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SOCIALIST REPUBLIC OF  
SRI LANKA**

**Part II of July 14, 2023**

**SUPPLEMENT**

*(Issued on 19. 07. 2023)*



**INLAND REVENUE (AMENDMENT)**

**A**

**BILL**

**to amend the Inland Revenue Act, No. 24 of 2017**

*Ordered to be published by the Minister of Finance, Economic Stabilization  
and National Policies*

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*STATEMENT OF LEGAL EFFECT*

*Clause 2:* This clause amends the First Schedule of the Inland Revenue Act, No. 24 of 2017 and the legal effect of that Schedule as amended is to increase the income tax rate applicable to the Employees Trust Fund, an approved provident or pension fund, or an approved termination fund up to 30% and the income tax rate applicable to the funds which effectively participate in the process of domestic debt optimization to continue as 14%.

*Inland Revenue (Amendment)*

L.D.-O. 45/2023

AN ACT TO AMEND THE INLAND REVENUE ACT, NO. 24 OF 2017

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

1. (1) This Act may be cited as the Inland Revenue (Amendment) Act, No. of 2023. Short title and the date of operation

5 (2) The provisions of this Act shall be deemed to have come into operation on April 1, 2023.

2. The First Schedule to the Inland Revenue Act, No.24 of 2017 is hereby amended by the repeal of paragraph 8 of that Schedule and the substitution therefor, of the following Amendment of the First Schedule to Act, No. 24 of 2017  
10 paragraph: -

**“8. Tax rate for Employees Trust Funds, Provident, Pension or Gratuity Funds and Termination Funds.**

15 (1) The taxable income of the Employees Trust Fund, an approved provident or pension fund, or an approved termination fund for a year of assessment commencing on or prior to April 1, 2022 and for the first six months period of the year of assessment commencing on April 1, 2023 shall be   
20 taxed at the rate of 14%.

(2) Subject to subparagraphs (3) and (4), the taxable income of the Employees Trust Fund, an approved provident or pension fund or an approved termination fund for the second six months period   
25 of the year of assessment commencing on April 1, 2023 and for each year of assessment commencing on or after April 1, 2024, shall be taxed at the rate of 14%.

5 (3) Such part of the gains and profits received or derived by the Employees Trust Fund, an approved provident or pension fund or an approved termination fund from treasury bonds, for the second six months period of the year of assessment commencing on April 1, 2023 and for each year of assessment commencing on or after April 1, 2024, shall be taxed at the rate of 30%.

10 (4) Notwithstanding anything to the contrary in the provisions of subparagraph (3), if the Employee Trust Fund, an approved provident or pension fund or an approved termination fund has invested in eligible bonds, and the Registrar of the Public Debt Department of the Central Bank of Sri Lanka confirms that any such fund has effectively participated in the process of domestic debt optimization approved by the Parliament by Resolution dated July 1, 2023, such part of the gains and profits received or derived by such funds from the treasury bonds, for the second six months period of the year of assessment commencing on April 1, 2023 and for each year of assessment commencing on or after April 1, 2024 shall be taxed at the rate of 14%.

25 (5) In this paragraph -

30 “approved termination fund” means any thrift, savings or building society or welfare fund to which contributions are made by employees only or, any gratuity fund approved by the Commissioner-General and maintained for the purpose of payment of gratuities to employees on the termination of their service, under the Payment of Gratuity Act, No. 12 of 1983;

35

5 “effectively participated” means the  
submission of offers by the  
Employee Trust Fund, an  
approved provident or pension  
fund or an approved termination  
10 fund for not less than 50% of the  
total holding of each series of  
eligible bonds maturing in the  
year 2023, and for 100% of the  
total holding of eligible bonds  
15 maturing in the calendar years  
2024 to 2032 (both inclusive)  
and acceptance of such offers by  
the Registrar of the Public Debt  
Department of the Central Bank  
of Sri Lanka; and

20 “eligible bonds” means the treasury  
bonds applicable for the purposes  
of domestic debt optimization,  
issued under the Registered  
Stocks and Securities Ordinance  
(Chapter 420) that are-

25 (a) maturing between June  
28, 2023 and December  
31, 2023 (excluding the  
treasury bonds maturing  
on July 15, 2023); and

30 (b) maturing in the calendar  
years 2024 to 2032 (both  
inclusive).

(6) Notwithstanding anything to the contrary  
in any other provision of this Act, where any fund  
referred to in this paragraph uses accounts based on  
an alternative period of twelve months for the  
35 computation of the income tax payable for the year

of assessment commencing on April 1, 2023, the income tax rates set out in this paragraph shall be applied for such year of assessment by considering such alternative period of twelve months period.”.

- 5      **3.** In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.
- Sinhala text to prevail in case of inconsistency

