



**PARLIAMENT OF THE DEMOCRATIC
SOCIALIST REPUBLIC OF
SRI LANKA**

**INLAND REVENUE (AMENDMENT)
ACT, No. 37 OF 2003**

[Certified on 14th November, 2003]

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Inland Revenue (Amendment) Act, No. 37 of 2003

[Certified on 14th November, 2003]

L. D.—O. 19/2003.

AN ACT TO AMEND THE INLAND REVENUE
ACT, NO. 38 OF 2000

BE it enacted by the Parliament, of the Democratic Socialist Republic of Sri Lanka as follows : —

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|--|---|
| <p>1. This Act may be cited as the Inland Revenue (Amendment) Act, No. 37 of 2003.</p> | <p>Short title.</p> |
| <p>2. Section 2 of the Inland Revenue Act, No. 38 of 2000 (hereinafter referred to as the “principal enactment”) is hereby amended by the substitution for the words “specified in the First, Second and Third Schedules to this Act, ”, of the words “specified in the First, Second, Third, Fourth, Fifth and Sixth Schedules to this Act,”.</p> | <p>Amendment of section 2 of Act, No. 38 of 2000.</p> |
| <p>3. Section 4 of the principal enactment is hereby amended in subsection (1) of that section as follows :—</p> <p>(1) in the proviso to paragraph (d) of that section by the substitution for the words “shall be disregarded.”, of the words “shall be disregarded ; ” ; and</p> <p>(2) by the insertion immediately after paragraph (d) of the proviso to that subsection of the following paragraph :—</p> <p>“(e) the value at the time of its disposal, of any share of a company, received as a benefit, from the employer or on behalf of the employer at no cost or at a price which is less than the prevailing market value of such share of a company whether directly or through a share option scheme ;</p> <p>The value at the time of its disposal of such share shall be the surplus over the cost of acquisition of such share —</p> <p>(i) in the case of a sale, the sale price or the market value, of such share as at the date of sale, whichever is higher ;</p> | <p>Amendment of section 4 of the principal enactment.</p> |

- (ii) in the case of a disposal, otherwise than by way of sale, the market value of such share as at the date of disposal ;
- (iii) in the case of an employee ceasing to be in the employment of such employer, without selling or disposing of such share, the market value as at the last date of his employment with such employer which date shall be deemed to be the date of the disposal of such share :

Provided however, in the event of the death of such employee during his period of employment with such employer the value of such share shall be zero.

For the purpose of this paragraph the profits from employment arising in accordance with the preceeding provisions shall be charged with income tax in the year of assessment during which such sale, disposal or cessation of employment took place, on the basis that such profits from the sole taxable income within the meaning of Chapter VII for that year of assessment and such tax shall be recovered in accordance with the provisions of Chapter XIV of this Act :

Provided further, that where the employer was not instrumental in the disposal of such share such employee shall pay the tax due on such profit from employment in accordance with the provisions of Chapter XIII of this Act.”.

Amendment of section 8 of the principal enactment.

4. Section 8 of the principal enactment as amended by Act, No. 10 of 2002 is hereby further amended in paragraph (f) of that section, by the substitution for the words “for any year of assessment”, of the words and figures “for any year of assessment commencing prior to April 1, 2003”.

Amendment of section 9 of the principal enactment.

5. Section 9 of the principal enactment as amended by Act, No. 8 of 2001 is hereby further amended in subsection (1) of that section as follows : —

- (1) in paragraph (j) of that subsection, by the substitution for the words “any year of assessment”, of the words and figures “any year of assessment commencing prior to April 1, 2003”; and
- (2) in paragraph (k) of that subsection, by the substitution for the words “from all sources other than employment,”, of the words and figures “from all sources other than employment for any year of assessment commencing prior to April 1, 2003.”.

6. Section 11 of the principal enactment as amended by Act, No. 10 of 2002, is hereby further amended as follows :—

Amendment of section 11 of the principal enactment.

- (1) in paragraph (f) of that section by the substitution for the word and figure “or 21B”, of the word and figures “21B, 21C, 21D, 21E, 21F, 21G or 21H”;
- (2) in paragraph (h) of that section by the substitution for the words “within one year thereafter.”, of the words “within one year thereafter ;” ; and
- (3) by the addition at the end of that section of the following paragraph :—

“ (i) any dividend paid to a share holder of a unit trust or a mutual fund, on or after April 1, 2003, out of the taxable profits and income of such unit trust or mutual fund.”.

7. Section 12 of the principal enactment is hereby amended as follows :—

Amendment of section 12 of the principal enactment.

- (1) in paragraph (b) of subsection (1) of that section, by the substitution for the words “income accruing to the owner of a house”, of the words and figures “income accruing to the owner of any house constructed prior to April 1, 2003”;

- (2) by the insertion immediately after subsection (1) of that section of the following subsection :—

(1A) There shall be exempt from income tax the income accruing to the owner of any house constructed on or after April 1, 2003, for the year of assessment, in which the construction of such house was completed and for the four years of assessment immediately succeeding that year of assessment if such house is used solely for residential purposes. ”.

Amendment of section 15 of the principal enactment.

8. Section 15 of the principal enactment, amended by Act. No. 8 of 2001, is hereby further amended as follows :—

- (1) in paragraph (*aa*) of that section, by the substitution for the words and figures “in any year of assessment commencing on or after April 1, 2001, in respect of services rendered by that company or partnership in that year of assessment outside Sri Lanka (including services relating to any construction project)” of the following—

“in any year of assessment commencing—

- (i) on or after April 1, 2001, in respect of services rendered by that company or partnership in that year of assessment out side Sri Lanka (including services relating to any construction project) ; and
- (ii) on or after April 1, 2003, in respect of any off-shore business which does not any way involve any goods manufactured or produced in Sri Lanka or any goods imported into Sri Lanka.”; and

- (2) in paragraph (*d*) of that section by the substitution for the words “by an informer as a reward”, of the words and figures “by an informer prior to April 1, 2003 as a reward”.

9. Section 21A of the principal enactment as amended by Act, No. 19 of 2003, is hereby further amended by the repeal of subsection (2) of that section, and the substitution therefor of the following subsection :—

Amendment of section 21A of the principal enactment.

‘(2) For the purposes of subsection (1) “specified undertaking” in relation to a company means—

(a) an undertaking carried on by a company incorporated on or after April 1, 2002, or by any company incorporated prior to April 1, 2002 as a new undertaking commenced on or after April 1, 2002 with an investment of not less than rupees two and onehalf of million and which is engaged in agriculture, agroprocessing, industrial and machine tool manufacturing, electronics, export of non-traditional goods or information technology and allied services ;

(b) (i) any designated project carried on by a company, incorporated on or after April 1, 2002, or by any company incorporated prior to April 1, 2002 as a new undertaking commenced on or after April 01, 2002 with an investment of not less than rupees two and onehalf of million ;
or

(ii) an undertaking having an investment in excess of rupees two hundred and fifty million,

and which confirms to the prescribed guidelines :

Provided however, the amount of investment referred to in sub-paragraph (i) of paragraph (b) shall not be applicable to any Export Production Village Company.”.

In the case of a company receiving income from any other trade or business in addition to the income from any specified undertaking, the exemption provided under this section shall be applicable only in respect of the profits and income from the relevant specified undertaking.

For the purpose of this subsection—

- (i) “agriculture” means the cultivation of land with plants of any description and the rearing of fish ;
- (ii) “export of non-traditional goods” means the export of any goods, as defined in section 52 including deemed export of such goods within the meaning of section 49, not less than eighty *per centum* of the total turnover of such undertaking for any year of assessment.’.

Insertion of new sections 21H and 21I in the principal enactment.

10. The following new sections are hereby inserted immediately after section 21G of the principal enactment and shall have effect as sections 21H and 21I of the principal enactment :—

“Exemption from income tax of any venture capital company.

“21H. (1) The profits and income within the meaning of paragraph (a) of section 3 (other than profits and income from the sale of any capital asset within the meaning of paragraph (b) of subsection (7) of section 23) of any venture capital company shall be exempt from income tax, for a period of five years commencing from the year of assessment in which the company commences to carry on commercial operations, where such company invests a sum of money as specified in subsection (2), which investment shall be identified as a specific investment, for the purchase of ordinary shares in a company engaged in—

- (i) a project which is of a pioneering nature and the operation of which results in, value addition and the promotion of economic development;

- (ii) a project which is engaged in the business of information technology ;
- (iii) a project which is connected to the rehabilitation of non-performing or under performing industries within the meaning of section 21E ; or
- (iv) any other project as may be specified by the Minister by Order published in the Gazette,

and such investment shall be for the financing of seed capital or start up or early stage financing of the investee company :

Provided however -

- (a) the venture capital company shall not have commenced commercial operations prior to April 1, 2003 ; and
- (b) the specific investment shall not be made in relation to a company which is at the time of making the first investment an associate company within the meaning of the Companies Act, No. 17 of 1982.

(2) In order to qualify for the tax exemption provided for in subsection (1), the venture capital company shall have invested a sum-

- (i) not less than forty *per centum* of the total equity capital of such company during the second year from the year in which such company commenced its commercial operations, on or before the end of that second year ;
- (ii) not less than eighty *per centum* of the total equity capital of such company during the third year from the year in which such company commenced its commercial operations, on or before the end of that third year ;

- (iii) not less than eighty *per centum* of the total equity capital of such company during the fourth and fifth years from the year of commencement of commercial operations, on or before the end of such fourth and fifth years respectively,

in any project specified in subsection (1) :

Provided that if a company which has claimed exemption under this section fails to comply with the provisions of this subsection, or any dividends have been declared during the first two years from the year of assessment in which the company commences to carry on commercial operations the exemption afforded to such company shall be withdrawn and the assessment shall be issued for the relevant years.

(3) Investments may be made in foreign companies, and such investments shall be considered as a specific investment for the purpose of this section, in the second year and thereafter where such investment is not more than ten *per centum* of equity capital of such company during the second year and not more than twenty *per centum* of equity capital of such company during the third year and subsequent years respectively, from the year in which such company commences its commercial operations.

(4) During the first three years including the year in which such company commences its commercial operations any equity capital in excess of the minimum investments required by subsection (2) may be invested in Government Securities and such investment shall be considered as a specific investment.

(5) For the purposes of this section “a venture capital company” means any company registered under the Companies Act, No. 17 of 1982 with a minimum issued share capital of rupees one hundred million and which is engaged in the business of providing equity investment in relation to any project as is specified in subsections (1), (2), (3) and (4) ; and—

- (i) which has entered into a Technical Service Agreement a management company possessing the required experience in the relevant area of investment ; or
- (ii) which has in its employment, professional staff who have been trained by foreign venture capital companies and other local staff possessing the required professional venture capital management experience.

(6) The year of commencement of commercial operations for the purpose of this section, shall be the year in which the issued equity capital of the venture capital company has reached rupees one hundred million and shall not apply in respect of commercial operations commencing on or after April 1, 2008.

‘Exemption from income tax of any person engaged in the business of providing Manor Houses or Thematic Bungalows to tourists.

21i. (1) the profits and income within the meaning of paragraph (a) of section 3 (other than any profits and income from the sale of capital assets) of any person engaged in business as specified in section 2 shall be exempt from income tax, for a period of three years commencing from the year of assessment in

which such person commences to make profits in such business or any year of assessment not later than two years reckoned from the date of commencement of commercial operation, which ever is earlier.

(2) The provisions of subsection (1) shall apply to any person registered with the Ceylon Tourist Board established by the Ceylon Tourist Board Act, No. 10 of 1966 on or after April 1, 2003 under the scheme for providing accommodation to tourist in Manor Houses or Thematic Bungalows for a period of ten years from the date of registration.”.

Amendment of
section 29 of the
principal
enactment.

11. Section 29 of the principal enactment as last amended by Act, No. 19 of 2003 is hereby further amended as follows
:—

- (1) in subsection (2) of that section, by the insertion immediately after paragraph (d) thereof of the following paragraph :—

“(e) For any year of assessment commencing on or after April 1, 2003 the amount of a loss (other than any brought forward loss incurred by him from any period prior to April 1, 2003 which is deductible under this section) in any trade, business, profession or vocation shall be deducted as follows :—

- (i) any loss from a trade or business to be deducted only from the statutory income from trade and business ;
- (ii) any loss from a profession to be deducted only from the statutory income from profession ;

- (iii) any loss from a vocation to be deducted only from the statutory income from vocation.

Any balance loss not deductible may be carried forward and deducted from the next year of assessment and so on from the statutory income as mentioned above subject to the limitations on carry forward of losses under this section :

Provided however, the preceding provisions shall not be applicable to any loss—

- (i) if the loss represents any excess payments of annuity, ground rent, royalty or interest not deductible under section 23 ;
 - (ii) if the loss represents any allowance for depreciation or cost of renewal under section 23 ;
 - (iii) if the total statutory income from which such loss is deductible for that year of assessment does not exceed one million rupees.”;
- (2) by the insertion immediately after subsection (1B) of that section of the following new subsection :—

“(1C) The assessable income of any person shall not include—

- (a) any reward received by such person as an informer under any scheme for the payment of such rewards ; or
- (b) a share of fine received by such person under any scheme for the distribution of such share of fine,

from any Government Institution, on or after April 1, 2003, from which income tax has been deducted in accordance with Chapter XVIB.”;

- (3) in subsection (2) of that section by the substitution for the words “within such period of six years or eleven years as the case may be ;”, of the following :—

“within such period of six years, or eleven years, as the case may be :

Provided however, notwithstanding the provisions of paragraphs (b) or (c) the Minister may determine the maximum period for which a loss may be carried forward in relation to any specific activity considering the importance of such activity for the economic development of Sri Lanka .”; and

- (4) in paragraph (a) of subsection (3) of that section, by the substitution for the words and figures “or section 20 of this Act”, of the words and figures “or section 20 or section 21A or section 21B or section 21C or section 21D or section 21E or section 21F or section 21G or section 21H of this Act.”.

Amendment of
section 31 of the
principal
enactment.

12. Section 31 of the principal enactment as amended by Act, No. 10 of 2002 is hereby further amended as follows :—

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

(a) in paragraph (j) of that subsection, by the substitution for the words “Minister in charge of the subject of Housing,”, of the words “Minister in charge of the subject of Housing ;”;

(b) by the addition immediately after paragraph (j) of that subsection, of the following paragraph :—

“(k) fifty *per centum* of any investment of not less than rupees five hundred thousand in any year of assessment in the purchase by any person of ordinary shares, other

than the existing shares, issued by a venture capital company during the period that such company is exempted from income tax under section 21H.”; and

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

(a) in paragraph (a) of that subsection —

(i) in subparagraph (vi) of that paragraph by the substitution for the words “one hundred thousand rupees which ever is less.”, of the words “rupees one hundred thousand whichever is less ;”;

(ii) by the insertion immediately after subparagraph (vi), of that paragraph of the following subparagraph —

“(vii) in respect of all qualifying payments referred to in paragraph (k) of subsection (2) made by him in that year of assessment, shall not exceed one third of his assessable income or such qualifying payment which ever is less.”;

(b) in paragraph (b) of that subsection —

(i) in subparagraph (i) of that paragraph by the substitution for the word and letters “paragraphs (b) and (h)”, of the word and letters “paragraphs (b) and (h) and (k)”;

(ii) in subparagraph (ii) of that paragraph by the substitution for the words “ten million rupees.”, of the words “ten million rupees ;”; and

- (c) by the addition at the end of sub-paragraph, (ii) of paragraph (b) of the following sub-paragraph :—

“(iii) in respect of all qualifying payments referred to in paragraph (k) of subsection (2) made by that company shall not exceed one fifth of its assessable income or such qualifying payment which ever is less.”.

Amendment of section 32 of the principal enactment.

13. Section 32 of the principal enactment as amended by Act, No. 10 of 2002 is hereby further amended in the proviso to subsection (2) of that section by the substitution for the words “such sum shall be treated as a capital gain,”, to the end of that proviso of the following :—

“such sum –

- (i) is a capital gain within the meaning of this Act which is chargeable with tax at the rate of a maximum of twenty five *per centum* for any year of assessment commencing prior to April 1, 2002 ;
- (ii) is income from employment which shall be chargeable with tax at the appropriate rate specified in the First Schedule for any year of assessment commencing on or after April 1, 2002.”.

Amendment of section 33 of the principal enactment.

14. Section 33 of the principal enactment is hereby amended in paragraph (a) of subsection (2) of that section, by the substitution for the words “at the rate of ten *per centum*.”, of the words “at the appropriate rate specified in the Sixth Schedule to this Act.”.

Amendment of section 34 of the principal enactment.

15. Section 34 of the principal enactment is hereby amended in subsection (2) of that section as follows :—

- (1) in paragraph (a) of that subsection by the substitution for the words “at the rate of fifteen *per centum*”, of the words and figures “at the rate of fifteen *per*

centum for any year of assessment commencing prior to April 1, 2003 and at the appropriate rates specified in the Sixth Schedule to this Act, for any year of assessment commencing on or after April 1, 2003,” and

- (2) In paragraph (b) of that subsection, by the substitution for the words “fifteen *per centum*” of the words “ten *per centum*.”.

16. Section 35 of the principal enactment is hereby amended by the substitution for the words “at the rate of fifteen *per centum*.”, of the words “at the appropriate rate specified in the Sixth Schedule to this Act.”.

Amendment of section 35 of the principal enactment.

17. Section 36 of the principal enactment is hereby amended by the substitution for the words “at the rate of fifteen *per centum*.”, of the words “at the appropriate rate specified in the Sixth Schedule to this Act.”.

Amendment of section 36 of the principal enactment.

18. Section 37 of the principal enactment is hereby amended as follows :—

Amendment of section 37 of the principal enactment.

- (1) in subsection (1) of that section by the substitution for the words “at the rate of fifteen *per centum*.”, of the words “at the rate specified in Part II of the First Schedule to this Act.”; and
- (2) in subsection (2) of that section by the substitution for the words “at the rate of fifteen *per centum*.”, of the words “at the rate specified in Part II of the First Schedule to this Act.”.

19. Section 38 of the principal enactment is hereby amended by the substitution for the words “at the rate of fifteen *per centum*.”, of the words “at the appropriate rate specified in the Sixth Schedule to this Act.”.

Amendment of section 38 of the principal enactment.

Amendment of section 39 of the principal enactment.

20. Section 39 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words “and the rate of income tax” to the end of that subsection, of the words “such specified profits shall be chargeable with tax at the appropriate rates specified in the Sixth Schedule to this Act notwithstanding anything to the contrary in other provisions of this Act.”.

Amendment of section 40 of the principal enactment.

21. Section 40 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words “at the rate of fifteen *per centum*.”, of the words “at the appropriate rate specified in the Sixth Schedule to this Act.”.

Amendment of section 40A of the principal enactment.

22. Section 40A of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words “at the rate of twenty *per centum*.” of the words “at the appropriate rate as specified in the Sixth Schedule to the Act.”.

Amendment of section 40B of the principal enactment.

23. Section 40B of the principal enactment is hereby amended as follows :—

- (1) in subsection (1) of that section, by the substitution for the words “at the rate of fifteen *per centum*.”, of the words “at the appropriate rate as specified in the Sixth Schedule to the Act.”; and
- (2) by the addition at the end of that section of the following new subsection :—

“(3) The profits and income within the meaning of paragraph (a) of section 3 of any company referred to in section 21E for any year of assessment commencing after the expiry of the period during which the profits and income of such company were exempt from income tax shall notwithstanding any thing contained in this Act be chargeable with income tax at the rate of —

- (a) at the appropriate rate specified in item 7, 12 or 14 of the Sixth Schedule to this Act if such company is a company engaged in any undertaking referred to in section 40 or in the export or deemed export of non-traditional goods ;
- (b) at the appropriate rate specified in the Sixth Schedule to this Act, if such company is a company engaged in any undertaking other than undertakings and activities referred to in paragraph (a).”.

24. Section 41 of the principal enactments is hereby amended as follows :—

Amendment of section 41 of the principal enactment.

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

- (a) in item (ii) of that subsection by the substitution for the words and figures “or of Chapter VIII.”, of the words and figures “or of Chapter VIII; ”;
- (b) by the insertion at the end of that subsection of the following proviso :—

“Provided however, for any year of assessment commencing on or after April 1, 2003, any dividend referred to in subparagraphs (a) and (b), shall be chargeable with income tax at the appropriate rate as specified in the Sixth Schedule to this Act.” ;
and

- (2) in subsection (2) of that section by the substitution for the words “fifteen *per centum*”, of the words “fifteen *per centum* for any year of assessment commencing prior to April 1, 2003 and at the appropriate rate as specified in the Sixth Schedule to this Act, for any year of assessment commencing on or after April 1, 2003.”.

Amendment of
section 42 of the
principal
enactment.

25. Section 42 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words “for any year of assessment”, of the words and figures “for any year of assessment commencing prior to April 1, 2003.”.

Amendment of
section 43 of the
principal
enactment.

26. Section 43 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words “for any year of assessment”, of the words and figures “for any year of assessment commencing prior to April 1, 2003.”.

Amendment of
section 44 of the
principal
enactment.

27. Section 44 of the principal enactment is hereby amended by the substitution for the words “any qualified export profits and income,”, to the end of that section, of the words “any qualified export profits and income, such income shall be chargeable with tax at the appropriate rate as specified in the Sixth Schedule to this Act. ”.

Amendment of
section 45 of the
principal
enactment.

28. Section 45 of the principal enactment is hereby amended by the substitution for the words “at the rate of fifteen *per centum*,” of the words “at the appropriate rate as specified in the Sixth Schedule to this Act.”.

Amendment of
section 46 of the
principal
enactment.

29. Section 46 of the principal enactment is hereby amended by the substitution for the words “any qualified export profits and income” to the end of that section, of the words “any qualified export profits and income, such income shall be chargeable with tax at the appropriate rate as specified in the Sixth Schedule to this Act.”.

Amendment of
section 47 of the
principal
enactment.

30. Section 47 of the principal enactment is hereby amended by the substitution for the words “at the rate of fifteen *per centum*.”, of the words “at the appropriate rate as specified in the Sixth Schedule to this Act.”.

Amendment of
section 48 of the
principal
enactment.

31. Section 48 of the principal enactment is hereby amended as follows :—

- (1) in subsection (1) of that section, by the substitution for the words “notwithstanding anything to the contrary in this Act.”, of the words “notwithstanding anything to the contrary in this Act :”;

- (2) by the insertion immediately after subsection (1) of that section, of the following proviso :—

“Provided however, any dividend referred to in sub-paragraphs (a), (b) and (c) which are taxable for any year of assessment commencing on or after April 1, 2003 shall be chargeable with tax at the appropriate rate as specified in the Sixth Schedule to this Act.”;

- (3) in subsection (2) of that section, by the substitution for the words “notwithstanding anything to the contrary in this Act.”, of the words notwithstanding anything to the contrary in this Act :”; and

- (4) by the addition immediately after subsection (2) of that section, of the following proviso:—

“Provided however, any dividend referred to in sub-paragraphs (a), (b) and (c) which are taxable for any year of assessment commencing on or after April 1, 2003 shall be chargeable with tax at the appropriate rate as specified in the Sixth Schedule to this Act.”.

32. Section 48A of the principal enactment is hereby amended by the substitution for the words “in the form of shares or debentures”, to the end of that section of the following :—

Amendment of section 48A of the principal enactment.

- “(i) not in the form of money or an order to pay money ;
- (ii) out of dividend received from another company where such dividend is not exempt from income tax under section 11 without a deduction of tax under subsection (1A) of section 61 irrespective of whether such company is entitled to deduct such tax or not,

the income from such dividend shall be charged with tax at the appropriate rate as specified in the Sixth Schedule to this Act.”.

Insertion of new section 48B in the principal enactment.

33. The following new section is hereby inserted immediately after section 48A of the principal enactment and shall have effect as section 48B of that enactment :—

“Rate of income tax on dividend received from outside Sri Lanka.

48B. Where the taxable income of any person for any year of assessment commencing on or after April 1, 2003, includes a dividend received from outside Sri Lanka, the taxable income representing such dividend, shall be charged with tax at the appropriate rate as specified in the Sixth Schedule to this Act, subject to the provisions of any agreement for the avoidance of double taxation”.

Amendment of section 49 of the principal enactment.

34. Section 49 of the principal enactment is hereby amended by the repeal of paragraph (a) of subsection (1) of that section and the substitution therefor of the following paragraph :—

“(a) of any commodity (other than black tea in bulk, crepe rubber, sheet rubber, scrap rubber, latex or fresh coconut) for export by such specified undertaking without further production or manufacture by such specified undertaking ; or”.

Amendment of section 50 of the principal enactment.

35. Section 50 of the principal enactment is hereby amended as follows :—

- (1) in subsection (1) of that section, by the substitution for the words “in accordance with the succeeding provisions of this section”, of the words “at the appropriate rate as specified in the Sixth Schedule to this Act.” ; and
- (2) by the repeal of subsections (2) and (3) of that section.

Amendment of section 51 of the principal enactment.

36. Section 51 of the principal enactment is hereby amended as follows :—

- (1) in subsection (1) of that section by the substitution for the words “in accordance with the succeeding provisions of this section.”, of the words “at the appropriate rate as specified in the Sixth Schedule to this Act. ” ; and
- (2) by the repeal of subsection (2) of that section.

37. Section 52 of the principal enactment is hereby amended as follows :—

Amendment of section 52 of the principal enactment.

- (1) the repeal of sub-paragraph (ii) of paragraph (b) and by the substitution of the following sub-paragraph :—

“(ii) any amount receivable, whether received or not from the export of black tea in bulk, crepe rubber, sheet rubber, scrap rubber, latex or fresh coconuts ; or

- (2) in paragraph (d) of that section by the substitution for all the words from “For the purposes of this section” and ending with “published in the Gazette” of the following :—

“For the purposes of this section non-traditional goods means goods other than black tea in bulk, crepe rubber, sheet rubber, scrap rubber, latex or fresh coconuts.”.

38. The following new section is hereby inserted immediately after section 52 of the principal enactment and shall have effect as section 52A of that enactment :—

Insertion of new section 52A in the principal enactment.

“Payment of income tax on taxable income by an individual whose employment income is exempt under paragraph (a) or (b) of subsection (1) of section 9.

52A. (1) Where any individual referred to in paragraph (a) or (b) of subsection (1) of section 9 is in receipt of profits from employment, exempt under such section and any other profits and income chargeable with income tax, for any year of assessment commencing on or after April 1, 2003, the income tax payable by such person on income chargeable with tax shall be calculated notwithstanding any other provisions of this Act, as follows —

(2) The statutory income of such individual for any year of assessment commencing on or after April 1, 2003 shall include the income chargeable with tax and the emoluments and other benefits referred to in paragraph (a) or (b) of subsection (1) of section 9, other than benefits referred to in section 4(1)(c) which shall not be subject to the provisions of this section.

(3) The assessable income and taxable income of such individual for each year of assessment shall be ascertained as provided for in section 29 and section 30 respectively.

(4) The income tax on such taxable income for each year of assessment shall be calculated applying the tax rates specified in the First Schedule to this Act.

(5) A special employment tax credit in addition to other tax credits available for each year of assessment under this Act shall be granted before granting of other tax credits, calculated as given below.

(6) (a) For the purpose of calculating the special employment tax credit, the employment income for the relevant year which is exempt from tax under paragraph (a) or (b) of subsection (1) of section 9, shall be considered as the total statutory income of such person for such year and any deductions allowable under section 29 and any allowance due under section 30 for such year to such person shall be deducted from such total statutory income and the residue of such total statutory income, if any shall be considered as the taxable income and the tax shall be calculated applying the rates specified in the First Schedule to this Act, to such taxable income ;

(b) The amount of tax calculated in accordance with the provisions of paragraph (a) shall be the special employment tax credit.

(7) A special employment tax credit calculated in accordance with subsection (6) shall be deducted before taking credit for any other tax credits as may be available for set off against the tax payable on other income.

(8) Any excess amount of such credit as may arise from the special employment tax credit shall not be refundable.”.

39. Section 53 of the principal enactment is hereby amended in subsection (1) of that section as follows :—

Amendment of section 53 of the principal enactment.

(1) in paragraph (d) of that subsection, by the substitution for the words “business of life insurance.”, of the words “business of life insurance ;”;

(2) by the addition at the end of that paragraph of the following paragraph :—

“(e) in the case of any company liable to pay tax under paragraph (1) of this section at a rate not less than thirty *per centum* for any year of assessment commencing on or after April 1, 2003 an amount equal to two and one half *per centum* of the taxable income of such company and such tax to be credited to the Human Resource Endowment Fund established by the Government :

Provided however, such amount of tax shall be credited to the Consolidated Fund pending the establishment of the Human Resources Endowment Fund. ”.

40. Section 57 of the principal enactment is hereby amended in subsection (1) of that section as follows :—

Amendment of section 57 of the principal enactment.

- (1) in paragraph (b) of that subsection—
 - (a) by the substitution for the words “in that year of assessment” of the words and figures “in any year of assessment and where such year of assessment is any year of assessment commencing prior to April 1, 2003” ; and
 - (b) in sub-paragraph (ii) of that paragraph by the substitution for the words “one third of such taxable income.”, of the words “one third of such taxable income ; ” ;
- (2) by the insertion immediately after paragraph (b) of that section of the following paragraph :—
 - “(c) in any year of assessment commencing on or after April 1, 2003, where there is any remittance by such company a sum equal to ten *per centum* of the aggregate amount of the remittances by such company.” ; and
- (3) in paragraph (a) of subsection (2) of that section, by the substitution for the words “profits of the company”, of the words “profits and income chargeable with income tax, of the company and any sum received outside Sri Lanka by or on behalf of such company in relation to any trade, business, profession or vocation carried out in Sri Lanka by such company the profits of which are chargeable with income tax in Sri Lanka”.

Amendment of section 61 of the principal enactment.

41. Section 61 of the principal enactment is hereby amended as follows :—

- (1) in subsection (1A) of that section by the substitution for the words “shall be entitled to deduct” of the words “shall deduct [excluding any dividend payable to any institution referred to in items (ix), (xi), (xv), (xvii), (xx), (xxi), (xxxix), (liv), (lxiv), (lxv), (lxvi), (lxxii), (lxxiii), and (lxxiv) of section 8 (a)]” ; and

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

(a) in paragraph (b) of the proviso to that subsection, by the substitution for the words “income tax under this Act.”, of the words “income tax under this Act ; or” ;

(b) by the insertion immediately after the proviso to paragraph (b) of the following paragraph :—

“(c) the amount of any dividend received from any other company on or after April 1, 2002, subject to the deduction of income tax under subsection (1A).”.

42. The following new section is hereby inserted immediately after section 63 of the principal enactment and shall have effect as section 63A of that enactment :—

Insertion of new section 63A in the principal enactment.

“Provisions of this Chapter not to apply to charitable institutions etc.

63A. The provisions of this Chapter shall not apply to, any charitable institution or any body of persons which is a body corporate and assessable under section 96.”.

43. Section 70 of the principal enactment is hereby amended by the addition immediately after subsection (3) of that section of the following subsection :—

Amendment of section 70 of the principal enactment.

“(4) Any unit trust or mutual fund which engages in the business of investing in shares, securities or other investments in accordance with the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987, or any regulation or rule made thereunder, such unit trust or mutual fund shall be a unit trust or mutual fund which invest in specified areas for the purpose of this Act.”.

44. Section 96 of the principal enactment is hereby amended by the addition immediately after subsection (4) of that section, of the following subsection—

Amendment of section 96 of the principal enactment.

“(5) The provisions of Chapter X shall not apply to any body of persons which is a body corporate and which is assessable for income tax under this section.”.

Amendment of section 98 of the principal enactment.

45. Section 98 of the principal enactment is hereby amended as follows :—

- (1) in subsection (1) of that section, by the substitution for the words “the income of such child.”, of the words “the income of such child : ”.
- (2) by the insertion immediately after subsection (1) of that section of the following proviso :—

“Provided however, the preceding provisions shall not apply to an individual whose income for any year of assessment comprises solely of one or a combination of the following—

- (a) profits from employment as specified in section 4 and chargeable with income tax does not exceed rupees four hundred and twenty thousand and income tax under Chapter XIV has been deducted by the employer on the gross amount of such profit and income ;
- (b) dividends chargeable with tax on which tax at ten *per centum* has been deducted under subsection (1A) of section 61 ;
- (c) income from interest chargeable with tax on which income tax at the rate of ten *per centum* has been deducted under section 122A or 122B.” ;
- (3) in subsection (2) of that section by the substitution for the words “an assessor” of the words “a Deputy Commissioner” ;
- (4) by the insertion immediately after subsection (4) of that section, of the following subsection :—

“(4A) Where any person receives an intimation under subsection (4), such person may within thirty days of receipt of such intimation furnish necessary particulars required to make such return a proper return and the provisions of subsection (3) shall, thereafter not apply in respect of such return.”.

- (5) by the repeal of subsection (5) of that section and substitution therefor of the following subsection :—

“(5) Where any person carries on or exercises more than one business, trade, profession or vocation and the profits and income from such business, trade, profession or vocation are chargeable with tax at different rates, such person shall maintain and prepare statements of accounts in a manner that the profits and income from each such activity may be separately identified.”.;

- (6) in subsection (6) of that section—

(a) in paragraph (b) of that subsection by the substitution for the words “by such person.” of the words “by such person :”:

(b) by the insertion immediately after paragraph (b), of that subsection of the following :

“Provided however, no such returns or information shall be called by an Assessor from such person after the expiry of five years from the end of the relevant year of assessment.”;

(7) in subsection (7) of that section—

(a) in paragraph (b) of that subsection by the substitution for the words “regarding his income.”, of the words “regarding his income : ” ;

(b) by the insertion immediately after paragraph (b) of that subsection of the following proviso :—

“Provided however, such notice shall not be issued by an Assessor after the expiry of five years from the end of the relevant year of assessment.”;

(8) in subsection (8) of that section—

(a) in paragraph (c) of that subsection by the substitution for the words “class of persons.”, of the words “class of persons : ”;

(b) by the insertion immediately after paragraph (c) of that subsection of the following proviso :—

“Provided however, such notice shall not be issued by an Assessor after the expiry of five years from the end of the relevant year of assessment.”;

(9) in subsection (10) of that section—

(a) by the substitution for the words “his possession.”, of the words “his possession : ”;