

Inland Revenue (Amendment) Bill 2023 - Issued on 19 July 2023



July 2023

Tax Alert

A Bill to amend the Inland Revenue Act, No. 24 of 2017 has been ordered to be published by the Minister of Finance, Economic Stabilization and National Policies in the Government Gazette. This Bill has been issued based on the Cabinet approval granted to facilitate the local debt optimization process. The effective date of the below is 01 April 2023 (subject to the enactment of the Bill).

Synopsis of the Bill is as follows :-

Tax rate for Employees Trust Funds, Provident, Pension or Gratuity Funds and Termination Funds

Description	Income Tax Rate			
	Year of assessment (Y/A) commencing on or prior to 01 April 2022	1 st six months period of the Y/A commencing on 01 April 2023	2 nd six months period of the Y/A commencing on 01 April 2023	Each Y/A commencing on or after 01 April 2024
Taxable Income of the Employees Trust Fund, an approved provident or pension fund, or an approved termination fund	14%	14%	14% (subject to conditions in relation to gains and profits from treasury bonds as specified below)	14% (subject to conditions in relation to gains and profits from treasury bonds as specified below)

Description	Condition	Income Tax Rate	
		2 nd six months period of the Y/A commencing on 01 April 2023	Each Y/A commencing on or after 01 April 2024
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	Where the fund has invested in eligible bonds and effectively participated in the process of domestic debt optimization approved by the Parliament	14%	14%
	Where the fund has invested in eligible bonds and not effectively participated in the process of domestic debt optimization approved by the Parliament	30% on gains and profits from eligible treasury bonds	30% on gains and profits from eligible treasury bonds
What are “eligible bonds”?	<p>“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-</p> <p>a) maturing between 28 June 2023 and 31 December 2023 (excluding the treasury bonds maturing on 15 July 2023); and</p> <p>b) maturing in the calendar years 2024 to 2032 (both inclusive)</p>		
What does “effectively participated” mean?	<p>“effectively participated” means the submission of offers by the Employee Trust Fund, an approved provident or pension fund or an approved termination 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 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;</p>		
What is an “approved termination fund”?	<p>“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</p>		

Use of accounts based on alternative time periods for computation of income tax

Where the fund prepares accounts based on an alternative period of 12 months for the computation of income tax payable for the Y/A commencing on 1 April 2023, the income tax rate would be applied considering such alternative period of 12 months.

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