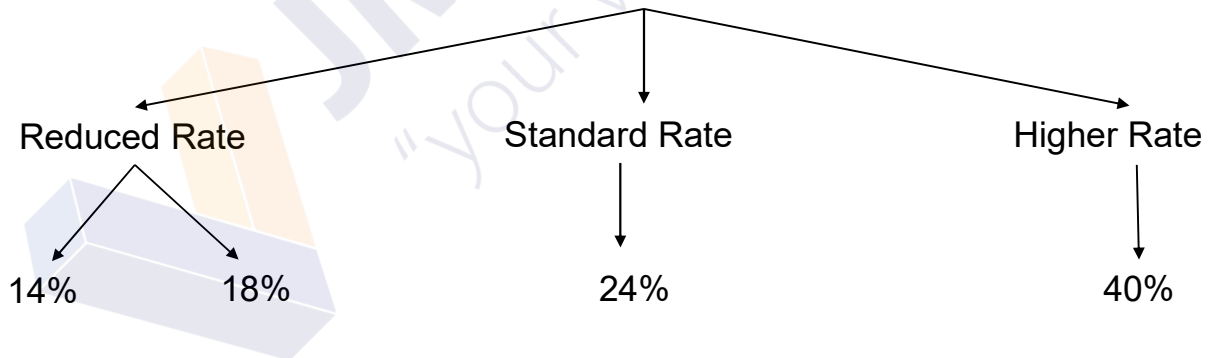


Income Tax Rates

Lahiru Karunaratna

Income Tax Rates

Income Tax Rates After 01.01.2020



Lahiru Karunaratna

Income Tax Rates

Reduced Rate 14%

- The below industries are taxed at the reduced 14% income tax rate with effect from 01st January 2020.
 - Small and Medium Enterprises (SME).
 - Conducting sale of goods or merchandise including exports where payment received in foreign currency and remitted to Sri Lanka via a bank.
 - Specified undertakings.
 - Providing of educational services.
 - Promotion of tourism.
 - Construction services.
 - Agro processing.
 - Health care services.
 - Dividend received from a resident company.

Income Tax Rates

Reduced Rate 14%

- Export company registered with BOI on considerations received from supply of health protective equipment to Ministry of Health, Department of Health Services, Sri Lanka Army, Sri Lanka Air force, Sri Lanka Police and COVID Center.
- A company which lists its shares in the Colombo Stock Exchange in 2021, only for **three years** commencing from 01st April 2022.
- Gems and Jewelry.
- Supply of electricity to the national grid generated using renewable energy resources.

Income Tax Rates

Small and Medium Enterprises

- A person should satisfy the below criteria to be considered as a SME.
 - Conduct business solely in Sri Lanka except for professionally qualified individual providing professional services individually or in a partnership.
 - Does not has an associate that is an entity.
 - If the aggregate turnover along with the associate is less than Rs. 500,000,000.
 - Annual gross turnover less than Rs. 500,000,000.

Income Tax Rates

Specified Undertakings

- Specified undertakings includes below.
 - Entrepot trading.
 - Offshore business where goods are manufactured in one country and shipped to another country without bringing to Sri Lanka.
 - Front end servicers to clients abroad.
 - Headquarters operations of leading buyers for management of financial supply chain and billing operations.
 - Logistic servicers in Sri Lanka.
 - Transshipment operations.
 - Freight forwarding.

Income Tax Rates

Specified Undertakings

- Specified undertakings includes below.
 - Supply of services to any exporter of goods or services or to any foreign principal of such exporter directly, being services which could be treated as essentially related to the manufacture of such goods or provision of such services exported by such exporter either directly or through any export trading house, including any service provided by an agent of a ship operator to such agent's foreign principal, and the payment for such services are made by such exporter or foreign principal to such person in Sri Lanka in foreign currency.
 - Production or manufacture, and supply to an exporter of non-traditional goods.
 - Performance of any service of ship repair, mship breaking repair and refurbishment of marine cargo containers, provision of computer software, computer programmes, computer systems or recording computer data, or such other services as may be specified by the Minister by notice published in the Gazette, for payment on foreign currency.

Lahiru Karunarathna

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Income Tax Rates

Specified Undertakings

- Specified undertakings includes below.
 - Sale for foreign currency, of any gem or jewellery, being a sale made in Sri Lanka by any person authorized by the Central Bank of Sri Lanka to accept payment for such sale in foreign currency.

Promotion of Tourism

- Promotion of tourism includes below.
 - Hotel or guest house approved by the Ceylon Tourist Board.
 - Restaurant graded as Class A or Class B by Ceylon Tourist Board.
 - Business or travel agent provides travel management services for domestic travel.
 - Transporting tourist only.
 - Business approved by Sri Lanka Tourist Board for providing facilities for recreation or sports.

Lahiru Karunarathna

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Income Tax Rates

Agro Processing

- Agro processing includes below.
 - Any locally produced agricultural, fishing or animal product.
 - Dehydrating, milling, packaging or canning for change the form.
 - Excludes deep-sea fishing and manufacturing.

Income Tax Rates

Reduced Rate 18%

- Manufacturing undertakings will be taxed at the reduced rate of 18%.

Higher Rate 40%

- Below will be taxed at the higher rate.
 - Betting and gaming.
 - Liquor and Tobacco.