



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

**INLAND REVENUE (AMENDMENT)
ACT; No. 52 OF 1998**

[Certified on 24th November, 1998]

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Inland Revenue (Amendment) Act No. 52 of 1998

[Certified on 24th November, 1998]

L.D.—O.13/98.

**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. 52 of 1998.

Short title.

2. Section 8 of the Inland Revenue Act, No. 28 of 1979 (hereinafter referred to as the "principal enactment") as amended by Act, No. 24 of 1997, is hereby further amended as follow :—

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

(1) in paragraph (a) of that section—

(a) by the substitution in subparagraph (XXIVA) of that paragraph for the words and figures "year of assessment commencing on or after April 1, 1989, as consist of", of the words and figures "year of assessment commencing on or after April 1, 1989 but prior to April 1, 1997 and for the period commencing on April 1, 1997 and ending on December 31, 1997, as consists of" ;

(b) in subparagraph (LXXIII) of that paragraph by the substitution for the words and figures "the Securities and Exchange Commission of Sri Lanka, Act, No. 36 of 1987", of the words and figures "the Securities and Exchange Commission of Sri Lanka, Act, No. 36 of 1987" ;

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

"(Lxxiv) the Bandaranaike Museum Committee incorporated under the Bandaranaike Museum Committee (Incorporation) Act, No. 28 of 1997." ;

2 Inland Revenue (Amendment) Act No. 52 of 1998

(Lxxv) the Geological Survey and Mines Bureau established under the Mines and Minerals Act, No. 33 of 1992 ;

(2) in paragraph (e) of that section, by the substitution for the words, “(ii) approved by the Minister”, of the words, “(ii) approved by the Minister ;” ; and

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

“(f) the profits and income—

(i) for any year of assessment, of any unit trust or mutual fund incorporated on or after December 01, 1996, if not less than seventy per centum of such profits and income are distributed to its unit holders before the expiry of one year from the end of that year of assessment ;

(ii) for any year of assessment commencing on or after the day immediately succeeding the last day of the year of assessment at the end of which the period of seven years referred to in section 22 DDDD expires, of any unit trust or mutual fund referred to in that section, if not less than seventy per centum of such profits and income are distributed to its unit holders before the expiry of one year from the end of the first mentioned year of assessment.”.

Amendment of section 9 of the principal enactment.

3. Section 9 of the principal enactment as amended by Act, No. 24 of 1997 is hereby amended in subsection (1) of that section as follows :—

(1) in sub-paragraph (viii) of paragraph (f) of that subsection, by the substitution for the words “Overseas Economic Co-operation Fund of Japan ;”, of the words “Overseas Economic Co-operation Fund of Japan or the Commonwealth Secretariat in any of its programmes for technical Co-operation with Sri Lanka ;” ;

- (2) in paragraph (o) of that subsection, by the substitution for the words “as the case may be ; and”, of the words “as the case may be ;” ;
- (3) in paragraph (p) of that subsection, by the substitution for the words and figures “prior to April 1, 1997 in such public corporation”, of the words and figures “prior to April 1, 1997 in such public corporation ; and” ; and
- (4) by the addition, immediately after paragraph (p) of that subsection, of the following paragraph :—
 - (q) any sum paid to any employee by the employer of such employee, being a sum paid as compensation for loss of any office or employment consequent to —
 - (i) the voluntary retirement by such employee on or after November, 6, 1997, in accordance with a scheme, which in the opinion of the Commissioner-General is uniformly applicable to all employees employed by such employer ;
 - (ii) the retrenchment of such employee on or after November 6, 1977 by such employer in accordance with a scheme approved by the Commissioner of Labour.

4. Section 10 of the principal enactment as amended by Act, No. 24 of 1997, is hereby further amended as follows :—

Amendment of section 10 of the principal enactment.

- (1) by the substitution in paragraph (g) of that section, for the words “any foreign currency banking unit.”, of the words “any foreign currency banking unit ; and” ;

4 *Inland Revenue (Amendment) Act No. 52 of 1998*

(2) by the addition, immediately after paragraph (g) of that section, of the following paragraph :—

“(h) interest accruing to any financial institution from any loan granted by it to any venture capital company established for the implementation of any entrepreneur development programme of the Government, if the proceeds of such loan are utilized by such company for the implementation of such programme.

For the purpose of this paragraph “financial institution” means any company whose business or part of whose business consists of the acceptance of money by way of deposits or loan in the form of debenture or bond or in any other form, and the payment of interest thereon.”.

Amendment of section 11 of the principal enactment.

5. Section 11 of the principal enactment as amended by Act, No. 24 of 1997, is hereby further amended as follows :—

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

“(aaaa) any dividend out of the profits of any company with which an agreement has been entered into by the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1978 from the operation by such company of a hospital with facilities for paying and non-paying patients for indoor and outdoor treatment, paid during the period of five years reckoned from the commencement of the year of assessment in which such hospital commences operations ;

“(aaaaa) any dividend out of the profits within the meaning of section 3(a) of a company

- (i) with which an agreement has been entered into by the Board of Investment of Sri Lanka, under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1978, and
- (ii) to which a mining license issued under the Mines and Mineral Act, No. 33 of 1992, has been assigned

paid to any shareholder of such company, during the period for which the profits and income of that company are chargeable with income tax at such rate as is determined in accordance with subparagraph (a) of the further proviso to paragraph (iv) of regulation 2 of Regulations No. 1 of 1995 made under section 24 of the Board of Investment of Sri Lanka Law, No. 4 of 1978, as last amended by Regulation published in Gazette No. 1019/13 of March 19, 1998 and specified in such agreement or within one year thereafter.

- (2) in paragraph (b) of that section, by the substitution for the figures and letters "17KK, 18", of the figures and letters "17KK, 17L, 17M, 18".

6. Section 14 of the principal enactment as amended by Act, No. 24 of 1997, is hereby further amended in paragraph (a) of subsection (1) of that section by the insertion, immediately after sub-paragraph (xxi), of that paragraph of the following sub-paragraphs :—

Amendment of section 14 of the principal enactment.

- “(xxii) the sale, on or after November 6, 1997, but on or before April 1, 1999 by any person, of any share held by him in any company, being a company the shares of which are quoted on or before March 31st 1999 in any official list published by any Stock Exchange licensed by the Securities and Exchange Commission of Sri Lanka ;

6 *Inland Revenue (Amendment) Act No. 52 of 1998*

(xxiii) the sale, on or after November 6, 1997, by any person, of any bond, debenture or other debt instrument issued by any company and held by such person, being a bond, debenture or other debt instrument which, at the time of such sale is quoted in any official list published by any Stock Exchange licensed by the Securities and Exchange Commission of Sri Lanka ;”.

Amended of
section 15 of the
principal
enactment.

7. Section 15 of the principal enactment as amended by Act, No. 16 of 1996 is hereby further amended as follows :—

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

“(*mmm*) the profits and income within the meaning of paragraph (*a*) of section 3 arising to any person from the sale, on or after April 1, 1998, of gold, gems or jewellery ;” ;

(2) by the insertion immediately after paragraph “(*w*) of that section, of the following paragraph—

“(*ww*) any profits and income within the meaning of paragraph (*a*) of section 3 derived by, or arising or accruing to any person from the sale on or after November 6, 1997, of any bond, debenture or other debt instrument issued by a company and held by him being a bond, debenture or other debt instrument which at the time of such sale is quoted in any official list published by any Stock Exchange licensed by the Securities and Exchange Commission of Sri Lanka ;” ;

(3) in paragraph (*y*) of that section by the substitution for the words “conducted by the National Lotteries Board.”, of the words “conducted by the National Lotteries Board ; and” ;

(4) by the addition, at the end of paragraph (y) of that section of the following paragraphs :—

- (z) any interest or discount accruing to the “Sudu Nelum Movement” established by the Government and registered under section 114 of the Trust Ordinance being interest or discount on any sum of money deposited by the Sudu Nelum Movement with any commercial bank ;
- (zz) the relevant part of the profits and income within the meaning of paragraph (a) of section 3, arising or accruing to any primary dealer on or after April 1, 1998.

For the purposes of this paragraph—

- (i) the expression “relevant part” in relation to the profits and income and to any primary dealer means the profits and income of such primary dealer from dealing, in the secondary market, in any treasury bill, treasury bond, registered stock or other security issued under the Registered Stocks and Securities Ordinance and held by such primary dealer, after deducting from such profits and income such part of the interest or discount which would have accrued in respect of such bill, bond, stock or other security had such bill, bond, stock or other security been held by such primary dealer until such bill, bond, stock or other security matured, as is attributable to the period during which such bill, bond, stock or other security is held by such primary dealer ;
- (ii) the expression “primary dealer” means any financier or bank appointed by the Monetary Board of the Central Bank of Sri Lanka under the Local Treasury Bills Ordinance or the Registered Stocks and Securities Ordinance and functioning as a primary dealer in treasury bills, treasury bond, registered stock or other security.’.

8 Inland Revenue (Amendment) Act No. 52 of 1998

Amendment of section 17jj of the principal enactment.

8. Section 17jj of the principal enactment inserted by Act, No. 24 of 1997, is hereby amended in subsection (2) of that section as follows :—

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

“(b) is approved by the Minister, to be a company to which this section applies, by Order published in the Gazette,—

(i) on or before March 31, 1998, on an application in writing in that behalf made on or before December 31, 1997 ;

(ii) on or before March 31, 2000, on an application in writing in that behalf made after December 31, 1997, but on or before December 31, 1999 ;”;

(2) by the substitution, for paragraph (d) of that subsection, of the following paragraph :—

“(d) has invested—

(i) before December 31, 1998, in the case of a company referred to in subparagraph (i) of paragraph (b) ; and

(ii) before December 31, 2000 in the case of a company referred to in subparagraph (ii) of paragraph (b),

not less than four million rupees, in the purchase, for the use of the undertaking carried on by that company, of any plant, machinery, fixtures or equipment. ”.

Amendment of section 17kk of the principal enactment.

9. Section 17kk of the principal enactment inserted by Act, No. 24 of 1997, is hereby amended as follows :—

- (1) in subsection (2) of that section by the substitution for paragraph (b) of that subsection of the following paragraph :—

“(b) is approved by the Minister by Notice published in the Gazette on or before—

(i) March 31, 1998, on an application in writing in that behalf made on or before December 31, 1997 ; or

(ii) March 31, 2000, on an application in writing in that behalf made after December 31, 1997 but before December 31, 1999,

to be an undertaking to which this section applies ; and ”;

- (2) in subsection (3) of that section by the substitution for paragraph (b) of that subsection of the following paragraph :—

“(b) the expression “relevant date ” in relation to any undertaking which is approved in accordance with—

(i) sub-paragraph (i) of paragraph (b) of subsection (2), means the first day of any calendar month not earlier than November 1996 but not later than April 1998 ;

(ii) sub-paragraph (ii) of paragraph (b) of subsection (2), means the first day of any calendar month not earlier than November 1997 but not later than April 2000—

and which is selected by that undertaking, and notified to the Commissioner-General, in writing, not later than thirty days from the last date of that month :

10 *Inland Revenue (Amendment) Act No. 52 of 1998*

Provided that where the relevant date is not so notified to the Commissioner General, the relevant date in relation to any undertaking which is approved in accordance with—

- (i) sub-paragraph (i) of paragraph (b) of subsection (2), shall be deemed to be April 1, 1997 ;
- (ii) sub-paragraph (ii) of paragraph (b) of subsection (2), shall be deemed to be April 1, 1999.”.

Insertion of new sections 17L and 17M, in the principal enactment.

10. The following new sections are hereby inserted, immediately after section 17KK, and shall have effect as section 17L, and section 17M respectively, of the principal enactment :—

“Exemption from income tax of the profits and income of any undertaking which provide for certain services.

17L 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 or partnership from any undertaking for the provision of services of refrigerated transport or cold-room-storage or other services ancillary thereto, shall be exempt from income tax for a period of five years reckoned from—

- (a) April 1, 1998 ; or
- (b) the commencement of the year of assessment in which such undertaking commences to carry on business,

whichever is later.

Exemption from income tax of the profits and income of any company engaged in non-plantation agricultural activities.

17M (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 company from any specified undertaking referred to in subsection (2) shall notwithstanding the provisions of section 32DDDD be exempt from income tax for a period of ten years reckoned from—

(a) April 1, 1998 ; or

(b) the commencement of the year of assessment in which such company commences to carry on business,

whichever is later.

(2) For the purposes of subsection (1) "specified undertaking" in relation to any company is an undertaking carried on by such company and which is engaged in—

(a) cultivating land with plants of whatever description other than tea, rubber and coconut ; or

(b) the production of planting materials certified by the Department of Agriculture as being of high quality, for cultivation referred to in paragraph (a) ; or

(c) carrying out research work for improving the quality and character of planting materials for cultivation of land referred to in paragraph (a)'.

11. The following new section is hereby inserted immediately after section 20c, and shall have the effect as section 20d of the principal enactment :—

Insertion of section 20d in the principal enactment.

'Exemption of profits and income of a company which exports fresh or processed vegetables or fruits and cultivates vegetables or fruits.

20d (1) The profits and income, within the meaning of paragraph (a) of section 3, (other than any profits from the sale of capital assets), of any company from any specified undertaking referred to in subsection (2) shall, notwithstanding anything to the contrary in Chapter VIII, be exempt from income tax for a period of ten years reckoned from—

(a) April 1, 1998 ; or

12 Inland Revenue (Amendment) Act No. 52 of 1998

- (b) the commencement of the year of assessment in which such undertaking commences to carry on business,

whichever is later.

(2) For the purpose of subsection (1), "specified undertaking" in relation to any company and to any year of assessment means an undertaking carried on by that company and which is engaged in—

- (i) the export of any fresh or processed vegetables or fruits ; and
- (ii) cultivation in that year of assessment, of land not less than five acres in extent with vegetables or fruits.

In this section, vegetables include betel leaves.'

Amendment of section 23 of the principal enactment.

12. Section 23 of the principal enactment as amended by Act, no. 24 of 1997, is hereby further amended as follows :—

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

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

- (i) by the substitution, in sub-paragraph (i a) of that paragraph, for the words and figure "(other than plant, machinery or fixtures referred to in sub-paragraph (ii))", of the words and figures "(other than plant, machinery or fixtures referred to in sub-paragraph (ii) or (iia))";
- (ii) by the substitution in sub paragraph (ii) of that paragraph, for the words and figures "any motor vehicle, lorry, bus, tractor, trailer or office furniture acquired by such

person on or after April 1, 1987,” of the words and figures “any motor vehicle, lorry, bus, tractor, trailer or office furniture (other than any motor coach, referred to in sub-paragraph (ii*a*)) acquired by such person on or after April 1, 1987;”;

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

“(ii *a*) any motor coach acquired by such person on or after April 1, 1998, and used for transporting employees of such person to, or from, their place of work, at the rate of one hundred per centum on its cost of acquisition”;

(b) by the substitution in paragraph (t) of that subsection, for the words “a special levy, to the Government.”, of the word “a special levy to the Government ; and ;”;

(c) by the addition, at the end of paragraph (t) of that subsection, of the following paragraph :—

“(u) any expenses incurred on or after November 6, 1997, but on or before March 31, 1999 by any company in obtaining quotation of the shares of such company, in any official list published by any Stock Exchange licensed by the Securities and Exchange Commission of Sri Lanka, if such quotation is so obtained, on or before March 31, 1999.”

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

(a) by the substitution in sub-paragraph (ii) of paragraph (c), of that subsection for the words “is other wise than by sale,” of the following words :—

14 *Inland Revenue (Amendment) Act No. 52 of 1998*

“is otherwise than by sale, after deducting from such sale price or market value, as the case may be, the amount of goods and services tax chargeable under the Goods and Services Tax Act, No. 34 of 1996, on the disposal of such capital asset if such tax is included in such sale price or market value as the case may be ;”

(b) in sub-paragraph (iii) of paragraph (f) of that subsection, by the substitution for the words “by such individual or partnership”, of the words “by such individual or partnership ;” ;

(c) by the addition at the end of sub-paragraph (iii) of paragraph (f) of that subsection of the following paragraph :—

“(iv) where any person is entitled, under the Goods and Services tax Act, No. 34 of 1996, to claim credit for input tax paid in relation to the acquisition or the construction of any capital asset, the cost of acquisition or the cost of construction, as the case may be, of such capital asset shall not include such input tax.”.

Amendment of section 24 of the principal enactment.

13. Section 24 of the principal enactment as amended by Act, No. 24 of 1997, is hereby amended in subsection (1) of that section as follows :—

(1) in subparagraph (iii) of paragraph (1) of that subsection by the substitution, for the words “prescribed tax or levy.”, of the words “prescribed tax or levy.” ; and”;

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

“(iv) input tax under the Goods and Services Tax Act No. 34 of 1996, for the period for which the profits and income are being ascertained in

respect of any taxable activity, within the meaning of that Act, carried on by such person, if such person is entitled under that Act, to claim credit for such input tax”.

14. Section 29 of the principal enactment as amended by Act, No. 24 of 1997 is hereby further amended as follows :—

Amendment of section 29 of the principal enactment.

- (1) in paragraph (b) of subsection (2) of that section—
 - (a) in item (ii) (a) of that paragraph by the substitution for the words and figures “subsection (7A), a loss referred to in paragraph (b) of”, of the words and figures “subsection (7A), subsection (7B), a loss referred to in paragraph (b) of”; and
 - (b) in item (iv) of the proviso to paragraph (b) of that section by the substitution, for the words and figures “subsection (7) or in subsection (7A), incurred”, of the words and figures “subsection (7), subsection (7A) or subsection (7B) incurred”;
- (2) in subsection (3) of that section by the substitution in paragraph (b), of that subsection, for all the words and figures from “such entirety or portion shall be” to “the manner provided for in paragraph (b) of subsection (2)”, of the following :—

such entirety or portion shall be deducted from his total statutory income for the next succeeding year of assessment and so on :

Provided that where such first year of assessment is any year of assessment—

- (i) ending on or before March 31, 1997, the residue, if any, of such entirety or of such portion after its deduction from the total statutory income of such person for each of the years of assessment succeeding the year of assessment in which such loss was incurred but prior to the year of

16 *Inland Revenue (Amendment) Act No. 52 of 1998*

assessment commencing on April 1, 1997, shall be deemed to be a loss incurred by such person in such undertaking in the year of assessment ending on March 31, 1998 and may accordingly ;

- (ii) commencing on or after April 1, 1997, the residue, if any, of such entirety or of such portion, after, its deduction from the total statutory income of such person for that year of assessment, shall be deemed to be a loss incurred by such person in that undertaking in the year of assessment immediately succeeding that year of assessment and may accordingly,

be deducted in the manner provided in paragraph (b) of subsection (2)" ; and

- (3) by the insertion immediately after subsection (7A) of that section of the following subsection :—

“(7B) There shall be deducted from the total statutory income of a person for any year of assessment commencing on or after April 1, 1997, where such income includes profits and income from any business of leasing, any loss for any year of assessment commencing on or after April 1, 1997 incurred from the business of leasing which if it had been a profit would have been assessable under this Act, and which has not been so deducted from his total statutory income of a previous year :

Provided that such deduction shall in no case exceed the amount of the profits and income of such business included in such total statutory income ; and shall be made as far as possible, from the total statutory income of

such person for the first year of assessment after that in which the loss was incurred and so far as it cannot be so made, then from the total statutory income of the next succeeding year of assessment and so on.”.

15. Section 30 of the principal enactment is hereby amended in the third proviso to subsection (2) of that section by the substitution, for the words and figures “any year of assessment commencing on or after April 1, 1989”, of the words and figures “any year of assessment commencing on or after April 1, 1989, but prior to March 31, 1997 and for the period commencing from March 31, 1997 to December 31, 1997”.

Amendment of section 30 of the principal enactment.

16. Section 31 of the principal enactment as amended by Act, No. 16 of 1996, is hereby further amended as follows :—

Amendment of section 31 of the principal enactment.

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

(a) in paragraph (q) of that subsection, by the substitution, for the words and figures “Tax Amnesty Act, No. 5 of 1978.”, of the words and figures “Tax Amnesty Act, No. 5 of 1978 ;” ;

(b) by the addition immediately after paragraph (q) of that subsection of the following paragraphs :—

(r) any sum invested by any individual, on or after November 6, 1997 but on or before March 31, 1999, in the purchase of any ordinary share, other than any existing share in any company, the shares of which are quoted as at March 31, 1999 in any official list published by any Stock Exchange licensed by the Securities and Exchange Commission of Sri Lanka ;

(s) any sum invested by any person on or after November 6, 1997 but before April 1, 2000, in the purchase of any ordinary share other than any existing share, in any company—

(A) which,

(i) is incorporated on or after November 6, 1997 ;

(ii) has entered into an agreement with the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Law No. 4 of 1978,

and is engaged in accordance with that agreement in any undertaking for the development of infrastructure facilities in Sri Lanka ; and

(B) (i) of which the issued share capital as at March 31, 2000 is not less than three hundred million Rupees : and

(ii) which has, as at March 31, 2000 invested not less than five hundred million Rupees

(a) in the purchase or construction of any building or in the purchase of any land, plant, machinery or furniture ; and

(b) in the acquisition of any other asset not included in paragraph (a)

for the use of the undertaking carried on by the company ;

(t) any sum invested, on or after April 1, 1998, but prior to March 31, 2000 by any person in the purchase of any ordinary share, other than any existing share, in any company referred to in—

(i) section 11 (*aaaa*)” ; or

(ii) section 17M, where the sum invested is not less than ten million Rupees and it is proved to the satisfaction of the Assessor that such sum is utilised by such company in carrying on any specified undertaking referred to in that section.

(2) in subsection (5E) of that section—

(i) in paragraph (a)—

(a) by the substitution in paragraph (i), for the words and figure and letters “paragraphs (b), (c), (m), (n) and (q) of subsection (2),”, of the words and figure and letters “paragraphs (b), (c), (m), (n), (q), (r), (s) and (t) of subsection (2) ;” ;

(b) by the substitution in sub-paragraph (iii), for the words “such assessable income ; and”, of the words “such assessable income ;” ;

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

“(iii a) in respect of all qualifying payments referred to in paragraph (r) of subsection (2), made by him or deemed to have been made by him, shall not exceed one-third of such assessable income ;

(iii b) in respect of all qualifying payments referred to in paragraph (s) of subsection (2) made by him or deemed to have been made by him, shall not exceed one-third of such assessable income ; and

(ii) in paragraph (b), by the substitution for the words and letters “paragraphs (b), (c), (m) and (n) of”, of the words and letters “paragraphs (b), (c), (m), (n) and (t) of”.

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

(a) by the substitution, in paragraph (i) of that subsection for the words “in any year of assessment ; or”, of the words “in any year of assessment ;

(b) by the substitution, in paragraph (ii) of that subsection for the words and letters “in paragraph (q) of”, of the words and letters “in paragraph (q) or (s) of” ;

(4) by the insertion, immediately after subsection (7A) of that section of the following subsection :—

“(7AA) Where any person who is entitled to a deduction from his assessable income of an allowance under subsection (1) in respect of the purchase of any share in any company, sells such share or withdraws, realizes or receives any money in respect of such share, and purchase other ordinary shares in respect of which he is entitled to a deduction from his assessable income under that subsection, the deduction from income tax to which he is entitled to in respect of the second-mentioned purchase of shares shall be reduced by the amount of the deduction from income tax to which he was entitled in consequence of the first-mentioned purchase of shares.”.

Amendment of section 31A of the principal enactment.

17. Section 31A of the principal enactment inserted by Act, No. 24 of 1997 is hereby amended as follows :—

(1) in subsection (2) of that section, by the substitution for sub paragraph (i) of paragraph (a) of that subsection of the following paragraph :—

“(i) on or after November 6, 1996 but prior to April 1, 2000 ;”

(2) in subsection (4) of that section, by the substitution, for the words “the entirety of such investment whichever is less” wherever those words occur in that subsection, of the words “the entirety of such investment tax allowance whichever is less” ;

(3) in subsection (6) of that section, by the substitution in paragraph (ii) of that subsection, for the words and figures “commencing on November 6, 1996 and ending on March 31, 1999, is entitled”, of the words and figures :—

“commencing on—

(a) November 6 , 1996 and ending on March 31, 1999, where such asset was acquired or deemed to have been acquired before April 1, 1998 ; or

(b) April 1, 1998, and ending on March 31, 2001, where such asset is acquired or deemed to have been acquired on or after April 1, 1998,

is entitled.”.

18. Section 32ccc of the principal enactment inserted by Act, No. 16 of 1996 is hereby amended by the addition, at the end of that section of the following subsection :—

Amendment of section 32ccc of the principal enactment.

“(3) Where an individual who is employed in a company referred to in paragraph (aaaaa) of section 11, and who is deemed under subsection (7) of section 67 to be non-resident for a period of five years, continues to be employed in such company in Sri Lanka after the expiry of such period of five years, the profits from employment in that company of such individual

22 *Inland Revenue (Amendment) Act No. 52 of 1998*

for the period commencing from the end of such period of five years and ending on the last date of the period during which the dividends paid by such company are exempt from income tax, shall, notwithstanding anything to the contrary in Chapter VIII of this Act, be chargeable with income tax at the rate of fifteen per centum.”.

Amendment of section 32D of the principal enactment.

19. Section 32D of the principal enactment inserted by Act, No. 11 of 1989, is hereby amended in subsection (1) of that section by the substitution, for the words “held by the Central Bank of Sri Lanka” of the words “held prior to January 1, 1998, by the Central Bank of Sri Lanka.”.

Insertion of new sections 32DDD, 32DDDD and 32DDDDD in the principal enactment.

20. The following new sections are hereby inserted, immediately after section 32DD and shall have effect as sections 32DDD, 32DDDD and 32DDDDD respectively of the principal enactment :—

“Rate of income tax on profits from certain undertakings carried on by a person other than a company.

32DDD (1) Where the taxable income of any person (other than a company) for any year of assessment commencing on or after April 1, 1998, includes any profits and income from any agricultural undertaking or any undertaking for the promotion of tourism (hereinafter in this section referred to as “specified profits”) and the rate of income tax payable on a part of such income (hereinafter in this section referred to as “the relevant part of the income”) exceeds fifteen per centum, then in regard to the relevant part of the income, the tax shall be computed as follows :—

(a) if the relevant part of the income exceeds the amount of such “specified profits”—

(i) the tax payable on such portion of the relevant part of the income as is equal to the amount of such specified profits, shall be at the rate of fifteen per centum ; and .

- (ii) the tax payable on the balance of the relevant part of the income shall be computed according to the rates of tax above fifteen per centum as are applicable thereto under this Act;
- (b) if the relevant part of the income does not exceed the amount of such specified profits, the tax payable on the entirety of the relevant part of the income shall be at the rate of fifteen per centum, notwithstanding anything to the contrary, to the other provisions of this Chapter or Chapter VIIIA.

(2) For the purposes of subsection (1)

(a) "agricultural undertaking" includes any undertaking for—

(i) fishing ;

(ii) cultivating land with plants of whatever description ; and

(iii) provision of the services of management to any undertaking for cultivating land with plants of whatever description ;

(b) "any undertaking for the promotion of tourism" means an undertaking for the operation of—

(i) any hotel or guest house approved by the Ceylon Tourist Board ; or

(ii) any restaurant graded by the Ceylon Tourist Board as being in "Class A" or "Class B";

- (iii) any business of a travel agent ;
 - (iv) any business of transporting tourists ;
 - (v) any business approved by the Ceylon Tourist Board for providing facilities to tourists for recreation or sports.
- (c) "profits and income from any agricultural undertaking" means—
- (i) in the case of an undertaking referred to in sub-paragraph (iii) of paragraph (a), the profits and income from fees for providing the services of management; and
 - (ii) in any other case, the profits and income from the sale of produce of such undertaking without subjecting such produce to any process of production or manufacture:

Provided that where any person carries on any undertaking for subjecting the produce of any agricultural undertaking to any process of production or manufacture, the produce of the agricultural undertaking shall for the purpose of this sub-paragraph be deemed to have been sold to such undertaking for production or manufacture at the open market price prevailing at the time of the deemed sale and the profit from the sale of the produce of such agricultural undertaking shall be the profits arising from such deemed sale.

Rate of
income tax
on profits
from
certain
undertakings
carried on
by a
company.

32DDDD. (1) Where the taxable income of any company for any year of assessment commencing on or after April 1, 1998, includes any profits and income from any agricultural undertaking or from any undertaking for the promotion of tourism, such part of such taxable income as consists of such profits and income shall, notwithstanding anything to the contrary in any provisions of this Chapter or Chapter VIII A or Chapter IX be chargeable with income tax at the rate of fifteen per centum.

(2) For the purposes of subsection (1) the expressions "agricultural undertaking", "any undertaking for the promotion of tourism" and "the profits and income from any agricultural undertaking", shall have the respective meanings assigned to them in section 32DDD.

Rate of
income tax
on dividends
paid out of
profits taxed
in
accordance
with section
32 DDDD.

32DDDDD. (1) Where the taxable income of any person (other than a company) for any year of assessment includes any dividend-

- (a) being a dividend out of profits and income referred to in section 32DDDD; or
- (b) being a dividend paid out of any such dividend as is referred to in paragraph (a) received by any company directly from a company referred to in section 32 DDDD or through one or more intermediary companies, if the first mentioned dividend is paid during the year of assessment in which the profits and income referred to in section 32 DDDD arose or accrued or within two years from the end of that year of assessment,

and the rate of income tax payable on a part of such income (hereinafter in this section referred to as the relevant part of the income) exceeds

fifteen per centum, then in regard to the relevant part of the income tax shall be computed as follows :—

- (i) if the relevant part of the income exceeds the amount of such dividends—

the tax payable on such part of the relevant part of the income as is equal to the amount of such dividends, shall be at the rate of fifteen per centum ; and

the tax payable on the balance of the relevant part of the income shall be computed according to such of the rates of the tax above fifteen per centum as are applicable thereto under this Act;

- (ii) if the relevant part of the income does not exceed the amount of such dividend, tax payable on the entirety of the relevant part of the income shall be at the rate of fifteen per centum, notwithstanding anything to the contrary in the other provisions of this Chapter or of Chapter VIIIA.

(2) Where the taxable income of any company includes any dividend referred to in subsection (1), the rate of income tax applicable to such part of such taxable income as consists of such dividend shall, subject to the provisions of section 35 be fifteen per centum”.

21. The following new sections are hereby inserted, immediately after section 32EEE, and shall have effect as sections 32EEEE and 32EEEEE respectively of the principal enactment :—

Insertion of new sections 32EEEE and 32EEEEE in the principal enactment.

"Deduction from tax payable by any quoted public company under certain conditions.

32EEEE. (1) Where for any year of assessment commencing on or after April 1, 1998 the taxable income of any company referred to in subsection (2), includes any profits and income, within the meaning of section 3(a), there shall be deducted from the tax payable by that company for that year of assessment, an amount equal to five per centum of such part of such taxable income as consists of such profits and income :

Provided that where the amount so deductible exceeds such tax payable by such company for that year of assessment the excess shall not be refunded.

(2) The provisions of subsection (1) shall, in relation to the year of assessment referred to in subsection (1), apply to any company—

- (a) which is a quoted public company for that year of assessment, and
- (b) in respect of which the Assessor is satisfied that, the number of persons registered in the share register of such company as shareholders is, at no time during that year of assessment, less than three hundred.

(3) Where in relation to any company—

- (a) which is a quoted public company for the year of assessment commencing on April 1, 1997, and
 - (b) in respect of which the Assessor is satisfied that as at March 31, 1998, the number of persons registered in the share register of such company as shareholders is not less than three hundred,
- the deduction referred to in subsection (1) shall

apply to that company for the year of assessment commencing on April 1, 1997.

Deduction from tax payable by any company, which obtains a quotation of the shares and satisfies certain conditions. 32EEEE (1) Where for any year of assessment commencing on or after April 1, 1998, the taxable income of any company referred to in subsection (2) includes any profits and income, within the meaning of section 3(a), there shall be deducted from the tax payable by that company for that year of assessment, an amount equal to five per centum of such part of such taxable income as consists of such profits and income :

Provided that where the amount so deductible exceeds the tax payable by such company for that year of assessment, the excess shall not be refunded.

(2) The provisions of subsection (1) shall, in relation to the year of assessment referred to in subsection (1), apply to any company—

(a) the shares of which are as at March 31 of that year of assessment, quoted in any official list published by any Stock Exchange licensed by the Securities and Exchange Commission of Sri Lanka consequent to an application made in that year of assessment, and

(b) in respect of which the Assessor is satisfied that as at March 31 of that year of assessment the number of persons registered in the share register of such company as shareholders is not less than three hundred.

(3) Where in relation to any company—

(a) the shares of which are quoted, as at March 31, 1999, in any official list published by any Stock Exchange

licensed by the Securities and Exchange Commission of Sri Lanka consequent to an application made in that behalf on or before March 31, 1998, and

- (b) in respect of which the Assessor is satisfied that as at March 31, 1998 the number of persons registered in the share register of such company as shareholders is not less than three hundred, and the deduction referred to in subsection (1), shall apply to that company for the year of assessment commencing on April 1, 1997, as an amount equal to two and one half *per centum* of such part.

22. Section 33A of the principal enactment amended by Act No. 24 of 1997 is hereby further amended in paragraph (ii) in subsection (2) of that section by the substitution for the words and figures "section 32F or section 32H", of the words and figures "section 32DDDD or section 32F or section 32H.

Amendment of section 33A of the principal enactment.

23. Section 33c of the principal enactment as last amended by Act No. 16 of 1996, is hereby further amended as follows :—

Amendment of section 33c of the principal enactment.

(1) in sub-paragraph (c) of paragraph (1) of that section—

(a) by the insertion, immediately after item (i) of that sub-paragraph of the following item :—

“(ia) dividends in relation to which advance company tax has been paid at fifty four *per centum* ; and

(b) by the repeal of items (iva) and (ivb) of that sub-paragraph and the substitution of the following items therefor:—

“(v) dividends in relation to which advance company tax has been paid at seventeen *per centum* ;

30 *Inland Revenue (Amendment) Act No. 52 of 1998*

- (vi) dividends in relation to which advance company tax has been paid at eleven *per centum* ;
- (vii) dividends in relation to which advance company tax has been paid at eight *per centum* ; and
- (viii) dividends in relation to which advance company tax has been paid at five *per centum* ; ” ;

(2) in sub-paragraph (*b*) of paragraph (2) of that section, by the insertion, immediately after item (iii) of that sub-paragraph, of the following item :—

“(iiiia) under section 32DDDD”.

Amendment of section 38 of the principal enactment.

24. Section 38 of the principal enactment as amended by Act, No. 16 of 1996, is hereby further amended in paragraph (*d*) of subsection (2) of that section as follows :—

(1) by the insertion, immediately after item (i) of that paragraph, of the following item :—

“(ia) dividends received, in relation to which advance company tax has been paid at fifty four *per centum* ;”;

(2) by the repeal of items (*iva*) and (*ivb*) of that paragraph, and the substitution, of the following items therefor :—

“(iva) dividends received, in relation to which advance company tax has been paid at seventeen *per centum* ;

(ivb) dividends received in relation to which advance company tax has been paid at eleven *per centum* ;

(ivc) dividends received in relation to which advance company tax has been paid at five *per centum*.”.

(ivd) dividends received, in relation to which advance company tax has been paid at five *per centum*.”.

25. Section 92 of the principal enactment is hereby amended by the addition at the end of that section of the following subsection :—

Amendment of section 92 of the principal enactment.

“(9) For the purpose of this section the expression ‘document’ includes any diskette, tape, compact disc or any other thing in which any computer programme or data is stored or recorded in codified form or electronic, magnetic or other medium.”.

26. Section 108 of the principal enactment is hereby amended in subsection (2) of that section by the substitution, for the words “amount as may be due under section 110.”, of the following :—

Amendment of section 108 of the principal enactment.

“amount as may be due under section 110 :

Provided that where in the opinion of the Assessor any fraud, evasion or wilful default has been committed by or on behalf of any employer in relation to any income tax deductible by such employer in any year of assessment, it shall be lawful for the Assessor to make an assessment or an additional assessment on such employer at any time after the end of that year of assessment.”.

27. Section 113F of the principal enactment is hereby amended by the substitution for all the words from “income tax which such bank” to the end of that section, of the following :-

Amendment of section 113F of the principal enactment.

“income tax which, in the opinion of the Assessor, such bank or financial institution should have deducted and paid to the Commissioner-General for such year of assessment, and shall by notice in writing, require such bank or financial institution to pay such amount forthwith together with such amount as may be due under section 113H :

32 *Inland Revenue (Amendment) Act No. 52 of 1998*

Provided that, where in the opinion of the Assessor any fraud, evasion or wilful default, has been committed by or on behalf of any such bank or financial institution, in relation to any such income tax deductible by such bank or financial institution, it shall be lawful for the Assessor to make an assessment or an additional assessment on such bank or financial institution at any time after the end of such year of assessment. ”.

Amendment of section 118 of the principal enactment.

28. Section 118 of the principal enactment is hereby amended by the repeal of subsection (3) of that section and the substitution therefor of the following subsection :—

“(3) There shall be a panel of not more than three legal advisors to the Board who shall be appointed by the Board. ”.

Amendment of section 161 of the principal enactment.

29. Section 161 of the principal enactment is hereby amended in subsection (7) of that section by the insertion, immediately after the definition of “article”, of the following definition :—

“document ” includes any diskette, tape, compact disc or any other thing in which any computer programme or data is stored or recorded in codified form or in electronic, magnetic or other medium; ”.

Amendment of section 161A of the principal enactment.

30. Section 161A of the principal enactment is hereby amended as follows :—

(1) in subsection (1) of that section by the insertion immediately after paragraph (c) of that subsection of the following paragraph —

“(cc) operate any computer found in any such building and take print outs of the whole or part of any entries recorded or stored therein ;”;

- (2) subsection (4) of that section is hereby amended by the substitution for the definition of "article" of the following :— "Article" and "document" shall have the respective meanings assigned to them by section 161. "

31. Section 163 of the principal enactment as amended by the Act, No. 27 of 1995, is hereby further amended in paragraph (B) of the definition of "qualifying distribution" as follows :—

Amendment of section 163 of the principal enactment.

- (1) in item (b) of sub paragraph (i) of that paragraph by the substitution for the words and figures "Board under section 17 of such law, or" of the words and figures "Board under section 17 of such law, being a rate which is either ten *per centum* or fifteen *per centum*, or thirty five *per centum*" ;
- (2) in sub-paragraph (ii) of that paragraph by the substitution for all the words and figures from "(ii) are taxed in accordance with the provisions of section 32F" to the end of that definition of the following words and figures :—

"(ii) are taxed in accordance with the provisions of section 32F or of section 32H or of section 32k or of section 32M or of section 32N, or of section 32DDDD,

but does not include any dividend —

(a) distributed out of —

- (i) profits or income which accrued or arose to such company prior to April 1, 1988 ;
- (ii) its exempt profits or income ;
- (iii) any income from dividend received by such company ;

34 *Inland Revenue (Amendment) Act No. 52 of 1998*

(iv) profits and income which arose or accrued to or was derived by such company from any territory outside Sri Lanka, if such company under any agreement referred to in section 82, is entitled to credit against any income tax in respect of such profits and income payable by such company under section 33(1)(a) of this Act, for any income tax payable in such other territory in respect of such profits and income ;

(v) profits and income of a company referred to in section 11(aaaaa) during the period in which dividends paid out of such profits and income, are exempt from tax ;

(b) paid to any person whose profits and income are exempt from tax under paragraph (a) of section 8 ;

(c) paid, on or after April 1, 1998, to any person who is a non-resident ; and ” .

Amendment of the Sixth Schedule to the principal enactment.

32. Sixth Schedule to the principal enactment is hereby amended by the substitution, for the words and figures “person or partnership out of Sri Lanka 33 1/3 per centum”, of the following words and figures :—

“person or partnership out of Sri Lanka—

For any year of assessment
ending before April 1, 1998 33 1/3 per centum

For any year of assessment commencing
on or after April 1, 1998 20 per centum ” .

33. Seventh Schedule to the principal enactment amended by Act, No. 24 of 1997 is hereby further amended as follows :—

Amendment of the Seventh Schedule to the principal enactment.

(1) by the substitution for the words and figures “for every

year of assessment commencing on or after April 1, 1997, shall be as follows : of the words and figures “for every year of assessment commencing on or after April 1, 1997, but prior to April 1, 1998, shall be as follows :—” ;

- (2) by the addition at the end of that Schedule, of the following :—

“The rates of advance company tax for every year of assessment commencing on or after April 1, 1998 shall be as follows :—

- (i) on the amount equal to the amount of every qualifying distribution, made by a quoted public company—

(a) out of the profits (other than the profits which are taxed, in accordance with the provisions, of section 32F or section 32H or section 32K or section 32M or section 32N or section 32DDDD or at a rate specified in any regulation made under the Board of Investment of Sri Lanka Law, No. 4 of 1978). *54 per centum*

(b) out of the profits which are taxed in accordance with the provisions of section 32H or section 32K or section 32M or section 32N or section 32DDDD or at the rate of fifteen *per centum* specified in any regulation made under the Board of Investment of Sri Lanka Law, No. 4 of 1978 and applicable to that company. *17 per centum*

(c) out of profits which are taxed in accordance with the provisions of section 32F or at the rate of ten *per centum* specified in any regulation made under the Board of Investment of Sri Lanka Law, No. 4 of 1978 and applicable to that company.

11 per centum

- (ii) on the amount equal to the amount of every

qualifying distribution made by a unit trust or a mutual fund or any other company other than a quoted public company—

(a) out of profits (other than profits which are taxed in accordance with the provisions of section 32F or section 32H or section 32K or section 32M or section 32N or section 32DDDD or at the rate specified in any regulation made under the Board of Investment of Sri Lanka, Law, No. 4 of 1978). *27 per centum*

(b) out of profits which are taxed in accordance with the provisions of section 32H or section 32K or section 32M or section 32N or section 32DDDD or at the rate of fifteen *per centum* specified in any regulations made under the Board of Investment of Sri Lanka Law, No. 4 of 1978 and applicable to that company. *8 per centum*

(c) out of profits which are taxed in accordance with the provisions of section 32F or at the rate of ten per centum specified in any regulation made under the Board of Investment of Sri Lanka Law, No. 4 of 1978 and applicable to that company. *5 per centum."*

Retrospective effect.

34. (1) The amendment to section 8 of the principal enactment made by section 2(2) and 2(3) of this Act, shall be deemed for all purposes to have come into force on December 1, 1996 .

(2) The amendment to section 31A of the principal enactment made by section 17(2) of this Act, shall be deemed for all purposes to have come into force on November 6, 1996.

(3) The amendment to section 29, of the principal

enactment made by section 14 of this Act, shall be deemed for all purposes to have come into force on April 1, 1997 ;

(4) The provisions of section 21 of this Act shall be deemed for all purposes to have come into force on April 1, 1997.

(5) The amendment to—

- (i) section 9 of the principal enactment made by section 3(2) to 3(4) of this Act ;
- (ii) section 14 of the principal enactment made by section 6 of this Act ;
- (iii) section 17JJ of the principal enactment made by section 8 of this Act ;
- (iv) section 17KK of the principal enactment made by section 9 of this Act ;
- (v) section 23 of the principal enactment made by section 12(1) of this Act ;
- (vi) section 31 of the principal enactment made by section 16 of this Act, other than the insertion of paragraph (t) in subsection (2) of section 31,

shall be deemed for all purposes to have come into force on November 6, 1997.

(6) The amendments to sections 8, 30 and 32D of the principal enactment made by sections 2(1), 15 and 19 respectively of this Act shall be deemed for all purposes to have come into force on January 1, 1998

(7) The amendment to—

- (i) section 10 of the principal enactment made by section 4 of this Act ;
- (ii) section 15 of the principal enactment made by section

38 *Inland Revenue (Amendment) Act No. 52 of 1998*

7 of this Act ;

- (iii) section 20D of the principal enactment made by section 11 of this Act ;
- (iv) section 23 of the principal enactment made by section 12 (other than by paragraphs (b) and (c) of subsection (1), of this Act.
- (v) section 24 of the principal enactment made by section 13 of this Act ;
- (vi) section 31A of the principal enactment made by section 17(1) and 17 (3) of this Act ;
- (vii) section 163 of the principal enactment made by section 31 of this Act ;
- (viii) the Sixth Schedule and the Seventh Schedule made by section 32 and section 33 respectively of this Act.

shall be deemed for all purposes to have come into force on April 1, 1998.

(8) The provisions of section 20 of the Act shall be deemed for all purposes to have come into force on April 1, 1998.

Sinhala text to prevail in case of inconsistency.

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