 2012, the

deduction shall be an amount equal to three

hundred per centum of such expediture incurred

by such person, if such research is carried out

through any Government institution;

For the purposes of this paragraph—

(i) “Government institution” includes any

company, where fifty per centum or more of

the shares are held by the Government; and

14 Inland Revenue (Amendment) Act, No. 8 of 2012

(ii) “scientific, industrial, agricultural or any other

research” means any such research which is

carried out for product or produce innovation,

or improving the quality or character of any

product, produce or service but does not

include any market research or feasibility

studies.

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

proviso to paragraph (k) of that subsection for the

words and figure “Chapter XIV of this Act” of the

words and figures “Chapter XIV of this Act, where

such benefit is not exempt under paragraph (s) of

subsection (1) of section 8 of this Act,”;

(5) in paragraph (s) of that subsection by the

substitution for the words “that year if assessment

and in any previous year of assessment shall not

exceed one per centum of the value of Initial Public

Offering of Such company.”, of the words “that year

of assessment and in any previous year of assessment

shall not exceed one per centum of the value of the

Initial Public Offering of such company;”;

(6) by the addition immediately after paragraph (s) of

that subsection of the following new paragraph :-

“(t) any expenditure incurred by any person in

the maintenance or management of any

sports ground, stadium or sports complex.”.

Amendment of 13. Section 26 of the principal enactment as last

section 26 of the amended by Act, No. 22 of 2011 is hereby further amended

principal

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

enactment.

(1) by the substitution in sub-paragraph (ii) of

paragraph (c) of that subsection, for all the words

commencing from “in foreign currency:” to

“business for that year of assessment;” of the

following :-

“in foreign currency; or

Inland Revenue (Amendment) Act, No. 8 of 2012 15

(iii) services relating to design development,

product development or product

innovation by such person being a

company engaged exclusively in the

provision of such services:”

Provided that for any year of assessment

commencing on or after April 1, 2011—

(A) such part of expenditure incurred

in travelling outside Sri Lanka in

the production of profits or

income from any trade or business

carried on or exercised in Sri

Lanka by any person, after

deducting therefrom–

(i) such expenses incurred in

travelling outside Sri Lanka

solely in connection with

the promotion of export

trade of any article or goods

or the provision of any

service for payment in

foreign currency; or

(ii) such expenditure incurred in

travelling outside Sri Lanka

in carrying out an approved

programme as referred to in

paragraph (d); or

(iii) for any year of assessment

commencing on or after

April 1, 2012, such

expenditure incurred in

travelling outside Sri Lanka,

by any company engaged

exclusively in the provision

of services relating to design

development, product

development or product

innovation;

16 Inland Revenue (Amendment) Act, No. 8 of 2012

(B) an amount equal to two per

centum of the profits and income

of such trade or business in the

immediately preceding year of

assessment,

whichever is lower, shall be deductible in

ascertaining the profits and income from such trade

or business for that year of assessment;”;

(2) by the substitution in the proviso to paragraph (x),

for the words and figures “Companies Act, No. 17

of 1982;”, of the words and figures “Companies

Act, No. 7 of 2007;”.

Amendment of 14. Section 32 of the principal enactment as last

section 32 of amended by Act, No.22 of 2011 is hereby further amended

the principal

enactment. in subsection (5) by the insertion immediately after paragraph

(d) of that subsection of the following new paragraph :-

“(e) where any person commenced to carry on any

business the annual turnover of which does not

exceed rupees five hundred million, any

commencement expenses other than the capital

expenses incurred by that person in the year of

assessment immediately preceding the year of

assessment in which the commercial operation

of such business is commenced, shall be

deducted from the total statutory income of that

person for that year of assessment in which

commercial operation commenced.”.

Amendment of 15. Section 34 of the principal enactment as last

section 34 of the amended by Act, No. 22 of 2011 is hereby further amended

principal

as follows :-

enactment.

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

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

subsection for the words and figures

“subsection (2) of section 21A; and” of the

words and figures “subsection (2) of section

21A;”;

Inland Revenue (Amendment) Act, No. 8 of 2012 17

(b) by the substitution in paragraph (q) of that

subsection for the words and figures

“paragraph (zzz) of section 13”, of the words

and figures “paragraph (zzz) of section 13;”;

(c) by the addition immediately after paragraph

(q) of that subsection of the following new

paragraphs :-

“(r) expenditure incurred by any person in

any community development project

carried on in any economically

marginalised village as identified and

published in the Gazette by the

Commissioner- General;

(s) investment of not less than fifty million

rupees in fixed assets made by any

person on or after April 1, 2011 but

before April 1, 2015 in the expansion

of any undertaking which would have

been qualified for exemption under

section 16C or section 17A had such

undertaking commenced to carry on

business on or after April 1, 2011; and

(t) investment of not less than any sum

referred to in Column II of the Schedule

to section 16D of this Act made in fixed

assets in any undertaking engaged in

the manufacture of any product referred

to in Column I of that Schedule, being

an investment which would have

qualified such undertaking for

exemption under section 16D, referred

to above had such undertaking

commenced to carry on business on or

after April 1, 2012;”;

(2) in subsection (4) of that section —

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

paragraph (a) of that subsection for the words

18 Inland Revenue (Amendment) Act, No. 8 of 2012

and figures “(n), (o) and (q) of subsection (2)”

of the words and figures “(n), (o), (q), (r), (s)

and (t) of subsection (2)”;

(b) by the addition immediately after sub-

paragraph (viii) of paragraph (a) of that

subsection of the following new sub-

paragraphs :-

“(ix) in respect of all qualifying payments

referred to in paragraph (r) of subsection

(2) made by him in that year of

assessment shall not exceed one million

rupees;

(x) in respect of all qualifying payments—

(A) referred to in paragraph (s) of

subsection (2) made by him in

that year of assessment shall not

exceed twenty five per centum of

such qualifying payment:

Provided however, where

investments made in more than

one year of assessment are

aggregated to reach the minimum

investment to qualify for

deduction as qualifying

payment, such investment made

in any previous year of

assessment (being any year of

assessment commencing on or

after April 1, 2011) shall be

deemed to be an investment made

in the year of assessment in which

the fifty million rupees aggregate

is reached;

(B) referred to in paragraph (t) of

subsection (2) made by him in

that year of assessment shall not

exceed twenty five per centum of

such qualifying payment:

Inland Revenue (Amendment) Act, No. 8 of 2012 19

Provided however, where

investments made in more than

one year of assessment are

aggregated to reach the minimum

investment to qualify for

deduction as qualifying

payment, such investment made

in any previous year of

assessment (being any year of

assessment commencing on or

after April 1, 2012) shall be

deemed to be an investment made

in the year of assessment in which

the respective minimum

investment referred to in section

59C is reached;

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

paragraph (b) of that subsection for the words

and figures “(n), (o) and (q) of subsection (2)”,

of the words figures “(n), (o), (q), (r), (s) and (t)

of subsection (2);

(d) by the substitution in sub-paragraph (vii) of

paragraph (b) of that subsection for the words

“ten million rupees.”, of the words “ten

million rupees;”;

(e) by the addition immediately after sub-

paragraph (vii) of paragraph (b) of that sub

section of the following new sub-paragraphs:-

“(viii) in respect of all qualifying payments

referred to in paragraph (r) of subsection

(2) made by that company in that year

of assessment shall not exceed ten

million rupees;

(ix) in respect of all qualifying payments—

(A) referred to in paragraph (s) of

subsection (2) made by that

company in that year of

20 Inland Revenue (Amendment) Act, No. 8 of 2012

assessment shall not exceed

twenty five per centum of such

qualifying payment:

Provided however, where

investments made in more than

one year of assessment are

aggregated to reach the minimum

investment to qualify for

deduction as qualifying

payment, such investment made

in any previous year of

assessment (being any year of

assessment commencing on or

after April 1, 2011) shall be

deemed to be an investment made

in the year of assessment in which

the fifty million rupees aggregate

is reached;

(B) referred to in paragraph (t) of

subsection (2) made by him in

that year of assessment shall not

exceed twenty five per centum of

such qualifying payment:

Provided however, where

investments made in more than

one year of assessment are

aggregated to reach the minimum

investment to qualify for

deduction as qualifying

payment, such investment made

in any previous year of

assessment (being any year of

assessment commencing on or

after April 1, 2012) shall be

deemed to be an investment made

in the year of assessment inwhich

the respective minimum

investment referred to in section

59C is reached;

Inland Revenue (Amendment) Act, No. 8 of 2012 21

‘(3) by the insertion immediately after subsection (7) of

that section, of the following new subsection:—

“(7A) The seventy five per centum of any

qualifying payment referred to in sub-paragraph

(x) of paragraph (a) or sub- paragraph (ix) paragraph

(b) of subsection 4, may be apportioned in equal

amounts over a period of three years of assessment

immediately succeeding that year of assessment and

such apportioned amount shall be deuctible from

the assessable income of that person in each such

year of assessment.”.

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

amended as follows:- section 35 of the

principal

(1) in paragraph (a) of subsection (1) of that section, enactment.

by the substitution for the words and figures “Part I

of the First Schedule” of the words and figures “Part

I, Part IA or Part IB of the First Schedule”;

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

for the words and figures “Part I of the First

Schedule” wherever appears in that subsection, of

the words and figures “Part I, Part IA or Part IB of

the First Schedule”.

17. Section 45 of the principal enactment as last Amendment of

amended by Act, No. 22 of 2011 is hereby further amended section 45 of the

principal

in paragraph (c) of subsection (2) of that section as follows :-

enactment.

(a) by the substitution in sub-paragraph (ii), for the

words “roads or bridges; or” of the words “roads or

bridges;”;

(b) by the substitution in sub-paragraph (iii), for the

words “drainage or sewerage system;”, of the words

“drainage or sewerage system; or”;

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

(iii), of the following sub-paragraph :-

“(iv) harbour, airport or any infrastructure project

in telecommunication or electricity;”.

22 Inland Revenue (Amendment) Act, No. 8 of 2012

Insertion of new 18. The following new section is hereby inserted

section 48B in immediately after section 48A of the principal enactment

the principal

and shall have effect as section 48B of that enactment:-

enactment.

“Rate of 48B. Such part of the profits and income from

income tax any strategic import replacement undertaking

applicable to

referred to in section 16D, included in the

strategic

import taxable income of any person for any year of

replacement assessment commencing after the date of expiry

undertaking of tax exemption under that section, shall

after the notwithstanding anything to the contrary in

expiry of the any other provisions of this Act, be taxable at

period of

exemption. the appropriate rate specified in the Fifth

Schedule to this Act.”.

Amendment of 19. Section 59B of the principal enactment is hereby

section 59B of amended in subsection (1) of that section, by the substitution

the principal

for the words “income of any person for any year of

enactment.

assessment”, of the words “income of any person (not being

the holding company, a subsidiary company, or an associate

company of a group of companies) for any year of

assessment”.

Insertion of new 20. The following new section is hereby inserted

section 59C in immediately after section 59B of the principal enactment

the principal

and shall have effect as section 59C of that enactment:-

enactment.

“Tax rate 59C. (1) The profits and income within the

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

strategic

than any profits and income from the sale

import

replacement of any capital asset), of any existing

undertakings. undertaking referred to in subsection (2), and

carried on by any person or partnership, shall

notwithstanding anything to the contrary in

any other provisions of this Act, be taxable at

the appropriate rate specified in the Fifth

Schedule to this Act for a period of five years

reckoned from the commencement of the year

of assessment in which such undertaking

satisfies the minimum investment as specified

under subsection (2).

Inland Revenue (Amendment) Act, No. 8 of 2012 23

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

“existing undertaking” means an undertaking

which is engaged in the manufacture of

products specified in Column I below with a

minimum investment as specified in Column

II below made in fixed assets as an expansion

on or after April 1, 2011 –

Column I Column II

(product) (Minimum investment in

USD or its equivalent)

Fabric 5 million

Pharmaceuticals 10 million

Milk powder 30 million

Cement 50 million”.

21. Section 107 of the principal enactment as last Amendment of

amended by Act, No. 9 of 2008 is hereby further amended as section 107 of

the principal

follows :-

enactment.

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

that section by the substitution for all the words

commencing from “any quoted public company or

any other company,”, to “such quoted public

company or other company,”, of the words “any

quoted public company, any other company which

is a member of a group of companies of which at

least one company is a quoted public company, or

any other company having an annual turnover of

not less than two hundred and fifty million rupees

or net profit of not less than one hundred million

rupees for that year, then, notwithstanding that a

notice under this section has not been given to such

quoted public company, other member company

of the group, or other company,”;

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

that section, by the substitution for the words “any

quoted public company, in respect of”, of the words

“any quoted public company, any other company

24 Inland Revenue (Amendment) Act, No. 8 of 2012

which is a member of a group of companies of which

at least one company is a quoted public company,

in respect of”.

Amendment of 22. Section 108 of the principal enactment is hereby

section 108 of amended in subsection (2), by the substitution for the words

the principal

and figures “Companies Act, No.17 of 1982,”, of the words

enactment.

and figures “Companies Act, No. 7 of 2007,”.

Amendment of 23. Section 113 of the principal enactment is hereby

section 113 of amended by the addition immediately after subsection (4)

the principal

of that section, of the following new subsection:-

enactment.

“(5) Any bank or financial institution shall

invest five per centum of its taxable income in such

instalment as may be specified by the

Commissioner-General on or before the same dates

as specified for income tax purposes in subsection

(1) of this section in the investment fund

established in accordance with the guidelines issued

for this purpose by the Central Bank of Sri Lanka

with the concurrence of the Commissioner-General

for a period of three years commencing from April

1, 2011 or where such bank or financial institution

is established after April 1, 2011, then, from the

date of such establishment.”.

Amendment of 24. Section 115 of the principal enactment is hereby

section 115 of amended in subsection (1), by the substitution for the

the principal paragraph (a) of that subsection of the following new

enactment. paragraph (a) :—

“(a) any resident individual who –

(i) receives remuneration in excess of fifty

thousand rupees per month or six hundred

thousand rupees per year;

(ii) is a director or non executive director to

whom any payment is made or is due by or

from such employer or who receives any

other benefit as an employee or in any other

capacity; or”.

Inland Revenue (Amendment) Act, No. 8 of 2012 25

25. Section 191 of the principal enactment is hereby Amendment of

amended by the substitution for the words and figures section 191 of

the principal

“Companies Act, No. 17 of 1982” wherever appears in that

enactment.

section, of the words and figures “Companies Act, No. 7 of

2007”.

26. Section 217 of the principal enactment as last Amendment of

amended by Act, No. 22 of 2011 is hereby further amended section 217 of

the principal

as follows :-

enactment.

(1) in the definition of the expression “dividends” by

the substitution in sub-paragraph (iii) of paragraph

(a) for the words “any other company; and ”, of the

words “any other company; or

(iv) scrip dividend or dividend in specie ; and ”;

(2) in the definition of the expression “public

corporation”, by the substitution for the words and

figures “Companies Act, No.17 of 1982,”, of the

words and figures “Companies Act, No. 7 of 2007,”.

27. The First Schedule to the principal enactment, as Amendment of

the First

last amended by Act, No. 22 of 2011, is hereby further

Schedule to the

amended in PART V of that Schedule by the substitution principal

for the words and figures “as per Part I”, of the words and enactment.

figures “as per Part I, Part IA or Part IB”.

28. The Second Schedule of the principal enactment, Amendment of

as last amended by Act, No. 22 of 2011 is hereby further the Second

Schedule to the

amended in paragraph (b) of item 3 of PART – B, by the

principal

substitution for the words and figures “commencing after enactment.

April 1, 2011”, of the words and figures “commencing on or

after April 1, 2011”.

29. The Third Schedule to the principal enactment, as Amendment of

the Third

last amended by Act, No. 22 of 2011, is hereby further

Schedule to the

amended as follows:— principal

enactment.

(1) by the substitution for item 1 of that Schedule, of

the following item:—

26 Inland Revenue (Amendment) Act, No. 8 of 2012

“1. Hindu undivided families -

(a) for any year of

assessment

commencing prior to

April 1, 2011; 30 per centum

(b) for any year of

assessment

commencing on or

after April 1, 2011; 24 per centum”;

(2) by the substitution for item 3 of that Schedule, of

the following item:—

“3. Executor (other than trustees under last wills) and

receivers (other than liquidators) -

(a) for any year of

assessment

commencing prior to

April 1, 2011; 30 per centum

(b) for any year of

assessment

commencing on or

after April 1, 2011; 24 per centum”;

(3) by the substitution for item 4 of that Schedule, of

the following item:—

“4. Trustees (including trustees under last wills) –

(a) for any year of

assessment

commencing prior to

April 1, 2011; 30 per centum

(b) for any year of

assessment

commencing on or

after April 1, 2011; 24 per centum ”;

(4) by the substitution for item 5 of that Schedule, of

the following item:—

Inland Revenue (Amendment) Act, No. 8 of 2012 27

“5. Partnerships –

(a) for any year of

assessment

commencing prior to

April 1, 2011; 30 per centum

(b) for any year of

assessment

commencing on or

after April 1, 2011; 24 per centum”;

(5) by the substitution for item 6 of that Schedule, of

the following item:—

“6. Partnerships (on any assessment made) –

(a) for any year of

assessment

commencing prior to

April 1, 2011; 30 per centum

(b) for any year of

assessment

commencing on or

after April 1, 2011; 24 per centum ”;

(6) by the substitution in paragraph (b) of item 8 of

that Schedule, for the words and figures

“commencing prior to April 1, 2011”, of the words

and figures “commencing on or after April 1, 2011”;

(7) by the substitution for item 11 of that Schedule, of

the following item:—

“11. Governments (other than the Government of Sri

Lanka and the Government of the United Kingdom)-

(a) for any year of

assessment

commencing prior to

April 1, 2011; 30 per centum

(b) for any year of

assessment

commencing on or

after April 1, 2011; 28 per centum”;

28 Inland Revenue (Amendment) Act, No. 8 of 2012

(8) by the substitution for item 12 of that Schedule, of

the following item:—

“12. Business Undertakings vested in the Government

under the Business Undertakings (Acquisition) Act, No. 35

of 1971-

(i) on the taxable income –

(a) for any year of

assessment

commencing prior to

April 1, 2011; 30 per centum

(b) for any year of

assessment

commencing on or

after April 1, 2011; 28 per centum;

(ii) on the balance of the profits after deduction

therefrom of the tax payable under paragraph

(i)”; 25 per centum;

(9) by the substitution for item 15 of that Schedule, of

the following item:—

“15. Persons (other than those referred to above and in

the First or Second Schedule)-

(a) for any year of

assessment

commencing prior to

April 1, 2011; 30 per centum

(b) for any year of

assessment

commencing on or

after April 1, 2011; 28 per centum ”.

Amendment of 30. The Fifth Schedule of the principal enactment, as

the Fifth last amended by Act, No. 22 of 2011, is hereby further

Schedule to the

amended as follows :-

principal

enactment.

(1) by the substitution in item 14A of that schedule, for

the words “commencing prior to April 1, 2011”, of

the words and figures “commencing on or after

April 1, 2011”;

Inland Revenue (Amendment) Act, No. 8 of 2012 29

(2) by the substitution for the item 33 of that Schedule

of the following:-

“33. The rate of income tax As per the First

applicable to profits and Schedule but

income of any person from subject to a

any undertaking referred to maximum of 10

in section 59B. per centum for

an individual

and 10 per

centum for a

company.

(3) by the addition, immediately after item 33 of that

Schedule of the following new items :-

“34. The rate of income tax in As per the First

respect of profits of any Schedule but

subject to a

person from any

maximum of 12

undertaking referred to in per centum for

section 48B an individual

and 12 per

centum for a

company.

35. Rate of income tax As per the First

applicable to profits and Schedule but

subject to a

income of any person from

maximum of 12

any undertaking referred to per centum for

in section 59C, for any year an individual

of assessment falling within and 12 per

the five year period referred centum for a

to therein. company.”.

36. The rate of income tax

applicable to profits of any

branch of a commercial

bank, being a branch

established after November

21, 2011 and which is solely

engaged in development

banking. 24 per centum.

30 Inland Revenue (Amendment) Act, No. 8 of 2012

37. The rate of income tax As per the First

applicable to profits and Schedule, but

income of any person from subject to a

research activities defined in maximum of

paragraph (i) of subsection 16 per centum

(1) of section 25. for an individual

and 20

per centum for

a company.

38. The rate of income tax As per the First

applicable to profits and Schedule but

income of any person from subject to a

the provision of health care maximum of 12

services. per centum for

an individual

and

12 per centum

for a company.

39. The rate of income tax

applicable to any grower or

manufacturer of tea who has

established a joint venture

with a tea exporter for

exporting pure Sri Lankan

tea, in value added form with

a Sri Lankan brand name,

on the manufacturing

income attributable to the tea

purchased from a tea

auction in Sri Lanka for that

purpose by the joint venture. 12 per centum.

40. The rate of income tax As per the First

applicable to profits and Schedule but

income of any person subject to a

engaged in the maximum of 12

manufacture (locally) of per centum, for

handloom products. an individual

and 12 per

centum for a

company.

Sinhala text to 31. In the event of any inconsistency between the

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

of an

prevail.

inconsistency.

Inland Revenue (Amendment) Act, No. 8 of 2012 31

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