

Economic Service Charge

AN ACT TO IMPOSE AN ECONOMIC SERVICE CHARGE ON THE RELEVANT TURNOVER OF ANY PERSON OR PARTNERSHIP IN RESPECT OF EVERY QUARTER OF EVERY YEAR OF ASSESSMENT COMMENCING ON OR AFTER APRIL 1, 2006; TO AMEND PART I OF THE FINANCE ACT, NO. 11 OF 2004; AND TO PROVIDE FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO

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

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Act Nos,

15 of 2007

11 of 2008

16 of 2009

11 of 2011

11 of 2012

6 of 2013

9 of 2014

13 of 2015

7 of 2017

33 of 2018

4 of 2020

Short title. 1. This Act may be cited as the Economic Service Charge Act, No. 13 of 2006.

PART I

IMPOSITION OF AN ECONOMIC SERVICE CHARGE

Imposition of an Economic Service Charge. [2, 4 of 2020] [2, 33 of 2018]

2. (1) An Economic Service Charge (hereinafter referred to as the 'service charge') shall, subject to the provisions of this Act, be charged from every person and every partnership for every quarter of every year of assessment prior to January 1, 2020-

[2, 7 of 2017]
[2, 6 of 2013]
[2, 11 of 2012]
[2, 11 of 2011]
[2, 16 of 2009]
[2, 13 of 2008]
[2, 15 of 2007]

(a) commencing on or after April 1, 2006 (hereinafter in this Act referred to as 'a relevant quarter') in respect of every part of the relevant turnover of such person or partnership for that relevant quarter;

(b) on the Cost, Insurance and Freight (CIF) value certified by the Director-General of Customs, of such person or partnership-

(i) on or after April 1, 2016, in respect of every consignment of imports of any article subject to Special Commodity Levy under the provisions of Special Commodity Levy Act, No. 48 of 2007;

(ii) on or after November 24, 2016, in respect of every consignment of imports of gold or other precious metal;

(iii) on or after April 1, 2017, but prior to the date of commencement of this Act in respect of every consignment of imports of motor vehicles; or

(iv) on or after the date of commencement of this Act in respect of every consignment of imports of motor vehicles, which are not liable for excise duty imposed under the Excise (Special Provisions) Act, No. 13 of 1989; and

(c) on or after the date of commencement of this Act, on the amount of excise duty imposed under the Excise (Special Provisions) Act, No. 13 of 1989 in respect of every consignment of imports of motor vehicles, which are liable for excise duty;

at the appropriate rates specified in the Schedule I, Schedule II, Schedule III or Schedule IV as the case may be, to this Act:

Provided that, notwithstanding anything to the contrary in this Act and the rates specified in the Schedule I, Schedule II, Schedule III or Schedule IV as the case may be to this Act, the rate of the service charge, chargeable in respect of the turnover arising on or after April 1, 2008, but prior to April 1, 2016 from the export of any articles or goods, shall not exceed 0.25 per centum.

(2) Notwithstanding the provisions of subsection (1), the service charge shall not be charged from any person or partnership other than any person or partnership who or which becomes liable to the service charge under paragraph (b) of subsection (1), for any relevant quarter, in circumstances wherein the relevant turnover of such person or partnership for that relevant quarter:

(a) commencing before March 31, 2007, does not exceed ten

million;

(b) commencing on or after April 1, 2007, but before April 1, 2011, does not exceed rupees seven million five hundred thousand;

(c) commencing on or after April 1, 2011, but before April 1, 2012, does not exceed rupees twenty-five million;

(d) commencing on or after April 1, 2012 but prior to April 1, 2017, does not exceed rupees fifty million;

(e) commencing on or after April 1, 2017 does not exceed rupees twelve million and five hundred thousand:

Provided that the service charge chargeable from any person or partnership shall in no case exceed -

(i) rupees fifteen million for any relevant quarter ending on or before March 31, 2009; and

(ii) rupees thirty million for any relevant quarter commencing on or after April 1, 2009, but prior to April 1, 2016.

Provided that the service charge chargeable from any person or partnership for any relevant quarter shall in no case exceed rupees fifteen million.

(3) In this section -

(a) 'relevant turnover' in relation to any person or partnership and to any relevant quarter means the aggregate turnover for that relevant quarter of every trade, business, profession or vocation carried on or exercised by such person or partnership, as the case may be, in Sri Lanka whether directly or through an agent or more than one agent:

Provided that, in relation to any relevant quarter Tourism Development Authority established under Tourism Act, No. 38 of 2005; and commencing on or after April 1, 2012 ending on or before March 31, 2016, where such part of the taxable income as consists of profits from any trade, business, profession or vocation assessed under the provisions of Inland Revenue Act, No. 10 of 2006 for the year of assessment which ended immediately prior to the commencement of the year of assessment to which such quarter belongs, is more than zero, the relevant turnover for such quarter other than any turnover, the profits from which are exempt from income tax shall be deemed to be zero.

Provided that the relevant turnover for any relevant quarter shall not include the turnover for that relevant quarter of any trade, business profession or vocation, the commercial operations of which commenced, whether by such person or partnership or any other person or partnership, on a date which falls within the period of thirty six months immediately preceding the first day of that relevant quarter.

For the purposes of the proviso the expression 'trade or business' in relation to any person or partnership shall not include

(i) for any relevant quarter of the year of assessment commencing on April 1, 2006 and ending on March 31, 2007, any trade or business of any person or partnership, which deals in the wholesale or retail trade of any goods not manufactured or produced by such person or partnership; and

(ii) for any relevant quarter of the year of assessment commencing on or after April 1, 2007, any trade or business, other than-

(A) any manufacturing business; and

(B) any business of a reopened factory referred to in section 24B of the Inland Revenue Act, No. 10 of 2006.

which deals in the wholesale or retail of any goods not manufactured or produced by such person or partnership.

(b) 'turnover' in relation to any trade, business, profession or vocation and to any relevant quarter means the total amount receivable, whether actually received or not, from every transaction entered into in that relevant quarter in the course of such trade, business, profession or vocation carried on or exercised by such person or partnership, -

(a) after deducting therefrom -

(i) any sum included in such total amount being a sum which represents the value added tax in respect of that transaction, provided that the person or partnership who or which carries on or exercises such trade, business, profession or vocation is at the time of such transaction registered under section 10 of the Value Added Tax Act,

No. 14 of 2002;

(ii) any sum included in such total amount being the proceeds from the disposal of any capital asset;

(iii) the amount of any bad debt incurred by that trade, business, profession or vocation during that relevant quarter, being an amount which had been included in the relevant turnover of such trade, business, profession or vocation of that or any previous relevant quarter; and

(iv) the proceeds of sale of any foreign currency denominated sovereign bond issued by the Government of Sri Lanka to any licensed commercial bank or to any non-resident person (effective from October 21, 2008);

(v) the proceeds of sale -

(a) of any Treasury Bill issued under the Local Treasury Bills Ordinance (Chapter 417); or

(b) of any Treasury Bond issued under the Registered Stocks and Securities Ordinance (Chapter 420),

purchased out of the funds drawn from any Treasury Bond Investment External Rupees Account (effective from June 1, 2008);

(vi) receipts from the export of any article or goods, effected on or after January 1, 2009 but on or before December 31, 2009;

(vii) receipts from the supply, effected on or after January 1, 2009 but on or before December 31, 2009, by the manufacturer of any article or goods to any exporter for export without further processing or manufacture by the exporter;

(viii) receipts from any operations, effected on or after January 1, 2009 but on or before December 31, 2009, of any-

(a) hotel;

(b) inbound tour operation; or

(c) inbound tour agent,

being a hotel, operator or agent as the case may be, approved by the Sri Lanka Tourism Development

Authority established under Tourism Act, No. 38 of 2005;

(ix) proceeds from the sale of any clay roof tile or pottery product by any manufacturer of such product;

(x) funds voted by Parliament from the Consolidated Fund or any loan arranged by the Government of Sri Lanka, for the provision of any service, free of charge by any public corporation on behalf of the Government; and

(xi) proceeds from the sale of any organic fertilizer by the manufacturer of such product; and

(b) after adding thereto, any sum received during that relevant quarter on account of any bad debt written off or allowed in any previous quarter:

Provided that -

(a) in the case of a bank, the receipts of such bank by way of, or on account of, interest, discounts, dividend, exchange, service charges, commissions, brokerage or any other income derived by the bank in the course of its business shall be deemed to form part of the turnover of such bank;

For the purposes of this paragraph -

'bank' shall be deemed to include a financial institution or pawn broker; and

'financial institution' means any person corporate or unincorporated, whose business or part of whose business consists in the acceptance of money by way of deposit or loan in the form of debenture or bond or in any other form and the payment of interest thereon, whether such acceptance is on its own behalf or on behalf of any other person; and

(b) in the case of a person carrying on insurance business, insurance premia received, or receivable, in respect of -

(i) life insurance; and

(ii) insurance against damages or destruction by strike, riot, civil commotion, or acts of terrorism and paid into the Consolidated Fund,

shall be deemed not to form part of the turnover of such person; and

(c) in the case of Central Bank of Sri Lanka, unrealized gain from price revaluation and foreign exchange revaluation, shall be deemed not to form part of the turnover of Central Bank of Sri Lanka.

Service charge to be deducted from relevant income tax.

[3, 7 of 2017]

[2, 13 of 2015]

[2, 9 of 2014]

[3, 11 of 2008]

[3, 15 of 2007]

3. (1) The amount of any service charge paid by any person for any relevant quarter shall be deducted from the income tax if any, payable by that person for the year of assessment of which that relevant quarter is a quarter (hereinafter referred to as the 'first - mentioned year of assessment').

(2) The amount of any service charge paid by any partnership for any relevant quarter shall be apportioned among the partners of such partnership in the ratio in which such partners share the profits or losses of such partnership for the year of assessment of which that relevant quarter is a quarter. The amount of the service charge so apportioned to any partner, shall be deducted from the income tax, if any payable by such partner for the year of assessment of which that relevant quarter is a quarter (hereinafter referred to as the 'first - mentioned year of assessment').

(3) The balance, if any, of the amount levied as Economic Service Charge after the deduction in accordance with subsections (1) or (2) as the case may be, apportioned to each year of assessment within the period of four years immediately succeeding the first mentioned year of assessment and the amount so apportioned to any such year of assessment shall be deducted to the extent, it can be so deducted from the income tax payable by such person or partner of such partnership for that year of assessment:

Provided that, where there remains as at March 31, 2006, any amount of the economic service charge paid in accordance with the provisions of Part I of the Finance Act, No.11 of 2004 after its deduction in accordance with the provisions of that Act from the relevant income tax payable for any relevant year of assessment commencing before April 1, 2006-

(a) if such amount includes any part of the economic service charge paid for the year of assessment ended on March 31, 2005 such part may be apportioned to each year of assessment falling within the three years of assessment immediately succeeding the year of assessment which ended on March 31, 2006; or

(b) if such amount includes any part of the economic service

charge paid for the year of assessment ended on March 31, 2006, such part may be apportioned to each year of assessment falling within the four years of assessment immediately succeeding the year of assessment, which ended on March 31, 2006,

and the parts of the economic service charge so apportioned, shall be deducted to the extent it can be so deducted from the income tax payable by such person or such partnership for each such year of assessment:

Provided further, the balance, if any, of the amount levied for any relevant quarter commencing on or after April 1, 2016 as the service charge after the deduction in accordance with subsections (1) or (2) as the case may be, apportioned to each year of assessment within the period of two years immediately succeeding the first mentioned year of assessment and the amount so apportioned to any such year of assessment shall be deducted to the extent, it can be so deducted from the income tax payable by such person or partner of such partnership for that year of assessment.

(3A) Where an insurer engaged in carrying on both long term insurance business and general insurance business segregates such business into long term insurance business and general insurance business to be carried on by two separate companies, as required by section 53 of the Regulation of Insurance Industry (Amendment) Act, No. 3 of 2011, the balance, if any, as at the date of such segregation of the amount levied as service charge after the deduction in accordance with subsection (1), (2) or (3) shall notwithstanding anything to the contrary in any other provisions of this Act, but subject to the preceding provisions of this section, be deducted from income tax payable by the company that is carrying on the general insurance business after such segregation as if the same company were continuing to carry on the business.

(3B) Where any commercial bank or specialized bank licensed under the Banking Act, No. 30 of 1988, finance company licensed under the Finance Business Act, No. 42 of 2011 or leasing company registered under the Finance Leasing Act, No. 56 of 2000, acquires or merges with the business of any other bank, finance company or leasing company under the Financial Sector Consolidation Process of the Central Bank of Sri Lanka and there remains any balance of service charge paid by such banks, finance companies or leasing companies after the deduction from the income tax payable in that year of acquisition or merger and which is entitled to be carried forward and

deducted from income tax payable by such banks, finance companies or leasing companies, then such balance shall be deductible from the income tax payable by such bank, finance company or leasing company that acquired the business or with which the other bank, finance company or leasing company merged, as if the same bank, finance company or leasing company were continuing to carry on the business.

(3C) The amount of service charge paid by any person or partnership who or which becomes liable to the service charge under paragraph (b) of subsection (1) of section 2-

(a) may be credited against the service charge liability of such person or partnership which arises under paragraph (a) of subsection (1) of section 2 for any quarter in which the service charge is made under paragraph (b) of subsection (1) of section 2; and

(b) the amount of service charge credited under paragraph (a) and the service charge which had been paid under paragraph (b) of subsection (1) of section 2 but had not been credited as stated in paragraph (a) shall be deducted as in accordance with subsection (1), (2) or (3) of this section.

(4) In no circumstances shall -

(a) the aggregate deduction of the amount of the service charge paid by any person or paid by any partnership and apportioned to any partner, as the case may be, from the income tax payable by such person or such partner of such partnership, as the case may be, exceed the amount of such service charge,

(b) The remaining portion, if any, of the balance referred to in subsection (3) after its deduction in accordance with that subsection, be deducted from any income tax payable for any year of assessment succeeding the fourth year of assessment immediately succeeding the first mentioned year of assessment

Remaining portion 4.
of the service
charge not to be
refunded
[4, 15 of 2007]

Notwithstanding anything to the contrary in any law, the remaining portion of the service charge referred to in sub-paragraph (b) of subsection (4) of section 3, shall not be refunded.

Notice of
chargeability

5. Every person and every partnership chargeable or likely to be chargeable with the service charge for any relevant quarter shall, by

[3, 13 of 2015]

communication in writing addressed to the Commissioner General or by electronic communication to the Commissioner General, give notice of such chargeability or likely chargeability, before the fifteenth day of the last month of that relevant quarter. Such communication shall disclose the income tax file number or the personal identification number as the case may be, assigned by the Commissioner-General, to such person or partnership.

Date on which service charge is to be paid.

6. The service charge which any person or partnership is chargeable with for any relevant quarter shall, notwithstanding that no assessment has been made on such person or partnership by an Assessor, be paid to the Commissioner-General on or before the twentieth day of the month immediately succeeding the end of that relevant quarter.

Furnishing of returns.

[4, 13 of 2015]

[3, 11 of 2011]

7. (1) Every person and partnership chargeable with the service charge for any relevant quarter shall, whether or not required by an Assessor in that behalf, furnish in writing or by electronic means to an Assessor, on or before the twentieth day of the month immediately succeeding the end of that relevant quarter, a return in such form and containing such particulars as may be specified by the Commissioner General, of his or its, as the case may be relevant turnover. The return shall also show the basis of the calculation of the service charge and other details, if any specified by the Commissioner General under this section.

(2) Every person and partnership chargeable with the service charge for any relevant quarter commencing on or after April 1, 2011 shall, whether or not requested by an Assessor to do so, furnish to an Assessor, on or before the twentieth day of April of each year, a return for the year of assessment ending on March 31 of that year, in such form and containing such particulars as may be specified by the Commissioner-General, of the relevant turnover of such person or partnership, as the case may be. The return shall also indicate the basis of the calculation of the service charge and other details, if any, specified by the Commissioner- General in relation to this section.

Maintenance of records.

8. Every person and partnership chargeable with the service charge shall maintain a record of the transactions of every trade, business, profession or vocation carried on or exercised by such person or partnership, in such manner as would facilitate the reconciliation of the

return of relevant turnover furnished by such person or partnership under section 7 of this Act, with such record.

Assessor to make assessment in certain cases.

[5, 13 of 2015]

[3, 9 of 2014]

[5, 15 of 2007]

9. (1) Where in the opinion of an Assessor, any person or partnership who or which being chargeable with the service charge for any relevant quarter -

(a) has not paid the service charge: or

(b) has paid an amount less than the proper amount which such person or such partnership ought to have paid as service charge for such relevant quarter,

such Assessor may, assess the amount of the service charge which, in his opinion, ought to have been paid by such person or partnership as the service charge for that relevant quarter and shall by notice in writing require or by notice in electronic communication require such person or partnership to forthwith pay -

(i) the amount of the service charge so assessed for that relevant quarter, if that person or that partnership has not paid any service charge for that relevant quarter; or

(ii) the difference between the amount of the service charge so assessed and the amount of the service charge actually paid by such person or partnership for that relevant quarter, if such person has paid any amount as service charge for that relevant quarter.

(2) Where it appears to an Assessor that any person or partnership liable to pay the Economic Service Charge for any relevant quarter of any year of assessment, has been assessed at less than the proper amount, the Assessor may, subject to the provisions of subsection (3) and subsection (4), assess such person or partnership for the additional amount (which in his opinion such person or partnership ought to have been assessed in addition to the amount originally assessed), and the provisions of this Act as to notice of assessment, appeal and other proceedings shall thereupon apply to the recovery of such additional amount.

(3) Where a person or partnership has furnished a return of Economic Service Charge, the assessor may in making an assessment on such person or partnership under subsections (1) or (2), either :-

(a) accept the return furnished by such person or partnership

; or

(b) refuse to accept the return made by that person or partnership, and estimate the amount of the relevant turnover and assess such person or partnership accordingly :

Provided that where the Assessor refuses to accept a return furnished by any person or partnership and makes an assessment or an additional assessment for any relevant quarter on such person or partnership under subsection (1) or subsection (2), he shall communicate to such person in writing, stating the reasons as to why he is not accepting the return furnished by that person or partnership.

(4) No assessment or additional assessment shall be made under this Act in respect of a person or partnership-

(a) who or which has made a return for any relevant quarter in any year of assessment on or before the dates referred to in section 7,

(i) where such quarter is any relevant quarter ending on or before March 31, 2014 after the expiry of eighteen months from the end of the year of assessment within which such relevant quarter falls; or

(ii) where such quarter is any relevant quarter commencing on or after April 1, 2014 after the expiry of eighteen months from the thirtieth day of November of the year of assessment immediately succeeding the year of assessment within which such relevant quarter falls,

if his or its return of income has been made under subsection (1) or subsection (7) of section 106 of the Inland Revenue Act, No. 10 of 2006; or

(b) who or which has failed to make a return on or before such date as referred to in paragraph (a) after the expiry of a period of four years from the thirtieth day of November of the year of assessment immediately succeeding the year of assessment within which such relevant quarter falls.

Service charge not **10.**
paid deemed to be
in default

(1) Where any service charge or any part of such service charge for any relevant quarter is not paid on or before the date specified in section 6 for the payment of such service charge, such instatement or part thereof shall be deemed to be in default.

(2) Where the service charge or part thereof which is in default is payable, -

(a) by an individual;

(b) by a partnership;

(c) by a company or body of persons,

then such individual, every partner of such partnership or every director or other principal officer of such company or body of persons as the case may be, shall be deemed to be a defaulter for the purposes of this Act.

Turnover from Islamic Financial Transactions to be chargeable to tax.
[4, 11 of 2011]

- 10A.** (1) The turnover from the business of any Islamic Financial Transaction shall be chargeable to tax in terms of the provisions of this Act.
- (2) The Commissioner-General of Inland Revenue shall in order to determine the extent of liability to tax of any particular Islamic Financial Transaction, issue from time to time, such rules and guidelines as may be required for the purpose of-
- (a) identifying the circumstances which would amount to an Islamic Financial Transaction ; and
 - (b) ascertaining the profit and income arising out of any Islamic Financial Transaction.

The use of electronic communications or electronic records
[6, 13 of 2015]

- 10B.** The provisions of Chapter XXIII, XXIV, XXV, XXVI, XXVII, XXVIII, XXIX, XXX and XXXI of the Inland Revenue Act, relating respectively to appeals other than the provisions in sections 166,167,168, and 169, Finality of Assessments and Penalty for Incorrect Returns, Tax in Default and Sums Added thereto, Recovery of Tax, Miscellaneous Matters, Repayment, Penalties and Offences, Administration and General matters shall mutatis mutandis, apply respectively to Appeals, Finality of Assessments and Penalty for Incorrect Returns, Service Charge in Default and Sums Added Thereto, Recovery of Service Charge, Miscellaneous Matters, Repayment, Penalties and Offences, Administration and General matters under this Act.

Certain provisions of the Inland

- 11.** The provisions of Chapter XXIII, XXIV, XXV, XXVI, XXVII, XXVIII, XXIX, XXX and XXXI of the Inland Revenue Act, relating

Revenue Act to
apply
[14, 23 of 2011]

respectively to appeals other than the provisions in sections 166,167,168, and 169, Finality of Assessments and Penalty for Incorrect Returns, Tax in Default and Sums Added thereto, Recovery of Tax, Miscellaneous Matters, Repayment, Penalties and Offences, Administration and General matters shall mutatis mutandis, apply respectively to Appeals, Finality of Assessments and Penalty for Incorrect Returns, Service Charge in Default and Sums Added Thereto, Recovery of Service Charge, Miscellaneous Matters, Repayment, Penalties and Offences, Administration and General matters under this Act.

Regulations

- 12.** (1) The Minister may make regulations in respect of all matters which are required by this Act to be prescribed or in respect of which regulations are required or authorized to be made under this Act.
- (2) In particular and without prejudice to the generality of the powers conferred by subsection (1), the Minister may make regulations-
- (a) specifying the guidelines relating to the ascertainment of 'turnover' for the purposes of section 2 in relation to any case to which the proviso to the definition of the expression 'turnover' in that section does not apply; and
 - (b) specifying the instances as to whether or not the non-chargeability referred to in subsection (2) of section 2, in the circumstances referred to in that subsection shall apply.
- (3) Every regulation made under subsection (1) shall be published in the Gazette and shall come into operation on the date of publication, or on such later date as may be specified therein.
- (4) Every regulation made under subsection (1) shall, as soon as convenient after its publication in the Gazette, be placed before Parliament for approval. Every regulation which is not so approved shall be deemed to be rescinded as from the date of disapproval, but without prejudice to anything previously done thereunder.
- (5) Notification of the date on which any regulation is deemed to be so rescinded shall be published in the Gazette.

Interpretation.

- 13.** In this Act unless the context otherwise requires -

[4, 7 of 2017]
[7, 13 of 2015]
[3, 6 of 2013]
[5, 11 of 2011]

'agent', 'allowance for depreciation' and 'Assessor' shall have the respective meanings assigned to them in the Inland Revenue Act;

'BOI enterprise' in relation to any relevant quarter means any enterprise in relation to which the exemption of its profits and income from income tax, in terms of any agreement entered into by the Board of Investment of Sri Lanka with such enterprise under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1978, subsists during the whole or any part of that relevant quarter;

'body of persons', 'business', 'capital asset', 'Commissioner General', and 'company' shall have the respective meanings assigned to them in the Inland Revenue Act;

'distributor' in relation to any manufacturer or producer of any goods in Sri Lanka means any person or partnership appointed by such manufacturer or producer for the sale in the wholesale market, of such goods, at such price as may be determined by such manufacturer or producer, from time to time;

'Inland Revenue Act' means the Inland Revenue Act, No. 10 of 2006 or any successor thereto providing for the taxation of income;

'partnership', 'proceeds' and 'profits or income' shall have the respective meanings assigned to them in the Inland Revenue Act;

'person' includes a company or body of persons, but does not include-

- (a) any registered society, within the meaning of the Co- operative Societies Law, No. 5 of 1972 or under the respective Statute enacted by a Provincial Council providing for such registration;
- (b) any person carrying on business as an owner or charterer of an aircraft or ship;
- (c) any government institution or local authority as defined in the Inland Revenue Act, No. 10 of 2006;
- (d) any distributor;
- (e) any dealer in a lottery;
- (f) any Unit Trust or Mutual Fund;
- (g) the Central Bank of Sri Lanka prior to March 31, 2017; and
- (h) Lak Sathosa Limited registered under the Companies Act, No. 7 of 2007 (effective from April 1, 2011).

'quarter' in relation to any year of assessment means the period of

three months commencing on the first day respectively of April, July, October or January of that year of assessment; and

'statutory income', 'taxable income', 'trade' and 'years of assessment' shall have the respective meanings assigned to them in the Inland Revenue Act.

PART II

AMENDMENT OF PART I OF THE FINANCE ACT, NO. 11 OF 2004

Amendment of Part I of Act, No. 11 of 2004.

14. Part I of the Finance Act, No. 11 of 2004 is hereby amended as follows:-

(1) in subsection (1) of section 2 thereof, by the substitution for the words 'on or after April 1, 2004 (hereinafter in this Act referred to as 'the relevant year of assessment')' of the words 'on or after April 1, 2004 (hereinafter in this Act referred to as 'the relevant year of assessment') and ending on March 31, 2006.';

(2) in paragraph (b) of subsection (2) of section 7 thereof, (inserted by Act, No. 7 of 2005) by the substitution for the words and figures 'item (2)' of the words and figures 'item (3)'.

Part I of the Finance Act No. 11 of 2004 not to apply

15. It is hereby declared for the avoidance of doubts, that the provisions of Part I of the Finance Act No. 11 of 2004 shall not apply to the levy of the Economic Service Charge from any person or partnership in respect of any relevant year of assessment commencing on or after April 1, 2006.

Sinhala text to prevail in case of inconsistency

16. Where there is any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

[6,11 of 2011]

[7,15 of 2007]
[4,11 of 2008]
[6,11 of 2011]
[5, 7 of 2017]
[6, 7 of 2017]
[3, 33 of 2018]

SCHEDULE I

For the period ending on March 31, 2011

Part of the Liable Turnover

Rate of the Service Charge

		Applicable to that Part
	1. Such part of the relevant turnover as consists of the turnover from any trade, business, profession or vocation:	-
	(i) the profit and income from which are exempt from income tax;	-
	(ii) of any enterprise which has entered into an agreement under the Board of Investment of Sri Lanka Law No. 4 of 1978, being the relevant turnover during the period for which the profits and income of such enterprise are exempt from income tax under such agreement.	0.25 per centum
	2. Such part of the relevant turnover as consists of the turnover from any trade or business which deals in wholesale or retail of such goods (other than as a distributor or dealer in motor vehicles or liquor) not manufactured or produced by the dealer.	0.25 per centum
	3. Such part of the relevant turnover as consists of the turnover from the primary conversion of any produce of any tea, rubber or coconut plantation including desicated coconut, coconut oil, coconut fibre, copra and sheet rubber but excluding any such conversion which produces any alcoholic beverage.	0.25 per centum
[4,11 of 2008]	4. Such part of the relevant turnover arising before April 1,2008 as consists, of turnover from any trade, business, profession or vocation-	-
	(i) the profits and income from which are chargeable with income tax at any rate specified in the Fifth Schedule to the Inland Revenue Act. other than in item 28 of that Schedule;	0.5 per centum.
	(ii) carried on by any enterprise which has entered into an agreement under the Board of Investment of Sri Lanka Law No.4 of 1978, being the relevant turnover during the period for which the profits and income of such enterprise are taxable at the rate equal to a rate specified in the Fifth Schedule to the Inland Revenue Act, No. 10 of 2006.	0.5 per centum
[4,11 of 2008]	4A. Such part of the relevant turnover arising on or after April 1, 2008 as consists, of turnover from any trade, business, profession or vocation-	-
	(i) the profits and income from which are chargeable with income tax at any rate specified in the Fifth Schedule to the Inland Revenue Act, other than in item 24 and item 28 of that Schedule;	0.5 per centum.
	(ii) carried on by any enterprise which has entered into an agreement under the Board of Investment of Sri Lanka Law No.4 of 1978, being the relevant turnover during the period for which the profits and income of such enterprise are taxable at the rate equal to a rate specified in the Fifth Schedule to the Inland Revenue Act, No. 10 of 2006.	0.5 per centum
[4,11 of 2008]	5. Such part of the relevant turnover as consists of the turnover from any trade or business which deals in the wholesale or retail (other than as distributor) of motor vehicles or liquor not manufactured by the dealer :-	0.5 per centum

(i) arising prior to April 1, 2008

0.5 per centum

	(ii) arising on or after April 1, 2008	1.0 per centum
	6. Such part of the relevant turnover as consists of the turnover from any trade, business, profession or vocation, the profits and income such are chargeable with income tax at the rates specified in Part A or B (i) of the Second Schedule to the Inland Revenue Act, except in the case such turnover falls within the turnover referred to in items 1, 2 or 3 of this Schedule.	0.5 per centum
	7. Such part of the relevant turnover as consists of the turnover from any trade or business of a distributor.	0.05 per centum
	8. Such part of the relevant turnover as consists of the turnover from any trade, business, profession or vocation the profits and income of which are chargeable with income tax at any rate other than a rate specified in the Fifth Schedule to the Inland Revenue Act, No. 10 of 2006.	1.0 per centum
	9. Such part of the relevant turnover as consists of the turnover from any trade or business of carrying on any activity referred to in item 28 of the Fifth Schedule to the Inland Revenue Act, No. 10 of 2006.	1.0 per centum
	10. Such part of the relevant turnover, which consists of, the relevant turnover from any trade or business referred to in Section 42 of the Inland Revenue Act, No. 10 of 2006.	0.1 per centum
[4,11 of 2008]	11. Such part of the relevant turnover arising prior to April 1, 2008 as consists of-	-
	(i) the turnover from the export of apparels or the supply of locally manufactured textiles to apparel exporters to be used in the manufacture of apparels for export by such exporter.	0.1 per centum.
	(ii) the turnover of a trading house approved by the Board of Investment so far as such trading house engages in the business of the export of apparels.	1. per centum
[4,11 of 2008]	11A. Such part of the relevant turnover arising on or after April 1, 2008 as consists of-	-
	(i) the turnover from-	-
	(a) the export of apparels : or	
	(b) supply of locally manufactured apparels to any exporter of apparels for export:	
	(c) supply of locally manufactured textiles to any exporter of apparels to be used in the manufacture of apparels for export by such exporter	
	(ii) the turnover of a trading house approved by the Board of Investment in so far as such trading house engages in the business of the export of apparels,	0.1 per centum.
	12. Any relevant turnover not referred to in items 1 to 11 above.	1.0 per centum.

Schedule II (Section 2)

For the period commencing on April 1, 2011
ending on March 31, 2012

<i>Part of the Liable Turnover</i>	<i>Rate of the Service Charge Applicable to that Part</i>
1. (a) of BOI apparel exporters	0.1%
(b) of BOI trading houses	
(c) of BOI textile manufacturers for supplying to exporters	
2. (a) the profits from which are exempt from income tax.	0.25%
(b) tax at concessionary rates.	
(c) a loss.	
(d) of persons engaged in whole sale or retail sale (other than sale by manufacturers , distributors as defined in the ESC Act, and Dealers in Motor vehicles, liquor or tobacco products).	
(e) from primary conversion of tea, rubber or coconuts including desiccated coconuts, coconut oil, coconut fiber, copra and sheet rubber (excluding alcoholic beverages).	
(f) of advertising agents.	
3. of any other business including-	1%
(a) dealers in motor vehicles, liquor or tobacco products.	
(b) businesses opted to follow the respective definition of turnover as defined by Gazette Notification	

(notwithstanding the threshold)

Schedule III (Section 2) [4, 11 of 2012] [5, 7 of 2017]

For For the period commencing on April 1, 2012, but prior to April 1, 2016 On the liable turnover 0.25 per centum.

SCHEDULE IV [6, 7 of 2017] [3, 33 of 2018]

(section 2)

For the period commencing on April 1, 2016

<i>Part of the Liable Turnover</i>	<i>Rate of the Service Charge Applicable to that Part</i>
1. on the relevant turnover other than the relevant turnover of a person or a partnership from the wholesale or retail sale of petrol, diesel or kerosene	0.5 per centum
2. on 1/10 of the relevant turnover of a person or partnership from the wholesale or retail sale of petrol, diesel or kerosene	0.5 per centum.