

SEC 2009 / 11

DCGS/ SCC/ CC/ DCC/AA.I.C/ SAA/AA

## **Inland Revenue (Amendment) Act No. 19 of 2009**

### *Explanatory Notes and Instructions*

The Inland Revenue Act No. 10 of 2006 (referred to in this note as the " principal enactment") has been amended by the Inland Revenue (Amendment) Act No.19 of 2009 certified on 31<sup>st</sup> March 2009 (referred to in this note as the "Amendment Act") to incorporate among others, the provisions designed to give legal effect to the 2009 Budget Proposals. This note is intended to guide the officers of the Department in the interpretation and the application of the relevant provisions of the Act as so amended and thereby to ensure the uniform application of the relevant provisions.

Unless stated otherwise amendments take effect from April 1, 2009.

Mahinda Medagoda  
Commissioner General of Inland Revenue

## **1. Exemptions / Concessions**

### **1.1 Institutions**

**(Amendment made to Section 7 of the principal enactment)**

- **the Telecommunications Regulatory Commission**  
**(Amendment to section 7(b) of the principal enactment)**

Profits and income of the Telecommunications Regulatory Commission of Sri Lanka, established by the Sri Lanka Telecommunications Act, No.25 of 1991, other than any interest or dividend are exempt from income tax for any period commencing on or after April 1, 2009. (Paragraph (ix) is included in section 7(b) of the Act)

- Clause 2 of the Amendment Act

### **1.2 Employment Income**

**(Amendment to Section 8 of the principal enactment)**

- **Employment income of Non-Citizen experts {Amendments to sections 8(1)(d) & 8(3) }**

The exemption under Section 8(1) (d) or 8 (3) on employment income (from Sri Lanka) of non citizen experts brought to and employed in Sri Lanka by any BOI undertaking which is exempt from income tax under an agreement entered into with BOI prior to December 31, 1994, (on an application made in that behalf prior to November 11, 1993) under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1978 during the period of such exemption, which was terminated with effect from April 1, 2008, was reintroduced as if it was not withdrawn. It means that the exemption continue to apply without change.

- Clause 3 of the Amendment Act

### **1.3 Interest Income**

**(Amendment to Section 9 of the principal enactment)**

- (i) The present exemption under Section 9(f), on the interest accruing to any person on moneys invested in Sri Lanka Development Bonds (in United States Dollars) issued by the Central Bank of Sri Lanka, is terminated with effect from March 31, 2009 and this exemption is now provided under Section 13 as its paragraph (xxxx). {Clause 5(3) of the Amendment Act. }

Now, the quantum of profits exempt is an amount equal to the interest paid or discount allowed. Accordingly, the exemption is applicable respective of whether the source of income is interest or trade profit.

- Clause 4(1) & Clause 5(3) of the Amendment Act

- (ii) A new exemption is introduced with effect from April 1, 2009 in respect of the interest accruing to Lady Lochore Loan Fund on any loan granted by such Fund to any employee, of any Government Institution as defined in Section 132 of this Act. (Insertion of paragraph (n) of section 9)

- Clause 4(2) of the Amendment Act

## 1.4 Miscellaneous Exemptions

### (i) Services for payment in foreign currency [S. 13(ddd)]

The section 13(ddd) is introduced widening the scope of the exemption available under section 13(ddd) for the specific period of two years commencing from April 1, 2009, by expanding the types of “services provided in the course of any profession or vocation” required to be gazetted as referred to in that section, to cover **any service (without any gazetting requirement)**.

Accordingly, the Profits and income,

- Earned in **foreign currency**,
- for the period **01.04.2009 to 31.03.2011**,
- by any **resident company, resident individual or partnership in Sri Lanka**,
- from **any service** rendered in or outside Sri Lanka,
- to any person or partnership outside Sri Lanka,

are exempt from income tax, if such profits and income (less such amount, if any, expended outside Sri Lanka as is considered by the Commissioner- General to be reasonable expenses) are remitted to Sri Lanka, through a bank

Services rendered as referred to in the new section may cover any form of service rendered directly to a person or partnership outside Sri Lanka. However, such a person or partnership (outside Sri Lanka) should actually and completely be out of Sri Lanka.

**Existence of any business connection or permanent establishment (PE) in Sri Lanka, of an enterprise of any other country, would be an evidence to show that such enterprise is not a person completely outside Sri Lanka.**

Note:- The services specified by the commissioner General for the purpose of Section 13 (ddd) under the Gazette Notice No. 1565/19 dated 5.11.2008, have also been expanded by the Gazette notice No. 1627/31 dated November 13, 2009, by adding “any other service considered by the Commissioner General in the interest of National Economy in Sri Lanka.”

Such consideration by the Commissioner General will be on case by case basis.

### (ii) Section 13 is also amended by the insertion of the following new paragraphs

- (a) Paragraph **(qq)** to provide for exemption of 50% of the profits and income of a writer
- derived from the sales or from any other means of any book written by him;
  - whether published by himself or by any other person;
- for a period of one year commencing from the date of its first publication. (on or after April 1, 2009)

- Clause 5 (2) of the Amendment Act

- (b) Paragraph (qqq) to provide for exemption of 50% of the profits and income of a producer of (a drama)
- derived from the production of any drama for a period of one year commencing from the date of its first public performance (on or after April 1, 2009).

“drama” means a theatrical presentation based on a text, either written, oral or otherwise, which through dramatic performance by actors on a stage or any other suitable space, conveys a story or any other narrative, for a collective public audience.

- Clause 5 (2) of the Amendment Act

- (c) Paragraph (qqqq) to provide for exemption of

- Any export development rebate ;
- Received by any exporter under the Export Development Reward Scheme, with open ended application.

The Reward scheme was earlier administered by the Export Development Board. But now it is administered by the Department of Commerce. The change of the administering institution has no effect to the exemption provided.

- Clause 5 (2) of the Amendment Act

- (d) Paragraph (xxx) to provide for an exemption of **an amount equal to the interest or the discount** paid or allowed to any non resident person or any licensed commercial bank of 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. (The exemption is applicable to the gross amount of interest)

- Clause 5 (3) of the Amendment Act

- (e) Paragraph (xxxx) to provide for exemption of an **amount equal to the interest** or the discount paid or allowed to any person on or after April 1, 2009, on any Sri Lanka Development Bond denominated in United States Dollars, issued by the Central Bank of Sri Lanka (As explained in Para 1.3(i), the exemption is now applicable to trade profits equal to the gross amount of interest).

- Clause 5 (3) of the Amendment Act

- (f) Paragraph (xxxxx) to provide for exemption of the profits and income derived by or accruing to:

- any non resident person or any licensed commercial bank from the sale of any sovereign bond referred to in paragraph (xxx) of Section 13 ; or
- any person from the sale on or after April 1, 2009, of any Sri Lanka Development Bond referred to in paragraph (xxxx) of Section 13.

- Clause 5 (3) of the Amendment Act

- (g) Paragraph (**yyy**) to provide for exemption of the profits or income from any song or other musical composition, derived on or after April 1, 2009 by or accruing to the lyricist, the composer of the music or the singer of such song or musical composition.

- Clause 5 (4) of the Amendment Act

- (h) Paragraph (**zzzz**) to provide for exemption of the profits and income derived on or after Feb 1, 2009 by or accruing to any person or partnership from investment in Economic Resurgence Certificates utilizing money lying to credit out of deposits made on or after 01/02/2009, of any account referred to in section 9(d).

(Note: this exemption is not applicable on investments made out of the money deposited prior to 1/2/2009 which remains in the account)

- Clause 5 (5) of the Amendment Act

### **1.5 Exemptions of the profits from Agricultural undertakings**

#### **(Amendments to Section 16 of the principal enactment)**

##### **(i) Processing of agricultural produce**

Where an undertaking consists of the production of any agricultural, horticultural or dairy produce and utilizing such produce to manufacture any product [other than any product specified under Section 16 (2) (c)], then

- such produce is deemed to have been sold for the manufacture of such product at the open market price prevailing at the time of such deemed sale, and
- the exemption under Section 16(1) is applicable to that undertaking, on the profits and income computed on the basis of such deemed sale

Under the provision existed prior to the amendment, the exemption on the basis of deemed profits was applicable only in relation to **green leaf**.

##### **(ii) Black Tea in Bulk**

The expression “**Black tea in bulk**” in the definition of non traditional goods is replaced with the expression “black tea not in **packet or package form each weighing not more than 1kg**”

**Accordingly, tea packets containing more than 1kg of black tea in a packet will be “black tea in bulk”**

Prior to this amendment, the term “black tea in bulk” was open for interpretation.

[S 17(4)(c) and (d)],

- Clause 6 (2) of the Amendment Act

## **1.6 Definition of non-traditional products**

### **(Amendments to Section 17 and Section 60 of the principal enactment)**

In the definition of “non traditional products” in Section 17(4) (c) & (d) and Section 60, the term “black tea in bulk” has been replaced with “black tea not in packet or package form and each packet or package weighing not more than one kilogram”.

-Clause 7(1) & (2), & Clause 14 of the Amendment Act

## **1.7 Exemptions for the income from new or upgraded Cinema**

### **(Amendments to Section 24A of the principal enactment)**

The present 5 year exemption granted on the profits and income from exhibition of any cinematographic film in an upgraded cinema referred to in Section 24A is extended to 7 years.

- Clause 8 (1) & (2) of the Amendment Act

## **1.8 Concessionary rates applicable on profits and income from services rendered outside Sri Lanka by any resident company or partnership**

### **(Amendments to Section 57 of the principal enactment)**

With the introduction of sections 13(ddd) and 13(dddd), the effect of Section 57 became meaningless. Therefore, effective from 1.4.2009, the application of this Section terminated.

- Clause 13 of the Amendment Act

## **2. Allowance in respect of Qualifying Payments (Section 34)**

### **2.1 Profits remitted to the President’s Fund by any Public Corporation**

#### **(Amendments to Section 34 of the principal enactment)**

Where any public corporation is required, in terms of the law by or under which such corporation is established, to remit any profits of such corporation to the President’s Fund, the profits so remitted can now be deemed to be donations made to such Fund. Therefore, any profits so remitted on or after April 1, 2009 can be treated as a qualifying payment.

- Clause 10 (1) of the Amendment Act

### **2.2 Donations to the Institute of Engineers**

#### **(Amendments to Section 34 of the principal enactment)**

Any donation made by any person in money to “the Institution of Engineers, Sri Lanka, incorporated by the Institution of Engineers, Sri Lanka Act No.17 of 1968” on or after April 1, 2009 is a qualifying payment. This Institution is added as sub-paragraph (xii) of the paragraph (f) of the subsection (2) of the Section 34.

- Clause 10 (3) of the Amendment Act

### 3. Taxation of Airline Pilots (Section 40 A)

The application of the concessionary rates on employment income of Airline pilots referred to in section 40A, introduced w.e.f. 1/4/2008, was replaced with a new 40 A to provide a clarity in the application of concessionary rates where the taxable income of an individual (citizen of Sri Lanka) includes employment income as a pilot under any air line licensed in Sri Lanka.

Accordingly, if the taxable income of any citizen of Sri Lanka, for any Y/A commencing on or after April 1, 2008, includes

- any profits from employment as a pilot under any airline licensed under the Air Navigation Act (Chapter 365), referred to as “relevant profits” and
- the rate of income tax payable on a part of such taxable income exceeds 20% (referred to as the “relevant part of the taxable income”) then the tax payable on the relevant part of the taxable income is computed as follows:-

(a) Where the relevant part of the taxable income exceeds the amount of relevant profits:

- (i) Tax payable on such portion of the relevant part of the taxable income as is equal to the amount of such relevant profits, shall be computed at the rate of Twenty *per centum* (20%); and
- (ii) The tax payable on the balance of the relevant part of the taxable income, shall be computed according to such of the rates above twenty *per centum*, under the First Schedule to the Act: or

(b) Where such relevant part of taxable income does not exceed the amount of the relevant profits, the tax payable on the entirety of relevant part of the taxable income, shall be computed at the rate of twenty *per centum*.

#### **Example :** Year of Assessment 2009/2010

A person who is a citizen of Sri Lanka starts his employment as a pilot (of an air line licensed in Sri Lanka) on April 1, 2009 for a salary of Rs. 100,000/- per month (all inclusive). He has, in addition, a business income of Rs. 2,396,000/- (adjusted). Tax payable for the Y/A 2009/10 should be calculated as follows:-

Employment Income (Rs.100,000/- X 12)	Rs: 1,200,000 (Relevant profits)
Business Income	<u>2,396,000</u>
Total Statutory Income	<u>3,596,000</u>
Assessable Income	3,596,000
Less: Tax Free allowance	(300,000)
Qualifying Payments (EPF etc.)	<u>(75,000)</u>
Taxable Income	3,221,000

Tax Payable	First Rs. 400,000/- X 5%	20,000
	Next Rs. 400,000/- X 10%	40,000
	Next Rs. 400,000/- X 15%	60,000
	Next Rs. 500,000/- X 20%	100,000
	Balance Rs: 1,521,000/- (this is the relevant part of the taxable income, as tax rate applicable on that part is more than 20%)	
	Here, the relevant part of the taxable income is more than the amount of the relevant profits (1,200,000/-)	
	Next Rs. 1,200,000/- X 20%	240,000
	Balance Rs. 321,000/- X 25%	80,250
	(If the relevant part of the taxable income was not more than the amount of the relevant profits, then the tax on the entire relevant part of taxable income could have been at 20%)	

Tax Payable Rs. 540,250/-

- Clause 11 of the Amendment Act

#### 4. Taxation of qualified profits of qualified individuals (Section 40 B)

**Qualified profits** of any **qualified individual** for any year of assessment commencing on or after **April 1, 2009** will be taxed only at rates not exceeding 20% (i.e. max. rate is 20%).

- **Qualified individual** is an individual employed under any qualified person and providing, in the course of that employment, a service being “a service rendered in the course of any profession or vocation” as specified by the CGIR by notice published in the Gazette, for the purpose of section 13(ddd)

Gazette No. 1565/16 dated 05.09.2008, and

Gazette No. 1627/31 dated 13.11.2009 contain the services specified by the Commissioner General for this purpose.

- **Qualified profits** are profits from employment under any **qualified person**, **paid in foreign currency**.
- **Qualified person** is a person or partnership, whose profits and income are fully or partly exempt from income tax under section 13(ddd) of the Inland Revenue Act, or would have been exempt under that section (in the case of a BOI company) had such person or partnership not entered into an agreement with the BOI

For a qualified individual to be entitled for the concessionary rates, the respective **qualified person** is required to **certify** that, **the total qualified profits paid in any Y/A to all qualified individuals employed** by such qualified individual,

- **Does not exceed total earnings of that person in foreign currency, the profits and income attributable to which are exempt from income tax under section 13 (ddd), or would have exempt under that section, had such person not entered into an agreement with BOI, and**
- **earned in the preceding Y/A.**

To apply the aforesaid concessionary rates, in addition to the above, the services of the qualified individual to the qualified person should be directly related to such qualified person's earning of profits which are exempt under section 13(ddd).

However, if such services of a qualified individual employed by any qualified person is not directly related to the earning of the profits exempt under section 13(ddd), but related to such profits, then the remuneration of such qualified individual whose services are not directly related (but related) to the profits exempt under section 13(ddd), should be reduced proportionately and apply the abovementioned concessionary rates as referred to in the said section 40B.

To reduce the profits for the application of concessionary rate, the proportion "**profits exempt under aforesaid section to the total profits of the company in the respective year of assessment**" may be applied.

**PAYE TAX TABLE FOR EMPLOYEES REFERRED TO IN SECTION 40B - Y/A 2009/10**

**(Deductions have been made on account of resident tax free allowance of Rs. 300,000 and 8% on the gross remuneration as contribution to an approved Provident Fund)**

**Monthly Remuneration (Rs.)**

<u>From</u>	-	<u>To</u>	<u>Tax</u>
0	-	27,184	- Nil
27,185	-	63,406	- MR x 4.6% less Rs. 1,250
63,407	-	78,125	- MR x 9.2% less Rs. 4,167
78,126	-	97,917	- MR x 10% less Rs.4,792
97,918	-	131,250	- MR x 15% less Rs.9,687
131,251	-	above	- MR x 20% less Rs. 16,250

**MR = Monthly Remuneration**

If the tax is borne by the Employer, in addition to the above, tax on tax is also payable.

**Tax on Tax Rates**

<u>From</u>	-	<u>To</u>	<u>Tax on Tax Rate</u>
0	-	1,667	5.26%
1,668	-	5,000	11%
5,001	-	10,000	17.65%
10,001	-	above	25%

(Please note

- (i) the concessionary rates may not be applicable to all the employees of the qualified person,
- (ii) the qualified person may pay qualified profits and other profits to the same employee. In that case, an adjustment should be made at the end of the year of assessment, by the application of normal tax table.)

## Example:

N Ltd provides the services of software development, data processing, database development and system design to client outside Sri Lanka for which payment is received in foreign currency. The employees who are directly involved in the provision of such services are paid in foreign currency (received in relation to such services). The company has maintained separate records to prove the conditions specified in Section 40B of the Act.

- (i) Mr. A is a qualified individual (employee) working for N Ltd and he is entitled to the rate concession referred to in Section 40B. He receives monthly remuneration equivalent to Rs. 100,000/- in US\$ and the tax is borne by the N Ltd.
- (ii) Mr. B is also an employee of the N Ltd. and he involved in both the services, [ie service as specified under Section 13 (ddd) and administration work of the N Ltd.] He receives monthly a sum equivalent to Rs. 25,000/- in US\$ for professional services and Rs. 175,000/- for the administration work.(taxes are not borne by the Company)

The PAYE tax table applicable to employees referred to in section 40B is used by N Ltd to pay the monthly PAYE taxes of both Mr. A and Mr. B for the year of assessment 2009/10. In respect of Mr. A and Mr. B, taxes paid under PAYE are as follows:-

### Mr. A

Tax (Rs. 100,000/- X 15%) – 9687 = Rs. 5,313/-  
Tax on Tax ( Rs. 5,313/- X 17.65%) = Rs. 938/-  
Total tax paid (monthly) Rs. 6,251/-

### Mr. B

Tax paid (Rs. 200,000/- X 20%) -16,250 = Rs.23,750/-

Tax payment of Mr. A. is in order, as he is a qualified individual. (assuming that the only source of income is employment). In the case of Mr. B the final tax should be recalculated as follows.

### Mr. B

Employment Income		Rs:
(Rs.200,000/- X 12)		2,400,000
Total Statutory Income		<u>2,400,000</u>
Assessable Income		2,400,000
Less: Tax Free allowance		(300,000)
Qualifying Payments (EPF etc.)		<u>(75,000)</u>
Taxable Income		2,025,000
Tax Payable	First Rs. 400,000/- X 5%	20,000
	Next Rs. 400,000/- X 10%	40,000
	Next Rs. 400,000/- X 15%	60,000
	Next Rs. 500,000/- X 20%	100,000
	Balance Rs: 325,000/- (relevant part of the taxable income is more than qualified profits) Rs. 300,000/- X 20%	= 60,000
	Rs. 25,000/- X 25%	= <u>6,250</u> 66,250
Tax Payable		Rs. 286,250/-
Less: Tax Credit (paid under PAYE )		Rs. 285,000/-
Balance tax payable		<u>Rs. 1,250/-</u>

## 5. Submission of Returns

### (Amendments to Section 106 of the principal enactment)

- (i) The last date for furnishing of the return has been extended to **November 30** (from September 30) effective from the return to be furnished by any person for the year of assessment 2008/09.

- Clause 16 (1) of the Amendment Act

- (ii) Prior to this amendment [to the proviso of section 106(1)], any employee whose employment income does not exceed 420,000/- and no other income other than interest or dividend from which tax is deducted at source as final tax, was not called upon to furnish a return. By the present amendment this limit of employment income (ie Rs.420,000/-) has been increased to Rs.1,000,000/-.

This change is effective from 1/4/2009. The legal effect is that the employees who draw employment income of not more than Rs 1,000,000/ , and subject to pay tax under PAYE, then no requirement of opening a file by such employee. However, it should be noted that this exclusion is not applicable to employees who have already opened files as required under subsection (7) of section 106.

- Clause 16 (1) of the Amendment Act

## 6. Payment of Tax by Self-Assessment

### (Amendments to Section 113 of the principal enactment)

The payment date of the deemed dividend taxes referred to in section 61(b) (ii)(ie. the tax in respect of non distribution of the required amount of dividends of a company) has been extended to the latest of the **thirtieth day of October** of that year of assessment instead of **thirtieth day of September**.

- Clause 17 of the Amendment Act

## 7. Withholding tax deducted by the Banks and Financial Institutions

### (Amendments to section 133 of the principal enactment)

- If any interest is paid or credited by a bank or other financial institution, to any individual in any Y/A, and such individual makes a declaration (in writing) to the respective branch, that-

(a) his/ her **assessable income** for that Y/A does not exceed reduced tax rate Rs. 300,000, then **no** tax is deducted from such interest; or

(b) his/ her **assessable income** for that Y/A exceeds Rs. 300,000 but does not exceed Rs. **1,000,000/-** (600,000/- *prior to 01.04.2009,*), then tax will be deducted at **2 ½%** from such interest.

(the facility of making declarations as above is not available for certificates of deposits, and which are subject to tax deduction upfront at 10%)

- Otherwise, a tax at **10%** will be deducted from the interest.

[S 133(4) (c)]

- Clause 18 of the Amendment Act

## 8. Certain changes made to the provisions relating to “Specified fee” for clarity purposes

### (Amendments to Section 153 of the principal enactment)

In the definition of the expression “specified fee” referred to in section 153 the words “fifty thousand rupees for **any month**” are substituted with the words “fifty thousand rupees for any **calendar month.**”

The intention of the amendment is to be specific of the period of calendar month rather than any period of 30 days commencing on any date of a month.

- Clause 19 of the Amendment Act

## 9. Assessments and Additional Assessments

### (Amendments to Section 163 of the principal enactment)

- (i) Consequent to the change of the statutory last date for the submission of the return, the statutory date before which an assessment could not be made has also been revised. Accordingly, the existing provision that an assessment for any year of assessment cannot be issued (under normal circumstances) before the 15<sup>th</sup> day of September of the immediately succeeding year, has been revised to 15<sup>th</sup> day of November.

- Clause 20 (1) of the Amendment Act

### (ii) Amendment to the Time bar provision for issuing assessments:

- The time bar on issuing assessments for any year of assessment in respect of which the return has been submitted on or before the November 30 is extended (from **eighteen months**) to **two years from the end of that year of assessment.**

- Clause 20 (2) of the Amendment Act

- In cases where the return has not been submitted on or before November 30 the **three year period of time bar is extended to four years.**

- Clause 20 (2) of the Amendment Act

**The Amendment is effective from 1/4/2009. Accordingly, it is applicable in relation to any time bar period which is, under the provision existed prior to this amendment, not lapsed before April 1,2009.**

The application of the extended time for the submission of the return and the issue of assessments for the period commencing from 1/4/2009 is as set out below.

- (i) The last date for furnishing the income tax return for the year of assessment **2008/2009** is **November 30, 2009. {Section 106 (1)}**

- (ii) The **date after** which an assessment cannot be made (where there is no fraud, evasion or willful default has been committed, or except under specified situations) –
- (a) for the year of assessment **2006/07** is-
    - **31.03.2011**, if the return has not been furnished **on or before November 30, 2007.**
  - (b) for the year of assessment **2007/08** is-
    - **31.03. 2010**, if the return has been furnished **on or before November 30, 2008.**
    - **31.3.2012**, if the return has not been furnished **on or before November 30, 2008.**
  - (c) for the year of assessment **2008/09** is-
    - **31.03. 2011**, if the return is furnished **on or before November 30, 2009.**
    - **31.3.2013**, if the return is not furnished **on or before November 30, 2009.**
  - (d) for the year of assessment 2009/10, is –
    - **31.03.2012**, if the return is furnished **on or before November 30, 2010**
    - **31.03.2014**, if the return is not furnished **on or before November 30, 2010**

Note: - The last date for furnishing returns for respective years of assessment and the conditions for time bar may differ in relation to Year of Assessment 2006/07 and 2007/08.

## **10. Tax paid in excess to be refunded**

### **(Amendments to Section 200 of the principal enactment)**

A general provision has been made to ensure non application of refund provisions if the respective income is not included in the assessable income of the respective person for the respective year of assessment.

- Clause 22 of the Amendment Act

## **11. Interpretations (Section 217)**

- (i) The definition of “approved by the Commissioner General” when used in relation to a provident fund or pension fund is slightly modified, and expanded to cover approvals of gratuity or savings funds as well .

**Accordingly, “approved by the Commissioner-General” when used in relation to a pension, provident, gratuity or savings fund means, approved by the Commissioner- General as confirming to such conditions as may be specified by him, either generally or specifically in relation to any such fund, by notice published in the Gazette, having regard to the need for the protection of the interests of the contributors to any such fund and the protection of revenue.**

(ii) A definition for the term “associate company” has been included in Section 217 as follows:-

**“associate company” means a company over which an investing company has a significant influence, and which is neither a subsidiary of the investing company nor is a joint venture of which the investing company is a partner.**

- Clause 23 of the Amendment Act

## 12. Rates

### (i) Individuals – First Schedule

Tax rate schedule applicable to individuals, is revised by expanding the tax slabs for any year of assessment commencing on or after April 1, 2009 (in relation to any individual other than an individual referred to in Part II or Part III), as follows:-

<b>Taxable Income Slab (Rs.)</b>	<b>Tax Rate</b>
1 <sup>st</sup> 400,000	5%
next 400,000	10%
next 400,000	15%
next 500,000	20%
next 500,000	25%
next 500,000	30%
Balance	35%

- Clause 24 of the Amendment Act

### (ii) Corporate income tax – Second Schedule (Part B, item 2)

Any holding company, subsidiary company or an associate company of a group of companies which is a quoted public company, is also made entitled to 33  $\frac{1}{3}$  % reduced tax rate, for the year of quotation and for the succeeding four years of assessment, with retrospective effect from the year of assessment 2007/08.

“Associate Company” has been defined to mean a company over which an investing company has a significant influence and which is neither a subsidiary of Investment Company nor is a joint venture of which the investing company is a partner. (This definition is included in Section 217)

- Clause 25 of the Amendment