



DEPARTMENT OF INLAND REVENUE

INCOME TAX

Amendment to the Inland Revenue Act No. 10 of 2006

The Inland Revenue (Amendment) Bill (to amend the Inland Revenue Act No 10 of 2006) was passed by parliament on March 25, 2009. The following main changes arising therefrom are applicable with effect from April 1, 2009.

1. Tax Rates – Individuals

Tax rates schedule applicable to individuals is revised by expanding the tax slabs as follows:

Taxable Income Slab (Rs.)	Tax Rate	Taxable Income (Rs.)	Tax(Rs.)
1 st 400,000	5%	400,000	20,000
next 400,000	10%	800,000	60,000
next 400,000	15%	1,200,000	120,000
next 500,000	20%	1,700,000	220,000
next 500,000	25%	2,200,000	345,000
next 500,000	30%	2,700,000	495,000
Balance	35%		

2. Withholding tax (WHT)

Provisions relating to WHT on interest from moneys deposited by or on behalf of any individual, in any bank or financial institution are revised as follows:

If any interest is paid or credited to an individual in any year of assessment and such individual makes in writing a declaration to the branch of the bank or financial institution to the effect that-

- His/her assessable income (including such interest) for that year of assessment does not exceed Rs. 300,000/-, then no tax is deducted from such interest ; or
- His/ her assessable income (including such interest) for that year of assessment exceeds Rs 300,000, but does not exceed Rs 1,000,000, then tax is deducted at 2 ½% from such interest; or
- His/ her assessable income (including such interests) for that year of assessment exceeds Rs. 1, 000,000, then tax is deducted at 10% from such interest. (whether a declaration is made or not)

(The above declaration facility is not applicable to interest or discount on Certificate of deposits. The WHT is deducted at the rate of 10% up front)

3. Exemptions

- (i) Profits from employment of any non citizen individual who is a scientist, technician, expert or adviser, and who is brought to and employed in Sri Lanka by any undertaking entered into an agreement with BOI under section 17 of the BOI Law, prior to December 31, 1994, during the tax holiday period under such agreement.
- (ii) Any export development rebate paid to an exporter by the export Development Board.
- (iii)
 - (a) the interest income of Lady Lochore Loan Fund on loans granted to employees of the Government.
 - (b) profits and income equal to the interest or discount paid or allowed to any non resident person or licensed commercial bank in Sri Lanka, by the issuer of any sovereign bond denominated in foreign currency (issued on or after October 21, 2008) by or on behalf of the Government of Sri Lanka.
 - (c) profits and income equal to the interest or discount paid or allowed, to any person on any Sri Lanka Development Bond denominated in US\$ issued by the Central Bank of Sri Lanka.
- (iv) the profits and income derived by or accruing to :
 - (a) any non resident person or any licensed commercial bank from the sale of any sovereign bond denominated in foreign currency (issued on or after October 21, 2008) by or on behalf of the Government of Sri Lanka, or
 - (b) any person from the sale on or after April 1, 2009, of any Sri Lanka Development bond denominated in US\$ issued by the Central Bank of Sri Lanka.
- (v) 50% of the profits and income of:
 - (a) the writer of any book (from the sale or any other means of that book) whether published by himself or by any other person, for a period of one year from the date of its first publication.
 - (b) the producer (of a drama) for a period of one year from the date of its first public performance.
- (vi) the profit or income from any song or other musical composition, derived by or accruing to the lyricist, the composer of the music or the singer of such song or musical composition.
- (vii) the profits and income derived by or accruing on or after February 1, 2009, to any person or partnership from investment in Economic Resurgence Certificates utilizing moneys lying to credit in foreign currency in any account opened in any commercial bank or specified bank with the approval of the Central bank Sri Lanka, from and out of monies deposited in that account on or after February 1, 2009.
- (viii) the profits and income for a period commencing from April 1, 2009 and ending on March 31, 2011, earned in foreign currency by any resident company, any resident individual or any partnership in Sri Lanka from any service rendered in or outside Sri

Lanka to any person or partnership outside Sri Lanka, if such profits are remitted to Sri Lanka through a bank in Sri Lanka.

- (ix) the 5 year tax holiday on profits and income from any upgraded cinema is extended to 7 years.

4. Other tax concessions

- (i) Profits from export of non traditional products are eligible to be taxed at a concessionary rate of not exceeding 15%. Black tea in bulk is a traditional product for tax purposes. Tea packets containing not more than 1kg in a packet or package form are defined not to be black tea in bulk. (i.e. not to be a traditional product)
- (ii) The maximum income rate applicable on profits from employment of employees providing professional services to any person or partnership which is exempt from income tax, (being a person or partnership providing professional services to a person or partnership outside Sri Lanka for payment in foreign currency under Section 13(ddd) of the Inland Revenue Act or if not entered into an agreement with BOI) is 20%, if such employees are paid for in foreign currency.

5. Date of submission of Returns

The statutory date for the submission of return is changed from 30th September (immediately succeeding the end of the year of assessment) to 30th November.

6. Time bar provisions

If the return of income for any year of assessment has been submitted on or before the due date, then the period before which an assessment could be made is now 2 years from the end of that year of assessment.

If the return has not been submitted on time, then the period before which an assessment could be made is extended to 4 years from the end of that year of assessment.

7. Tax on distributable profits.

The last date for payment of 15% tax on a specified part of distributable profits of a Company is now extended to “October 30” (from September 30)

For further clarification please contact :

Secretariat – Tel. No. 060-2009260, 060-2009262, 060-2009248, 060-2009238

Commissioner General of Inland Revenue



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