



PARLIAMENT OF THE DEMOCRATIC  
SOCIALIST REPUBLIC OF  
SRI LANKA

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INLAND REVENUE  
(AMENDMENT)  
ACT, No. 22 OF 1990

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[Certified on 12th June, 1990]

*Printed on the Orders of Government*

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Published as a Supplement to Part II of the Gazette of the  
Democratic Socialist Republic of Sri Lanka of June 15, 1990

PRINTED AT THE DEPARTMENT OF GOVERNMENT PRINTING, SRI LANKA

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TO BE PURCHASED AT THE GOVERNMENT PUBLICATIONS BUREAU, COLOMBO

Price : Re. 1.50

Postage : Re. 1.55

*Inland Revenue (Amendment)*  
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L.D.O—50/89

[Certified on 12th June, 1990]

AN ACT TO AMEND THE INLAND REVENUE ACT, No. 28 OF 1979

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 (Amendment) Act, No. 22 of 1990.

Short  
title

2. Section 8 of the Inland Revenue Act, No. 28 of 1979, (hereinafter referred to as the "principal enactment") is hereby amended, in paragraph (a) of that section as follows:—

Amendment  
of section  
8 of Act  
No. 28  
of 1979.

(1) by the substitution, in sub-paragraph (LIV) of that paragraph, for the words and figures, "Sri Lanka Institute of Development Administration Act, No. 9 of 1982; and", of the words and figures, "Sri Lanka Institute of Development Administration Act, No. 9 of 1982;" ;

(2) by the substitution, in item (iii) of sub-paragraph (LV) of that paragraph, for the words and figures, "on or after May 26, 1986," of the words and figures, "on or after May 26, 1986; and" ; and

(3) by the addition, at the end of that paragraph, of the following new sub-paragraph:—

" (LVI) the Agricultural Insurance Board established by the Agricultural Insurance Law, No. 27 of 1973. "

3. Section 14 of the principal enactment is hereby amended in sub-paragraph (xvi) of paragraph (a) of that section, by the substitution for the words "twenty-five years after its acquisition", of the words "twenty-five years after the date of acquisition of such property".

Amendment  
of section  
14 of the  
principal  
enactment.

Amendment  
of section  
15 of the  
principal  
enactment

4. Section 15 of the principal enactment is hereby amended as follows :—

(1) by the insertion, immediately after paragraph (ccc) of that section, of the following new paragraph :—

“(cccc) the profits and income earned in any year of assessment commencing on or after April 1, 1990 in foreign currency by any National Association of Sports registered under the Sports Law, No. 25 of 1973, in respect of services rendered by such Association, or in the course of taking part in any sport within the meaning of the Sports Law, in that year of assessment outside Sri Lanka, if such profits and income (less such amount as the Commissioner-General considers to be reasonable expenses incurred outside Sri Lanka) are remitted by such Association to Sri Lanka ;” ;

(2) by the substitution, in paragraph (t) of that section, for the words and figures, “President’s Fund Act, No. 7 of 1978 ; and ;”, of the words and figures, “President’s Fund Act, No. 7 of 1978 ;” ;

(3) by the substitution, in paragraph (u) of that section, for the words and figures, “National Defence Fund Act, No. 9 of 1985.”, of the words and figures “National Defence Fund Act, No. 9 of 1985 ; and” ;

and

(4) by the addition, immediately after paragraph (u) of that section, of the following new paragraph :—

“(v) such part of any sum as does not exceed two thousand rupees paid in any year of assessment commencing on or after April 1, 1990 by the Sri Lanka Bureau of Foreign Employment, established by the Sri Lanka Bureau of Foreign Employment Act, No. 21 of 1985, to any person or partnership licensed by such Bureau, to carry on the business of a foreign employment agency, in respect of any Sri Lankan for whom employment outside Sri Lanka has been provided or secured by such person or partnership” .

5. Section 20A of the principal enactment is hereby amended in subsection (1) of that section, by the substitution, for the words and figures, "period commencing on April 1, 1984 and ending on March 31, 1990," of the words and figures, "period commencing on April 1, 1984 and ending on March 31, 1991."

Amendment  
of section  
20A of the  
principal  
enactment

6. The following section is hereby inserted immediately after section 22DD and shall have effect as section 22DDD of the principal enactment:—

Insertion  
of a new  
section  
22DDD  
in the  
principal  
enactment

"Exemption  
from  
income tax  
of profits  
and  
income of  
companies  
providing  
venture  
capital.

22DDD. (1) The profits and income within the meaning of section 3(a) (other than profits and income from the sale of capital assets) of any company referred to in subsection (2), from any undertaking referred to in subsection (2), shall be exempt from income tax for a period of ten years from the commencement of the year of assessment in which such company commenced to carry on business.

(2) The provisions of subsection (1), shall apply to any company approved for the purposes of this section by the Minister by notice published in the *Gazette* and which is engaged solely in carrying on an undertaking of providing venture capital to any undertaking engaged in the manufacture or export of goods."

7. Section 23 of the principal enactment is hereby amended, in subsection (1) of that section, as follows:—

Amendment  
of section  
23 of the  
principal  
enactment.

(1) by the substitution, in paragraph (ee) of that subsection, for the words and figures "acquired by such person on or after April 1, 1981 and," of the words and figures, "acquired by such person on or after April 1, 1981, but prior to April 1, 1987 and,";



4  
*Inland Revenue (Amendment)*  
*Act, No. 22 of 1990*

(2) in paragraph (eee) of that subsection—

(a) by the substitution in sub-paragraph (iii) of that paragraph,

(i) for the words “any qualified building”, of the words, “any qualified building constructed by such person and”; and

(ii) for the words, “in its cost of construction,”, of the words, “on its cost of construction”;

(b) by the insertion, immediately after sub-paragraph (iii) of that paragraph, of the following sub-paragraph:—

“ (iv) any unit of non-residential accommodation comprised in a registered Condominium Property, within the meaning of the Apartment Ownership Law, No. 11 of 1973, acquired by such person on or after April 1, 1987, and arising out of its use in any trade, business, profession or vocation carried on or exercised by him, at the rate of ten *per centum* per annum on its cost of acquisition;”; and

(c) by the substitution, in the proviso to that paragraph, for the words and figures “or sub-paragraph (iii) of this paragraph.”, of the words and figures “or sub-paragraph (iii) or sub-paragraph (iv) of this paragraph,”; and

(3) by the addition, immediately after the proviso to paragraph (h) of that subsection, of the following further proviso:—

“ Provided further that any sum deductible, under this paragraph, by the Development Finance Corporation of Ceylon or the National Development Bank referred to in paragraph (hh), in respect of bad or doubtful debts shall be deducted to the extent that it can be deducted from the respective general reserves (referred to in paragraph (hh) ) of

such corporation or such bank as the case may be, and the excess if any, of such sum over the amount in such general reserve, shall be deducted under this paragraph.”.

8. Section 24 of the principal enactment is hereby amended, in subsection (1) of that section, as follows:—

Amendment  
of section  
24 of the  
principal  
enactment.

(1) by the re-lettering of paragraph (pp) as paragraph (q) of that subsection; and

(2) by the addition, immediately after such re-lettered paragraph (q) of that subsection, of the following paragraph:—

“(r) any sum transferred to any reserve or provision (other than any annual payment referred to in section 23 (1) (r)) for the payment of any sum referred to in section 32 (2);”.

9. Section 30 of the principal enactment is hereby amended, in the proviso to subsection (1) of that section, by the substitution for the words, “referred to in paragraph (a)”, of the words, “referred to in paragraph (a) or paragraph (aa) or paragraph (aaa) or paragraph (aaaa)”.

Amendment  
of section  
30 of the  
principal  
enactment.

10. Chapter VIII of the principal enactment is hereby amended, in the heading of that Chapter, by the substitution for the words, “OTHER THAN COMPANIES”. of the words, “OTHER THAN COMPANIES AND TAX CREDITS”.

Amendment  
of the  
heading  
of Chapter  
VIII of the  
principal  
enactment.

11. Section 32 of the principal enactment is hereby amended as follows:—

Amendment  
of section  
32 of the  
principal  
enactment.

(1) in subsection (2) of that section, by the repeal of paragraph (iii), paragraph (iv), and paragraph (v) thereof, and the substitution therefor, of the following paragraphs:—

“(iii) PART IIA of the First Schedule to this Act in respect of the year of assessment commencing on April 1, 1984; or

*Inland Revenue (Amendment)  
Act, No. 22 of 1990*

(iv) Part IIB of the First Schedule to this Act in respect of the year of assessment commencing on or after April 1, 1985 ; or

(v) Part IIC of the First Schedule to this Act in respect of any year of assessment commencing on or after April 1, 1986, but prior to April 1, 1988 ; or

(vi) Part IID of the First Schedule to this Act in respect of any year of assessment commencing on or after April 1, 1988.” ; and

(2) by the repeal of subsection (3C) of that section, and the substitution therefor, of the following subsection :—

“(3c) Where the taxable income of any person includes any capital gain arising from the change of ownership of any immovable property acquired by that person by way of gift or inheritance from any other person, the date of acquisition of such property by the first mentioned person shall, for the purposes of subsection (3A) or subsection (3B) of this section or of sub-paragraph (xvi) of paragraph (a) of section 14, be deemed to be the date of acquisition of such property by the second mentioned person. .

12. The following section is hereby inserted immediately after section 32D of the principal enactment and shall have effect as section 32E of that enactment :—

“Tax credit against tax on profits from employment.

32E. There shall be deducted from the income tax payable for any year of assessment commencing on or after April 1, 1990, by any individual, not being an individual to whom the provisions of subsection (7) of section 67 apply, whose assessable income for that year of assessment includes profits from any employment (other than such part of

Insertion of a new section 32E in the principal enactment.

such profits as consists of any sum referred to in section 32(2)), an amount equal to nine hundred rupees or the amount of income tax which is attributable to such profits from employment whichever is less.

For the purposes of this section the amount of income tax which is attributable to the profits from employment of any individual for any year of assessment commencing on or after April 1, 1990, shall be the sum which bears to the income tax payable by that individual for that year of assessment the same proportion as the proportion which the profits from employment of that individual for that year of assessment bear to the assessable income of that individual for that year of assessment."

13. Section 33 of the principal enactment is hereby amended as follows:—

Amendment  
of section  
33 of the  
principal  
enactment.

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

(a) by the substitution in sub-paragraph (i) of paragraph (b) of that subsection, for the words and figures, "commencing on April 1, 1979, and", of the words and figures "commencing on April 1, 1979";

(b) by the substitution, in sub-paragraph (ii) of paragraph (b) of that subsection, for the words and figures, "commencing on or after April 1, 1980";, of the words and figures "commencing on or after April 1, 1980, but prior to April 1, 1990; and";

(c) by the insertion, immediately after sub-paragraph (ii) of paragraph (b) of that subsection, of the following new sub-paragraph:—

" (iii) fifteen, if that year of assessment is any year of assessment commencing on or after April 1, 1990;";



*Inland Revenue (Amendment)*  
Act, No. 22 of 1990

(d) by the repeal of paragraph (c) of that subsection, and the substitution therefor, of the following paragraph:—

“(c) in the case of any public corporation not less than seventy five *per centum* of the capital of which is provided by the Government, other than by way of loan, for any year of assessment commencing on or after April 1, 1986 (hereinafter referred to as “the relevant year of assessment”), an amount equal to twenty-five *per centum* of the balance of its profits for that year of assessment after deducting therefrom the tax payable for that year of assessment under paragraph (a) :

Provided that where the aggregate amount of any gross dividends distributed in the relevant year of assessment out of the profits on which the taxable income of such corporation is computed for any year of assessment commencing on or after April 1, 1986—

- (1) is not less than twenty-five *per centum* of such balance, the provisions of this paragraph shall not apply ; and
- (ii) is less than twenty-five *per centum* of such balance, the tax to which such public corporation is liable under this paragraph, for the relevant year of assessment, shall be an amount equal to the excess of twenty-five *per centum* of such balance over such amount of such dividends.

For the purposes of this paragraph, the profits of the Insurance Corporation of Sri Lanka shall be deemed not to include its profits from the business of life insurance.” ; and

- (2) in subsection (2) of that section, by the omission of the definition of "quoted public company".

14. Section 33B of the principal enactment is hereby amended as follows:—

Amendment  
of section  
33 B  
of the  
principal  
enactment.

- (1) by the substitution, in subsection (1) of that section for the words from "the advance company tax which is attributable", to the end of that subsection, of the words, "the advance company tax which is attributable to that dividend."; and

- (2) by the substitution, in subsection (2) of that subsection for the words, "advance company tax paid on such part of that dividend as consists of a qualifying distribution.", of the words, "advance company tax which is attributable to that dividend.".

15. Section 38 of the principal enactment is hereby amended as follows:—

Amendment  
of section  
38  
of the  
principal  
enactment.

- (1) by the substitution, in subsection (1) of that section, for the words and figures, "income tax equal to thirty-three and one-third *per centum* where the dividend is payable on or before March 31, 1980 and income tax equal to twenty *per centum* where the dividend is payable after April 1, 1980", of the words and figures, income tax equal to,

- (a) thirty three and one third *per centum*, where the dividend is payable on or before March 31, 1980;

- (b) twenty *per centum*, where the dividend is payable on or after April 1, 1980, but prior to April 1, 1990; and

- (c) fifteen *per centum*, where the dividend is payable on or after April 1, 1990";

(2) in subsection (2) of that section, by the substitution for paragraph (f) of the following paragraph:—

“ (f) advance company tax paid by other resident companies in relation to such part of that dividend as is paid out of a dividend referred to in sub-paragraph (ii), or (iii), or (iv) of paragraph (d). ”; and

(3) in subsection (3) of that section,

(a) by the substitution in paragraph (a) of that subsection, for the words, “an amount equal to the said fifty *per centum*; and”, of the words, “an amount equal to the said fifty *per centum*”;

(b) by the substitution for paragraph (b) for, of the following paragraph:—

“ (b) for any year of assessment commencing on or after April 1, 1980, but prior to April 1, 1990, be increased by twenty-five *per centum* and he shall be entitled to deduct from the tax payable by him, an amount equal to the said twenty-five *per centum*, and ”; and

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

“ (c) for any year of assessment, commencing on or after April 1, 1990, be increased by three-seventeenth *per centum* and he shall be entitled to deduct, from the tax payable by him, an amount equal to the said three-seventeenth *per centum* : ”.

Amendment  
of section  
80  
of the  
principal  
enactment.

16. Section 80 of the principal enactment is hereby amended in subsection (1) of the section, by the substitution for the words and figures, “For the purposes of section 8 (c) the profits”, of the words and figures, “For the purposes of section 8 (c) and of section 33 (1) (c) the profits”.

17. The heading appearing immediately before section 85 is hereby amended by the substitution for the words, "Companies Related to Tourism, and Exports", of the words, "Persons related to Tourism and Exports".

Amendment  
of heading  
appearing  
in Chapter  
XII in the  
principal  
enactment.

18. Section 85A of the principal enactment is hereby amended as follows:—

Amendment  
of section  
85 A  
of the  
principal  
enactment.

(1) by the substitution, for the word, "company" wherever it occurs, other than in paragraph (b), of the word, "person";

(2) in paragraph (b),

(a) by the substitution, in sub-paragraph (i) of that paragraph, for the words, "total profits and income of that company for that year of assessment; and", of the words, "total profits and income of that company for that year of assessment";

(b) by the substitution, in sub-paragraph (ii) of that paragraph, for the words, "total profits and income of that company for that year of assessment", of the words, "total profits and income of that company for that year of assessment; and"; and

(c) by the addition, immediately after sub-paragraph (ii) of that paragraph, of the following sub-paragraph:—

" (iii) in the case of any person other than a company, the sum which bears to the income tax payable by that person for that year of assessment after the deduction of any relief granted under section 82 or section 83, the same proportion as the export profits and income of that person bear to the total profits and income of that person for that year of assessment." and

(3) in the marginal note to that section, by the substitution for the words, "companies engaged in exports." of the words "persons engaged in exports."



Amendment  
of section  
92  
of the  
principal  
enactment.

19. Section 92 of the principal enactments is hereby amended by the insertion, immediately after subsection (2A) of that section of the following new subsection :—

“(2B) Any such particular as is referred to in subsection (1) or subsection (2), or subsection (2A), if it relates to the amount of income from any source, shall—

(a) if regular accounts are maintained in relation to such source of income, be the amount computed on such accounts ; and

(b) if no regular accounts are maintained in relation to such source of income, be the amount which the person furnishing the return believes in good faith to be the amount of income derived from that source.”.

Amendment  
of section  
125  
of the  
principal  
enactment.

20. Section 125 of the principal enactment is hereby amended in subsection (2) of that section by the substitution, in paragraph (ii) of the proviso to that subsection, for all the words and figures from “For the purposes of this paragraph” to the end of that paragraph, of the following words and figures :—

‘for the purposes of this paragraph “income tax”—

(a) in relation to a company for any year of assessment commencing on or after April 1, 1985, shall not include tax payable by that company, under paragraph (b) or paragraph (c) of subsection (1) of section 33, for that year of assessment ; and

(b) in relation to any person, for any year of assessment commencing on or after April 1, 1990, means, the income tax which would have been payable by such person for the year preceding that year of assessment (hereinafter referred to as ‘the preceding year’) had any profits and income (other than the net annual value of a residence and any subsidy exempt from income tax under this Act) which were exempt from income tax, under this Act, or any other law and in respect of which such exemption ceased in such preceding year, been taken into account in computing the assessable income of that person for that year of assessment.’.

21. Section 129 of the principal enactment is hereby amended in subsection (2) of that section by the insertion, immediately after paragraph (d), of the following paragraph:—

Amendment  
of section  
129 of the  
principal  
enactment.

“(dd) It shall be lawful for any officer to recover, from any defaulter, reasonable expenses incurred by him in proceeding against such defaulter under this section, notwithstanding that no seizure of property was effected.”.

22. Section 163 of the principal enactment is hereby amended as follows:—

Amendment  
of section  
163 of the  
principal  
enactment.

(1) by the insertion, immediately after the definition of “owner”, of the following definition:—

““partnership” shall not include any disposition, trust, grant, covenant, agreement, assignment, settlement or other arrangement by which the share of the divisible profits or the divisible loss, of a partner of any partnership is shared with any other person or partnership;”.

23. The First Schedule to the principal enactment is hereby amended in Part IV of that Schedule, as follows:—

Amendment  
of the  
First  
Schedule  
to the  
principal  
enactment.

(1) by the substitution, in paragraph (b) of that Part, for the words and figures “on or after April 1, 1985—”, of the words and figures “on or after April 1, 1985 but prior to April 1, 1990—”; and

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

“(c) for any year of assessment commencing on or after April 1, 1990—

On the first Rs	200 000	..	Nil
On the next Rs.	50,000	..	5 per centum
On the next Rs.	50,000	..	10 per centum
On the balance		..	15 per centum”.

Retrospective effect.

24. (1) Amendment to section 23(1) of the principal enactment made by section 7 (1) and section 7 (2) of this Act shall be deemed for all purposes to have come into force on March 6, 1987.

(2) Amendments to section 32(2) (in so far as it relates to Part 11D of the First Schedule) and 32(3c) of the principal enactment made respectively by sections 11 (1) and 11 (2) of this Act shall be deemed for all purposes to have come into force on March 25, 1988.

(3) Amendment to section 33(1) (c) of the principal enactment made by section 13(1) (d) of this Act shall be deemed for all purposes to have come into force on December 31, 1985.

(4) Amendments to sections 33B and 38(2) of the principal enactment made respectively by sections 14 and 15(2) of this Act shall be deemed for all purposes to have come into force on September 8, 1988.

Sinhala text to prevail in case of inconsistency.

25. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.