



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

**ECONOMIC SERVICE CHARGE
(AMENDMENT) ACT, No. 15 OF 2007**

[Certified on 12th April, 2007]

Printed on the Order of Government

Published as a Supplement to Part II of the **Gazette of the Democratic
Socialist Republic of Sri Lanka** of April 12, 2007

PRINTED AT THE DEPARTMENT OF GOVERNMENT PRINTING, SRI LANKA

TO BE PURCHASED AT THE GOVERNMENT PUBLICATIONS BUREAU, COLOMBO I

Price : Rs. 8.25

Postage : Rs. 5.00

*Economic Service Charge (Amendment)
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L.D. — O. 9/2007.

AN ACT TO AMEND THE ECONOMIC SERVICE CHARGE ACT

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

- 1.** This Act may be cited as the Economic Service Charge (Amendment) Act, No. 15 of 2007, and shall come into operation with effect from April 1, 2007. Short Title.
- 2.** Section 2 of the Economic Service Charge Act, No. 13 of 2006 (hereinafter referred to as the “principal enactment”) is hereby amended as follows :— Amendment of
Section 2 of Act,
No. 13 of 2006.
- (1) in subsection (2) of that section, by the substitution for the words “for that relevant quarter does not exceed rupees ten million.”, of the words and figures—
- “ for that relevant quarter,—
- (a) commencing before March 31, 2007, does not exceed rupees ten million ; and
- (b) commencing on or after April 1, 2007 does not exceed rupees seven million five hundred thousand.”;
- (2) in the proviso to paragraph (a) of subsection (3) of that section, by the substitution for all the words from “shall not include any trade or business” to the end of that paragraph, of the words and figures—
- “shall not include—
- (i) for any relevant quarter of the year of assessment commencing on April 1, 2006

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and ending on March 31, 2007, any trade or business of any person or partnership, which deals in the wholesale or retail trade of any goods not manufactured or produced by such person or partnership ; and

(ii) for any relevant quarter of the year of assessment commencing on or after April 1, 2007, any trade or business, other than—

(A) any manufacturing business ; and

(B) any business of a reopened factory referred to in section 24B of the Inland Revenue Act, No. 10 of 2006.

Amendment of
Section 3 of the
principal
enactment.

3. Section 3 of the principal enactment is hereby amended as follows :—

(1) by the repeal of subsections (3), (4) and (5) of that section and the substitution therefor of the following subsection :—

“(3) The balance, if any, of the amount levied as Economic Service Charge after the deduction in accordance with subsections (1) or (2) as the case may be, apportioned to each year of assessment within the period of four years immediately succeeding the first mentioned year of assessment and the amount so apportioned to any such year of assessment shall be deducted to the extent, it can be so deducted from the income tax payable by such person or partner of such partnership for that year of assessment.”;

(2) by the renumbering of subsection (6) of that section as subsection (4) thereof ; and

- (3) in the renumbered subsection (4), by the substitution for paragraph (b) thereof, of the following paragraph :—

“(b) The remaining portion, if any, of the balance referred to in subsection (3) after its deduction in accordance with that subsection, be deducted from any income tax payable for any year of assessment succeeding the fourth year of assessment immediately succeeding the first mentioned year of assessment . ”.

4. Section 4 of the principal enactment is hereby amended by the substitution for the words and figures “referred to in sub-paragraph (b) of subsection (6) of section 3, shall” of the words and figures “referred to in sub-paragraph (b) of subsection (4) of section 3, shall”.

Amendment of section 4 of the principal enactment.

5. Section 9 of the principal enactment is hereby amended as follows :—

Amendment of section 9 of the principal enactment.

- (1) by the renumbering of that section as subsection (1) of that section ;
- (2) by the addition, immediately after the renumbered subsection (1) of the following new subsections :—

“(2) Where it appears to an Assessor that any person or partnership liable to pay the Economic Service Charge for any relevant quarter of any year of assessment, has been assessed at less than the proper amount, the Assessor may, subject to the provisions of subsection (3) and subsection (4), assess such person or partnership for the additional amount (which in his opinion such person or partnership ought to have been assessed in addition to the amount originally assessed), and the provisions of this Act as to notice of assessment, appeal and other proceedings shall thereupon apply to the recovery of such additional amount.

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(3) Where a person or partnership has furnished a return of Economic Service Charge, the assessor may in making an assessment on such person or partnership under subsections (1) or (2), either :—

- (a) accept the return furnished by such person or partnership ; or
- (b) refuse to accept the return made by that person or partnership, and estimate the amount of the relevant turnover and assess such person or partnership accordingly :

Provided that where the Assessor refuses to accept a return furnished by any person or partnership and makes an assessment or an additional assessment for any relevant quarter on such person or partnership under subsection (1) or subsection (2), he shall communicate to such person in writing, stating the reasons as to why he is not accepting the return furnished by that person or partnership.

(4) No assessment or additional assessment shall be made under this Act in respect of a person or partnership who or which has made a return for any relevant quarter in any year of assessment on or before the dates referred to in section 7, after the expiry of eighteen months from the end of the year of assessment within which such relevant quarter falls, if his or its return of income has been made under subsection (1) or subsection (7) of section 106 of the Inland Revenue Act, No. 10 of 2006.”.

Amendment of section 13 of the principal enactment.

6. Section 13 of the principal enactment is hereby amended in the definition of the expression “person”, by the addition immediately after the sub-paragraph (b) of that definition, of the following :—

- “(c) any government institution or any local authority as defined in the Inland Revenue Act, No. 10 of 2006.”.

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7. The Schedule to the principal enactment is hereby repealed and the following Schedule substituted therefor:—

Amendment of Schedule to the principal enactment.

“SCHEDULE

<i>Part of the Liable Turnover</i>	<i>Rate of the service charge Applicable to that Part</i>
1. Such part of the relevant turnover as consists of the turnover from any trade, business, profession or vocation: (i) the profit and income from which are exempt from income tax; (ii) of any enterprise which has entered into an agreement under the Board of Investment of Sri Lanka Law No. 4 of 1978, being the relevant turnover during the period for which the profits and income of such enterprise are exempt from income tax under such agreement.	0.25 per centum
2. Such part of the relevant turnover as consists of the turnover from any trade or business which deals in wholesale or retail of such goods (other than as a distributor or dealer in motor vehicles or liquor) not manufactured or produced by the dealer.	0.25 per centum
3. Such part of the relevant turnover as consists of the turnover from the primary conversion of any produce of any tea, rubber or coconut plantation including desiccated coconut, coconut oil, coconut fibre, copra and sheet rubber but excluding any such conversion which produces any alcoholic beverage.	0.25 per centum
4. Such part of the relevant turnover as consists of the turnover from any trade, business, profession or vocation: (i) the profits and income from which are chargeable with income tax at any rate specified in the Fifth Schedule to the Inland Revenue Act other than in item 28 of that Schedule.	

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- (ii) of any enterprise which has entered into an agreement under the Board of Investment of Sri Lanka Law, No. 4 of 1978, being the relevant turnover during the period for which the profits and income of such enterprise are taxable at the rate equal to a rate specified in the Fifth Schedule to the Inland Revenue Act, No. 10 of 2006. *0.5 per centum*
5. Such part of the relevant turnover as consists of the turnover from any trade or business which deals in the wholesale or retail (other than as distributor) of motor vehicles or liquor not manufactured by the dealer. *0.5 per centum*
6. Such part of the relevant turnover as consists of the turnover from any trade, business, profession or vocation, the profits and income such are chargeable with income tax at the rates specified in Part A or B (i) of the Second Schedule to the Inland Revenue Act, except in the case such turnover falls within the turnover referred to in items 1, 2 or 3 of this Schedule. *0.5 per centum*
7. Such part of the relevant turnover as consists of the turnover from any trade or business of a distributor. *0.05 per centum*
8. Such part of the relevant turnover as consists of the turnover from any trade, business, profession or vocation the profits and income of which are chargeable with income tax at any rate other than a rate specified in the Fifth Schedule to the Inland Revenue Act, No. 10 of 2006. *1.0 per centum*
9. Such part of the relevant turnover as consists of the turnover from any trade or business of carrying on any activity referred to in item 28 of the Fifth Schedule to the Inland Revenue Act, No. 10 of 2006. *1.0 per centum*
10. Such part of the relevant turnover, which consists of, the relevant turnover from any trade or business referred to in Section 42 of the Inland Revenue Act, No. 10 of 2006. *0.1 per centum*

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11. Such part of the relevant turnover as consists of —
- (i) the turnover from the export of apparels or the supply of locally manufactured textiles to apparel exporters to be used in the manufacture of apparels for export by such exporter.
 - (ii) the turnover of a trading house approved by the Board of Investment so far as such trading house engages in the business of the export of apparels.
- } 0.1 per centum.
12. Any relevant turnover not referred to in items 1 to 11 above. 1.0 per centum.

8. 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.

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