



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

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**ECONOMIC SERVICE CHARGE  
(AMENDMENT) ACT, No. 11 OF 2011**

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[Certified on 31st March, 2011]

*Printed on the Order of Government*

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*Economic Service Charge (Amendment)  
Act, No. 11 of 2011*

[Certified on 31st March, 2011]

L.D.—O. 11/2011.

AN ACT TO AMEND THE ECONOMIC SERVICE CHARGE  
ACT, No. 13 OF 2006

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. 11 of 2011. Short title.
- 2.** The Economic Service Charge Act, No. 13 of 2006 (hereinafter referred to as the “principal enactment”) is hereby amended in section 2 as follows:— Amendment of section 2 of the Economic Service Charge Act, No. 13 of 2006.
- (1) by the substitution for paragraph (a) and (b) of subsection (2) thereof, of the following—
- “(a) commencing before March 31, 2007, does not exceed ten million;
- (b) commencing on or after April 1, 2007, but before April 1, 2011, does not exceed rupees seven million five hundred thousand;
- (c) commencing on or after April 1, 2011, does not exceed rupees twenty-five million.”; and
- (2) by the substitution for the word “Schedule” in subsection 1 of that section the words “Schedule I” or “Schedule II” as the case may be of the words “First Schedule”.
- 3.** Section 7 of the principal enactment is hereby amended as follows :— Amendment of section 7 of the principal enactment.
- “(1) by the re-numbering of that section as subsection (1) thereof;
- (2) in the re-numbered subsection (1), by the substitution for the words “for any relevant quarter shall,” of the words and figures “for any relevant quarter ending on or before March 31, 2011 shall.”; and

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- (3) by the addition immediately after the re-numbered subsection (1) of the following new subsection:—

“(2) Every person and partnership chargeable with the service charge for any relevant quarter commencing on or after April 1, 2011 shall, whether or not requested by an Assessor to do so, furnish to an Assessor, on or before the twentieth day of April of each year, a return for the year of assessment ending on March 31 of that year, in such form and containing such particulars as may be specified by the Commissioner-General, of the relevant turnover of such person or partnership, as the case may be. The return shall also indicate the basis of the calculation of the service charge and other details, if any, specified by the Commissioner-General in relation to this section.”.

Insertion of new section 10A in the principal enactment.

4. The following new section is hereby inserted immediately after section 10 of the principal enactment and shall have effect as section 10A of that enactment :—

“Turnover from Islamic Financial Transactions to be chargeable to tax. 10A. (1) The turnover from the business of any Islamic Financial Transaction shall be chargeable to tax in terms of the provisions of this Act.

(2) The Commissioner-General of Inland Revenue shall in order to determine the extent of liability to tax of any particular Islamic Financial Transaction, issue from time to time, such rules and guidelines as may be required for the purpose of—

- (a) identifying the circumstances which would amount to an Islamic Financial Transaction ; and
- (b) ascertaining the profit and income arising out of any Islamic Financial Transaction.”.

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5. Section 13 of the principal enactment is hereby amended by the substitution for the definition of the expression “person” of the following definition :—

Amendment of section 13 of the principal enactment.

“person” includes a company or body of persons, but does not include—

- (a) any registered society, within the meaning of the Co-operative Societies Law, No. 5 of 1972 or under the respective Statute enacted by a Provincial Council providing for such registration;
- (b) any person carrying on business as an owner or charterer of an aircraft or ship;
- (c) any government institution or local authority as defined in the Inland Revenue Act, No. 10 of 2006;
- (d) any distributor;
- (e) any dealer in a lottery;
- (f) any Unit Trust or Mutual Fund.”.

6. The Schedule to the principal enactment is hereby amended by the substitution for the word “Schedule” of the following:—

Amendment of the Schedule to the principal enactment.

**“SCHEDULE I**

For the period ending on March 31, 2011”; and

7. The following new Schedule is hereby inserted immediately after Schedule I of the principal enactment and shall have effect as Schedule II of that enactment:—

Replacement of the Schedule to the principal enactment.

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<b>“SCHEDULE II</b> (Section 2)	
For the period commencing on April 1, 2011	
<b>PART OF THE LIABLE TURNOVER</b>	<b>RATE OF THE SERVICE CHARGE APPLICABLE TO THAT PART</b>
1. Enterprises to which the Board of Investment of Sri Lanka Law, No. 4 of 1978 is applicable (liable to pay income tax)— (a) Apparel exporters; (b) Board of Investment houses; (c) Manufacturers of textiles for apparel exporters.	} 0.1 per centum
2. Persons granted Exemptions/Concessionary Rates/Others (a) who are exempt from income tax (including tax holiday companies); (b) who during certain periods are incurring losses; (c) who are subject to tax under concessionary rates; (d) who are engaged in wholesale or retail trade other than products manufactured or produced by the seller (excepting distributors or dealers in motor vehicles or liquor); (e) who carry out primary conversion of any tea, rubber or coconut plantation including desiccated coconut, coconut oil or fiber, copra and sheet rubber, but excluding any conversion which produces any alcoholic beverage.	} 0.25 per centum
3. Advertising Agents— (a) prior to April 1, 2011 (b) on or after April 1, 2011	1.0 per centum 0.25 per centum
4. any other businesses including of which the turnover is defined by Notice published in the <i>Gazette</i> . (including dealers in motor vehicles, liquor, tobacco and petroleum)”	1.0 per centum

**8.** Any person or partnership carrying on an enterprise, having an annual turnover of a sum not exceeding rupees one hundred million who is liable to pay the economic service charge under this Act, who has defaulted in the payment of such economic service charge as is payable by him under this Act in respect of any year of assessment ending on or before December 31, 2010, due to the existence generally of any conflict environment or due to any financial constraints of such person or partnership, shall be exempt from the payment of such charge as is in default under this Act :

Exemption of certain small and medium enterprises from the payment of taxes payable by them.

Provided that, the Commissioner-General of Inland Revenue shall on a request made in that behalf, issue to such person or partnership a Certificate of Exemption in respect of the sum in default :

Provided further, the person or partnership to whom the Certificate of Exemption is issued, shall simultaneously forward to the Commissioner-General of Inland Revenue a written assurance to the effect that such person or partnership will be responsible for the payment of all sums which may become payable by him under this Act, in respect of any future year of assessment commencing on or after January 1, 2011.

**9.** 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 an inconsistency.

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