



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

INLAND REVENUE (AMENDMENT)

**A
BILL**

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

*Presented by the Minister of Finance, Economic Stabilization and
National Policies on 08th of August, 2023*

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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 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 25 of 14%.

(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
5 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%.

(4) Notwithstanding anything to the contrary
10 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
15 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
20 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 -

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

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
35 an alternative period of twelve months for the
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

