

PARLIAMENT OF THE DEMOCRATIC

SOCIALIST REPUBLIC OF

SRI LANKA

INLAND REVENUE (AMENDMENT)

ACT, No. 9 OF 2015

[Certified on 30th October, 2015]

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Inland Revenue (Amendment) 1

Act, No. 9 of 2015

[Certified on 30th October, 2015]

L.D.—O. 11/2015

AN ACT TO AMEND THE INLAND REVENUE

ACT, NO. 10 OF 2006

BE it enacted by the Parliament of the Democratic Socialist

Republic of Sri Lanka as follows :-

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

(Amendment) Act, No. 9 of 2015, and shall be deemed for all the date of

operation.

purposes to have come into operation on April 1, 2015 unless

stated otherwise.

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

(hereinafter referred to as the “principal enactment”) as last section 7 of the

Inland Revenue

amended by Act, No.8 of 2014 is hereby further amended in Act, No. 10 of

paragraph (b) of that section as follows:- 2006.

(1) by the substitution in sub-paragraph (xvii) of that

paragraph for the words and figures “on or before

March 31, 2008 or for any year of assessment

commencing on or after April 1, 2013, arising out of

business”, of the words and figures “on or before

March 31, 2008, arising out of business”;

(2) by the substitution in sub-paragraph (lxxii) of that

paragraph for the words and figures “Act, No. 12 of

1986; and”, of the words and figures “Act, No. 12 of

1986;”;

(3) by the substitution in sub-paragraph (lxxiii) of that

paragraph for the words and figures “Trust

Ordinance (Chapter 87).”, of the words and figures

“Trust Ordinance (Chapter 87); and” ; and

2—PL 009232—2,950 (09/2015)

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(4) by the addition immediately after sub-paragraph

(lxxiii) of that paragraph, of the following new sub-

paragraph:-

“(Ixxiv) the Diabetes Association of Sri Lanka

incorporated by the Diabetes Association of

Sri Lanka (Incorporation) Act, No. 1 of 1992.” .

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

section 8 of the by Act, No. 8 of 2014 is hereby further amended in subsection

principal (1) of that section as follows:-

enactment.

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

subsection for the words “for that year of

assessment.”, of the words “for that year of

assessment; and”; and

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

that subsection, of the following new paragraph:-

“(y) benefit from provision of any loan by the

employer free of interest or at a subsidised

rate of interest, if such loan is provided not

out of funds borrowed for that purpose. ” .

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

section 9 of the by Act, No. 8 of 2014 is hereby further amended as follows:–

principal

enactment.

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

(h) of that section, for the words and figures

“commencing on or after April 1, 2011, to any

individual”, of the words and figures “ commencing

on or after April 1, 2011, but prior to January 1, 2015,

to any individual”;

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

that section, of the following new paragraphs:-

“(hh) such part of any interest accruing for, or

arising in, for the period commencing on

January 1, 2015 and ending on March 31,

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2015, or for any year of assessment

commencing on or after April 1, 2015 to any

individual who is a citizen of Sri Lanka and

resident in Sri Lanka and who is sixty years

or more or reaching sixty years during the

period commencing from January 1, 2015

and ending on March 31, 2015 or who is

more than fifty nine years old on the first

day of the year of assessment commencing

on or after April 1, 2015, from any deposit

maintained in any bank or financial

institution authorized by the Central Bank

of Sri Lanka to accept deposits from the

general public or any registered society

within the meaning of the Co-operative

Societies Law, No. 5 of 1972;

(hhh) such part of any interest accruing for, or

arising in, any year of assessment

commencing on or after April 1, 2015, to

any individual or charitable institution

where such individual or charitable

institution maintains one savings account

or more than one savings account, where

the interest paid for a month is less than

five thousand rupees.

For the purpose of this paragraph,

“savings account” means an account,

whether or not subject to any condition

affecting the right to withdraw money

therefrom and which bears interest at a rate

not dependent on the period for which the

deposit is maintained;”; and

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

that section , of the following new paragraphs:-

“(p) the interest or discount accruing or arising

to any person from any investment made

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on or after January 1, 2015 in any

Corporate Debt Security, issued by the

Urban Development Authority

established by the Urban Development

Authority Law, No. 41 of 1978; and

(q) the interest accruing or arising to any

individual who is Sri Lankan, living or

employed abroad from any investment

made on or after January 1, 2015 in Nation

Development Bonds issued by the Central

Bank of Sri Lanka on behalf of the

Government.”.

Amendment of 5. Section 10 of the principal enactment as last amended

section 10 of by Act, No. 8 of 2014 is hereby further amended in subsection

the principal

enactment. (1) of that section as follows:-

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

subsection for the words “the second mentioned

dividend by that company.”, of the words “the

second mentioned dividend by that company;” and

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

that subsection, of the following new paragraph:-

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

new undertaking commenced on or after

April 1, 2015 for manufacture of products

for export, and which is not formed by

splitting-up or re-construction of an

existing undertaking with an investment

of not less than two million US Dollars

(or equivalent in any other currency) and

for which depreciation allowances are

entitled to under paragraph (h) of the first

proviso to paragraph (a) of subsection

(1) of section 25, where such dividends

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are paid out of such profits and income

of such new undertaking during the

period reckoned from the year of

assessment in which such new

undertaking commences to carry on

commercial operations and another four

years of assessment immediately

succeeding that year of assessment.”.

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

by Act, No. 8 of 2014 is hereby further amended as follows:- section 13 of

the principal

enactment.

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

of that section, of the following new paragraph:–

“(qqqqq) one half of the profits and income for

any period on or after April 1, 2015

from the production of films or dramas

of any individual who produces an

award winning cinema or a drama at an

international film or drama festival, for

a period of five years of assessment

commencing from the year in which

such award is received;” ;

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

that section, of the following new paragraph:–

“ (ttt) the profits and income arising or

accruing to any Unit Trust from

investments made on or after January

1, 2015 in US Dollar deposits or US

Dollar denominated securities listed in

any foreign stock exchange;”; and

(3) by the insertion immediately after paragraph

(yyyyyyyy) of that section, of the following new

paragraph:-

“(yyyyyyyyy) the profits and income arising or

accruing to any company,

partnership or body of persons

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outside Sri Lanka for any year of

assessment commencing on or

after April 1, 2015, from any

payment made by way of royalty

as a specific requirement of any

information technology or

business process outsourcing

company in Sri Lanka, for the year

of assessment in which such

company in Sri Lanka commences

such operations and for another

year of assessment immediately

succeeding that year of

assessment;”.

Amendment of 7. Section 25 of the principal enactment as last amended

section 25 of

by Act, No. 8 of 2014 is hereby further amended as follows:–

the principal

enactment.

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

(a) by the repeal of sub-paragraph (v) and sub-

paragraph (vi) of paragraph (a) of that

subsection, and the substitution therefor,

of the following sub- paragraph:–

“(v) any qualified building constructed

or any unit of a condominium

property acquired and which is

approved by the Urban

Development Authority

established by the Urban

Development Authority Law,

No. 41 of 1978 and constructed to

be used as a commercial unit or any

hotel building (including a hotel

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building complex) or any industrial

building (including any industrial

building complex) acquired from a

person who had used such building

in any trade or business-

(A) prior to April 1, 2015 at the

rate of six and two third per

centum per annum, on the

cost of construction or cost

of acquisition of such

building or unit; or

(B) on or after April 1, 2015 at

the rate of ten per centum

per annum on the cost of

construction or the cost of

acquisition of such building

or unit;”;

(b) by the addition immediately after paragraph

(g) of the proviso to paragraph (a) of that

subsection, of the following new

paragraph:–

“(h) where any plant, machinery or

equipment acquired and used on

or after April 1, 2015, in any new

undertaking commenced on or

after April 1, 2015 for the

manufacture of products for

exports with an investment of not

less than two million US Dollars

or its equivalent in other currency

and which is not formed by

splitting up or re-construction of

an existing undertaking, the rate

of depreciation shall be hundred

per centum of the cost of

acquisition;”;

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

that subsection, by the substitution for the

words and figures “referred to in sub-

paragraphs (i), (ii), (iii), or (iv)”, of the words

and figures “referred to in sub-paragraph

(i), (ii), (iii), (iv) or (v)”;

(d) in the proviso to paragraph (i) of that

subsection, by the insertion immediately

after paragraph (B) of that proviso, of the

following new paragraph:–

“(C) where such expenditure on

research is incurred on or after

April 1, 2015 , for any innovation

or research relating to high value

agricultural products and such

research is carried out by such

person himself or through any

research institution, in Sri Lanka”;

(e) by the insertion immediately after

paragraph (i) of that subsection, of the

following paragraph:–

“For the purpose of this paragraph the

Commissioner-General shall issue

guidelines in order to ensure the uniform

application of deduction;”;

(f) by the substitution in sub-paragraph (iv)

to the proviso to paragraph (k) of that

subsection for the words and figures

“under Chapter XIV or in the opinion”, of

the words and figures “under Chapter XIV

of this Act where such benefit is not exempt

under paragraph (s) of subsection (1) of

section 8 of this Act, or in the opinion”;

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(g) by the repeal of paragraph (w) of that

subsection and the substitution therefor,

of the following new paragraphs:-

“(w) for any year of assessment

commencing on or after April 1, 2014

any royalty or ground rent payable

for the relevant year of assessment

and paid by such person if such

amount was not allowed to be

deducted prior to April 1, 2014,

under paragraph (a) of subsection

(5) of section 32;

(x) for any year of assessment

commencing on or after April 1,

2015, an amount equal to three

hundred per centum of the

expenditure incurred by any person

registered with the Tertiary and

Vocational Education Commission

established under the Tertiary and

Vocational Educational Act, No. 20

of 1990 on standard skill

development training by any

institution recommended by such

Commission to be provided to

trainees;

(y) for any year of assessment

commencing on or after April 1,

2015, an amount equal to three

hundred per centum of the

expenditure incurred by any person

for brand promotion for the export

of products manufactured by such

persons.

For the purpose of this paragraph

“brand promotion” means, creating

an internationally recognized brand

name for a local value added

product or produce.”;

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(2) in subsection (5) of that section, by the insertion at

the end of the proviso to that subsection, of the

following new paragraph :-

“For the purpose of this subsection “person”

includes a partnership.”;

(3) in subsection (7) of that section-

(a) by the substitution for the words in the

definition of “capital assets” in paragraph

(b) of that subsection for the words “

means any plant, machinery, fixture,

fitting, utensils, articles or equipment”,

of the words “means any plant,

machinery, fixture, fitting, utensils, articles

or equipment, including computer

software or intangible assets other than

goodwill,”;

(b) by the repeal of sub-paragraph (iii) of

paragraph (f) of that subsection, and the

substitution therefor, of the following

new sub-paragraph:-

“(iii) where a company is incorporated

(hereinafter referred to as the “first

mentioned company”) to -

(a) take over the business

(including the capital

assets) carried on by an

individual either solely or

in partnership with others,

and acquires the capital

assets of such business

being carried on by such

individual or partnership;

or

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(b) segregate the business of

long term insurance and

general insurance as

separate businesses as

required in terms of

Regulation of Insurance

Industry (Amendment)

Act, No. 3 of 2011 or to

consolidate, acquire or

merge of any bank,

financial institution or

leasing company under

the guidance of the

Central Bank of Sri Lanka

subject to conditions

specified in the Guidelines

issued by the

Commissioner General

where such businesses

are carried out separately

prior to such segregation,

consolidation, acquisition

or merger, by each such

company (hereinafter

referred to as the “second

mentioned company”),

the cost of acquisition of each

capital asset by the first

mentioned company shall be

deemed to be the cost of

acquisition of such capital asset

by such individual or

partnership or the second

mentioned company, reduced

by the amount of any allowance

for depreciation granted in

respect of such asset to such

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individual or partnership or

second mentioned company,

and the date of acquisition of

such capital assets by the first

mentioned company, shall be

deemed to be the date of

acquisition of such capital asset

by such individual, partnership

or second mentioned

company;”.

Amendment of 8. Section 26 of the principal enactment as last amended

section 26 of

by Act, No. 8 of 2014 is hereby further amended in subsection

the principal

enactment. (1) of that section as follows:-

(1) in paragraph (l) of that subsection:-

(a) by the substitution for the words and

figures in sub-paragraph (v) of that

paragraph “the Value Added Tax Act,

No. 14 of 2002; or” of the words and figures

“the Value Added Tax Act, No. 14 of 2002

and any Nation Building Tax on Financial

Services within the provisions of the Nation

Building Tax Act, No. 9 of 2009; or”;

(b) by the substitution in sub-paragraph (vii)

of that paragraph for the words and figures

“Act, No. 12 of 2013;”, of the words and

figures “ Act, No. 12 of 2013; or”; and

(c) by the insertion immediately after sub-

paragraph (vii) of that paragraph, of the

following new sub-paragraph:-

“(viii) Super Gain Tax, Bars and Taverns

Levy, Casino Industry Levy, Mobile

Telephone Operator Levy, Satellite

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Location Levy, Dedicated Sports

Channel Levy and Mansion Tax

imposed and levied under the

provisions of the Finance Act,

No. 10 of 2015,”; and

(2) by the repeal of paragraph (m) of that subsection

and substitution therefor, of the following new

paragraph:-

“(m) any ground rent or royalty payable for any

period prior to April 1, 2014 and paid after

April 1, 2014 which is deductible under

paragraph (a) of subsection (5) of section

32 or annuity paid by such person;”.

9. Section 32 of the principal enactment as last amended Amendment of

by Act, No. 8 of 2014 is hereby further amended in subsection section 32 of

(5) of that section as follows:- the principal

enactment.

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

substitution for all the words and figures from “sums

paid by such person” to the words and figures

“subsection (1) of section 26:”, of the following

words and figures:-

“sums paid by such person for any year of

assessment by way of:

(i) any ground rent or royalty payable for

any period prior to April 1, 2014 and which

is paid after April 1, 2014; or

(ii) annuity or interest,

which he is not entitled to deduct under

section 25.

For the purpose of this paragraph interest

does not include the excess referred to in

paragraph (x) or paragraph (y) of subsection

(1) of section 26:”; and

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

that subsection, of the following new paragraph:-

“(dd) the balance , if any, of any loss deductible

under the provisions of this Act , of any

business of any bank, financial institution

or leasing company which is consolidated,

acquired or merged in terms of the

guidelines issued by the Central Bank of

Sri Lanka subject to conditions specified

in the guidelines issued by the

Commissioner General, shall continue to be

deducted, if it would have been claimed

under this section prior to such

consolidation, acquisition or merger,

notwithstanding anything to the contrary

in any other provision of this Act, but

subject to the provisions of paragraph (b),

from the total statutory income of the

respective bank, financial institution or

leasing company as a result of such

consolidation, acquisition or merger;”.

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

section 34 of amended by Act, No. 8 of 2014 is hereby further amended as

the principal

enactment. follows:-

(1) in subsection (2) of that section: -

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

the addition immediately after sub-

paragraph (ix), of the following new sub-

paragraph:-

“(x) National Kidney Fund established

under the National Kidney

Foundation of Sri Lanka

(Incorporation) Act, No. 34 of 2006;”;

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

the substitution for all the words and

figures from “investment of not less than”

to the words and figures “business on or

after April 1, 2011:”, of the words and

figures “investment of not less than fifty

million rupees in the acquisition of fixed

assets made by any person on or after

April 1, 2011 but before April 1, 2014 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:”;

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

substitution for all the words and figures

from “ after April 1, 2013, then-” to the words

“whichever is lower;”, of the following

words and figures:-

“after April 1, 2013, then-

(i) such part of profits in excess of

five hundred thousand rupees ;

or

(ii) for any year of assessment ended

prior to April 1, 2015, one hundred

thousand rupees and for any year

of assessment commencing on or

after April 1, 2015, two hundred

and fifty thousand rupees,

whichever is lower;”;

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(d) by the substitution for paragraph (v) of

that subsection, of the following new

paragraph:-

“(v) such part of official emoluments

arising in Sri Lanka to any

individual who is not a citizen of

Sri Lanka and not resident in Sri

Lanka–

(i) for any year of

assessment commencing

on or after April 1, 2013,

but prior to April 1, 2015

does not exceed one

hundred thousand

rupees; or

(ii) for any year of

assessment commencing

on or after April 1, 2015

does not exceed two

hundred and fifty

thousand rupees;”;

(e) by the repeal of paragraph (x) of that

subsection and the substitution therefor,

of the following new paragraph:-

“(x) any expenditure incurred by any

bank, any financial institution or

any leasing company, by way of

cost of acquisition or merger of

any other bank, any other

financial institution or any other

leasing company, where such cost

is ascertained by considering all

the facts on case by case basis in

accordance with the guidelines

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issued by the Central Bank of Sri

Lanka, in the manner specified by

the Commissioner General for that

purpose.”; and

(2) in subsection (4) of that section by the insertion

immediately after sub-paragraph (ix) of paragraph

(b) of that subsection, of the following new sub-

paragraph:-

“(x) in respect of any qualifying payment

referred to in paragraph (x) of subsection

(2), on the expenditure incurred by any bank

or other company referred to in that

paragraph in any year of assessment shall

not exceed one third of the assessable

income or three hundred million rupees

whichever is higher. The balance, if any,

not deductible in the same year of

assessment shall be carried forward and

be deductible from the assessable income

of such bank or other company for the next

succeeding year of assessment and so on

subject to the same conditions.”.

11. Section 39 of the principal enactment is hereby Amendment of

amended by the substitution for the words “The gross royalty section 39 of

the principal

payable”, of the words “ The gross royalty (not being royalty enactment.

exempt under any other provision of this Act) payable”.

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

amended by Act, No.18 of 2013 is hereby further amended by section 40B of

the principal

the substitution for the words and figures “commencing on enactment.

or after April 1, 2009, of any”, of the words and figures

“commencing on or after April 1, 2009 but prior to April 1,

2015, of any”.

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Amendment of 13. Section 40C of the principal enactment is hereby

section 40C of amended in subsection (1) of that section, by the substitution

the principal

for all the words and figures from “Where the taxable income”

enactment.

to the words “and the rate of income tax”, of the following

words and figures:-

“Where the taxable income of any individual:

(i) being a citizen of Sri Lanka, for any year of

assessment commencing on or after April 1,

2014 but prior to April 1, 2015, includes any

profits from employment in the exercise of his

duties as a professional; or

(ii) includes any profits from employment for any

year of assessment commencing on or after

April 1, 2015,

(hereinafter in this section referred to as “relevant

profits”) and the rate of income tax”.

Amendment of 14. Section 45 of the principal enactment as last amended

section 45 of by Act, No. 8 of 2012, is hereby further amended as follows:-

the principal

enactment.

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

(a) in paragraph (b) of that subsection , for the

words “tourism; or”, of the words

“tourism;”;

(b) in paragraph (c) of that subsection , for the

words “construction work;” of the words,

“construction work; or”; and

(c) by the addition immediately after paragraph

(c) of that subsection, of the following new

paragraph :-

“(d) undertaking for the manufacture of

sugar;”; and

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

immediately after paragraph (d) of that subsection,

of the following new paragraph:-

“(e) undertaking for the manufacture of sugar”

means an undertaking carried on for locally

manufacturing sugar by using sugar cane

or beet or any other produce exclusively

cultivated locally.”.

15. Section 46 of the principal enactment as last amended Amendment of

by Act, No. 22 of 2011 is hereby further amended as section 46 of

the principal

follows:-

enactment.

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

(a) in paragraph (b) of that subsection , for the

words “tourism; or”, of the words

“tourism;”;

(b) in paragraph (c) of that subsection , for the

words “construction work;”, of the words

“construction work; or”; and

(c) by the addition immediately after paragraph

(c) of that subsection, of the following new

paragraph:-

“(d) undertaking for the manufacture of

sugar,”; and

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

for the words “profits and income from any

agricultural undertaking” and “undertaking for

construction work” shall”, of the words “profits

and income from any agricultural undertaking” ,

“undertaking for construction work” and

“undertaking for the manufacture of sugar”, shall”.

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

section 48D of immediately after section 48C of the principal enactment and

the principal

shall have effect as section 48D of that enactment:-

enactment.

“Extension 48D. Notwithstanding the period specified

of the period in section 16D or paragraph (b) and (c) of

specified for

subsection (2) of section 17A to complete

the

fulfilment of investment and to commence the commercial

investment operations by any new undertaking which has

criteria by been approved by the Board of Investment of

any company

Sri Lanka by entering into an agreement under

entered into

an agreement section 17 of the Board of Investment of Sri

with the Lanka Law, No. 4 of 1978 which provides tax

Board of holiday under section 16D or section 17A of

Investment

this Act, if the approval of the Board of

of Sri Lanka

under section Investment was granted prior to October 31,

16D or 2014 and the company which invested in such

section 17A. undertaking is unable to complete the required

investment prior to April 1, 2015 and to

commence commercial operations prior to April

1, 2016 due to any practical reasons depending

on the nature of the business, such period shall

be extended up to April 1, 2018, if the

Commissioner-General is satisfied that the

nature of the activities engaged in by such

new undertaking are only activities qualified

under section 16D or section 17A and the Board

of Investment of Sri Lanka confirms , on request

made by the investor, that the reasons for such

extension is justifiable and acceptable by

examining the status of the progress of such

new undertaking.”.

Amendment of 17. Section 56D of the principal enactment is hereby

section 56D of amended as follows:-

the principal

enactment.

(1) by the substitution in that section for the words

“locally manufactured garments, bags made out of

fabric, linen, curtains or any other goods,”, of the

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words “locally manufactured garments, bags made

out of fabric, linen, curtains, packing items or ceramic

products,”; and

(2) by the substitution in the proviso of that section for

the words “the local value addition of such

garments, bags, linen, curtains or other goods,”, of

the words “the local value addition of such

garments, bags, linen, curtains, packing items or

ceramic products,”.

18. Section 58 of the principal enactment as last amended Amendment of

section 58 of

by Act, No. 8 of 2014, is hereby further amended as follows:-

the principal

enactment.

(1) by the substitution in that section for all the words

from “supply of any services, to any” to the words

“foreign principal to such person in Sri Lanka”, of

the following words and figures:-

“supply of-

(i) any services to any exporter of goods

or services or to any foreign principal

of such exporter directly, being services

which could be treated as essentially

related to the manufacture of such

goods or provisions of such services

exported by such exporter either directly

or through any export trading house;

(ii) any services provided by an agent of a

ship operator to such agent’s foreign

principal; or

(iii) any services provided by any freight

forwarder insofar as such services are

for export of goods,

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and the payment for such services are made

by such exporter, foreign principal or the

recipient of the services of the freight

forwarder, to such person in Sri Lanka”; and

(2) by the addition immediately after that section, of the

following new paragraph:-

“For the purpose of this section “freight

forwarder” means a person or a partnership who or

which is registered with the Central Bank of

Sri Lanka under the Exchange Control Act, as a

Freight forwarder and who-

(i) issues multi-modal documents of carriage

covered by a Freight Forwarders’ “All Risks

and Legal Liability Insurance Policy”; and

(ii) furnishes, together with the return of

relevant turnover for any relevant quarter,

copies of the statements, furnished to the

Controller of Exchange in respects of each

month comprised in such relevant quarter

of turnover prepared in the form specified

in the Third Schedule to the Notification

issued by the Controller of Exchange under

section 29B of the Exchange Control Act,

and net collections prepared in the form

specified in the Fourth, Fifth and Sixth

Schedules to such Notification.”.

Amendment of 19. Section 59B of the principal enactment as last

section 59B of amended by Act, No. 8 of 2014 , is hereby further amended in

the principal

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

(1) in sub-paragraph (ii) of that paragraph, for the words

and figures “being any year of assessment

commencing on or after April 1, 2013 does not exceed

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five hundred million rupees;”, of the words and

figures “ being any year of assessment commencing

on or after April 1, 2013, but prior to April 1, 2015 ,

does not exceed five hundred million rupees;”; and

(2) by the addition immediately after sub-paragraph (ii)

of that paragraph, of the following new sub-

paragraph:-

“(iii) being any year of assessment commencing

on or after April 1, 2015, does not exceed

seven hundred and fifty million rupees.”.

20. Section 59F of the principal enactment is hereby Amendment of

amended by the repeal of subsection (1) of that section and section 59F of

the principal

substitution therefor, of the following new subsection :-

enactment.

“(1) Where the taxable income of any individual being a

citizen of Sri Lanka, for any year of assessment

commencing on or after April 1, 2014, includes any

profits and income from providing professional

services as a professional (hereinafter in this section

referred to as the “relevant profits”) and the rate of

income tax payable under the First Schedule to this

Act, on a part of such taxable income (hereinafter in

this section referred to as the “relevant part of the

taxable income”) exceeds twelve per centum, then

in regard to the relevant part of the taxable income,

the tax payable shall be computed as given below:-

(a) where such relevant part of the taxable

income exceeds the amount of the relevant

profits then the tax payable on such

relevant part of the taxable income shall be

computed as follows:-

(i) if such relevant profits does not

exceed twenty five million rupees,

then the tax payable on such

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portion of the relevant part of the

taxable income as is equal to the

relevant profits, shall be at the rate

of twelve per centum, and the tax

payable on the balance of the

relevant part of the taxable income,

shall be computed according to

such of the rates above twelve per

centum, as are applicable thereto

under the First Schedule to this Act;

or

(ii) if such relevant profits exceed

twenty five million rupees, then the

tax payable,

- on such portion of the relevant

part of the taxable income as is

equal to twenty five million

rupees shall be at twelve per

centum;

- on such protion of the balance

as does not exceed ten million

rupees shall be at the rate of

fourteen per centum; and

- on any balance relevant part

of the taxable income shall be

computed according to such

of the rates above twelve per

centum, as are applicable

thereto under the First

Schedule to this Act subject

to the following:—

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(A) where the rate of income tax,

under the First Schedule to

this Act, payable on a

portion of such balance

relevant part of the taxable

income exceeds sixteen per

centum:

- the tax payable on such

balance relevant part of

the taxable income as is

not exceeding the excess

of relevant profits over

thirty five million rupees

shall be computed at

sixteen per centum; and

- the tax payable on any

balance of the relevant

part of the taxable

income, shall be

computed according to

such of the rates above

sixteen per centum, as

are applicable thereto

under the First Schedule

to this Act; or

(B) where the rate of income tax

payable under the First

Schedule to this Act, on any

portion of such balance

relevant part of the taxable

income does not exceed

sixteen per centum, then

the tax payable on the

entirety of such balance

shall be computed at sixteen

per centum; or

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(b) where such relevant part of the

taxable income does not exceed the

amount of the relevant profits, then

the tax payable on the relevant part

of the taxable income shall be

computed as follows:-

(i) if such relevant profits do

not exceed twenty five

million rupees then, the tax

payable on the entirety of

the relevant part of the

taxable income, shall be at

twelve per centum; or

(ii) if the relevant profits exceed

twenty five million rupees,

then the tax payable,

- on the portion by which

twenty five million

rupees exceeds the

amount by which the

relevant profits exceed

relevant part of the

taxable income shall be

at twelve per centum;

- on the portion up to ten

million rupees of the

balance relevant part of

the taxable income shall

be at fourteen per

centum; and

- on any balance relevant

part of the taxable

income shall be at

sixteen per centum.”.

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21. The following new sections are inserted immediately Insertion of

after section 59H of the principal enactment and shall have sections 59I, 59J,

59K, 59L and 59M

effect as sections 59I, 59J, 59K, 59L and 59M of that of the principal

enactment :- enactment.

“Rate of 59I. The tax rate applicable on the profits

income tax

and income of an existing company carrying on

applicable to

profits and a business of manufacture of products (other

income of than liquor or tobacco), on expansion of the

any

manufacturing of such products of such

manufacturing

company company in any Province other than the

which carries Western Province (not by relocating the existing

on an company or part thereof), by investing in the

expansion of

such business acquisition of fixed assets (other than land or

to any building) not less than three hundred million

Province rupees for any year of assessment commencing

other than

the Western on or after April 1, 2015 but prior to April 1,

Province. 2017, and which is liable to pay income tax at

the rate specified in item 3 of PART-B of the

Second Schedule to this Act, shall be reduced

by fifty per centum up to a maximum not

exceeding five hundred million rupees, for the

year of assessment in which such company

commences the commercial operations of such

expansion project and another four years of

assessment immediately succeeding that year

of assessment.

Rate of 59J. The tax rate applicable on the profits

income tax and income of any company which is registered

applicable to

the profits with the Department of Inland Revenue for tax

and income purposes on or before December 31, 2015 with

of a new a committed investment in excess of five

company

hundred million rupees, to be made in any

engaged in

any manufacturing business (other than liquor or

manufacturing tobacco based products) not by splitting-up or

business.

re - construction of an existing undertaking of

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any nature within the specified period as

approved by the Commissioner General, shall

be reduced by fifty per centum for the year of

assessment in which such company commences

the commercial operations and for consecutive

period of six years of assessment immediately

succeeding that year of assessment, if the

applicable rate of income tax is twenty eight per

centum.

Income tax 59K. Such part of the tax computed in

payable by accordance with this Act, for any year of

local

assessment commencing on or after April 1, 2015,

manufacturer

who is in the as being payable by any manufacturer who

business since has been in the business of manufacturing

1970. since the year nineteen seventy and sustained

competitiveness with imports, shall

notwithstanding anything to the contrary in any

other provisions of this Act, be reduced by ten

per centum, on the profits and income from the

sales made on such manufactured products

(other than liquor or tobacco based products)

in the local market which is liable to tax at the

maximum rate of twenty eight per centum on

the profit on ssuch sales.

Income tax 59L. Such part of the tax computed in

payable by accordance with this Act, for any year of

local

assessment commencing on or after April 1, 2015,

entrepreneurs

engaged in as being payable by any local entrepreneurs

intercropping engaged in the intercropping activities or

activities or vegetable and food processing activities, be

vegetable and

reduced by fifty per centum, on the profits and

food

processing income from such activities.

activities.

For the purpose of this section :

“local entrepreneur” means, a person

who is a citizen of Sri Lanka and

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includes a company or partnership,

the controlling interest of which is

held by Sri Lankans;

“Intercropping activities” means,

cultivation of two or more crops

simultaneously on the same field;

“vegetable and food processing

activities” means, processing of

vegetables or foods by any person

with not less than thirty five percent

of local value addition and the final

product shall consist of not less than

seventy per centum of locally grown

vegetables or locally manufactured

foods.

Income tax 59M. Such part of the tax computed in

payable by a accordance with this Act, as being payable by

person on an

undertaking any person being a manufacturer or provider of

located in services who made investment in any

any lagging undertaking for the manufacture or the

region. provision of services located in any lagging

region in a sum of not less than two hundred

and fifty million rupees on or after February 1,

2015 but prior to March 31, 2017, shall

notwithstanding anything to the contrary in any

other provisions of this Act, be reduced by fifty

per centum, on the profits and income of such

person for the year of assessment in which such

undertaking commences business operations

and another four years of assessment

immediately succeeding that year of

assessment.

For the purpose of this section “lagging

region in relation to any year of assessment”

means, any Divisional Secretary’s Division as

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Act, No. 9 of 2015

being in a state of economic backwardness as

specified, by the Commissioner-General by

Notice published in the Gazette in consultation

with any appropriate authority within whose

jurisdiction such Division comes and with the

approval of the Minister.”.

Amendment of 22. Section 61 of the principal enactment as last amended

section 61 of by the Act, No. 22 of 2011 is hereby further amended in sub-

the principal

enactment. paragraph (ii) of paragraph (b) of subsection (1) of that section,

by the substitution for the words and figures “distributable

profits of such company for the year of assessment”, of the

words and figures “distributable profits of such company

other than a company referred to in paragraph (h) of the first

proviso to paragraph (a) of subsection (1) of section 25, for

the year of assessment”.

Amendment of 23. Section 63 of the principal enactment as last

section 63 of amended by the Act, No. 8 of 2014 is hereby further amended

the principal

by the addition at the end of that section, of the following

enactment.

paragraph:-

“For the purpose of this section the profits and

income from such dividends which form part of the profits

under section 3(a) of this Act, means profits and income

after deducting expenses in ascertaining the profits from

such business of receiving dividends.”.

Amendment of 24. Section 94 of the principal enactment is hereby

section 94 of amended as follows:-

the principal

enactment.

(1) by the substitution for the word “royalties”

wherever it occurs in that section, of the words “

royalties or fees for technical services”;

(2) in paragraph (b) of that section for the words and

figures “ under section 32,”, of the words and figures

“ under section 25,”; and

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(3) by the addition at the end of that section, of the

following new paragraph:-

“For the purpose of this section the term “fees for

technical services” means payments of any kind,

received as consideration for managerial or technical

or consultancy services including the provision of

services of technical or other personnel other than

employment or professional services performed

through a fixed base.”.

25. Section 95 of the principal enactment as last amended Amendment of

by the Act, No. 22 of 2011 is hereby further amended in section 95 of

the principal

subsection (1) of that section as follows:-

enactment.

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

substitution for the words “out of income arising in

Sri Lanka”, of the following:—

“out of income arising in Sri Lanka; or

(c) fees for technical services referred to in

section 94,”;

(2) in paragraph (aaa) of the proviso to that subsection,

by the substitution for the words “ provision of this

Act; and”, of the words “ provision of this Act;”;

(3) in paragraph (b) of the proviso to that subsection,

by the substitution for the words “ banking unit.”,

of the words “ banking unit ; and”; and

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

the proviso to that subsection, of the following new

paragraph:-

“(c) for any year of assessment commencing on

or after April 1, 2015, no deduction shall be

made under this section from any interest

paid to any individual on money deposited

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Act, No. 9 of 2015

in any bank or financial institution and tax is

deductible on such interest at the rate of

two and a half per centum as referred to in

section 133 of this Act.”.

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

section as immediately after section 105A of the principal enactment

section 105B in

the principal and shall have effect as section 105B of that enactment:-

enactment.

“The use of 105B. (1) The Minister may, on the

electronic recommendation of the Commissioner-General

communica-

make regulations for the purpose of authorizing

tions or

electronic or facilitating the use of electronic

records. communications or electronic records in respect

of matters specified in section 8 of the Electronic

Transactions Act, No. 19 of 2006.

(2) For the purpose of application of the

electronic means in filing returns, submitting

information and documents, the relevant

sections of the Act are amended as follows

which shall come into effect on such date as

the Minister may appoint by Order published

in the Gazette.

(a) in sections 28(4), 36(2)(b), 70(1), 73(1),

76(3), 104(2), 104A(2), 111, 112, 118, 122,

125(1), 130, 133, 162, 163, 165 and 177 by

the substitution for the words “in

writing” wherever it occurs in those

sections, of the words “in writing or

electronic means”, respectively;

(b) in sections 106 and 107 the words “in

writing”, wherever it arising relating to

the filing of return, issue of notices,

submission of information or documents

for the purposes of those sections, by

the substitution, of the words “in writing

or electronic means”, respectively;

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Act, No. 9 of 2015

(c) in section 107 in paragraph (a) and in

paragraph (b) of the proviso of

subsection (1) of that section, by the

substitution for the words “published

in the Gazette.”, of the words

“published in the Gazette or official

website of the Department of Inland

Revenue.”, respectively.

27. Section 106 of the principal enactment, as last Amendment of

amended by the Act, No. 8 of 2014 is hereby further amended section 106 of

the principal

in paragraph (c) of the proviso to subsection (1) of that

enactment.

section, by the substitution for the words “income tax at the

rate of ten per centum has been deducted”, of the words

“income tax at the rate specified for the purpose of deduction

has been deducted”.

28. Section 107 of the principal enactment, as last Amendment of

amended by the Act, No. 8 of 2014 is hereby further amended section 107 of

the principal

by the repeal of paragraph (aa) of subsection (3) of that enactment.

section and the substitution therefor, of the following new

paragraph:-

“(aa) “approved accountant” for any year of assessment

commencing on or after April 1, 2014 means:

(i) an accountant who is a member of the

Institute of Chartered Accountants of Sri

Lanka; or

(ii) an accountant who is a fellow member of the

Association of Accounting Technicians of

Sri Lanka incorporated under the Companies

Act, No. 07 of 2007 in relation to any person

other than a company, or any partnership

where the turnover of the business of such

person or partnership for the year does not

exceed five hundred million rupees;”.

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Act, No. 9 of 2015

Amendment of 29. Section 115 of the principal enactment as last

section 115 of

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

enactment. paragraph (a) of subsection (1) of that section by the

substitution for sub-paragraph (i), of the following new sub-

paragraph:-

“(i) receives remuneration:

(A) for any year ending prior to April 1, 2015,

in excess of fifty thousand rupees per

month or six hundred thousand rupees per

year: or

(B) for any year commencing from April 1,

2015, in excess of sixty two thousand and

five hundred rupees per month or seven

hundred and fifty thousand rupees per

year;”.

Amendment of 30. Section 133 of the principal enactment as last

section 133 of

amended by the Act, No. 8 of 2014 is hereby further amended

the principal

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

(1) in paragraph (a) of that subsection-

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

the substitution for the words “of such

interest; and”, of the words “of such

interest;”;

(b) in sub-paragraph (ii) of that paragraph by

the substitution for the words “any

partnership”, of the words and figures “for

any year of assessment ending prior to April

1, 2015, any partnership”;

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Act, No. 9 of 2015

(c) by the addition at the end of sub-paragraph

(ii) of that paragraph, of the following new

sub-paragraphs:-

“(iii) for any year of assessment

commencing on or after April 1, 2015

any partnership, charitable institution

or any individual the deduction shall

be made at the rate of two and a half

per centum of such interest; and

(iv) for any year of assessment

commencing on or after April 1, 2015,

body of persons the deduction shall

be made at the rate of eight per centum

of such interest.”;

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

subsection, for the words “any year of assessment,

that its assessable income for that year of

assessment”, of the words and figures “any year of

assessment ending prior to April 1, 2015, that its

assessable income”;

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

subsection, for the words “any individual then, in

relation to any year of assessment where”, of the

words and figures “any individual then, in relation

to any year of assessment ending prior to April 1,

2015 where”; and

(4) by the substitution in paragraph (d) of that

subsection, for the words “deduction shall be made,

at the rate of eight per centum of such interest:”, of

the words and figures “deduction shall be made for

any year of assessment ending prior to April 1, 2015

at the rate of eight per centum of such interest:”.

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Amendment of 31. Section 137 of the principal enactment as last

section 137 of amended by the Act, No. 8 of 2014 is hereby further amended

the principal

by the addition immediately after subsection (3) of that

enactment.

section, of the following new subsection:-

“(4) Any balance amount of notional tax credit entitled

to be claimed by any business of insurance prior to

segregation, or any bank, financial institution or

leasing company which is acquired, merged or

amalgamated, as the case may be, shall

notwithstanding any other provisions of this Act ,

be deemed to be an allowable deduction subject to

the conditions, if it would have been claimable if

not for such segregation (being a business of an

insurance), or acquisition, merger or amalgamation

of such bank, financial institution or leasing

company.”.

Amendment of 32. Section 139 of the principal enactment as last

section 139 of amended by the Act, No. 10 of 2007 is hereby further amended

the principal

by the repeal of subsection (1) of that section and the

enactment.

substitution therefor, of the following new subsection:-

“(1) For any year of assessment:

(a) ending prior to April 1, 2015, any person or

partnership from whose interest income the

income tax is deductible by a bank or

financial institution, or a company which

issues any corporate debt security in

accordance with the provisions of section

133 or section 135 and such interest income

will form part of the assessable income of

such person or divisible profit or income

of the partnership, as the case may be, for

any year of assessment, may, if the amount

of income tax payable by him or the relevant

partners for such year of assessment is less

than the income tax deductible during that

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year of assessment under section 133 or

section 135, make an application to the

Commissioner-General in such form and

containing such particulars as may be

specified by the Commissioner General,

requesting that a direction be issued to that

bank or financial institution or any

company which issues corporate debt

security, to make the necessary

adjustments in the deduction of income tax

in that year of assessment; and

(b) commencing on or after April 1, 2015 any

person (other than an individual or a

partnership) from whose interest income

the income tax is deductible by a bank or

financial institution in accordance with the

provisions of section 133 and such interest

income will form part of the assessable

income of such person for any year of

assessment, may, if the amount of income

tax payable by such person for such year

of assessment is less than the income tax

deductible during that year of assessment

under section 133, make an application to

the Commissioner-General in such form and

containing such particulars as may be

specified by the Commissioner General,

requesting that a direction be issued to that

bank or financial institution to make the

necessary adjustments in the deduction of

income tax in that year of assessment.”.

33. Section 150 of the principal enactment is hereby Amendment of

amended in subsection (1) of that section, by the substitution section 150 of

for the words “and shall furnish a return to the Commissioner- the principal

enactment.

General on a monthly basis containing such particulars as

may be specified by the Commissioner-General in relation to

such deductions.”, of the words and figures,

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“and shall furnish a return to the Commissioner-General:

(a) on a monthly basis, for any year of assessment

commencing prior to April 1, 2015; and

(b) on a quarterly basis, for any year of

assessment commencing on or after April 1,

2015,

containing such particulars as may be specified by

the Commissioner-General in relation to such

deductions.”.

Amendment of 34. Section 159 of the principal enactment is hereby

section 159 of amended in subsection (1) of that section, by the substitution

the principal

enactment. for the words “and shall furnish a return on monthly basis,

containing such particulars as may be specified by the

Commissioner-General in relation to such activity.”, of the

words and figures,

“and shall furnish a return:

(a) on a monthly basis, for any year of assessment

commencing prior to April 1, 2015 ; and

(b) on a quarterly basis, for any year of assessment

commencing on or after April 1, 2015,

containing such particulars as may be specified by

the Commissioner-General in relation to such

activity.”.

Amendment of 35. Section 163 of the principal enactment as last

section 163 of amended by the Act, No. 8 of 2014 is hereby further amended

the principal

enactment. in subsection (5) of that section by the repeal of the first

proviso to that subsection and substitution therefor, of the

following proviso:-

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Act, No. 9 of 2015

“Provided, that nothing in this subsection shall apply to

the assessment of income tax payable by any person in respect

of any year of assessment, consequent to-

(i) the receipt by such person of any arrears relating to

the profits from employment of that person for that

year of assessment;

(ii) any adjustment made in line with the adoption of

the Sri Lanka Financial Reporting Standards for the

year of assessment in which such adoption was

made; or

(iii) any profits and income or the loss ascertained in

accordance with the provisions referred to in

section 104 or section 104A, as the case may be, for

any year of assessment commencing on or after

April 1, 2013, for any period before the expiry of five

years from the date of receipt of such return, where

the Commissioner General is in the opinion that:

(A) the profits and income or the loss referred

to in section 104, of any person, has not

been ascertained having regard to the arm’s

length price, and issue of such assessment

is not contrary to any provision of an

agreement in force for the relief of double

taxation between the Government of Sri

Lanka and the Government of any territory

in which such person is resident; or

(B) the profits and income or the loss referred

to in section 104A, of any person, has not

been ascertained having regard to the arm’s

length price:”.

36. Section 212 of the principal enactment as last Amendment of

amended by the Act, No. 8 of 2014 is hereby further amended section 212 of

the principal

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

enactment.

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

subsection for the words “Sri Lanka are changed.”,

of the words “Sri Lanka are changed;”; and

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

that subsection, of the following new paragraphs:-

“(f) guidelines for the calculation of qualifying

payment relating to cost of acquisition or

merger of any bank, financial institution or

leasing company and the continuation of

tax neutral position after acquisition,

merger or amalgamation, as the case may

be, for the purpose of this Act and other

Acts administered by the Commissioner-

General.;

(g) rules and guidelines for the implementation

of the use of electronic communication or

electronic records with regard to the Acts

administered by the Commissioner-General

from time to time as required.”.

Amendment of 37. The Second Scheduleto the principal enactment as

the Second last amended by Act, No. 8 of 2014 is hereby further amended

Schedule to the as follows:-

principal

enactment.

(1) by the substitution in item (3) of PART-A of that

Schedule, for the words “Any unit trust management

company on the taxable income-”, of the words “Any

unit trust management company on the taxable

income from the management of any unit trust-”;

(2) by the substitution in item (1) (c ) of PART-B of that

Schedule, for the words and figures ,

“For any year of assessment commencing on or

after April 1, 2011 –

Any company other than any company engaged in

the manufacture of any article or in the provision of

any services –”, of the words and figures

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Act, No. 9 of 2015

“For any year of assessment commencing on or

after April 1, 2011, but prior to April 1, 2014 –

Any Company –”;

(3) by the substitution in item (d) of PART–B of that

Schedule, for the words and figures ,

“For any year of assessment commencing on or

after April 1, 2011, but prior to April 1, 2014 –

any company engaged in the manufacture

of any article or in the provision of any

service-”, of the words and figures

“For any year of assessment commencing on or

after April 1, 2014-

any company other than any company

engaged in the manufacture of any article or

in the provision of any service-”.

38. The Fourth Schedule to the principal enactment is Amendment of

hereby amended as follows:— the Fourth

Schedule to the

principal

(1) in the heading of that Schedule, by the substitution enactment.

for the words “Royalty or Annuity”, of the words

“Royalty, Annuity or Fees for Technical Services”;

and

(2) in that Schedule, by the substitution for the words

“royalty or annuity”, of the words “royalty, annuity

or fees for technical services”.

39. The Fifth Schedule to the principal enactment as last Amendment of

amended by Act, No. 8 of 2014 is hereby further amended by the Fifth

Schedule to the

the repeal of item 46 thereof.

principal

enactment.

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Validation. 40. The amount of tax charged or collected from any

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, 2015 and ending on the date

on which the certificate of the Speaker is endorsed in respect

of this Act, shall be deemed for all purposes 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 provision 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.

Sinhala text 41. In the event of any inconsistency between the

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

case of

inconsistency. prevail.

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