



# *Inland Revenue Amendment Bill 2023*

*Based on the Inland Revenue Amendment Bill  
issued on March 16, 2023.*

Dear Valued Client,

As you may be aware, the Inland Revenue (Amendment) Bill issued on March 16, 2023, contains some important changes to the Inland Revenue Act, No 24 of 2017. As we believe that most of these changes are important to our clients, we have prepared a summary of the said changes enabling our clients to understand all the important amendments. We highly recommend you to peruse the content of this document carefully because we believe that the changes mentioned in the Bill are inevitably important to any corporate or individual taxpayer in the country.

You may kindly note that the Inland Revenue (Amendment) Bill is subject to the formal parliamentary approval process. Further, this document is a general circulation, therefore, you may contact us if you have any specific concerns.

Dasanayaka Associates  
Chartered Accountants

March 19, 2023

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# Disallowance of payments made in cash

*Where a person pays to another person, on or after April 1, 2023, a sum of money amounting in the aggregate to Rs. 500,000 or more, in a day, or in respect of a single transaction, or in respect of a series of single transactions relating to one event, otherwise than by way of an account payee cheque or account payee bank draft or by the use of a credit card, debit card or electronic payment system through a bank account;*

*(i) any deduction shall not be allowed in respect of such payments in calculating the first mentioned person's income; and*

*(ii) the amounts paid shall not be considered as cost of an asset of the first mentioned person*

*However, the above provisions shall not apply to-*

*(i) any payment by the Government of Sri Lanka or any Government institution;*

*(ii) any payment by a bank or financial institution; and*

*(iii) such classes of persons or payments as may be prescribed by the Minister.*

# *Cost of an asset*

*The expenditure incurred by the person in altering, maintaining, or repairing the asset on or after April 1, 2021 will not be considered as cost of the asset.*

# *Employment Income*

has a source in Sri Lanka where;



the employment is in  
Sri Lanka  
OR  
(Prevailing)



if paid by, or on  
behalf of, the  
Government of Sri  
Lanka  
OR  
(Prevailing)



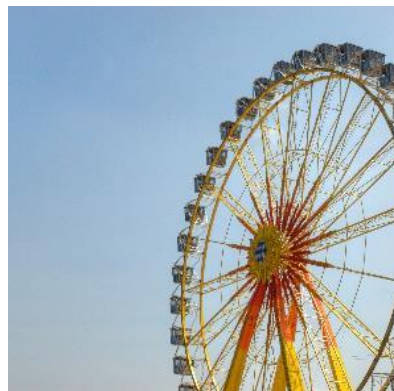
to the extent derived  
from a company  
resident and  
conducting the  
business in  
Sri Lanka  
(Amendment)

# *AIT/WHT deductibility by the Government*

*Enabling the Advance Income Tax deduction by the government from the payments made to a non-resident person (other than a payment derived through a Sri Lankan permanent establishment), the Government of Sri Lanka is included in the term "person", which in turn captures the government of Sri Lanka as a withholding agent.*



# *Administration*



## **Procedure for the Deduction of Tax from Non-Residents**

CGIR may specify the procedure of withholding the tax from any payment made to a non-resident person.



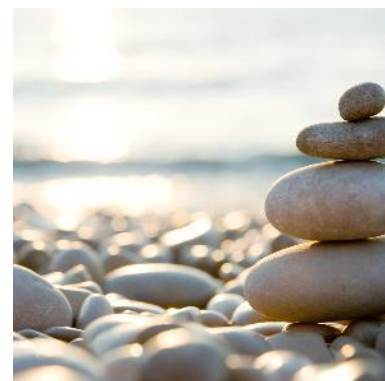
## **Electronic Returns for Everyone**

With effect from April 1, 2023 every person shall file the tax return electronically.



## **Manual Returns Permitted**

CGIR may authorise a person to file a tax return in writing (Manually), for a year of assessment, where the CGIR considers that such authorisation is just and equitable in the circumstances of the case.



### Collection of Information

Registrar General of Registrar General Department, Registrar General of Companies, Commissioner General of Motor Traffic, any other Government office, financial institution, a stock exchange or any other person or a Government institution as may be prescribed, shall provide the information in electronic format or access to such information to the CGIR.



### Additional Assessments

where the Assistant Commissioner has served a notice of an amended assessment on a tax payer under section 135 (1), he may further amend the original assessment to which the amended assessment relates, within the period specified.



### Two-Years time Bar for Administrative Review

The CGIR shall, in the case of a request for review made on or after the date of commencement of the (Amendment) Act, notify his decision and the reason for the decision under within a period of two years from the date on which such request for review is received by the CGIR.

Where such decision is not notified within such period, the request for review shall be deemed to have been allowed, unless an appeal has been preferred to the Tax Appeals Commission.

# Administration

(Cont..)





# *Administration*

*(Cont..)*



## **Set off of Previous Refunds**

At the request of the taxpayer, CGIR shall set off 60% of the refundable amount against the subsequent income tax payable by the taxpayer, prior to a tax audit on the refund claim.



## **Refunds of Individual Taxpayers**

In case of a resident individual and the refund claim is not exceeding Rs. 100,000/-, the CGIR shall pay the refund amount due, within 3 months of the date of the refund claim made by such resident individual, prior to a tax audit.



## **Penal Provision on Financial Institutions**

A financial institution that fails to comply with the procedure specified by the CGIR in terms of withholding tax from any payment to non-resident person, shall be liable for a penalty of an amount not exceeding fifty thousand rupees.

# *Taxation of Dividend Income*

- *Gains and profits from dividends for the second six months of the year of assessment commencing on April 1, 2022, shall be taxed at the rate of 15%.*
- *Dividend paid by a resident company to a member to the extent that such dividend payment is attributable to, or derived from, another dividend received by that resident company or another resident company, is exempted.*
- *Dividend paid by a resident company to a member who is a non-resident person where such dividend is paid prior to January 1, 2023, is exempted.*

# New Exemptions

- *amounts derived by a non-resident person from engaging in a project of the Government of Sri Lanka, if such project is approved by the Minister taking into consideration the economic benefits to the country, and is totally funded from foreign grants, is exempted.*
- *gains and profits received or derived by an authorised person carrying on a Business of Strategic Importance as approved under the provisions of the Colombo Port City Economic Commission Act, No. 11 of 2021 and the employment income of an employee employed in terms of section 35 of that Act, up to the extent provided for in that Act for each year of assessment, is exempted.*

# *Removal/ Restriction of Exemptions*

*The exemption provided for an undertaking for letting bonded warehouses or warehouses related to the offshore business in the Colombo and Hambanthota Ports has been limited for 2 years of assessment, where the undertaking commences on or after April 1, 2021 but prior to 1/4/2023.*

# Relief from Penalty or Interest

*Where a company has not paid Capital Gains Tax at the rate of 30%, for the period commencing on October 1, 2022, and ending on December 19, 2022, but pays the amount of Capital Gains Tax payable by such company, on or before the thirtieth day of the succeeding month of the date of commencement of the Amendment Act 2023, such company shall not be liable to any penalty or interest in terms of the provisions of the principal enactment.*

## *Talk to us*

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