

<b>YEAR OF ASSESSMENT 2010/2011</b>	
<b>INCOME TAX</b>	<b><u>Rates</u></b>
■ All Companies (other than those dealing in liquor & tobacco)	28%
■ New quoted companies (other than those dealing in liquor & tobacco)	28%
■ Executor, Trustees, partnerships & others taxed at 30%	28%
■ Manufacturers & imports of liquor or tobacco products	40%
■ Tourism, construction, agriculture (Sec 46)	12%
■ Venture Capital Companies	12%
■ Unit Trust /Mutual Fund non specified / specified areas	<b>Exempt</b>
■ Companies having taxable income less than Rs.5m (non group)	12%
■ Non citizen entertainer or artist	12%
■ Petroleum exploration	12%
■ Unspecified Person	28%
■ Specified Charitable Institutions	10%
■ Provident Funds	10%
■ Co-operative Societies	<b>Exempt for 5 Years</b>
■ Qualified Export Profit ( Up to 2014 )/services to garment exporters	12%
■ On shore profits of any FCBU	28%
■ Off Shore profits of any FCBU	28%
■ NGOs 3% of funds received	28%
■ Shipping agents (specified) on transshipment Income	12%
■ Professional fees by Cos. in foreign currency in Sri Lanka	12%
■ Export/deemed export of value added products (>65%) with Sri Lankan brand with patent rights reserved in Sri Lanka	10%
■ Professional/any service to a person outside Sri Lanka in For. currncy	<b>Exempt</b>
■ Agriculture / processing of agriculture produce	10%
■ Betting,Gaming & Lotteries	40%
■ "Api Venuven Api" Fund	<b>Exempt</b>
■ Partnership tax (on divisible profit & other income) [tax free threshold Rs. 600,000]	8%
■ Sale of shares ( Where STL is paid )	<b>Exempt</b>
■ Value of Gems sold at the Gem Auction (conduct by National G & J Authority)	2.5%
■ Profit & income from Export after cut & polish Gems imported in raw form	<b>Exempt</b>
■ Profit on sale of Gold/Gems & Jewellery (excluding exports)	<b>Liable</b>
■ Profit on sale of Gold/Gems & Jewellery in foreign currency with approval of CB	<b>Exempt</b>
■ Income Tax on Dividends (as specified)	10%
■ Dividends & Interest on investments outside SL	<b>Exempt</b>
■ Remittance Tax	10%
■ Non resident Companies - Deemed profit	<b>Minimum of 6% of T / O</b>
■ Dividend distributed less than 10% of Distributable profits	<b>15 % DDT</b>

■ Clubs & Associations / undertaking for supply of labour	10%
■ Undertaking for storage, local software development,	10%
■ New undertaking with investment of USD 5,000 - USD 10m in activity to be specified by gazette	Exempt 5 yrs
■ Fishing, cultivation & processing of seed and planting material	Exempt 5 yrs
■ Foreign exchange earned by manufactures of textile, leather products,footware & bags supplied to foreing buyer headquartered in Sri Lanka	Exempt
<b>CAPITAL ALLOWANCES</b>	<b><u>Rate on Cost</u></b>
■ Buildings (purchase of building)	6.67%
■ Buildings consturcted for commecial use	10.00%
■ Plant Machinery or Equipment	33.33%
■ Plant Machinery & Equipment - Health care, printing on paper, gem cutting & polishing, packaging commodity for commercial purposes, rice milling & prescribed business	33.33%
■ Computer Hardware,Software & Calculating equipment	25%
■ Commercial vehicles & furniture	20%
■ Purchase of locally produced software	100%
■ Intangible Assets excluding goodwill	10%
■ Bridges, railway tracks, toll roads, electricity/water distribution Resv.and Reservoir etc.	6.67%
■ Construction machinery	25%
■ Ships (only to the owner to the ship)	33.33%
<b>DEDUCTIBILITY OF EXPENSES</b>	<b><u>Expense</u></b>
■ Any research expenditure ^	200%
■ Expenses related to listing a company,	limited to 1% of IPO value
■ Advertising	75%
■ Aggregate of any foreign travel and foreign training	Limited to 2% of previous years Statutory income
■ Management fees	Lower of Rs 2m or 1% of turnover
■ Tax paid on behalf of employee	0% -ie. disallowed
■ NBT payable	100%
■ Qalifying payments	
# Donation to Government	100% and balance c/f
# Investment in specific project under tax holiday	100% and balance c/f
# Donation to approved charity for sick and needy	Lower of 1/5 of assessable income or Rs 500,000/=
^conducted in Sri Lanka through an institution established for research purposes.	

<b>WITHHOLDING TAX (WHT)</b>	<b><u>Rates</u></b>
■ Specified fees on services, commission, brokerage, articles etc	0%
■ Liable Interest, ground rent, royalties & annuities paid outside Sri Lanka (Reduced under certain Double Tax Treaties)	20%
■ Interest accruing on Deposits made by Co-operative Societies	<b>Exempt</b>
■ Persons / Partnerships paying ESC will not be liable to WHT (subject to direct)	
■ Interest on fixed deposits and savings	10%
■ All Liable dividends	10%
■ Annuities & Royalties >Rs 50,000 p.m./Rs 500,000 p.a ^	10%
■ Government rewards etc. Lottery prizes etc. >Rs. 500,000	10%
■ Treasury Bills at source	10%
■ Corporate Debt Securities at source	10%
■ Management fees/ similar payments ^	5%
■ Non-residential rental income >Rs.50,000p.m./ Rs.500,000p.a.	10%
■ Construction contracts	1%
■ Construction Industry Guarantee Fund Levy	<b>Specified**</b>
■ Goods purchased on tender or quotation ^ If ESC is paid a direction can be obtained	5%
<b>ECONOMIC SERVICE CHARGE</b>	
■ Liable Turnover threshold	<b>Rs.25 Mn per quarter</b>
Maximum payable restricted	<b>Rs.30 Mn per quarter</b>
■ Distributor, unit trust /mutual fund, Airline shipping lines	<b>Exempt</b>
■ Apparel exporters	0.1%
■ BOI trading houses	0.1%
■ Manufacutres of textile to apparel exporters	0.1%
■ Companies exempt from income tax	0.25%
■ During a period of loss	0.25%
■ subject to tax under consessionary income tax rates	0.25%
■ wholesale or retail trade	0.25%
■ primary conversion of any tea, rubber or coconut etc	0.25%
■ Advertising Agent	0.5%
■ Other	1%

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<b>! VALUE ADDED TAX (VAT)</b>	<b><u>Rates</u></b>
■ VAT on Financial Services	<b>12%</b>
■ Standard rate (including locally manufactured medicated sof	<b>12%</b>
■ Telocommunication services	<b>Exempt</b>
■ Locally manufactured briquettes and pallets using bio mass \	<b>Exempt</b>
■ Any goods or services to specified projects by minister	<b>Exempt</b>
■ Any goods or services by an institution by disabled soldiers	<b>Exempt</b>
■ Locally developed Software	<b>Exempt</b>
■ Receipts from reinsurance by commission or compensation	<b>Exempt</b>
■ Leaseing of Motor coaches (>28 seats), lorries & tractors	<b>Exempt</b>
■ Coal, Bitumen, Machinery for leather or footwear industry	<b>Exempt</b>
■ High tech medical & laboratory equipment	<b>Exempt</b>
■ Hybrid & electronic vehicles	<b>Exempt</b>
■ Fashion jewellery	<b>Exempt</b>
■ Machinery fro manufacture of grain mixed bakery products	<b>Exempt</b>
■ Approved machinery & equipment for telecom industry	<b>Exempt</b>
■ Household electronic items eg cookers, toasters etc	<b>Exempt</b>
■ Luxury items	<b>12%**</b>
■ Direct Export of Goods & Specified Services	<b>zero</b>
■ Specified supplies and imports	<b>Exempt</b>
■ 100% input tax on Motor Vehicles for travelling	<b>Disallowed</b>
■ A new VAT suspension scheme to be introduced for	
# special projects	
# exporters of goods or services, deemed exporters	
■ VAT on Financial Services - Value addition will be calculated after deducting VAT on FS.	
■ <b>Restriction of input credit (w.e.f 01.01.2011)</b>	
Δ Restriction of input credit (other than zero rated, TQB or EDB & 22(7))	
<b>Allowable input tax credit 100% of output tax</b>	
Δ unabsorbed input tax as at 31.12.2010 to be set off against income tax	
# Revenue expenses over 4 equal annual installments	
# Capital expenses will be treated as capital asset and c	
capital allowances claimed	
■ WHT on VAT payable to contractors & other service providers,	
on supplies made to government agencies	<b>Removed</b>

■ Threshold for,	
Δ VAT registration	<b>Rs. 650,000 p.q or Rs. 2.5Mn p.a**</b>
Δ Registration for optional VAT	<b>Rs. 3 Mn p.a**</b>
<b>! INDIRECT TAXES</b>	<b><u>Rates</u></b>
■ Debit tax on all debit transactions	<b>Removed</b>
■ Tourist Development Levy	<b>1%</b>
■ Turnover Tax (payable to Provincial Councils)	<b>Removed</b>
<b>NATION BUILDING TAX (NBT)</b>	
■ Nation Building Tax (importers, manufacturers and service	<b>2%</b>
- providers specific exemption given )	
■ NBT extended to wholesale and retail trade of goods	<b>2%</b>
■ NBT threshold Rs 500,000/=. Threshold for Hotels, restaurants,	
agri produce, local educational institutes & supply of labour Rs 12.5m	
■ Special Commodity Levy	<b>Varying Rates**</b>
<b>! MISCELLANEOUS</b>	
■ Social Responsibility Levy	<b>Removed</b>
■ Time bar for Income tax, ESC, NBT returns extended to 30 months	
from the end of the year of assessment.	