

PART IV

PART IV

MAJOR LEGISLATIVE ENACTMENTS OF 2001 RELATING TO THE FUNCTIONS AND OPERATIONS OF THE CENTRAL BANK AND BANKING INSTITUTIONS IN SRI LANKA

	<i>Page</i>
1. National Security Levy (Amendment) Act, No. 4 of 2001	I
2. Goods and Services Tax (Amendment) Act, No. 5 of 2001	IV
3. Surcharge on Income Tax Act, No. 6 of 2001	VI
4. Inland Revenue (Amendment) Act, No. 8 of 2001	VIII

NATIONAL SECURITY LEVY (AMENDMENT) ACT, NO. 4 OF 2001

[Certified on 11th April, 2001]

AN ACT TO AMEND THE NATIONAL SECURITY LEVY ACT, NO. 52 OF 1991; AND TO PROVIDE FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO

1. This Act may be cited as the National Security Levy (Amendment) Act, No. 4 of 2001.
2. Section 3 of the National Security Levy Act, No. 52 of 1991, (hereinafter referred to as “the principal enactment”) as last amended by Act, No. 24 of 2000 is hereby further amended in subsection (2) of that section as follows:—
 - (1) by the repeal of paragraphs (ff) and (fff) of that subsection, and the substitution, of the following paragraph therefor :—
 - (ff) the value of any ship or aircraft which is imported into Sri Lanka, if it is proved to the satisfaction of the Commissioner-General of Inland Revenue that such ship or aircraft is being used for international transportation of goods or passengers;
 - (2) in item A of paragraph (j) of that subsection—
 - (a) by the repeal of sub-paragraph (viii) thereof, and the substitution therefor of the following sub-paragraph :—

“(viii) services of a construction contractor or sub-contractor for the construction of any building, road, bridge, water supply, drainage or sewerage system, harbour, airport or any infrastructure project in telecommunications or electricity, not being—

 - (a) services for the supply of any material, plant, machinery or equipment; or
 - (b) professional or consultancy services,

for the purposes of, or in connection with, such construction;”;
 - (b) by the substitution, in sub-paragraph (xi) thereof, for the words and figures “No. 10 of 1972 or courier” of the words and figures “No. 10 of 1972, airline agent licensed under regulations made under the Air Navigation (Special Provisions) Act, No. 55 of 1992 or courier”;
 - (c) by the insertion immediately after sub-paragraph (xi) thereof, of the following new sub-paragraphs :—
 - “(xia) services of a port operator or port container terminal operator, provided at any port;
 - (xib) services of a computer software developer in respect of software developed by such person for use wholly outside Sri Lanka and for which payment is received in foreign currency through a bank;
 - (xic) services provided over the internet, using custom built software, by an enterprise set up on or after April 1, 2001, exclusively for the provision of such services being services enabling or facilitating the sale of goods, or for the provision of services, by a person in Sri Lanka to persons outside Sri Lanka, for payment in foreign currency;
 - (xid) client support services provided over the internet or telephone, by an enterprise set up on or after April 1, 2001, exclusively for the provision of such services, to one or more identified clients outside Sri Lanka, for payment in foreign currency ;”;
 - (d) by the addition immediately after paragraph (k) thereof, of the following new paragraph :—
 - (l) the value of any aviation fuel imported for the use of any aircraft.

3. Section 4 of the principal enactment as last amended by Act, No. 24 of 2000 is hereby further amended as follows:—

(1) in paragraph (k) of that section, by the substitution for the words and figures “for every quarter commencing on or after July 1, 2000”, of the words and figures “for every quarter commencing on or after July 1, 2000 but prior to April 1, 2001”; and

(2) by the addition at the end of that section, of the following new paragraph :—

“(l) for every quarter commencing on or after April 1, 2001—

(i) an amount equivalent to—

(A) seven and one half *per centum* of the turnover of that person, not being turnover referred to in item (B) of this sub-paragraph; and

(B) one half *per centum* of the turnover of that person arising from the import or manufacture of any plant, machinery or equipment, not being any motor car, motor coach or lorry, within the meaning of the Motor Traffic Act (Chapter 203),

for the first month of that quarter, on or before the fifteenth day of the second month of that quarter ;

(ii) an amount equivalent to—

(A) seven and one half *per centum* of the turnover of that person, not being turnover referred to in item (B) of this sub-paragraph; and

(B) one half *per centum* of the turnover of that person, arising from the import or manufacture of any plant, machinery or equipment, not being any motor car, motor coach or lorry, within the meaning of the Motor Traffic Act (Chapter 203),

for the second month of that quarter, on or before the fifteenth day of the third month of that quarter; and

(iii) the amount of the levy payable by such person for that quarter, reduced by the aggregate of the amounts paid by him in accordance with the provisions of sub-paragraph (i) and sub-paragraph (ii) of this paragraph, on or before the fifteenth day of the month immediately succeeding that quarter.”.

4. The Schedule to the principal enactment as last amended by Act, No. 24 of 2000 is hereby further amended as follows :—

(1) in item 11 of that Schedule, by the substitution for the words and figures “on or after July 1, 2000”, of the words and figures “on or after July 1, 2000 but prior to April 1, 2001”. and

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

“(12) For every quarter commencing on or after April 1, 2001—

(i) on turnover other than turnover referred to in paragraph (ii) of this item

7.5 per centum

(ii) on turnover arising from the import or manufacture of any plant, machinery or equipment, not being a motor car, motor coach or lorry within the meaning of the Motor Traffic Act (Chapter 203)

0.5 per centum.”.

5. Where the Director-General of Customs collects during the period commencing on April 1, 2001, from an importer of an article not being plant, machinery or equipment, an amount in excess of six and one half *per*

centum but not exceeding seven and one half *per centum* of the value of such article, such collection shall be deemed for all purposes to have been, and to be, validly made, and the Director-General of Customs is hereby indemnified against all actions, civil or criminal, in respect of such collection.

6. (1) Where a person to whom this Act applies is required by section 4 of the principal enactment as amended by sections 3 and 4 of this Act, to pay any amount to the Commissioner-General, in respect of any month or quarter, prior to the date on which this Act is certified as an Act of Parliament, such person shall be deemed for all purposes to have complied with the requirements of those sections, if he pays that amount to the Commissioner-General, within thirty days of the date on which this Act is certified as an Act of Parliament. Where such amount is not so paid, such amount shall be deemed to be in default after the expiration of thirty days from the date on which this Act is certified as an Act of Parliament and such person shall be deemed to be a defaulter with effect from that date.
- (2) Where a person to whom this Act applies is required by section 4 of the principal enactment as amended by sections 3 and 4 of this Act, to pay to the Commissioner-General in respect of the period commencing on April 1, 2001 and ending on the date on which this Act is certified as an Act of Parliament an amount in excess of six and one half *per centum* of the turnover of that person for that period, such person shall be deemed for all purposes, to have complied with the requirements of that section, if he pays to the Commissioner-General, within thirty days of the date on which this Act is certified as an Act of Parliament the difference between the amount he was required by section 4 of the principal enactment as amended by sections 3 and 4 of this Act, to pay for that period, and the amount paid by him for that period, as the case may be. Where the difference is not so paid, such difference shall be deemed to be in default after the expiration of thirty days from the date on which this Act is certified as an Act of Parliament and such person shall be deemed to be a defaulter within the meaning of the principal enactment, with effect from that date.
7. The amendment made to section 3 of the principal enactment by section 2 of this Act, shall—
 - (a) in so far as the amendment relates to the repeal of paragraphs (ff) and (fff) of subsection (2) of that section, be deemed for all purposes to have come into force on April 1, 2001;
 - (b) in so far as the amendment relates to sub-contractors be deemed, for all purposes, to have come into force on January 1, 2001;
 - (c) in so far as the amendment relates to port operators and port container terminal operators, be deemed, for all purposes, to have come into force on February 15, 2000;
 - (d) in so far as the amendment relates to computer software developers, be deemed for all purposes to have come into force on March 8, 2001;
 - (e) in so far as the amendment relates to the import of ships or aircrafts, be deemed for all purposes, to have come into force on January 1, 1999; and
 - (f) in so far as the amendment relates to the import of aviation fuel, be deemed, for all purposes, to have come into force on April 1, 2001.
8. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

GOODS AND SERVICES TAX (AMENDMENT) ACT, NO. 5 OF 2001

[Certified on 11th April, 2001]

AN ACT TO AMEND THE GOODS AND SERVICES TAX ACT, NO. 34 OF 1996; AND TO PROVIDE FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

1. This Act may be cited as the Goods and Services Tax (Amendment) Act, No. 5 of 2001.
2. Section 7 of the Goods and Services Tax Act, No. 34 of 1996 (hereinafter referred to as the “principal enactment”) as last amended by Act, No. 26 of 2000, is hereby further amended in subsection (1) of that section as follows:—
 - (1) in paragraph (c) of that subsection, by the substitution for the words “shall be zero rated.” of the words “shall be zero rated;”; and
 - (2) by the addition at the end of that subsection of the following paragraph:—

“ (d) any of the following services shall be zero rated—

 - (i) the services of a computer software developer, in respect of software developed by him for use wholly outside Sri Lanka, and for which payment is received in foreign currency through a bank, if and only if, documentary evidence is produced to the satisfaction of the Commissioner-General, of the supply of such service;
 - (ii) client support services provided over the internet or the telephone by an enterprise set up on or after April 1, 2001, exclusively for the provision of such services to one or more identified clients outside Sri Lanka, for which payment is received in foreign currency, through a bank.”.
3. Section 22 of the principal enactment as last amended by Act, No. 26 of 2000, is hereby further amended in subsection (4) of that section, as follows:—
 - (1) by the substitution for the words “the end of such taxable period in which such refund became due, and”, of the words “the end of the taxable period in which the application for the refund was made, and”; and
 - (2) by the substitution, in paragraph (d) of the proviso to that subsection, for the words “falls immediately before”, of the words “falls before”.
4. Section 58 of the principal enactment as last amended by Act, No. 11 of 1998, is hereby further amended in subsection (1) of that section by the repeal of the proviso to that subsection and the substitution therefor of the following proviso:—

“ Provided however, that any such amount paid in excess by a registered person referred to in paragraphs (a), (b), (c) or (d) of subsection (4) of section 22, shall be refunded to such person within one month from the end of the taxable period, or from the date of the receipt of the return for the taxable period, in which the excess arose, whichever is later.”.
5. Section 76 of the principal enactment as last amended by Act, No. 26 of 2000 is hereby further amended in paragraph (a) of the definition of the expression “taxable period” as follows:—
 - (1) in sub-paragraph (v) of that paragraph, by the substitution for the words “of the Schedule;”. of the words “of the Schedule, prior to April 1, 2001 ;”; and
 - (2) by the addition, at the end of that paragraph, of the following sub-paragraph:—

(vii) where any person has entered into any such agreement with the Board of Investment of Sri Lanka, as referred to in item (XXVIII) of the Schedule and such person could not commence making taxable supplies under the project to which the agreement relates, by March 31, 2001.”.

6. The Schedule to the principal enactment as last amended by Act, No. 26 of 2000, is hereby further amended as follows:—

- (1) in item (XXIII) of that Schedule, by the substitution for the words “not less than thirty passenger seats”, of the words “not less than twenty eight passenger seats”;
- (2) in item (XXVIII) of that Schedule, by the substitution for all the words from “specified in the agreement,” to the end of that item, of the following:—

“specified in the agreement.—

(a) for—

- (i) a period of three years from the appointed date, in the case of any person making supplies liable to the tax, after completion of the project;
- (ii) a period of four years from the appointed date, in the case of any person making only exempt supplies after completion of the project; or

(b) until the completion of the project,

whichever is earlier”;

- (3) by the repeal of item (XXXII) of that Schedule, and the substitution therefor of the following item:—

“(XXXII) the supply, lease or rent of residential accommodation other than the supply, lease or rent of residential accommodation by an enterprise which has entered into an agreement with the Board of Investment of Sri Lanka, under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1978, on or after April 1, 2001 and the total cost of the project to which such agreement relates is not less than ten million United States dollars or its equivalent in any other currency and the project relates exclusively to the aforesaid supply, lease or rental.”; and

- (4) by the repeal of item (XXXIV) of that Schedule, and the substitution therefor of the following item:—

“(XXXIV) The supply of all health care services provided by medical institutions or professionally qualified persons providing such care, other than the supply of health care services by a medical institution which has entered into an agreement with the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1978, on or after April 1, 2001, and the total cost of the project to which such agreement relates is not less than ten million United States dollars or its equivalent in any other currency.”.

7. (1) The amendment made to section 7 of the principal enactment by section 2(2) of this Act, shall, in so far as such amendment relates to computer software developers be deemed to have come into force on April 1, 1998.

- (2) The amendment made to the Schedule to the principal enactment by section 6(1) of this Act, shall be deemed to have come into force on July 13, 2000.

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

SURCHARGE ON INCOME TAX ACT, NO. 6 OF 2001

[Certified on 11th April, 2001]

AN ACT TO IMPOSE A SURCHARGE ON EVERY COMPANY CHARGEABLE WITH INCOME TAX FOR THE YEAR OF ASSESSMENT COMMENCING ON APRIL 1, 2001 BY REFERENCE TO THE INCOME TAX PAYABLE BY SUCH COMPANY FOR SUCH YEAR OF ASSESSMENT; AND TO PROVIDE FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO

1. This Act may be cited as the Surcharge on Income Tax Act, No. 6 of 2001.
2. Every company which is chargeable with income tax under the Inland Revenue Act, for the year of assessment commencing on April 1, 2001 (hereinafter in this Act referred to as "the relevant year") shall, notwithstanding anything contained in any other written law, be liable to pay a surcharge on the income tax payable by the company for the relevant year (hereinafter in this Act referred to as "the surcharge"), calculated at the rate of twenty *per centum* of the income tax payable by such company for the relevant year.
3. Every company, which is liable to pay the surcharge under this Act, shall notwithstanding that no assessment has been made on it, pay to the Commissioner-General—
 - (a) a sum of not less than fifty *per centum*, on or before August 15, 2001; and
 - (b) a sum equal to the balance, on or before November 15, 2001,

of the amount of the surcharge payable by it for the relevant year. Each sum so payable shall hereinafter in this Act be referred to as an "instalment".

4. (1) Where an instalment of the surcharge payable by any company for the relevant year, or a part of such instalment is not paid on or before the date, specified in section 3 for the payment of that instalment, such instalment of the surcharge or part thereof, shall be deemed to be in default and such company shall be deemed to be a defaulter for the purposes of this Act.
- (2) Where any instalment of the surcharge or any part thereof is in default, the defaulter shall, in addition to such instalment or part thereof in default, pay as a penalty—
 - (a) a sum equal to ten *per centum* of the amount in default; and
 - (b) where the amount in default is not paid before the expiry of thirty days after it has begun to be in default, a further sum equal to two *per centum* of the amount in default, in respect of each further period of thirty days or part of such period during which it is in default:

Provided that—

- (a) the total amount payable as a penalty under the preceding provisions of this section, shall in no case exceed fifty *per centum* of the amount in default;
- (b) where any company which is liable to pay the surcharge under this Act for the relevant year, pays—
 - (i) on or before August 15, 2001, as the instalment payable by that company on or before that date, a sum of not less than ten *per centum*; and
 - (ii) on or before November 15, 2001, as the instalment payable by that company on or before that date, a sum of not less than ten *per centum*,

of the income tax payable by it under the Inland Revenue Act, for the year of assessment commencing on April 1, 2000, such company shall not be liable to any penalty under this section. if it pays, on or before November 30, 2002 the excess of the amount of the surcharge payable by it for that relevant year over the aggregate of the sums paid by it as aforesaid;

- (c) the Commissioner-General may reduce or waive any penalty payable under this section, if it appears to him that such reduction or waiver is just and equitable in all the circumstances of the case.

5. The provisions of Chapter XII and Chapter XVIII to Chapter XX and Chapter XXII to Chapter XXVII of the Inland Revenue Act, relating to the furnishing of returns relating to income tax payable under that Act,

assessment, appeals against assessment, finality of assessment, recovery and repayment of such tax and miscellaneous matters, penalties and offences, administration and general matters relating to such tax, shall, *mutatis mutandis*, apply to the furnishing of returns relating to the surcharge payable under this Act, assessment, appeals against assessment, finality of assessment, recovery and repayment of such surcharge and miscellaneous matters, penalties and offences, administration and general matters relating to such surcharge, subject to the following modifications:—

- (a) the requirement imposed by this Act, on any company to furnish a return of the surcharge payable by it under this Act, for the relevant year, shall be deemed to have been sufficiently complied with if such company furnishes a return of its income tax for that year under subsection (1) or (2) of section 98 of the Inland Revenue Act;
- (b) where an assessor makes an assessment or an additional assessment on any company, of the income tax payable by such company under the Inland Revenue Act for the relevant year, the assessor may, at the same time and in the same form, make an assessment or additional assessment, as the case may be, of the surcharge payable by such company for that year under this Act. The assessments or additional assessment, as the case may be, shall be deemed to be separate assessments issued under the respective Acts;
- (c) where notice of assessment is given to any company under section 135 of the Inland Revenue Act stating the amount of income tax charged on such company under the Inland Revenue Act, for the relevant year, such notice may also include the amount of the surcharge charged on such company under this Act, for that year. The notices shall be deemed to be separate notices issued under the respective Acts;
- (d) where an appeal is made against an assessment of income tax payable by any company under the Inland Revenue Act, for the relevant year, such appeal shall be deemed to include an appeal against the surcharge payable by that company under this Act for that year, and shall be determined accordingly; and
- (e) where under Chapter XXII of the Inland Revenue Act, a certificate is issued to a Magistrate, or a notice, statement or certificate is issued to any company, such certificate issued to such Magistrate or such notice, statement or certificate, issued to any company as the case may be, may also include the particulars of any amount of the surcharge in default under this Act. Such certificate issued to such Magistrate and such notice, statement or certificate, issued to any company as the case may be, shall be deemed to be separate certificates, notices, statements or certificates issued under the respective Acts.

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

7. In this Act, unless the context otherwise requires—

“Assessor”, “Commissioner-General”, “non-resident company”, “resident Company” and “year of assessment” have the respective meanings assigned to them in the Inland Revenue Act;

“company” means any company incorporated or registered under any law in force in Sri Lanka or elsewhere and shall be deemed to include a public corporation;

“income tax” with reference to the relevant year and—

- (i) in relation to a resident company, means the income tax payable under the Inland Revenue Act, by that company for the relevant year after deducting therefrom, the aggregate of—
 - (a) any income tax payable by that company for that year, under paragraph (b), (c) or (d) of subsection (1) of section 53 of the aforesaid Act;
 - (b) any relief from income tax granted to that company in terms of any agreement referred to in section 92, or under section 93 of the aforesaid Act; and
- (ii) in relation to a non-resident company means the income tax payable, under the Inland Revenue Act, by that company for the relevant year after deducting therefrom any income tax payable by that company for that year, under sub-paragraph (i) or sub-paragraph (ii) of paragraph (b) of subsection (1) of section 57 of the aforesaid Act;

“Inland Revenue Act” means the Inland Revenue Act, No. 38 of 2000; and

“public corporation” means any corporation, board or other body, which was, or is established by, or under any written law, other than the Companies Act, No. 17 of 1982, with capital wholly or partly provided by the government, by way of grant, loan or other form.

INLAND REVENUE (AMENDMENT) ACT, NO. 8 OF 2001

[Certified on 24th July, 2001]

AN ACT TO AMEND THE INLAND REVENUE ACT, NO. 38 OF 2000

1. This Act may be cited as the Inland Revenue (Amendment) Act, No. 8 of 2001.
2. Section 8 of the Inland Revenue Act, No. 38 of 2000 (hereinafter referred to as “the principal enactment”) is hereby amended in paragraph (a) of that section as follows:—
 - (1) in sub-paragraph (lxxiii) of that paragraph by the substitution for the words and figures “Companies Act, No. 17 of 1982.”, of the words and figures “Companies Act, No. 17 of 1982;”;
 - (2) by the addition at the end of that paragraph of the following sub-paragraph:—

“(lxxiv) the European Investment Bank ;”.
3. Section 9 of the principal enactment is hereby amended in paragraph (f) of subsection (1) of that section, by the substitution, for the words “Red Cross or the World Conservation Union;”, of the words “Red Cross, the World Conservation Union or the European Investment Bank ;”.
4. Section 15 of the principal enactment is hereby amended by the insertion immediately after paragraph (a) of that section, of the following new paragraph:—

“(aa) the profits and income earned by a resident company or partnership carrying on or exercising any trade, business, profession or vocation, in foreign currency, in any year of assessment commencing on or after April 1, 2001, in respect of services rendered by that company or partnership in that year of assessment outside Sri Lanka (including services relating to any construction project) in the course of carrying on or exercising such trade, business, profession or vocation, if such profits and income (less any such amount expended by that company or partnership outside Sri Lanka as is considered by the Commissioner-General to be reasonable expenses) are remitted to Sri Lanka through a bank;”.
5. The following new section is hereby inserted immediately after section 18, and shall have effect as section 18A of the principal enactment:—

‘Exemption from income tax of the profits and income of certain companies providing infrastructure facilities.

18A. (1) The profits and income within the meaning of paragraph (a) of section 3 (other than profits and income from the sale of capital assets) of any company from any specified undertaking referred to in subsection (2), which commences business on or after April 1, 2001, shall be exempt from income tax for such period not exceeding twenty years as may be prescribed by regulation, having regard to the nature of the undertaking and the investment made in the undertaking, such period of exemption being reckoned from the commencement of the year of assessment in which such undertaking commences to carry on business.

(2) The provisions of subsection (1) shall apply to a company which is approved by the Minister by Order published in the *Gazette* as being essential for the economic development of the country, being a company which is engaged only in carrying on an undertaking for developing or maintaining or operating or developing, maintaining and operating, an infrastructure facility.

(3) In this section, “infrastructure facility” means a warehouse, store, industrial park, sanitation or solid waste management system or a project for the supply of electricity, water or urban housing.”.
6. The following new section is hereby inserted immediately after section 20, and shall have effect as section 20A of the principal enactment:—

‘Exemption
from income tax
of the profits
and income of
an undertaking
for export of
handicrafts.

20A. (1) Such part of the profits and income within the meaning of paragraph (a) of section 3 as consists of export profits and income of any person or partnership, for every year of assessment commencing on or after April 1, 2001 but prior to April 1, 2004, from any undertaking for the export of such categories of handicrafts as may be specified by the Minister by Order published in the *Gazette*, having regard to the need to encourage the export market for handicrafts and which conforming to such standards of manufacture as may be specified by the Sri Lanka Handicrafts Board established by the National Crafts Council and Allied Institutions Act, No. 35 of 1982, shall be exempt from income tax.

(2) In this section—

“export profits and income” in relation to a person or partnership and a year of assessment, means the sum which bears to the profits and income (within the meaning of paragraph (a) of section 3 other than profits and income from the sale of capital assets) of that person or partnership for that year of assessment, from the undertaking referred to in subsection (1), the same proportion as the export turnover of that person or partnership for that year of assessment bears to the total turnover of that person or partnership for that year of assessment;

“export turnover” in relation to a person or partnership and a year of assessment means the total amount received or receivable by that person or partnership in that year of assessment, from the export of handicrafts of such categories and conforming to such standards as are referred to in subsection (1) (other than any amount received or receivable by the sale of capital assets);

“handicraft” means an article of decorative value made wholly or mainly by hand;

“total turnover” in relation to a person or partnership and a year of assessment means the total amount received or receivable by that person or partnership in that year of assessment (other than any amount received or receivable by the sale of any capital asset);’.

7. Section 32 of the principal enactment is hereby amended as follows:—

(1) by the addition, at the end of that section of the following new subsection:—

“(8) Where a fund or society has been set up or formed for the welfare of the members of the Sri Lanka Army, Sri Lanka Navy, Sri Lanka Air Force or the Sri Lanka Police Force and their respective families, the Commissioner-General may, subject to such conditions as he may specify, reduce or remit the tax payable by such fund or society, as the case may be, if it appears to the Commissioner-General that such reduction or remission is just and equitable in all the circumstances of the case.”;

(2) by the substitution for the marginal note to that section of the following:—

“Rates of income tax on persons other than companies.”.

8. Section 50 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words “earns in any year of assessment”, of the words and figures “earns in any year of assessment commencing prior to April 1, 2001”.

9. Section 51 of the principal enactment is hereby amended as follows:—

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

(a) by the substitution, for the words “referred to in subsection (1) of”, of the words “referred to in subsection (1) and commencing prior to April 1, 2001 of”;

(b) in paragraph (a) thereof—

(i) by the substitution, for the words “if the relevant part of the income exceeds the amount of such profits and income-”, of the words “if the relevant part of the income exceeds the amount of such emoluments and fees-”; and

(ii) by the substitution in sub-paragraph (i) of that paragraph, for the words "is equal to the amount of such profits and income", of the words "is equal to the amount of such emoluments and fees"; and

(c) in paragraph (b) thereof; by the substitution for the words "does not exceed the amount of such profits and income", of the words "does not exceed the amount of such emoluments and fees"; and

(2) by the addition, at the end of that subsection, of the following new subsection:—

‘ (3) Where the taxable income for any year of assessment referred to in subsection (1), and commencing on or after April 1, 2001 of any individual includes any emoluments and fees referred to in such subsection earned by such individual or which accrued to such individual by way of his share of profits from any partnership in Sri Lanka referred to in subsection (1) and the rate of income tax payable on a part of such income (hereinafter in this section referred to as the "relevant part of income") exceeds ten *per centum*, then, in regard to the relevant part of the income, the tax shall be computed as follows:—

(a) if the relevant part of the income exceeds the amount of such emoluments and fees—

(i) the tax payable on such part of the relevant part of the income as is equal to the amount of such emoluments and fees shall be at the rate of ten *per centum*; and

(ii) the tax payable on the balance of the relevant part of the income shall be computed according to such of the rates above ten *per centum* as are applicable thereto under this Act; and

(b) if the relevant part of the income does not exceed the amount of such emoluments and fees, the tax payable on the entirety of the relevant part of the income shall be at the rate of ten *per centum*, notwithstanding anything to the contrary in this Act.’

10. Section 53 of the principal enactment is hereby amended in the second proviso to paragraph (b) of subsection (1) of that section, by the substitution, for the words and figures "paragraph (a) of section 8", of the words and figures "paragraph (a) or paragraph (b) of section 8".

11. Section 61 of the principal enactment is hereby amended in subsection (1) of that section by the substitution for the words and figures "paragraph (a) of section 8", of the words and figures "paragraph (a) or paragraph (b) of section 8".

12. Section 131 of the principal enactment is hereby amended by the repeal of subsection (2) of that section, and the substitution therefor, of the following subsection:—

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

"specified person"—

(a) in relation to the year of assessment commencing on April 1, 2000 means any person, partnership or body of persons, who or which either on his or its own behalf or on behalf of any other person or persons or partnership or partnerships is likely to pay or to credit in that year of assessment or has paid or credited in the year of assessment immediately preceding that year of assessment—

(i) a specified fee of, or specified fees aggregating to, not less than thirty thousand rupees to any other person or to any other partnership; or

(ii) specified fees aggregating to not less than two hundred and fifty thousand rupees; and

(b) in relation to any year of assessment commencing on or after April 1, 2001, means any person, partnership or body of persons, who or which either on his or its own behalf or on behalf of any other person or persons or partnership or partnerships is likely to pay or to credit in that year of assessment or has paid or credited in the year of assessment immediately preceding that year of assessment, specified fees aggregating to not less than one million rupees; and

“specified fee”—

- (a) in relation to the year of assessment commencing on April 1, 2000 means any sum payable by any specified person in consideration for services rendered by any person or by any partnership, as the case may be, in the course of any business, profession, vocation or other activities of an independent character carried on or exercised by such person or any partner of such partnership, as the case may be, and includes any commission, brokerage or other sums of a like nature payable by such specified person but does not include any sum payable by such specified person to any employee of such specified person in the course of employment under such specified person; and
- (b) in relation to any year of assessment commencing on or after April 1, 2001 means any sum or sums aggregating to not less than one hundred and fifty thousand rupees payable by any specified person in that year to any person or partnership, in consideration for services rendered by that person or partnership, as the case may be, in the course of any business, profession or vocation or other activities of an independent character carried on or exercised by that person or any partnership, as the case may be, and includes any commission, brokerage or other sums of a like nature payable by such specified person but does not include any sum payable by such specified person to any employee of such specified person in the course of employment under such specified person.’

13. Section 186 of the principal enactment is hereby amended as follows :—

- (1) by the substitution, in the definition of ‘owner’, for the words “ground rent or other”, of the words “ground rent or other”;
- (2) in sub-paragraph (ii) of paragraph (b) of the definition of ‘qualifying distribution’ by the substitution, for the words and figures “paragraph (a) of section 8”, of the words and figures “paragraph (a) or paragraph (b) of section 8”.

14. Section 187 of the principal enactment is hereby amended as follows :

- (1) by the insertion, immediately after subsection (2) of that section of the following subsection :

“(2A) Where the Board of Investment of Sri Lanka has entered into an agreement with an enterprise under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1978, prior to April 1, 2000, providing for the exemption of the whole or a part of the profits and income of that enterprise from income tax payable under the Inland Revenue Act, No. 28 of 1979, for a specified period, and there remains on March 31, 2000, an unexpired part of such specified period, the whole or part, as the case may be, of the profits and income of that enterprise which, but for the provisions of subsection (1), would have been exempt from income tax shall be exempt from income tax, payable under this Act, for such unexpired part of the specified period.”; and
- (2) by the insertion, immediately after subsection (3) of that section, of the following subsection :

“(3A) Where an individual pays, on or after April 1, 2000, to the Government of Sri Lanka or to any institution referred to in paragraph (ee) of subsection (2) of section 31 of the Inland Revenue Act, No. 28 of 1979, any amount

 - (a) in the repayment of the capital of any loan; or
 - (b) as monthly payments of any rent purchase agreement,

referred to in that paragraph such amount shall, notwithstanding anything in subsection (1) but subject to the conditions specified in the aforesaid paragraph, be deductible from the assessable income of that individual in any year of assessment commencing on or after April 1, 2000, as if such Act continued to be in force.”.

15. The First Schedule to the principal enactment is hereby amended in Part III of that Schedule by the substitution, for the words and figures “on the first Rs. 500,000 of the taxable income”, of the words and figures “on the first Rs. 500,000 of the taxable income - nil”.

16. Where in any provision of the principal enactment specified in Column I of the Schedule hereunder, there appears any words or expression specified in the corresponding entry in Column II of that Schedule, there shall be substituted for those words or expression, the words or expression specified in the corresponding entry in Column III of that Schedule.

SCHEDULE

<i>Column I</i>	<i>Column II</i>	<i>Column III</i>
11 (f)	section 15 17, 18, 19 or 20 of this Act.	section 15, 17, 18, 19, 20 or 21 of this Act
14 (2)	sub-paragraphs (xxii) and (xxiia).	sub-paragraphs (xx), (xxii) and (xxiii).
23(1)(n)	formation or of	formation or liquidation of
32(3)	such part of such income	a part of such income
32(3)(b)	the tax payable on the income	the tax payable on such part of the income
49(1)(a)	of any commodity	of any commodity
61(1)	Every resident company other than a quoted company, shall	Every resident company, shall
76(2)	such profits from such business	his profits from such business
76(2)	person where his agent,	person were his agent,
76(3)	retailed by or on behalf	retained by or on behalf
86(2)	profits other than premises.	profits other than premiums.
92(3)	Act No. 28 of 1979 and section 92 of this Act, shall	Act, No. 28 of 1979 shall
104(1)(a)	under section 98(i)	under section 98(2)
104(1)(b)	in section 98(2)	in section 98(1)
104(1)(c)	provisions of section iii;	provision of section III:
105(1)	notwithstanding that the	notwithstanding that no
117(3)	any pay, poriod	any pay period.
171(6)	under subsection (1) of section 13	under subsection (1) of section 113

17. Section 8 of the Inland Revenue Act, No. 28 of 1979 as amended by section 2 of the Inland Revenue (Amendment) Act, No. 41 of 1999 (granting exemption from income tax, to the Commonwealth Development Corporation) shall be deemed for all purposes to have come into force on January 1, 1996.
18. Where the Board of Investment of Sri Lanka has entered into an agreement with an enterprise under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1978, on or after April 1, 2000 but prior to the date of commencement of this Act and the agreement provides for the exemption of the whole or any part of the profits and income of such enterprise from income tax payable under the principal enactment, such exemption shall be deemed to have been, and to be, valid and effectual from the date of such agreement, as if such exemption had been expressly granted to the enterprise by a provision of the principal enactment.
19. The amendments made to the principal enactment by sections 10, 11 and 13 of this Act shall be deemed for all purposes to have come into force on April 1, 2000.
20. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.