



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

**INLAND REVENUE (AMENDMENT)
ACT, No. 24 OF 1997**

[Certified on 4th September, 1997]

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Inland Revenue (Amendment) Act, No. 24 of 1997

[Certified on 4th September, 1997]

L.D.—O. 2/97.

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. 24 of 1997. Short title.

2. Section 4 of the Inland Revenue Act, No. 28 of 1979 as amended by Act, No. 14 of 1984 (hereinafter referred to as the “principal enactment”) is hereby further amended in subsection (1) as follows :— Amendment of section 4 of Act No. 28 of 1979.

(1) in paragraph (c) of that subsection, by the addition, immediately after sub-paragraph (iv), of that paragraph, of the following sub-paragraph :—

“(v) any sum paid from the Employees’ Trust Fund established by the Employees’ Trust Fund Act, No 46 of 1980. ” ;

(2) in the proviso to paragraph (d) of that subsection—

(i) by the substitution in sub-paragraph (i) of that proviso, for the words and figures “any year of assessment commencing on or before April 1, 1983, and”, of the words and figures “any year of assessment commencing on or before April 1, 1983 ; ” ;

(ii) by the substitution in sub-paragraph (ii) of that proviso, for the words and figures “any year of assessment commencing on or after April 1, 1984”, of the words and figures “any year of assessment commencing on or after April 1, 1984 but prior to April 1, 1997 ; and” ; and

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

“(iii) one hundred and twenty thousand rupees, for any year of assessment commencing on or after April 1, 1997 ;”.

Amendment of section 8 of the principal enactment.

3. Section 8 of the principal enactment as amended by Act, No. 16 of 1996, is hereby further amended in paragraph (a) of that section as follows :—

- (1) in sub-paragraph (Lxxi) of that paragraph by the substitution for the words and figures “Institute of Personnel Management, Sri Lanka Law, No. 34 of 1976”, of the words and figures “Institute of Personnel Management, Sri Lanka Law, No. 34 of 1976” ;
- (2) in sub-paragraph (Lxxii) of that paragraph, by the substitution for the words and figures “the Public Enterprises Reform Commission of Sri Lanka, Act, No. 1 of 1996.” of the words and figures “the Public Enterprises Reform Commission of Sri Lanka, Act, No. 1 of 1996 ;” ;
- (3) by the addition, immediately after sub-paragraph (Lxxii) of that paragraph, of the following sub-paragraph :—

“(Lxxiii) the Securities and Exchange Commission of Sri Lanka established by the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987 .”.

Amendment of section 9 of the principal enactment.

4. Section 9 of the principal enactment as amended by Act, No. 27 of 1995 is hereby further amended in subsection (1) of that section as follows :—

- (1) in paragraph (bb) of that subsection, by the substitution for the words and figures “the official emoluments or any profits from employment referred to in paragraph (c) of subsection (1) of section 4, ”, of the words and figures “the official emoluments, or any pension, or any profits from employment referred to in paragraph (c) of subsection (1) of section 4,” ;

(2) in paragraph (*bbb*) of that subsection, by the substitution for the words and figures “any year of assessment commencing on or after April 1, 1993”, of the words and figures “any year of assessment commencing on or after April 1, 1993 but prior to April 1, 1997” ;

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

“(1) profits and income not exceeding in the aggregate —

(a) one thousand two hundred rupees, for any year of assessment ending on or before March 31, 1991 ;

(b) two thousand four hundred rupees, for any year of assessment commencing on or after April 1, 1991 but prior to April 1, 1997 ; and

(c) four thousand eight hundred rupees, for any year of assessment commencing on or after April 1, 1997,

from all sources other than employment, derived by or arising or accruing to, an individual or any child whose total statutory income is aggregated with the income of that individual, if the total statutory income, for that year of assessment, of that individual consists only of—

(i) profits and income from employment not exceeding—

(a) thirty thousand rupees, in any year of assessment commencing on or after April 1, 1979 but prior to April 1, 1986 ;

(b) forty-two thousand rupees, for the year of assessment commencing on April 1, 1986 ;

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- (c) forty-five thousand rupees, for any year of assessment commencing on or after April 1, 1987 but prior to April 1, 1991 ;
 - (d) sixty thousand rupees, for any year of assessment commencing on or after April 1, 1991 but prior to April 1, 1997 ; and
 - (e) one hundred and fifty thousand rupees, for any year of assessment commencing on or after April 1, 1997 ;
- (ii) profits and income not exceeding—
- (a) one thousand two hundred rupees, for any year of assessment ending on or before March 31, 1991,
 - (b) two thousand four hundred rupees, for any year of assessment commencing on or after April 1, 1991 ; and
 - (c) four thousand eight hundred rupees, for any year of assessment commencing on or after April 1, 1997,

from all sources of profits and income other than employment,

and accordingly, where any income tax has been paid by deduction or otherwise, by such individual in any year of assessment, in respect of any profits and income which are exempt under this paragraph, such tax shall, on an application in that behalf being made in writing by such individual within three years of the end of that year of assessment, be refunded to him ;

- (4) in paragraph (n) of that subsection by the substitution for the words and figures "commencing on or after April 1, 1987, from investments made by it ; and", of the words and figures "commencing on or after April 1, 1987, from investments made by it ;" ;

- (5) by the substitution for paragraph (o) of that subsection of the following paragraph :—

“(o) such part of any sum referred to in paragraph (c) of section 4(1) paid to any employee at the time of his retirement from any employment in any company formed under the Conversion of Public Corporations or Government Owned Business Undertakings into Public Companies Act, No. 23 of 1987, as is attributable to the period of service by such employee prior to April 1, 1997, in any public corporation or any government owned business undertaking, as the case may be; and” ;

- (6) by the insertion, immediately after paragraph (o) of that subsection, of the following paragraph :—

“(p) such part of any sum referred to in paragraph (c) of section 4(1) paid to any employee at the time of his retirement from any employment in any public corporation other than any public corporation referred to in sub-paragraph (ii) of paragraph (bb) of subsection (1), as is attributable to the period of service of such employee prior to April 1, 1997 in such public corporation.”.

5. Section 10 of the principal enactment as amended by Act, No. 49 of 1991, is hereby further amended, by the insertion immediately after paragraph (c) of that section, of the following paragraph :—

Amendment of section 10 of the principal enactment.

“(cc) interest accruing to any person or partnership outside Sri Lanka from any security, note or coupon issued by the Government of Sri Lanka in respect of a loan granted in foreign currency by that person or partnership to the Government of Sri Lanka, if such loan is approved by the Minister as being essential for the economic progress of Sri Lanka ;”.

6. Section 11 of the principal enactment as amended by Act, No. 16 of 1996 is hereby further amended in paragraph (b) of that section, by the substitution for the figures and letters “17J, 17K, 18”, of the figures and letters “17J, 17JJ, 17K, 17KK, 18”.

Amendment of section 11 of the principal enactment.

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Amendment of section 12 of the principal enactment.

7. Section 12 of the principal enactment as amended by Act, No. 8 of 1988, is hereby further amended, in paragraph (c) of subsection (1) of that section by the substitution for the words "income tax under paragraph (b) of this subsection", of the words "income tax under paragraph (b) or (bb) of this subsection".

Amendment of section 14 of the principal enactment.

8. Section 14 of the principal enactment as amended by Act, No. 21 of 1994 is hereby further amended as follows :—

(1) by the re-numbering of that section as subsection (1) of that section ;

(2) in paragraph (a) of the re-numbered subsection (1) of that section—

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

"(xxiia) the sale by any person of any treasury bond, registered stock or any other security, issued under the Registered Stock and Securities Ordinance and held by such person, in the secondary market" ;

(b) in paragraph (xxiii) of that paragraph, by the substitution for the words, "any right to a share received under a rights issue, of, of the words "any right to a share received under a rights issue or a bonus issue of";

(3) by the addition, immediately after the re-numbered subsection (1) of that section, of the following subsection :—

'(2) For the purposes of sub-paragraphs (xxii) and (xxiia) of paragraph (a) of subsection (1), "capital gain" means the excess, if any, of the capital gain computed in accordance with the provisions of subsections (2) and (4) of section 7, over such part of the interest which but for such sale, would have accrued to such

person in respect of such bill, bond, stock or other security had such bill, bond stock or other security been held by such person until such bill, bond, stock or other security matured, as is attributable to the period during which such bill, bond, stock or other security was held by such person.’

9. The following new section is hereby inserted, immediately after section 15A, and shall have effect as section 15B of the principal enactment :—

Insertion of section 15B in the principal enactment.

‘Exemption of certain profits and income of any resident guest.

15B (1) The profits and income of any resident guest—

(a) not being profits and income arising in or, derived from Sri Lanka ; and

(b) accruing from moneys lying to his credit in any account opened by him in a commercial bank for the deposit of sums remitted to him in foreign currency from any country outside Sri Lanka,

shall be exempt from income tax.

(2) For the purpose of this section “resident guest” means a person to whom a tax exemption has been granted under the Resident Guest (Tax Exemption) Act, No. 6 of 1979.’

10. The following new section is hereby inserted, immediately after section 17J, and shall have effect as section 17JJ of the principal enactment :—

Insertion of section 17JJ in the principal enactment.

‘Exemption from income tax of the profits and income of an industrial undertaking carried on, by acquiring and utilizing advanced technology.

17JJ. (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 referred to in subsection (2) shall be exempt from income tax for a period of five years from the commencement of the year of assessment in which such company commenced to carry on business.

(2) The provisions of subsection (1) shall apply to any company which—

- (a) is incorporated on or after April 1, 1996 ;
- (b) is approved by the Minister to be a company to which this section applies by Order published in the Gazette on or before March 31, 1998, on an application in writing in that behalf made on or before December 31, 1997 ;
- (c) is engaged only in carrying on any industrial undertaking—
 - (i) for the production or manufacture of any goods or commodities ; or
 - (ii) for the provision of any service, utilizing advanced technology ;
- (d) has before December 31, 1998 invested not less than four million rupees, in the purchase, for the use of the undertaking carried on by the company, of any plant, machinery, fixtures or equipment ;
- (e) employs as at a date not later than a period of six months from the date on which it commences to carry on business and continues to employ until the expiry of the period of five years referred to in subsection (1) not less than fifty employees other than directors of such company ; and
- (f) is not formed by the splitting up, reconstruction or acquisition of any business which was previously in existence ;

In this subsection the expression—

- (i) “industrial undertaking” includes any undertaking for animal husbandry, fishreies, tourism and community development projects formulated under the Samurdhi National Programme ;

- (ii) the "employee" has the same meaning assigned to it in subsection (2) of section 16D.'

11. The following new section is hereby inserted, immediately after section 17K, and shall have effect as section 17KK of the principal enactment :—

Insertion of section 17KK in the principal enactment.

'Exemption from income tax of the profits and income, of an undertaking acquiring and utilizing advanced technology.

17KK (1) The profits and income attributable to the new capital expenditure of any undertaking for the production or manufacture of any goods or commodities or for the provision of any service and referred to in subsection (2), shall be exempt from income tax for a period of five years reckoned from the relevant date.

(2) The provisions of subsection (1) shall apply to any undertaking which—

- (a) has incurred, within a period of 12 months commencing from the relevant date, new capital expenditure of not less than four million rupees in amount on the acquisition and utilization of advanced technology ; and
- (b) is approved by the Minister by notice published in the Gazette on or before March 31, 1998, to be an undertaking to which this section applies, on an application in writing in that behalf made on or before December 31, 1997 ; and
- (c) employs, as at the relevant date or not later than six months from that date, and continue to employ, until the expiry of the said period of five years not less than fifty employees more than the average number of employees, employed by that undertaking during the year ending on the relevant date :

Provided that where at any time during any year of assessment within the five years referred to in subsection (1), the number of employees employed in such undertaking does not exceed such average number by fifty, such profits and income of that undertaking as are referred to in subsection (1), shall not be exempt.

In this subsection—

- (i) the expression “undertaking” includes any undertaking for animal husbandry, fisheries, tourism or any community development project formulated under the Samurdhi National Programme ; and
 - (ii) the expressions “employee” and “average number” have the respective meanings assigned to them in sub-paragraph (iv) of paragraph (a) of subsection (2) of section 16D.
- (3) For the purpose of this section—
- (a) the expression “profits and income attributable to the new capital expenditure” in relation to any year of assessment and to any undertaking means the excess of—
 - (i) the profits and income, within the meaning of paragraph (a) of section 3 (other than any profits and income from the sale of any capital assets or from the purchase and resale of any goods or commodities.) of that undertaking for that year of assessment reduced by the appropriate *per centum* specified in the Schedule to this paragraph as being applicable for that year of assessment, over ;

- (ii) the annual average of such profits and income of that undertaking as are referred to in sub-paragraph (i), such average being computed for a period of three years immediately preceding the relevant date where the undertaking has been carrying on business for a period of three years or more prior to the relevant date or for the entire period during which it has been carrying on business, where the undertaking has been carrying on business for a period of less than three years prior to the relevant date,

but shall not exceed one hundred and twenty *per centum* of the sum which bears to the profits and income within the meaning of paragraph (a) of section 3 (other than any profits and income from the sale of any capital assets or from the purchase and resale of any goods or commodities) of that undertaking for that year of assessment, the same proportion as the proportion which the amount of the new capital expenditure bears to the aggregate of the new capital expenditure and the value at the time of acquisition of any—

- (i) plant, machinery, fixtures or equipment ; and
- (ii) asset not included in sub-paragraph (i) (other than any land or building),

which has been used for the production or manufacture of any goods or commodities by such undertaking on the relevant date :

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Provided that in relation to any year of assessment where the undertaking referred to in subsection (2) is also an undertaking to which the provisions of section 17F or 17K apply, the provisions of the section which ever provides, for the higher relief shall apply in respect of such year of assessment.

Schedule

<i>Year of Assessment</i>	<i>per centum</i>
The year of assessment (hereinafter in this Schedule referred to as the "relevant year") in which the relevant date falls	10
The first year succeeding the relevant year	10
The second year succeeding the relevant year	12.5
The third year succeeding the relevant year	15
The fourth year succeeding the relevant year	17.5
The fifth year succeeding the relevant year	20

(b) the expression "relevant date", means the first day of any calendar month not earlier than November 1996, and not later than April 1998, and selected by that undertaking and notified to the Commissioner-General in writing not later than thirty days from the last date of that month :

Provided that where the relevant date is not so notified to the Commissioner-General the relevant date shall be deemed to be April 1, 1997 ;

(c) the expression, "new capital expenditure" means expenditure incurred by the undertaking in the purchase of any new—

(i) plant, machinery, fixtures or equipment ;
and

(ii) asset not included in sub-paragraph (i),
(other than any land or building)

on the acquisition and utilization of advanced technology :

Provided that any expenditure incurred for the replacement after the relevant date of any equipment which formed part of the assets of that undertaking on or before the relevant date, shall be deemed not to be new capital expenditure.'

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

Amendment of section 23 of the principal enactment.

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

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

(i) by the substitution in sub-paragraph (i) of the paragraph, for the words and figures "acquired by such person on or after April 1, 1987 and arising out of its use," of the words and figures "acquired by such person on or after April 1, 1987, but prior to April 1, 1997, and arising out of its use ;" ;

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

"(ia) any plant, machinery or fixtures (other than plant machinery or fixtures referred to in sub-paragraph (ii)) acquired by such person on or after April 1, 1997, and arising out of their use, in any trade, business, profession or vocation, carried on, or exercised, by him, at the rate of fifty *per centum*, on their cost of acquisition ;";

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(iii) in the proviso to that paragraph, by the substitution, for the words and figures "sub-paragraph (i) or sub-paragraph (ii) or sub-paragraph (iii)", of the words and figures, "sub-paragraph (i) or sub-paragraph (ia) or sub-paragraph (ii) or sub-paragraph (iii)";

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

"Provided further that where such person carries on the business of leasing, any such allowance as is referred to in subparagraphs (i), or (ia), or (ii), in respect of any plant, machinery, fixture, motor vehicle, lorry, bus, tractor, trailer or office furniture acquired by him and given out on lease in the course of such business of leasing shall, for any year of assessment commencing on or after April 1, 1997, be so deducted only in ascertaining the profits and income from such business ;";

(b) in paragraph (e) of that subsection, by the substitution for the words, "such allowance being an amount equal to thirty-three and one-third *per centum* of the cost of acquisition of such computer software ;", of the words and figures "such allowance being an amount equal to—

(i) thirty-three and one-third *per centum* of the cost of acquisition of such computer software, where such computer software is so acquired prior to April 1, 1997, and

(ii) fifty *per centum* of the cost of acquisition of such computer software, where such computer software is so acquired on or after April 1, 1997;"; and

(c) in paragraph (o) of that subsection by the substitution for the words "in the formation of that company ;" of the words "in the formation or in the liquidation of that company;";

- (2) in subsection (7) of that section by the substitution in subparagraph (1) of paragraph (a) of that subsection for the words and figures “paragraph (eee) of subsection (1)”, of the words and figures “paragraph (eee) or paragraph (eeee) of subsection (1)”.

13. Section 24 of the principal enactment amended by Act, No. 21 of 1994 is hereby further amended in subsection (1) of that section as follows :—

Amendment of section 24 of the principal enactment.

- (1) in paragraph (q) of that subsection, by the substitution, for the words and figures “entered into by him on or after April 1, 1987, in any year” of the words and figures “entered into by him on or after April 1, 1987 but prior to April 1, 1997, in any year”; and
- (2) by the insertion immediately after paragraph (q) of that subsection, of the following paragraph :—

“(qq) such part of the rental paid by him under any agreement entered into by him on or after April 1, 1997, in any year of assessment in respect of any—

- (i) plant, machinery, fixtures or equipment other than plant, machinery, fixtures or equipment referred to in sub-paragraph (ii), as is in excess of an amount equal to one-half of the total rental payable under such agreement ; and
- (ii) motor vehicle, lorry, bus, tractor, trailer or office furniture, as is in excess of any amount equal to one-fourth of the total rental payable under such agreement;”.

14. Section 29 of the principal enactment amended by Act, No. 16 of 1996 is hereby further amended as follows :—

Amendment of section 29 of the principal enactment.

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

(a) by the substitution in paragraph (a) for all the words and figures from ‘For the purposes of this paragraph the term “interest” for any year of

assessment commencing on or after April 1, 1996', to the end of that paragraph, of the following words and figures :—

'For the purposes of this paragraph the term "interest" for any year of assessment commencing on or after April 1, 1996 means any interest paid on a loan the proceeds of which are utilized—

- (i) for the construction or purchase of any building, or for the purchase of any site for the construction of any building;
 - (ii) purchase of any share in any company;
 - (iii) in any trade, business, profession or vocation.;
- (b) in paragraph (b) of that subsection—
- (i) by the substitution for the words and figures from, '(b) the amount of a loss (other than "a capital loss," to "previous year under those Acts,' of the following words and figures :—
- "(b) where such year of assessment is any year of assessment—
- (i) ending on or before March 31, 1997, the amount of a loss (other than a capital loss, a loss referred to in subsection (7), or a loss referred to in subsection (7A),) incurred by him in any trade, business, profession or vocation during any year of assessment which if it had been a profit would have been assessable under this Act, or the Inland Revenue

Act, No. 4 of 1963, and which has not been allowed against his total statutory income of a previous year of assessment under those Acts; and

(ii) commencing on or after April 1, 1997,

(a) the amount of a loss (other than such part, if any, of such loss as consists of a capital loss, a loss referred to in subsection (7) a loss referred to in subsection (7A), a loss referred to in paragraph (b) of this subparagraph, a loss attributable to any allowance for depreciation referred to in section 23(1)(eee) or to any allowance referred to in section 23(1)(eeee) or to any sum referred to in section 23(1)(f) incurred by him in any trade, business, profession or vocation during any year of assessment commencing on or after April 1, 1997 (being any year of assessment within the period of six years immediately preceding the first mentioned year of assessment), or

(b) the amount of a loss incurred by him in any agricultural undertaking (other than such part, if any, of such loss as is attributable to any allowance for depreciation referred to in section 23(1)(eee), or to any allowance referred to in section 23(1)(eeee) or to any sum

referred to section 23(1) (f),) during any year of assessment commencing on or after April 1, 1997 (being any year of assessment within the period of eleven years immediately preceding the first mentioned year of assessment),

which if it had been a profit would have been assessable under this Act and which has not been allowed against his total statutory income for any year of assessment within such period of six years or eleven years, as the case may be, under this Act.

- (c) such part, if any, of such loss as is attributable to any allowance for depreciation referred to in section 23(1) (eee) or to any allowance referred to in section 23(1) (eeee) or to any sum referred to in section 23(1) (f) incurred by him in any trade, business, profession or vocation during any year of assessment commencing on or after April 1, 1997 which, if it had been a profit, would have been assessable under this Act, and which has not been allowed against his total statutory income of a previous year of assessment, under this Act :”;
- (c) by the substitution in sub-paragraph (iii) of the proviso to that paragraph, for the words, “year of assessment in which the losses were incurred.” of the words, “in which the losses were incurred;”;

- (d) by the addition, at the end of the proviso to that paragraph, of the following paragraph :—

“(iv) the balance, if any, of any loss (other than a capital loss, a loss referred to in subsection (7) or in subsection (7A),) incurred in any year of assessment ending on or before March 31, 1997, after its deduction, in accordance with the provisions of sub-paragraph, (i) of this paragraph, from the total statutory income for the year of assessment ending on March 31, 1997, shall, for the purposes of sub-paragraph (ii) of this paragraph, be deemed to be a loss incurred in the year of assessment ending on March 31, 1998.” ;

- (2) in subsection (3) of that section—

(a) by the substitution in paragraph (a), for the words and figures “section 17H, or section 17J, or section 22A”, of the words and figures “section 17H, or section 17J, or section 17JJ, or section 22A.”;

(b) by the substitution in paragraph (b), for the words, “such entirety or portion shall be deducted from his total statutory income for the next succeeding year of assessment and so on”, of the words “such entirety or portion shall be deemed to be a loss incurred—

in the year ending on March 31, 1997, where such exemption ceases in any year of assessment ending on or before March 31, 1997, or

in the year of assessment in which such exemption ceases, where such exemption ceases, in any year of assessment commencing on or after April 1, 1997,

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

(3) in subsection (4A) of that section, by the addition at the end of that subsection of the following proviso :—

“Provided that where remains, as at the end of the year of assessment in the course of which the exempt period ends, any balance of such total after deduction therefrom such aggregate, such balance shall, for the purposes of paragraph (b) of subsection (2), be deemed to be a loss incurred in the year of assessment immediately succeeding the year of assessment in which the exempt period ends.”

Amendment of
section 30 of the
principal
enactment.

15. Section 30 of the principal enactment as amended by Act, No. 16 of 1996 is hereby further amended as follows :—

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

(a) by the substitution, in paragraph (aaaaaaa) of that subsection, for the words and figures “any year of assessment commencing on or after April 1, 1996, and”, of the words and figures “the year of assessment commencing on April 1, 1996”;

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

“(aaaaaaa) an allowance of one hundred and forty four thousand rupees in respect of any year of assessment commencing on or after April 1, 1997, and”;

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

“(b) any allowance to which he is entitled under section 31 or section 31A,” ; and

(d) by the substitution, in the proviso to that subsection, for the words “or paragraph (aaaaaaa), or paragraph (aaaaaaa) in ascertaining”, of the words “or paragraph (aaaaaaa) or paragraph (aaaaaaa) or paragraph (aaaaaaa) in ascertaining” ;

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

(a) by the substitution for the word and figures “section 31,” wherever they occur in that subsection of the words and figures “section 31 or section 31A” ;

(b) in the first proviso to that subsection—

(i) by the substitution, in paragraph (h) of that proviso, for the words and figures “any year of assessment commencing on or after April 1, 1996”, of the words and figures “the year of assessment commencing on April 1, 1996” ;

(ii) by the insertion, immediately after paragraph (h) of that proviso, of the following paragraph :—

“(j) an allowance of one hundred and forty four thousand rupees in respect of any year of assessment commencing on or after April 1, 1997” ; and

(3) in the second proviso to that subsection—

(i) by the substitution, in sub-paragraph (iii) of that proviso, for the words and figures “the year of assessment commencing on April 1, 1995 ; and”, of the words and figures “the year of assessment commencing on April 1, 1995” ;

(ii) by the substitution in sub-paragraph (iv) of that proviso, for the words and figures “any year of assessment commencing on or after April 1, 1996”, of the words and figures “the year of assessment commencing on April 1, 1996 ; and” ; and

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- (iii) by the addition, immediately after sub-paragraph (iv) of that proviso, of the following sub-paragraph :—

“(v) one hundred and forty four thousand rupees, where such year of assessment is an year assessment commencing on or after April 1, 1997 ;”.

Insertion of section 31A in the principal enactment.

16. The following new section is hereby inserted, immediately after section 31 and shall have effect as section 31A of the principal enactment :—

‘An allowance in respect of qualifying investment.

31A. (1) Subject to the succeeding provisions of this section, there shall be deducted, for the purposes of section 30, an allowance (hereinafter in this section referred to as the “investment tax allowance”) from the assessable income of any person for any year of assessment, in respect of every qualifying investment referred to in subsection (2) made or deemed to have been made by such person in that year of assessment.

(2) For the purposes of subsection (1)—

(a) “qualifying investment” in relation to any person and to any year of assessment means any sum expended by such person—

(i) on or after November 6, 1996 but prior to April 1, 1998;

(ii) in the acquisition of any new capital asset, (being any capital asset in respect of which an allowance for depreciation is deductible under section 23 read with section 24) for use, in any undertaking carried on by him, for the

production or manufacture of any goods or commodities, or in any wholesale or retail trade, or for the provision of any specified service;

(b) where any capital asset acquired by any person (being a capital asset comprised in any qualifying investment made by such person) is put to use in any undertaking referred to in sub-paragraph (ii) of paragraph (a), not later than three hundred and sixty five days after the date of acquisition of such capital asset, the qualifying investment in relation to such capital asset shall be deemed to have been made in the year of assessment in which such date of acquisition occurs.

(3) Where the qualifying investment is—

(i) an amount not less than two hundred and fifty million rupees, or is made in any undertaking located outside the limits of all the Municipal Councils situated within the administrative district of Colombo the investment tax allowance in respect of that investment shall be an amount equal to the entirety of that investment ; and

(ii) an amount less than two hundred and fifty million rupees and is made in any undertaking located within the limits of any Municipal Council situated within the administrative district of Colombo the investment tax allowance in respect of such investment shall be an amount equal to seventy-five *per centum* of such investment.

(4) The deduction, from the assessable income of any person for the year of assessment in which any qualifying investment is made, of the investment tax allowance in relation to that qualifying investment shall—

- (i) where such qualifying investment is any qualifying investment referred to in paragraph (i) of subsection (3), be an amount equal to seventy five *per centum* of such assessable income, or the entirety of such investment whichever is less,
- (ii) where such qualifying investment is any qualifying investment referred to in paragraph (ii) of subsection (3), be an amount equal to fifty *per centum* of such assessable income, or the entirety of such investment whichever is less.

(5) The balance, if any, of any investment tax allowance after its deduction, in accordance with subsection (4), shall be carried forward to the year of assessment immediately succeeding that year of assessment, and such balance so carried forward shall be deemed to be the investment tax allowance for such succeeding year of assessment, and so on, until the full amount of the investment tax allowance is deducted.

(6) The provisions of this section shall, not apply in relation to the amount invested in the acquisition of any capital asset—

- (i) in respect of which the entitlement, if any, to any rebate or waiver of customs duty in terms of the incentive scheme approved by the Government for the utilization of advanced technology, has been availed of ; or

(ii) if such asset is used or is to be used, in any undertaking referred to in sub-paragraph (ii) of paragraph (a) of subsection (2), the whole, or any part of the profits and income (within the meaning of paragraph (a) of section 3) of which, for any period during the period commencing on November 6, 1996 and ending on March 31, 1999, is entitled to any exemption from income tax ; or

(iii) if such capital asset is disposed of before the expiry of three years reckoned from the date of acquisition of such capital asset.

(7) Where an investment tax allowance has been deducted from the assessable income of any person, in relation to any capital asset—

(a) which is not used, in any undertaking referred to in sub-paragraph (ii) of paragraph (a) of subsection (2) before the expiry of three hundred and sixty five days after the date of acquisition of such capital asset ; or

(b) referred to in subsection (6),

then, in respect of the year of assessment for which such allowance was granted, an additional assessment consisting of the difference between the income tax to which the person who has been granted the allowance would have been liable if no such allowance had been granted and the amount of income tax charged for that year of assessment shall, notwithstanding anything in this Act be made in respect of that person and the provisions of this Act relating to notice of assessment appeal and other proceedings shall apply accordingly.

(8) For the purposes of this section—

- (a) the expression “provision of any specified service” means
 - (i) the supply of electricity, gas, environmental protection services, hospital services, computer software, computer programmes or computer systems ; or
 - (ii) the provision of the services of telecommunication, training in computer applications, transport, ship or aircraft repair, refurbishment of marine cargo containers, ware housing and storage, house construction ;
 - (iii) operation of hotel for tourist with the approval of the Ceylon Tourist Board ; or
- (b) the expression “date of acquisition” in relation to any capital asset and to any person means the date on which such capital asset is acquired by such person, or such other date as may be accepted as the date of acquisition by the Commissioner-General having regard to any documentary evidence adduced before him, relating to the arrangements made by such person for the acquisition of such asset ;
- (c) the term “disposal” in relation to any capital asset, has the same meaning assigned to it in section 23 (7) ;
- (d) the term “new” in relation to any capital asset means any capital asset which is proved to the satisfaction of the Commissioner-General by documentary evidence not to have been used in Sri Lanka prior to the date of acquisition of such capital asset ;
- (e) “capital asset” means any plant, machinery or equipment other than any building, fixture, fitting, utensil or any motor vehicle ;

(8) For the purposes of this section—

- (a) the expression “provision of any specified service” means
 - (i) the supply of electricity, gas, environmental protection services, hospital services, computer software, computer programmes or computer systems ; or
 - (ii) the provision of the services of telecommunication, training in computer applications, transport, ship or aircraft repair, refurbishment of marine cargo containers, ware housing and storage, house construction ;
 - (iii) operation of hotel for tourist with the approval of the Ceylon Tourist Board ; or
- (b) the expression “date of acquisition” in relation to any capital asset and to any person means the date on which such capital asset is acquired by such person, or such other date as may be accepted as the date of acquisition by the Commissioner-General having regard to any documentary evidence adduced before him, relating to the arrangements made by such person for the acquisition of such asset ;
- (c) the term “disposal” in relation to any capital asset, has the same meaning assigned to it in section 23 (7) ;
- (d) the term “new” in relation to any capital asset means any capital asset which is proved to the satisfaction of the Commissioner-General by documentary evidence not to have been used in Sri Lanka prior to the date of acquisition of such capital asset ;
- (e) “capital asset” means any plant, machinery or equipment other than any building, fixture, fitting, utensil or any motor vehicle ;

- (f) "allowance for depreciation" has the same meaning assigned to it in section 23 (7) ;
- (g) "motor vehicle" means any mechanically propelled vehicle not being a motor ambulance, lorry, tractor, hand tractor, trailer or a motor coach constructed for the carriage of not less than thirty persons ;
- (h) "hospital services" means the services authorised to be provided by an institution registered under the Nursing Home Regulation Act (Chapter 220) for indoor patients.

17. Section 32 of the principal enactment as amended by Act, No. 16 of 1996 is hereby further amended as follows :—

Amendment
of section 32
of the
principal
enactment.

- (1) in paragraph (a) of subsection (1) of that section—
 - (a) in sub-paragraph (ix) of that paragraph by the substitution, for the words and figures "any year of assessment commencing on or after April 1, 1996", of the words and figures "the year of assessment commencing on April 1, 1996"; and
 - (b) by the addition at the end of that paragraph of the following sub-paragraph :—
 - "(x) in respect of any year of assessment commencing on or after April 1, 1997, at the appropriate rates specified in Part IIH of the First Schedule to this Act ;";
- (2) in the proviso to subsection (1) of that section—
 - (a) by the substitution, in sub-paragraph (vi) of that proviso, for the words and figures "for any year of assessment commencing on April 1, 1995 ;" and, of the words and figures "for the year of assessment commencing on April 1, 1995 ;";

(b) by the substitution, in sub-paragraph (vii) of that proviso, for the words and figures “for any year of assessment commencing on or after April 1, 1996;”, of the words and figures “for the year of assessment commencing on April 1, 1996; and”; and

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

“(viii) one hundred and forty four thousand rupees for any year of assessment commencing on or after April 1, 1997”; and

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

(a) by the substitution, in paragraph (b) of that subsection, for the words “one million five hundred thousand rupees”, of the words “one million eight hundred thousand rupees”;

(b) by the substitution, in sub-paragraph (ix) of that subsection for the words and figures “any year of assessment commencing on or after April 1, 1996”; of the words and figures “the year of assessment commencing on April 1, 1996; or”; and

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

“(x) Part IIH of the First Schedule to this Act in respect of any year of assessment commencing on or after April 1, 1997;”.

Amendment
of section
32EEE of the
principal
enactment.

18. Section 32EEE of the principal enactment amended by Act, No. 16 of 1996 is hereby further amended in paragraph (d) of subsection (1) of that section by the substitution for the words and figures “any year of assessment commencing on or after April 1, 1996”, of the words and figures “the year of assessment commencing on April 1, 1996”.

(b) by the substitution, in sub-paragraph (vii) of that proviso, for the words and figures “for any year of assessment commencing on or after April 1, 1996;”, of the words and figures “for the year of assessment commencing on April 1, 1996; and”; and

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

“(viii) one hundred and forty four thousand rupees for any year of assessment commencing on or after April 1, 1997”; and

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

(a) by the substitution, in paragraph (b) of that subsection, for the words “one million five hundred thousand rupees”, of the words “one million eight hundred thousand rupees”;

(b) by the substitution, in sub-paragraph (ix) of that subsection for the words and figures “any year of assessment commencing on or after April 1, 1996”; of the words and figures “the year of assessment commencing on April 1, 1996; or”; and

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

“(x) Part IIH of the First Schedule to this Act in respect of any year of assessment commencing on or after April 1, 1997;”.

Amendment
of section
32EEE of the
principal
enactment.

18. Section 32EEE of the principal enactment amended by Act, No. 16 of 1996 is hereby further amended in paragraph (d) of subsection (1) of that section by the substitution for the words and figures “any year of assessment commencing on or after April 1, 1996”, of the words and figures “the year of assessment commencing on April 1, 1996”.

19. Section 33A of the principal enactment amended by Act, No. 27 of 1995 is hereby further amended as follows :—

Amendment of section 33A of the principal enactment.

(1) in subsection (2) of that section by the substitution for all the words and figures from “Such deduction”, to the end of that subsection, of the words and figures, “Such deduction shall, where such year of assessment is any year of assessment ending prior to April 1, 1997, not exceed fifty *per centum* of the aggregate of the tax payable under—

(i) section 33 (1) (a) ; and

(ii) section 32F or section 32H or section 32k or section 32M or section 32N,

by that company in that year of assessment ; and”.

(2) in subsection (3) of that section by the substitution for the words “for any year of assessment shall not exceed fifty *per centum*”, of the words and figures, “for any year of assessment ending prior to April 1, 1997, shall not exceed fifty *per centum*”.

20. Section 73 of the principal enactment as amended by Act No. 16 of 1996 is hereby further amended in subsection (1A) of that section as follows :—

Amendment of section 73 of the principal enactment.

(1) in paragraph (vi) of that subsection by the substitution for the words and figures “for the year of assessment commencing on April 1, 1995 ; and”, of the words and figures “for the year of assessment commencing on April 1, 1995”;

(2) in paragraph (vii) of that subsection by the substitution for the words and figures “any year of assessment commencing on or after April 1, 1996;”, of the words and figures “the year of assessment commencing on April 1, 1996 ; and”; and

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

“(viii) one hundred and forty four thousand rupees for any year of assessment commencing on or after April 1, 1997”.

Amendment of section 81A of the principal enactment.

21. Section 81A of the principal enactment amended by Act, No. 27 of 1982 is hereby further amended in subsection (1) of that section by the substitution for the words "income tax equal to thirty-three and one-third *per centum* of the amount of such payment", of the words and figures "income tax equal to—

(i) thirty-three and one-third *per centum* of the amount of such payment, where such payment is made prior to April 1, 1997; and

(ii) fifteen *per centum* of the amount of such payment where such payment is made on or after April 1, 1997."

Amendment of section 99 of the principal enactment.

22. Section 99 of the principal enactment as amended by Act, No. 16 of 1996 is hereby further amended by the repeal of subsection (1) of that section and the substitution therefor, of the following subsection :—

' (1) Every employer who employs—

(a) an individual who receives remuneration in excess of twelve thousand rupees per mensem or one hundred and forty four thousand rupees per annum ; or

(b) any non-resident individual receiving remuneration for services rendered in Sri Lanka in excess of eighty five rupees per mensem or one thousand rupees per annum ; and

who has not given notice to the Commissioner-General under subsection (1) of section 107c of the Inland Revenue Act, No. 4 of 1963 or under this Chapter of this Act, shall give notice to the Commissioner-General not later than September 30, 1997 that he has in his employ such individual (hereinafter in this Chapter referred to as a "specified employee") '.

23. Section 113 of the principal enactment is hereby amended as follows :—

Amendment of section 113 of the principal enactment.

- (1) in the definition of “employer” by the substitution for the words “The secretary, manager or other principal officer”, of the words “The director, secretary, manager, or other principal officer”;
- (2) by the insertion, immediately after the definition of “pay period”, of the following definition :—

“principal officer” in relation to any company or body of persons means any person to whom a notice has been given under any provision of this Chapter or of Chapter XXI on behalf of that company or, body of persons unless he proves that he has no connection with that company or body of person or that some other person resident in Sri Lanka is the principal officer thereof.’

24. Section 113A of the principal enactment as amended by Act, No. 21 of 1994 is hereby further amended in subsection (1) of that section as follows :—

Amendment of section 113A of the principal enactment.

- (1) in paragraph (i) of that subsection, by the substitution for the words and figures “any year of assessment commencing on or after April 1, 1986 but prior to April 1, 1992; and ”, of the words and figures “any year of assessment commencing on or after April 1, 1986 but prior to April 1, 1992 ;”;
- (2) in paragraph (ii) of that subsection, by the substitution for the words and figures “any year of assessment commencing on or after April 1, 1992”, of the words and figures “any year of assessment commencing on or after April 1, 1992 but prior to April 1, 1997 ; and”;
- and
- (3) by the insertion, immediately after paragraph (ii) of that subsection, of the following paragraph :—

“(iii) ten *per centum* of the interest so payable where such year of assessment is any year of assessment commencing on or after April 1, 1997”.

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Amendment of section 113c of the principal enactment.

25. Section 113c of the principal enactment inserted by Act, No. 56 of 1985 is hereby amended in paragraph (a) of subsection (4) by the substitution for the words "the interest paid by it, in any year of assessment, to persons chargeable with income tax under this Act", of the words "the interest paid to any person in any year of assessment".

Amendment of section 113k of the principal enactment.

26. Section 113k of the principal enactment inserted by Act, No. 16 of 1996 is hereby amended as follows :—

(1) in subsection (1) of that section, by the substitution for the words "income tax at the rate of three *per centum* of such specified fee", of the words "income tax at the rate of—

(i) three *per centum* of such specified fee where such year of assessment is any year of assessment commencing on or after April 1, 1992 but prior to April 1, 1997; and

(ii) five *per centum* of such specified fee where such year of assessment is any year of assessment commencing on or after April 1, 1997.";

(2) in paragraph (a) of subsection (2) by the substitution for the words "on behalf of any other person or partnership", of the words "on behalf of any other person or persons, or partnership or partnerships".

Amendment of section 113M of the principal enactment.

27. Section 113M of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words and figures "any year of assessment commencing on or after April 1, 1993.", of the words and figures "any year of assessment commencing on or after April 1, 1993, but prior to April 1, 1997".

Amendment of section 113N of the principal enactment.

28. Section 113N of the principal enactment is hereby amended by the substitution for the words and figures "any year of assessment commencing on or after April 1, 1993.", of the words and figures "any year of assessment commencing on or after April 1, 1993, but prior to April 1, 1997".

29. Section 113p of the principal enactment is hereby amended by the substitution for the words and figures “for any year of assessment commencing on or after April 1, 1993, in respect of”, of the words and figures “for any year of assessment commencing on or after April 1, 1993 but prior to April 1, 1997, in respect of”.

Amendment of section 113p of the principal enactment.

30. Section 113s of the principal enactment is hereby amended by the substitution for the words “employer and which is paid by such employer”, of the words and figure “employer and which is paid, in accordance with the provisions of section 113M, by such employer”.

Amendment of section 113s of the principal enactment.

31. Section 151 of the principal enactment is hereby amended in paragraph (iii) of subsection (2) of that section, by the substitution for the words and figures “or (e) of section 103,”, of the words and figures “or (e) of section 103, or subsection (2) of section 113A,”.

Amendment of section 151 of the principal enactment.

32. The First Schedule to the principal enactment as amended by Act No. 16 of 1996, is hereby further amended as follows :—

Amendment of the First Schedule to the principal enactment.

(1) in Part IIg of that Schedule by the substitution, for the words and figures “The rates of income tax for any year of assessment commencing on or after April 1, 1996, shall be as follows :—”, of the words and figures “The rates of income tax for the year of assessment commencing on April 1, 1996, shall be as follows :—”;

(2) by the insertion immediately after Part IIg of that Schedule, of the following Part :—

“PART IIB

The rates of income tax for any year of assessment commencing on or after April 1, 1997 shall be as follows :—

On the first Rs. 100,000 of the taxable income	10 per centum
On the next Rs. 100,000 of the taxable income	15 per centum
On the next Rs. 100,000 of the taxable income	25 per centum
On the balance of the taxable income	35 per centum.”;

(3) Part IV of that Schedule is hereby amended as follows :—

(a) in paragraph (c) of that Part by the substitution for the words and figures “for any year of assessment commencing on or after April 1, 1990—”, of the words and figures “for any year of assessment commencing on or after April 1, 1990 but prior to April 1, 1997”;

(b) by the addition immediately after paragraph (c) of that Part, of the following paragraph :—

“(d) for any year of assessment commencing on or after April 1, 1997—

On the first Rs. 400,000	Nil
On the next Rs. 100,000	5 per centum
On the next Rs. 100,000	10 per centum
On the balance	15 per centum”.

33. The Seventh Schedule to the principal enactment as amended by Act No. 16 of 1996 is hereby further amended as follows :—

(1) by the substitution, for the words and figures “for every year of assessment commencing on April 1, 1994 ; shall be as follows :—”, of the words and figures “for every year of assessment commencing on or after April 1, 1994 but prior to April 1, 1997 shall be as follows :—”;

Amendment of the Seventh Schedule to the principal enactment.

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- (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, 1997, 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 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 17 per centum
 - (c) out of profits which are taxed in accordance with the provisions of section 32F 11 per centum ;
- (ii) on the amount equal to the amount of every qualifying distribution made by a unit trust or 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 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 8 per centum
 - (c) out of profits which are taxed in accordance with the provisions of section 32F 5 per centum ;”.

Retrospective
effect.

34. (1) The amendment to section 9(1) (*bb*) of the principal enactment made by section 4(1) of this Act shall be deemed for all purposes to have come into force on November 22, 1995.

(2) The amendment to section 29 of the principal enactment made by section 14(1) (*a*) of this Act shall be deemed for all purposes to have come into force on April 1, 1996.

(3) Section 16 of this Act shall be deemed for all purposes to have come into force on November 6, 1996.

(4) The amendments to sections 4(1) (*d*), 9(1)(*bbb*), 9(1)(*o*) of the principal enactment and the insertion of 9(1)(*p*) in the principal enactment made by sections 2(2) and 4(2) to 4(6) of this Act shall be deemed for all purposes to have come into force on April 1, 1997.

(5) The amendments to sections 23, 24, 29, 30, 32, 32EEE, 33A, 73, 81A, 113A, 113K, 113M, 113N, 113P, 113S of the principal enactment made by sections 12, 13, 14, 15, 17, 18, 19, 20, 21, 23, 25, 26, 27, 28 and 29 of this Act shall be deemed for all purposes to have come into force on April 1, 1997.

(6) The amendments made to the First and Seventh Schedules to the principal enactment made by sections 32 and 33 of this Act shall be deemed for all purposes to have come into force on April 1, 1997.

Sinhala text to
prevail in case of
inconsistency.

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

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