KPMG

Tax Alert

Inland Revenue (Amendment) Act No 14 of 2023

September 2023

Tax Alert

The Inland Revenue (Amendment) Act No 14 of 2023 was certified by the Speaker on 08 September 2023 and will be effective from 01 April 2023.

Following amendment has been made to the Tax rate of the Employees Trust Funds, Provident, Pension or Gratuity Funds and Termination Funds under the first schedule to the Inland Revenue Act No 24 of 2017 and amendments thereto.

Description	Income Tax Rate			
	Year of assessment (Y/A) commencing on or prior to 01 April 2022	1st six months period of the Y/A commencing on 01 April 2023	2nd 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)

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Description	Conditions	Income Tax Rate	
		2nd 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 confirmed by Registrar of the Public Debt Department of CBSL that the fund has ***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%	30%
What are "eligible bonds"?	"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- a) maturing between 28 June 2023 and 31 December 2023 (excluding the treasury bonds maturing on 15 July 2023 and 01 September 2023); and b) maturing in the calendar years 2024 to 2032 (both inclusive)		
What does "effectively participated" mean?	"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;		
What is an "approved termination fund"?	"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		

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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KPMG Tax Team