PARLIAMENT OF THE DEMOCRATIC

SOCIALIST REPUBLIC OF

SRI LANKA

INLAND REVENUE (AMENDMENT)

ACT, No. 18 OF 2013

[Certified on 24th April, 2013]

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Inland Revenue (Amendment) Act, No. 18 of 2013 1

[Certified on 24th April, 2013]

L.D.—O. 13/2013

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

(Amendment) Act, No. 18 of 2013. the date of

operation.

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

on April 1, 2013:

Provided however that–

(a) the amendments made to section 16C of the Inland

Revenue Act, No.10 of 2006 (hereinafter referred

to as the “principal enactment”) by section 7(2) of

this Act;

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

principal enactment by section 8 of this Act; and

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

principal enactment by section 10(4) of this Act,

shall be deemed for all purposes to have come into

operation on April 1, 2012.

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

amended by Act, No. 8 of 2012 is hereby further amended as section 7 of the

principal

follows :- enactment.

(1) in paragraph (b) of that section –

(a) by the substitution in sub-paragraph (lxii),

for the words and figures “Certified

Management Accountants of Sri Lanka Act,

2—PL 007057—4090 (03/2013)

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No. 23 of 2009; and”, of the words and figures

“Certified Management Accountants of Sri

Lanka Act, No. 23 of 2009;”;

(b) by the substitution in sub-paragraph (lxiii),

for the words and figures “the National Child

Protection Authority Act, No. 50 of 1998.”,

of the words and figures “the National Child

Protection Authority Act, No. 50 of 1998;”;

and

(c) by the addition, immediately after sub-

paragraph (lxiii), of the following new sub-

paragraphs :-

“(lxiv) College of General Practitioners of

Sri Lanka established by the College

of General Practitioners of Sri Lanka

Act, No. 26 of 1974;

(lxv) Sri Lanka Social Security Board

established by the Sri Lanka Social

Security Board Act, No. 17 of 1996;

(lxvi) any Public Corporation to the extent

of provision of services on behalf of

the Government of Sri Lanka, free of

charge out of the funds voted by

Parliament from the Consolidated

Fund or out of any loan arranged

through the Government;

(lxvii) Sri Lanka Savings Bank Limited

incorporated under the Companies

Act, No. 7 of 2007, which is merged

with the National Development

Trust Fund (NDTF);

(lxviii) Lanka Puthra Development Bank

Limited incorporated under the

Companies Act, No. 17 of 1982; and

(lxix) any Government assisted private

school other than that incorporated

under the Companies Act, No.7 of

Inland Revenue (Amendment) Act, No. 18 of 2013 3

2007 which is registered with the

Ministry of Education and mandated

to follow the Government curricula

set by the Ministry of Education and

the circulars issued by such

Ministry.”.

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

for the words “dividend to the Government.”, of

the words “dividend to the Government;”; and

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

that section, of the following new paragraph:—

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

assessment commencing on or after April 1,

2013, of Sri Lanka Deposit Insurance Scheme

established by regulation made under the

Monetary Law Act (Chapter 422).”.

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

by Act, No. 22 of 2011 is hereby further amended in section 8 of the

principal

subsection (1) as follows :-

enactment.

(1) by the insertion immediately after paragraph

(dd) of that subsection, of the following new

paragraph :-

“(ddd) the emoluments arising in Sri Lanka of any

individual who is an expert and who is not a

citizen and is brought to and employed in

Sri Lanka by any undertaking for the

purposes of that undertaking, being an

undertaking with which an agreement has

been entered into by the Board of Investment

of Sri Lanka and invested more than US $ 50

Million as direct foreign investment made

on or after April 1, 2013, during the period of

its tax holiday under section 17A or section

16D as the case may be, and if it is confirmed

by the Board of Investment of Sri Lanka that

the service rendered by him in carrying out

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activities of such undertaking in Sri Lanka is

essential and such service is not obtainable

from Sri Lanka:

Provided that the number of experts in an

undertaking to whom this provision is

applicable shall not exceed five.

For the purpose of this paragraph “expert”

means an individual who has expertise

in such field as may be determined by

the Commissioner - General on the

recommendation made by the Board of

Investment of Sri Lanka, as being a field in

which sufficient expertise is not available

among the citizens of Sri Lanka;” ;

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

subsection for the words “exceeds five hundred

thousand rupees, then-” of the words and figures

“exceeds five hundred thousand rupees, for any year

of assessment commencing prior to April 1, 2013,

then-”; and

(3) by the substitution in paragraph (w) of that

subsection for the words “one hundred thousand

rupees,”, of the words and figures “one hundred

thousand rupees, for any year of assessment

commencing prior to April 1, 2013,”.

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

section 9 of the by Act, No. 8 of 2012 is hereby further amended as follows:-

principal

enactment.

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

that section, of the following new paragraph :-

“(aa) the interest accruing to any person or

partnership or other body of persons outside

Sri Lanka from investment made out of

foreign currency brought in to Sri Lanka on

or after April 1, 2012, in any security or bond

issued by any person in Sri Lanka;”; and

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

that section, of the following new paragraph:-

“(o) the interest or discount accruing or arising to

any person from any investment made on or

after January 1, 2013-

(i) in any Corporate Debt Security, quoted

in any Stock Exchange licensed by the

Securities and Exchange Commission;

and

(ii) in any Municipal Bond issued by any

Municipal Council with the approval

of the Secretary of the Ministry of

Finance.”.

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

by Act, No. 8 of 2012 is hereby further amended as section 13 of the

principal

follows :-

enactment.

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

of that section, of the following new paragraph:-

“(bbb) the profits and income earned in foreign

currency by any person for any year of

assessment commencing on or after April

1, 2012, in respect of any business of

procuring goods from one country or

manufacturing goods in one country and

exporting to another country, other than

Sri Lanka;” ;

(2) by the insertion immediately after paragraph (dddd)

of that section, of the following new paragraph :-

“(ddddd) any profits and income earned in foreign

currency from outside Sri Lanka, by any

resident individual who is a citizen of

Sri Lanka, if such profits and income (less

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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;”;

(3) by the insertion immediately after paragraph

(xxxxxx) of that section, of the following new

paragraphs:-

“(xxxxxxx) any profits and income from any

investment made on or after January

1, 2013 -

(i) in any Corporate Debt Security,

quoted in any Stock Exchange

licensed by the Securities and

Exchange Commission;

(ii) in any Municipal Bond issued by

any Municipal Council with the

approval of the Secretary of the

Ministry of Finance;

(xxxxxxxx) the interest earned by the DFCC Bank

established by the Development Finance

Corporation of Ceylon Act, No. 35 of 1955

and National Development Bank PLC

incorporated under the Compaines Act,

No. 7 of 2007, from moneys lent out of

funds raised from outside Sri Lanka to

Small and Medium enterprises,

plantaions, construction industry or other

manufacturing industries.”;

(4) by the insertion immediately after paragraph

(yyyyyy) of that section, of the following new

paragraph :-

“(yyyyyyy) any royalty, franchising fee or any

payment for designing received by any

foreign collaborator from a company

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registered with the Board of

Investment, during the period of tax

holiday under section 17A or section

16D as the case may be, where the

investment made in Sri Lanka from

foreign direct investment raised

outside Sri Lanka exceeds US $ 50

Million and if such services are

considered by the Director General

of the Board of Investment to be

essential in carrying out activities in

Sri Lanka and is not obtainable in

Sri Lanka;”;and

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

of that section, of the following new paragraph :-

“(zzzzzzz) where an individual who is a citizen

of Sri Lanka, employed abroad returns

to the country on or after January 1,

2013 and invests his earnings from

employment abroad to commence any

business of manufacture of any article,

other than liquor or tobacco products,

or provision of any service, the profits

and income of such person from such

business for a period of five years

commencing from the beginning of the

year of assessment in which the

commercial operations of such

business commenced.”.

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

amended by the substitution for all the words from “exempt section 15 of the

principal

from income tax,” to the end of that section, of the following

enactment.

words and figures:-

“exempt from income tax-

(i) for any year of assessment commencing prior

to April 1, 2013, if such individual is a citizen

of both Sri Lanka and any other country;

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(ii) for any year of assessment commencing on or

after April 1, 2013, if such individual is a

citizen of Sri Lanka and—

(a) citizen of any other country; or

(b) has obtained permanent resident status

or similar status in any other country

under which such individual may

obtain citizenship in such country,

at the time of such arrival and during the

whole of such stay.”.

Amendment of 7. Section 16C of the principal enactment as last

section 16c of amended by Act, No. 8 of 2012 is hereby further amended as

the principal

follows:-

enactment.

(1) in Column 1 of the Schedule of subsection (1) of

that section by the substitution for the words and

figures “Any activity referred to in paragraph (a) of

subsection (2), but not including services relating

to agriculture (products shall be with a minimum of

35% value addition, if more than 50% of the

production is to be sold in the domestic market)”,

of the words and figures “Any activity referred to in

paragraph (a) of subsection (2).

In case of manufacture of any article, such article

shall be with a minimum of 35% value addition, if

more than 50% of the production is to be sold in

the domestic market.”; and

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

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

subsection for the words and figure “Schedule

to subsection (1); and” of the words and figure

“Schedule to subsection (1);”;

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

subsection, for the words and figures “after

April 1, 2011.” of the words and figures “after

April 1, 2011; and”;

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(iii) by the insertion immediately after paragraph

(c) of that subsection, of the following new

paragraph;-

“(d) which is not formed by the splitting up

or reconstruction or acquisition of any

business which was previously in

existence.”.

8. Section 16D of the principal enactment as last Amendment of

section 16D of

amended by Act, No. 8 of 2012 is hereby further amended

the principal

by the substitution for the words “whichever occurs earlier.”, enactment.

of the words “whichever occurs earlier where such

undertaking is not formed by the splitting up or

reconstruction or acquisition of any business which was

previously in existence.

For the purposes of this section “the investment” means

the cost of any land, plant, machinery, equipment and other

fixed assets.”.

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

section 16E in

immediately after section 16D of the principal enactment

the principal

and shall have effect as section 16E of that enactment :- enactment.

“Exemption of 16E. The profits and income within the

profits and meaning of paragraph (a) of section 3 (other

income from

than any profits and income from the disposal

cultivation of

any renewable of any capital asset) of any person or

energy crops partnership-

and

transactions

(i) from any undertaking of cultivating

connected with

manufacturing, any renewable energy crop in Sri

distribution Lanka, for a period of ten years;

and marketing

of organic

(ii) from all transactions connected with

fertilizer.

manufacturing, distribution and

marketing of organic fertilizers,

commencing on or after April 1, 2013, shall

be exempt from income tax.”.

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Amendment of 10. Section 17A of the principal enactment, as last

section 17A of amended by Act, No. 8 of 2012 is hereby further amended in

the principal

subsection (2) of that section as follows :-

enactment.

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

paragraph (a) of that subsection, for the words

“apparels,”, of the words “apparels and textile,”;

(2) by the substitution in sub-paragraph (xxvii) of

paragraph (a) of that subsection, for the words

“national economy; and” , of the words “national

economy;”;

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

subsection, for the words and figures “on or after

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

April 1, 2011; and”; and

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

that subsection, of the following new paragraph:-

“(c) which is not formed by the splitting up or

reconstruction or acquisition of any business

which was previously in existence.

For the purpose of this section “the

investment” means the cost of any land, plant,

machinery, equipment and other fixed

assets.”.

Amendment of 11. Section 25 of the principal enactment as last

section 25 of the amended by Act, No. 8 of 2012 is hereby further amended in

principal

subsection (1) of that section as follows :-

enactment.

(1) by the substitution in paragraph (d) of the proviso

to paragraph (a) of that subsection for the words

“the rate shall be fifty per centum of the cost of

acquisition;”, of the words “the rate shall be fifty

per centum of the cost of acquisition”:

Provided that where such high tech plant,

machinery or equipment acquired on or after April

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1, 2013 and used in any trade or business meets

more than thirty per centum of the total requirement

of the power generation of that trade or business

out of alternative energy sources, the rate shall be

one hundred per centum on the cost of acquisition;

For the purpose of this proviso “alternative

energy source” means any source other than the

National Grid, that generates power.”;

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

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

the following new paragraphs:-

“(e) where any plant or machinery or equipment

is acquired and used in any business on or

after April 1, 2013 for technology upgrading

purposes or introducing any new technology,

the rate shall be fifty per centum of the cost

of acquisition;

(f) where any plant, machinery or equipment is

acquired and used on or after April 1, 2013 in

any Stock Broker Company for the

upgrading of information technology

infrastructure to be in compliance with the

requirements of the Colombo Stock

Exchange licensed by the Securities and

Exchange Commission, in relation to the

Risk Management System,the rate shall be

one hundred per centum of the cost of

acquisition;

(g) where any plant, machinery or equipment

acquired and used on or after April 1, 2013,

in any trade or business and where at least

sixty per centum of the turnover of such trade

or business is from export, the rate shall be

fifty per centum of the cost of acquisition;”;

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

subsection, for all the words from “upgrading of

any trade or business carried on” to the words

“carried out through any Government institution;”,

of the following words and figures:-

“upgrading of any trade or business carried on

by such person:

Provided that-

(A) where such expenditure is incurred on or

after April 1, 2012 but prior to April 1,

2013 and such research is carried out

through any Government institution;

(B) where such expenditure is incurred on or

after April 1, 2013 and such research is

carried out through any institution in

Sri Lanka,

the deduction shall be an amount equal to three

hundred per centum of such expenditure incurred

by such person”; and

(4) by the addition immediately after paragraph (t) of

that subsection, of the following new paragraph :-

“(u) any sum paid by a Public Corporation or

Government Owned Business Undertaking

as a special levy, to the Government.”.

Amendment of 12. Section 26 of the principal enactment as last amended

section 26 of the by Act, No. 8 of 2012 is hereby further amended in paragraph

principal

enactment. (v) of subsection (1) of that section, by the substitution for

the words “carried on or exercised by him other than”, of

the words and figures “carried on or exercised by him other

than the cost of advertisement incurred on or after August 1,

2012, on sponsorship of international sport events approved

by the Minister to whom the subject of Sports has been

assigned; or”.

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

section 34 of

amended by Act, No.8 of 2012 is hereby further amended as

the principal

follows:- enactment.

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

immediately after paragraph (t) of that subsection,

of the following new paragraphs:-

“(u) where the profits from employment of any

individual who is a citizen of Sri Lanka or

resident in Sri Lanka other than profits

referred to in paragraph (c) of subsection (1)

of section 4, exceeds five hundred thousand

rupees, for any year of assessment

commencing on or after April 1, 2013, then-

(i) such part of such profits in excess of

five hundred thousand rupees; or

(ii) one hundred thousand rupees,

whichever is lower;

(v) such part of official emoluments as does not

exceed one hundred thousand rupees for any

year of assessment commencing on or after

April 1, 2013, arising in Sri Lanka to any

individual who is not a citizen of Sri Lanka

and not resident in Sri Lanka.”; and

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

in sub-paragraph (i) of paragraph (a) of that

subsection for the words and figures “other than

those referred to in paragraphs (a), (b), (c), (e), (g),

(gg), (h), (i), (j), (k), (n), (o), (q),(r), (s) and (t) of

subsection (2)”, of the words and figures “other

than those referred to in paragraphs (a), (b), (c), (e),

(g), (gg), (h), (i), (j), (k), (n), (o), (q),(r), (s), (t),(u) and

(v) of subsection (2)”.

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Amendment of 14. Section 40A of the principal enactment as last

section 40A of amended by Act, No.19 of 2009 is hereby further amended

the principal

by the substitution for the words “twenty per centum”

enactment.

wherever such words occur in that section, of the words

“sixteen per centum”.

Amendment of 15. Section 40B of the principal enactment as last

section 40B of amended by Act, No.19 of 2009 is hereby further amended

the principal

by the substitution for the words “twenty per centum”

enactment.

wherever such words occur in that section, of the words

“sixteen per centum”.

Insertion of new 16. The following new section is hereby inserted

section 46A in immediately after section 46 of the principal enactment and

the principal

shall have effect as section 46A of that enactment:-

enactment.

“Rates of 46A. Where the taxable income of any

income tax person for any year of assessment includes any

on profits

profits and income within the meaning of

from poultry

farming. paragraph (a) of section 3 (other than any profits

and income from the disposal of any capital

asset) from poultry farming, such part of such

taxable income as consists of such profits and

income shall, notwithstanding anything to the

contrary in other provisions, be chargeable

with income tax at the appropriate rate specified

in the Fifth Schedule to this Act.

For the purposes of this section “profits and

income from poultry farming” means such

profits and income from the sale of produce by

such person without subjecting such produce

to any process of production or manufacture.”.

Insertion of new 17. The following new section is hereby inserted

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

the principal

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

“Rate of 48C.Where any undertaking which has

income tax

applicable to entered into an agreement with the Board of

BOI Investment of Sri Lanka under section 17 of

registered

undertakings the Board of Investment of Sri Lanka Law,

after the No. 4 of 1978, which provides for tax

expiry of the

period of tax concessions, and the taxation under such

exemption. agreement after the expiry of the tax exemption

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period provided thereunder is more

burdensome than the texation under the Inland

Revenue Act, the profits and income of such

undertaking after the expiry of such tax

exemption period shall be chargeable with

income tax in accordance with the provisions

of the Inland Revenue Act, provided such

undertaking shall not seek any further tax

concession in respect of such agreement

through any supplementary agreement.”.

18. Section 56 of the principal enactment is hereby Amendment of

amended as follows:- section 56 of the

principal

enactment.

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

for the words “fifteen per centum”, of the words

“twelve per centum”; and

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

for the words “fifteen per centum” wherever such

words occur in that subsection, of the words “twelve

per centum”.

19. The following new sections are inserted immediately Insertion of new

after section 56 of the principal enactment and shall have sections 56A,

56B, 56C, and

effect as sections 56A, 56B, 56C and 56D respectively, of that

56D in the

enactment:- principal

enactment.

“Rate of 56A. Such part of the profits and income of

income tax an export oriented company which has entered

on the profits into an agreement with the Board of Investment

and income

from the sale of Sri Lanka under section 17 of the Board of

of goods by Investment of Sri Lanka Law, No. 4 of 1978,

an export for any year of assessment commencing on or

oriented after April 1, 2013, from the sale of goods

company. manufactured in Sri Lanka, up to the quantity

approved by the Board of Investment as import

replacement, to-

(a) any company which has entered into

an agreement with the Board of

Investment of Sri Lanka under section

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17 of the Board of Investment of Sri

Lanka Law, No. 4 of 1978, enjoying tax

holiday under section 16C, 16D or 17A

of this Act or under the Strategic

Development Projects Act, No.14 of

2008 and which is permitted to import

project related goods or raw materials

on duty free basis under the provisions

of such agreement, during the project

implementation period; or

(b) any person eligible to import specific

goods on duty free basis under any

Government Authority,

shall notwithstanding anything to the

contrary in any other provisions of this Act,

be deemed to be profits and income from

exports and be chargeable with income tax

at the appropriate rate specified in the Fifth

Schedule to this Act.

Rate of 56B. Such part of the profits and income of

income tax any person for any year of assessment

on the profits

commencing on or after April 1, 2013 from the

and income

from the supply of any goods manufactured in Sri Lanka

supply of or the provision of services, to foreign ships

goods or for payments in foreign currency, shall

services to notwithstanding anything to the contrary in

foreign

any other provisions of this Act, be deemed to

ships.

be profits and income from exports and be

chargeable with income tax at the appropriate

rate specified in the Fifth Schedule to this Act.

Rate of 56C. Such part of the profits and income of

income tax

on the any person for any year of assessment

profits and commencing on or after April 1, 2013 from the

income from sale of any product manufactured in Sri Lanka

the sale of

products for payment in foreign currency through

manufactured foreign exchange earning account authorized

in Sri Lanka by the Central Bank of Sri Lanka, shall

for payment

in foreign notwithstanding anything to the contrary in

currency. any other provisions of this Act, be deemed to

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be profits and income from exports and be

chargeable with income tax at the appropriate

rate specified in the Fifth Schedule to this Act.

Rate of 56D. For any year of assessment

income tax commencing on or after April 1, 2013 such

on the profits

and income part of the profits and income from the sale in

from the sale the local market, of locally manufactured

of locally

manufactured gaments, bags made out of fabric, linen,

goods in curtains or any othe goods, of any export

local market

by export oriented company which exports not less than

oriented sixty per centum of its products shall be

companies. chargeble with income tax at the rate of twelve

per centum:

Provided however, where the local value

addition of such garments, bags, linen, curtains

or other goods, as the case may be, is greater

than sixty five per centum with Sri Lankan

brand name, such part of the profits and income

of such export oriented company from the sale

in the local market, of such garments, bags,

linen, curtains, or other goods shall be

chargeable with income tax at the rate of ten

per centum.”.

20. Section 59B of the principal enactment as last Amendment of

section 59B of

amended by Act, No. 8 of 2012 is hereby further amended as

the principal

follows:- enactment.

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

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

new paragraph:-

“(b) the turnover of such undertaking (other than

from the sale of any capital asset) for that

year of assessment-

(i) being any year of assessment

commencing on or after April 1, 2011

but prior to April 1, 2013, does not

exceed three hundred million rupees;

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(ii) being any year of assessment

commencing on or after April 1, 2013,

does not exceed five hundred million

rupees.”;and

(2) by the substitution for the marginal note to that section,

of the following marginal note:-

“Rate of income tax applicable to the profits and

income of any person from any undertaking with

annual turnover not exceeding certain amount. ”.

Insertion of new 21. The following new sections are hereby inserted

sections 59D and

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

principal and shall have effect as sections 59D and 59E respectively, of

enactment. that enactment:-

“Rate of 59D. (1) The tax rate applicable on the

income tax

applicable to profits and income within the meaning of

companies paragraph (a) of section 3 (other than any profits

listing its

shares in the and income from the sale of any capital asset),

Colombo of any company which lists its shares on or

Stock

Exchange after April 1, 2013 but prior to April 1, 2014, in

and issuing the Colombo Stock Exchange licensed by the

its shares to

the general Securities and Exchange Commission of Sri

public. Lanka and issues by way of Initial Public

Offering not less than twenty per centum of its

shares to the general public, shall be reduced

by fifty per centum for the year of assessment

in which such shares are listed and for another

two years of assessment immediately

succeeding that year of assessment subject

where such company after listing continues to

maintain not less than twenty per centum of

holding of its shares by the general public.

(2) Where the company referred to in

subsection (1) fails to maintain in any

subsequent year of assessment after listing its

shares, not less than twenty per centum of

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holding of shares by the general public in the

opinion of an Assessor, the tax reduced under

subsection (1) shall notwithstanding to the

contrary in any other provisions of this Act, be

re-assessable, payable and recoverable.

For the purposes of this section “shares held

by the general public” in relation to a listed

company means shares of such company held

by any person other than those directly or

indirectly held by :-

(a) its parent, subsidiary or associate

companies or any subsidiaries or

associates of its parent company;

(b) its directors who are holding office as

directors of such company, their

spouses and children under 18 years of

age;

(c) its Chief Executive Officer, his spouse

and children under 18 years of age; and

(d) any single shareholder who holds ten

per centum or more of the shares of such

company.

Rate of 59E. Such part of the profits and income of

income tax any person or partnership from operating any

on the profits

and income project for producing any alternative energy

from including operating any mini hydro power

operating project shall notwithstanding anything to the

any contrary in any other provisions of this Act, be

alternative

power taxable at the appropriate rate specified in the

generation Fifth Schedule to this Act.

project.

For the purposes of this section “mini hydro

power project” means any hydro power project

which generates less than ten Mega Watts

electricity.”.

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Amendment of 22. Section 60 of the principal enactment as last

section 60 of the amended by Act, No.19 of 2009 is hereby further amended

principal

as follows:-

enactment.

(1) in sub-paragraph (ii) of paragraph (a) of that section,

by the substitution for the words “black tea in bulk,

crepe rubber,”, of the words “black tea not in packet

or package form and each packet or package

weighing not more than one kilogram, crepe

rubber,”; and

(2) by the substitution for the words and figures “any

other produce referred to in section 16.”, of the

words and figures “any other produce referred to in

section 16, but include organic tea in bulk.”.

Amendment of 23. Section 78 of the principal enactment as last

section 78 of amended by Act, No.22 of 2011 is hereby further amended

principal

in subsection (1) as follows:-

enactment.

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

subsection for the words “and other income; and” ,

of the words “and other income;”; and

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

subsection, of the following paragraphs:-

“(b) for any year of assessment commencing on

or after April 1, 2007, but prior to April 1,

2013, 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”; and

(c) for any year of assessment commencing on

or after April 1, 2013, on the excess, if any,

of the aggregate of the divisible profits

referred to in section 76 and other income

over one million rupees,”.

Amendment of 24. Section 79 of the principal enactment as last amended

section 79 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 “be deemed to be non-resident from

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the commencement of the year of assessment in

which such absence commences.”, of the words and

figures “be deemed to be non-resident from the

commencement of the year of assessment in which

such absence commences being a year of assessment

prior to April 1, 2013.”; and

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

for the words “the aggregate of thirty days shall”,

of the words and figures “the aggregate of thirty

days for any year of assessment prior to April 1,

2013, shall”.

25. Section 104 of the principal enactment as last amended Amendment of

by Act, No. 9 of 2008 is hereby further amended as section 104 of

the principal

follows :- enactment.

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

for the words “any transaction entered into

between”, of the words “any international

transaction entered into between”;

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

the substitution therefor, of the following

subsection:—

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

profits and income or the loss referred to in

subsection (1), has not been as ascertained having

regard to the arm’s length price, he may refer the

computation of the arm’s length price in relation to

such international transaction to a Transfer Pricing

Officer. The Transfer Pricing Officer may, in writng

addressed to the person who carries on either the

one or the other or both of the two associated

undertakings referred to in subsection (1), require

him to prove to the satisfaction of the Transfer

pricing Officer, that such profits and income or such

loss, as the case may be, has in fact been ascertained

having regard to the arm’s length price. Where such

person fails to so prove, the Transfer Pricing Officer

may determin the arm’s length price and inform it

to the Assessor. Thereupon the Assessor may

estimate the amount of the profit and income or the

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loss, as the case may be, referred to in subsection

(1), and make an assessment accordingly.”;

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

that section, of the following new subsection:-

“(3A) An advance pricing agreement may be

entered into between any person and the

Commissioner-General in respect of arm’s length

price for the purposes of this section on the basis of

a prescribed manner.”;

(4) in subsection (4) of that section-

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

subsection for the words “other than

associated undertakings.”, of the words “other

than associated undertakings;”; and

(b) by the addition immediately after paragraph

(b) of that subsection, of the following:-

“international transaction” means a

transaction between two or more associated

undertakings, either one or both of whom are

non-residents, in the nature of purchase, sale

or lease of tangible or intangible property, or

provision of services, or lending or borrowing

money or any other transaction having a

bearing on the profits, income, losses or assets

of such undertakings, and includes any

allocation or apportionment of, or any

contribution to any cost or expense incurred

or to be incurred in connection with a benefit,

service or facility provided or to be provided

to any one or more of such undertakings under

any mutual agreement or arrangement

between two or more such associated

undertakings. Any transaction entered into

by an undertaking with a person, either one

is non-resident, other than an associated

undertaking shall, for the purposes of

subsection (1) be deemed to be an

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international transaction entered into

between two associated undertakings, if there

exists a prior agreement between such

undertaking and other person and, by which

the terms of such transaction are determined

in substance between such undertaking and

other person which results in the reduction

of or would have the effect of reducing the

amount of tax payable.

Without prejudice to the generality of the

provision of this subsection, the allowance

for any expense or interest arising from an

international transaction shall also be

determined having regard to the arm’s length

price;

“Transfer Pricing Officer” means any

officer of Inland Revenue prescribed by the

Commissioner - General as a Transfer Pricing

Officer.”; and

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

substitution for the words “from transactions

between”, of the words “from international

transactions between”.

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

immediately after section 104 of the principal enactment section 104A in

the principal

and shall have effect as section 104A of that enactment:-

enactment.

“Profits and 104A. (1) Any profits and income arising,

income or derived or accruing from, or any loss incurred

loss from

transactions in any transaction, other than transactions

between referred to in subsection (1) of section 104,

associated entered into between two associated

undertakings undertakings shall be ascertained having

to be

determined regard to the arm’s length price.

having

regard to the (2) Where it appears to an Assessor that the

arm’s length profits and income or the loss referred to in

price.

subsection (1), has not been ascertained having

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regard to the arm’s length price, he may,

in writing addressed to the person who carries

on either the one or the other or both of the

two associated undertakings referred to in

subsection (1), require him to prove to the

satisfaction of the Assessor, that such

profits and income or such loss, as the case

may be, has in fact been ascertained having

regard to the arm’s length price. Where such

person fails to so prove, the Assessor may

estimate the amount of the profit and income

or the loss, as the case may be, referred to in

subsection (1), and make an assessment

accordingly.

(3) The arm’s length price referred to in

subsection (1) shall be determined on the basis

of any one or more of the methods, prescribed

for that purpose.

(4) For the purposes of this section-

(a) an undertaking shall be deemed to

be an associated undertaking of

another undertaking, if the

first-mentioned undertaking

participates directly or indirectly

or through one or more

intermediaries, in the control of the

second-mentioned undertaking in

such manner or to such extent as

may be prescribed;

(b) “arm’s length price” means a price

which is applied in uncontrolled

conditions in a transaction between

persons other than associated

undertakings.”.

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27. Section 113 of the principal enactment as last Amendment of

amended by Act, No.8 of 2012 is hereby further amended by section 113 of

the principal

the addition immediately after subsection (5) of that section,

enactment.

of the following new subsection:-

“(6) Where any bank or financial institution which is

required to invest in the investment fund referred to in

subsection (5), has not utilized in accordance with the

guidelines issued by the Central Bank of Sri Lanka, any part

of the funds lying to the credit of the fund as at July 1, 2013,

such balance shall be deemed to be a debt due to the

Government by such bank or financial institution as the

case may be, and transferred to the Consolidated Fund.”.

28. Section 121 of the principal enactment is hereby Amendment of

amended by the addition immediately after subsection (2) section 121 of

the principal

of that section, of the following new subsection:-

enactment.

“(3) Where during any year of assessment an employer

has deducted income tax from the remuneration of any

employee for any pay period any sum in excess of the amount

deductible in respect of such remuneration for such pay

period, such employer may reduce such excess from the

amount of income tax deductible in respect of the

remuneration of such employee for any pay period in such

year of assessment or in the immediately succeeding year of

assessment and notify the Commissioner-General

accordingly within two weeks from the date of such

adjustment.”.

29. Section 135 of the principal enactment as last Amendment of

amended by Act, No.22 of 2011 is hereby further amended section 135 of

the principal

in subsection (1), by the substitution for the words and figures

enactment.

“at the time of the issue of such corporate debt security.”, of

the words and figures “at the time of the issue of such

corporate debt security:

Provided that-

(a) where such corporate debt security is issued with

floating rate of interest payable for reviewing

periods, such deduction shall be made at the time

of beginning of each such reviewing period of

interest rate;

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(b) where any corporate debt security issued prior to

April 1, 2011 and to which interest is payable on or

after April 1, 2011 and in respect of which no

deduction of income tax on interest has been made,

such deduction shall be made at the time such

interest is paid or credited;

(c) no deduction of income tax under this section shall

be made from any interest or discount referred to in

paragraph (o) of section 9.”.

Amendment of 30. Section 140 of the principal enactment is hereby

section 140 of amended as follows:-

the principal

enactment.

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

bank” to the words “such payment,” , of the words

“Every bank or financial institution or company

issuing corporate debt security, which is required

to deduct income tax from the interest paid or

credited or discount allowed, as the case may be,

by it in any year of assessment to any person

chargeable with income tax under this Act, shall

deduct such income tax at the time when such

interest is paid or when such security is issued or

where such corporate debt security is issued with

floating rate of interest, at the beginning of each

reviewing period, as the case may be, to such person

in accordance with any agreement entered into

between such bank or financial institution or

company and such person with respect to such

payment,”; and

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

substitution for the words “Duties of bank and

financial institution”, of the words “Duties of banks,

financial institutions and companies”.

Amendment of 31. Section 141 of the principal enactment is hereby

section 141 of

amended by the substitution for all the words and figures

the principal

enactment. from “any bank or financial institution” to the words “a

penalty of a sum”, of the words and figures “any bank or

financial institution which pays interest or issues any debt

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security , or a company which issues corporate debt security,

not deducting tax in accordance with the provisions of

section 133 or section 135, as the case may be, he shall after

affording such bank, financial institution or any such

company, which pays interest or issues debt security or

corporate debt security, as the case may be, an opportunity

to show cause and where he is satisfied that there has been a

contravention of the provisions of section 133 or section

135, impose on such bank or financial institution or the

company, which pays interest or issues such debt security

or corporate debt security, as the case may be, a penalty of

a sum”.

32. Section 142 of the principal enactment is hereby Amendment of

section 142 of

amended by the substitution for the words “bank or financial

the principal

institution” wherever such words occur in subsections (1), enactment.

(2) and (3) of that section, of the words “bank or financial

institution or company”, respectively.

33. Section 163 of the principal enactment, as last Amendment of

section 163 of

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

the principal

as follows:- enactment.

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

(a) by the substitution in the proviso to that

subsection, for the word “September”, of the

word “November”;

(b) by the substitution in the further proviso to

that subsection for the words and figures

“paragraph (b) of subsection (1) of section

65 or paragraph (c) of subsection (2) of section

62”, of the words and figures “sub-paragraph

(i) of paragraph (b) of subsection (1) of section

61 or paragraph (c) of subsection (1) of

section 61 or paragraph (b) of subsection (1)

of section 62 ”;

(2) in paragraph (b) of subsection (3), of that section

by the substitution for the word “assemble

income”, of the words “assessable income”;

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(3) by the substitution for paragraph (a) of subsection

(5) of that section, of the following paragraph:-

“(a) who or which has made a return of his or its

income on or before the thirtieth day of

November of the year of assessment

immediately succeeding that year of

assessment,

(i) where such year of assessment is any year

of assessment commencing prior to April

1, 2013, shall be made after the expiry of

a period of two years from the thirtieth

day of November of the immediately

succeeding year of assessment; and

(ii) where such year of assessment is any year

of assessment commencing on or after

April 1, 2013, shall be made after the

expiry of a period of eighteen months

from the thirtieth day of November of

the immediately succeeding year of

assessment:”; and

(4) by the addition immediately after subsection (9) of

that section, of the following new subsection:-

“(10) Notwithstanding anything to the contrary

in any other provisions of this Act, where the annual

total turnover of any person other than a company

for any year of assessment commencing prior to

April 1, 2011 from every trade or business did not

exceed rupees three hundred million and such

person has not complied with the provisions of any

tax law administered by the Commissioner -

General, invests earnings so made by such person

prior to April 1, 2011, in any trade or business, on

or before March 31, 2014, and furnishes the return

of income for any year of assessment commencing

prior to April 1, 2014 together with an undertaking

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in writing that he shall comply with the requirements

of this Act for any subsequent period, such return

shall be accepted and no assessment or additional

assessment shall be made on such person in respect

of such year of assessment for which a return of

income is so furnished and for five years of

assessment immediately succeeding that year of

assessment.”.

34. Section 172 of the principal enactment is hereby Amendment of

section 172 of

amended as follows:-

the principal

enactment.

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

for the words “to the Board of Review.”, of the words

and figures “to the Board of Review prior to April

1, 2011 or on or after April 1, 2011, to the Tax

Appeals Commission.”; and

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

for the words “apply to the hearing and disposal of

any appeal under the preceding provisions of this

section. The Board of Review may”, of the words

and figures “apply prior to April 1, 2011, to the

hearing and disposal of any appeal under the

preceding provisions of this section. The Board of

Review prior to April 1, 2011 or after April 1, 2011,

the Tax Appeals Commission, as the case may be,

may”.

35. Section 204A of the principal enactment as last Amendment of

amended by Act No.22 of 2011 is hereby further amended as section 204A of

the principal

follows:- enactment.

(1) by the substitution for the words “provision of this

Act or regulation, rule or order made thereunder”,

of the words “provisions of this Act or any other

Act administered by the Commissioner- General,

or regulation, rule or order made thereunder”; and

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

substitution for the words “the Act”, of the words

“this Act or any other Act administered by the

Commissioner-General”.

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Amendment of 36. Section 208A of the principal enactment is hereby

section 208A of amended by the addition at the end of that section, of the

the principal

following words:-

enactment.

“The committee shall determine any request made to it

for interpretation within six months from the date of receipt

of such request.”.

Amendment of 37. Section 217 of the principal enactment as last

section 217 of amended by Act No. 8 of 2012 is hereby further amended

the principal

enactment. in the definition of the expression “dividend” by the

substitution in sub-paragraph (iv) of paragraph (a) for the

words “dividend in specie; and”, of the following words:-

“dividend in species; or

(v) where a company buys back shares from its

shareholders, the excess, if any, paid to any

shareholder over the market price of such share

quoted in the Colombo Stock Exchange or the

market value of such share as the case may be, as at

the date on which the shareholders of such company

at a meeting approved such share buyback; and”.

Amendment of 38. The First Schedule to the principal enactment, as

the First last amended by Act, No. 8 of 2012, is hereby further amended

Schedule to the

principal by the substitution for PART V of that Schedule, of the

enactment. following Part:-

“PART V

The rate of income tax applicable to any sum referred to

in the proviso to subsection (2) of section 35-

(a) for any year of assessment as per PART I,

commencing prior to April 1, 2013 PART 1A or PART

IB, but subject to a

maximum of 20 per

centum

(b) for any year of assessment as per PART IB, but

commencing on or after April 1, subject to a

maximum of 16 per

2013

centum.”.

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39. The Second Schedule to the principal enactment, Amendment of

as last amended by Act, No. 8 of 2012, is hereby further the Second

Schedule to the

amended by the addition, immediately after item 2 in principal

PART A of that Schedule, of the following new item:- enactment.

“3. Any unit trust management company on the taxable

income-

(a) for any year of assessment

commencing prior to April

1, 2013 as per PART B

(b) for any year of assessment

commencing on or after

April 1, 2013 10 per centum”;

40. The Fifth Schedule to the principal enactment, as Amendment of

last amended by Act, No. 8 of 2012, is hereby further amended the Fifth

Schedule to the

as follows :-

principal

enactment.

(1) by the substitution for item 22 of that Schedule, of

the following item :-

“22. The rate of income tax on profits and income referred

to in section 58-

(a) for any year

of assessment

commencing prior

to April 1, 2011 15 per centum

(b) for any year

of assessment

commencing on or

after April 1, 2011 12 per centum”;

(2) by the substitution for item 23 of that Schedule, of

the following item :-

“23. The rate of income tax on profits and income

from transshipment agency fees referred to in

section 59-

(a) for any year of assessment

commencing prior to April

1, 2011 15 per centum

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(b) for any year of assessment

commencing on or after

April 1, 2011 12 per centum”.

(3) by the addition immediately after item 40 of that

Schedule, of the following new items:-

“41. The rate of income tax applicable As per the First

to such part of the profits and Schedule, but

income of any person engaged in subject to a

an undertaking for poultry farming maximum of 10

referred to in section 46A – per centum for an

individual, and 10

per centum for a

company.

42. The rate of income tax applicable As per the First

to such part of the profits and Schedule, but

income of any person from any subject to a

undertaking referred to in section maximum of 12

56A- per centum for an

individual, and 12

per centum for a

company.

43. The rate of income tax applicable As per the First

to such part of the profits and Schedule, but

income of any person from any subject to a

undertaking referred to in section maximum of 12

56B- per centum for an

individual, and 12

per centum for a

company.

44. The rate of income tax applicable As per the First

to such part of the profits and Schedule, but

income of any person from any subject to a

undertaking referred to in section maximum of 12

56C – per centum for an

individual, and 12

per centum for a

company.

45. The rate of income tax applicable As per the First

to such part of the profits and Schedule, but

income of any person or subject to a

partenership from any undertaking maximum of 12

referred to in section 59E- per centum for an

individual, and 12

per centum for a

company.”.

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41. The amount of tax charged or collected from any Validation.

person by or on behalf of the Commissioner - General, by

virtue of the application of any provision of this Act, during

the period commencing on April 1, 2013 and ending on the

date on which the certificate of the Speaker is endorsed in

respect of this Act, shall be deemed to have been validly and

lawfully charged or collected under this Act by the

Commissioner - General or by such person who charged or

collected such tax on behalf of the Commissioner - General:

Provided that the aforesaid provisions shall not affect

any decision or order made by any Court or any proceedings

pending in any Court in respect of any tax charged or

collected during such period.

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

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

of an

prevail.

inconsistency.

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