

Government Notice

In accordance with the amendments proposed in the last budget to the Inland Revenue Act No.38 of 2000, the following provisions will come into effect from the relevant dates.

Employment Income -

- Any compensation for loss of employment, being employment income, paid under a scheme that is not uniformly applicable and forming part of taxable income will be taxed at normal progressive rates to a maximum rate of 20% with effect from April 01, 2002.
- Any shares in a company that are received as a benefit from employment and disposed of on or after April 1 2003. will be taxed on the difference between the higher of sale value or the market value on the date of disposal of such shares and the purchase price, if any, at which the shares were issued. In the event that there is a change in employer then the shares would be deemed to be disposed of on the date of termination of such employment. Tax on this income will be taxed as if this amount represented the sole Taxable Income of such person without aggregating with the other taxable income.
- The exemption available to Government Officers and others under section 9 (a) and (b) will continue. However, with effect from April 01, 2003, where such officers and other employees have other taxable income, then the employment income of such employees will be included with such other income for purpose of computing the tax payable and would thereafter be entitled to a tax credit calculated on the employment income in order to ensure that the said employment income is exempted. .
- The exemption granted to individuals employed on a ship under section 9(j) will be withdrawn with effect from April 01, 2003.

Rent Income - Exemption

The exemption of Rental Income on houses constructed on or after April 01, 2003 will be limited to 05 years of assessment including the year of construction.

Dividend Income

- All resident companies shall deduct tax @ 10% when any dividend is declared and paid out of the taxable profits of such company on or after April 01, 2002
- Dividends paid to unit holders/ share holders of a unit trust or a mutual fund will be exempt from tax with effect from April 01, 2003
- Any taxable dividend received on or after 01.04.2003 from outside Sri Lanka will liable to tax @ 10% subject to the provisions of any Double Tax Agreement.

Business Income -

The profits earned from any off-shore business for any period commencing on or after April 01, 2003 will be exempt from tax , subject to conditions stipulated in Section 15 of the Inland Revenue Act.

Non- Resident Companies

Remittance tax will be calculated @ 10% of the aggregated amount of remittances ,within the meaning of the Inland Revenue Act, made on or after April 01, 2003 out of taxable profits and income.

New Withholding Taxes (WHT)

The following WHT will be implemented with effect from April 01, 2003.

- **Reward payments by the Government to informants and others**

10% tax shall be deducted from the aggregate amount of such payment during any calendar month by the paying authority and remitted to the Commissioner General of Inland revenue.

- **Payment of shares of fines etc. by Government Institutions**

10% tax shall be deducted from the aggregate amount of such payments made during any calendar month by the paying authority and remitted to the Commissioner General of Inland Revenue.

- **Payment of lottery prizes and betting or gambling winnings (including casinos)**

10% shall be deducted from each such winning, by any gambling and betting institution, where the prize or amount of winning is not less than Rs.500,000/= in any one day. This will be applicable to any lottery conducted in Sri Lanka where the prizes are awarded in cash or otherwise. The total amount of betting and gambling winnings on a daily basis should be considered by all gambling and betting institutions in determining the tax. The tax shall be deducted on a daily basis as and when the payments are made and remitted to the Commissioner General of Inland Revenue.

Please note that the above provisions do not cover all of the amendments proposed to the Inland Revenue Act but only those of an urgent nature. Details of other amendments may be obtained from the amendment bill.

27th March 2003

Secretary
Ministry of Finance