Tax Rates (Year of Assessment 2014/2015)

INDIVIDUAL INCOME TAX

Tax free allowance for resident Individuals or Citizen of Sri Lanka is Rs. 500,000/- (In the case of any employee being a citizen or resident of Sri Lanka, the employment income up to Rs 600,000/- would be tax free). Tax rates applicable to individuals, on any balance, are as follows.

Category	Rate
1st 500,000/- of taxable income	4%
2st 500,000/- of taxable income	8%
3st 500,000/- of taxable income	12%
4st 500,000/- of taxable income	16%
Next 1,000,000 – of taxable income	20%
Balance taxable income	24%

Tax Rates for Professionals (Providing professional services)

Taxable Income	Maximum Rate
Does not exceed Rs. 25mn	12%
Exceeds Rs.25mn but not exceeds Rs.35mn	14%
Exceeds Rs. 35mn	16%

PAYE TAX

Monthly Remuneration (Rs.)	Tax Rates
Up to 50,000	Exempt
Exceeds 50,000 but not exceeds 91,667	4%
Exceeds 91,667 but not exceeds 133,333	8%
Exceeds 133,333 but not exceeds 175,000	12%
Exceeds 175,000	16%

Tax on Terminal Benefits from Employment

Paid under uniformly applicable scheme	
On the first Rs. 5M of the aggregate sum where the period of services or contribution is not less than 20 years	Exempt
On the first Rs. 2M of the aggregate sum where the period of services or contribution is less than 20 years	Exempt
On the next Rs. 1,000,000	5%
On the Balance	10%
Paid under non-uniformly applicable scheme	
Compensation for loss of office or employment normal rates (subject to maximum rate)	16%

Exemption on compensation of loss of office
Under a voluntary retirement scheme uniformly applicable to all the employees (in the opinion of CGIR)
Under a retrenchment scheme approved by the labour commissioner up to Rs 2 Mn.

Tax of Interest Income
Interest income acquiring to senior citizens – Exempt
Interest income acquiring to any individual – 2.5% subject to withholding tax

Concessions to Sri Lankan Migrate Workers
High income earning Sri Lankans working abroad will grant concessionary duty permits on the importation of a motor vehicle equal to 60% of foreign exchange remitted to the banks in Sri Lanka.

CORPORATE INCOME TAX

Standard Rates

Description	Rate
All Companies (Other than in special rates)	
Not dealing in liquor and tobacco	28%
Dealing in liquor and tobacco	40%
Dividend tax	10%
Deemed tax	15%
Dividend Distributed out of dividends received out of Sri Lanka	Exempt
Remittance tax on non-resident companies	10%
Relocating International headquarters in SL	Exempt
Royalty on International property earned in foreign currency	Exempt

Special Rates

Description	Rate
Manufactures and service providers with turnover less than Rs. 700M for that year of assessment (section 59B)	12%
Supply of services to exporters of goods or services to foreign principal	12%
Listed company with not less than 20% of share issue to the public (if corporate tax rate 28% or more)	½ of the tax rate

TAX RATES ON CERTAIN PROFIT AND INCOME

Description	Rate
Venture Capital Companies	12%
Any company of which the Taxable income does not exceed Rs. 5M (not a Holding Company, a Subsidiary Company, or an Associate Company of a group of companies)	12%
Clubs and Associations	10%
Profit and Income from Off-shore Foreign Currency transaction of any Foreign Currency Banking Unit (FCBU)	
~ If a Taxable Income exceeds LKR 5,000,000	28%
~ If a Taxable Income does not exceed LKR 5,000,000	12%
Person other than a Company engaged in Agriculture, Manufacture of animal feed, Promotion of Tourism, or Construction works (maximum)	12%
Company engaged in Agriculture, Manufacture of animal feed, Promotion of Tourism, or Construction works	12%
Specialized Housing Banks	
~ If a Taxable Income exceeds LKR 5,000,000	28%
~ If a Taxable Income does not exceed LKR 5,000,000	12%
Qualified Export Profits (maximum)	12%
Non-citizen Entertainer or Artiste	12%
Profits and Income from Petroleum exploration of any person or partner of a partnership	12%
Non-Governmental Organizations	28%
Undertaking carried on in Sri Lanka for operation and maintenance of storage facilities, Development of Software	
~ Individuals (maximum)	10%
~ Companies	10%
Educational Services provided by:	
~ Individuals (maximum)	10%
~ Companies	10%
Profits and income of any Agricultural undertaking (unprocessed or primary process) referred to in section 16 of the Act	10%
The rate of income tax applicable to any partnership on divisible profits and other income, (other than on any assessment made)	8%
Such part of the profits and income of any person from any under taking for the manufacture of any product for export, or for supply to an exporter for export, being a product having domestic value addition in excess of sixty five *per centum* and Sri Lankan brand name with patent rights reserved in Sri Lanka (maximum)	10%
Provided Funds, Charities (all)	10%
Any unit trust or mutual fund & Unit Trust management company	10%
Hindu undivided families	24%
Executor (other than trustees under last wills) and receivers (other than liquidators)	24%
Trustees (including trustees under last wills)	24%
Partnerships (on any assessments made)	24%
Business undertakings vested in the Gov under the Business undertakings(Acquisition)Act No.35 of 1971	
~ On the taxable income	28%
~ On the balance of the profits after deduction there from of the tax payable under paragraph(i)	25%
Employees Trust Fund and Provident or Pension Funds	10%
Any thrift, saving or building society or welfare fund to which contribution are made by employees only or any gratuity funds approved for the purpose of section 25(1)(o)	10%
Persons(other than those referred to above and in the First and the Second Schedules)	28%
Rate of deduction or income tax from interest, rent, ground rent, royalty or annuity paid or credited to any person or partnership out of Sri Lanka (section 95)	20%
The rate of income tax on profits and income from off-shore foreign currency transaction of any foreign currency banking unit (section 41)	20%

Withholding Taxes

Description	Rate
Interest on compensation for vested properties by the government	10%
Interest on certain deposit schemes approved by the CGIR	10%
Interest on bank deposits paid or credited	
– to a company	10%
– to a Partnership	8%
If the interest is paid or credited to an individual who had made a declaration to the bank or financial institution to the effect that;	
– Assessable income < Rs. 500,000/-	Nil
– Rs. 500,000<Assessable income < Rs. 1,500,000/-	2.5%
– All other cases	8%
If the interest is paid or credited to a charitable institution and a declaration has been made by such charitable institution to the bank or financial institution to the effect that assessable income	
– Does not exceed Rs. 500,000/-	Nil
– Does exceed Rs. 500,000/-	8%
Interest or discount on corporate debt security	10%
Treasury Bills, Treasury Bonds, etc. (Only in the hand on the primary dealers)	10%
Dividends	10%
Government Rewards or shares of fines	10%
Lottery prizes if not less than Rs. 500,000/-	10%
Winning from betting and gambling	10%
Annuities and Royalties	10%
On Remuneration or benefit paid to Directors/ Chairperson/ Board of Directors (other than the main place of Employment) or an individual having more than one employment or aggregate of such amount	
– If monthly benefits does not exceed Rs. 25,000/- per month	10%
– If exceed Rs. 25,000/- per month (other than public sector employees)	16%
– Public sector employees – Up to Rs. 50,000 per month	10%
– Exceeds	16%

ECONOMIC SERVICE CHARGE

Payable if income tax has not been paid on trade profit in the previous year due to the profit been exempt or due to losses.

Description	Rate
Threshold – Rs. 50 million per quarter	
On the liable turnover	0.25%

VALUE ADDED TAX (VAT)

Description	Rate
Threshold	
– *Taxable Supplies from all Business – Rs.3 Mn per quarter or Rs.12 Mn per annum*	
– *Wholesale and Retail Traders – Rs. 100 Mn per 3 month*	
Tax rate	11%
VAT on Financial Services	11%
Direct export of goods, supply of certain services as referred to in section 7 of the VAT Act (Zero rated supplies)	0%

STAMP DUTY

Specified Instrument	Rate
Affidavit (effective from 13/5/2013)	Rs.50/-
Policy of insurance Rs. 1000/- or part	Rs. 1/-
Warrant to act as Notary Public	Rs.2000/-
Periodic license to carry on trade, business, profession or vocation etc (other than liquor license)	Rs.2000 or 10%of license fee, whichever is less
Any license issued authorizing the holder to carry on any trade or business of sale of liquor for any period specified in such license	Rs. 20,000/-
Claim or demand of money on usage of Credit cards Rs. 1000/- or part	Rs. 15/-
Share certificate – issue or transfer Rs. 1000/- or part	Rs. 5/-
Mortgage-collection any property Rs. 1000/- or part	Rs. 1/-
Promissory Note Rs. 1000/- or part	Rs. 1/-
Lease or hire of any property Rs. 1000/- or part of the aggregate rent or hire	Rs. 10/-
(If the term of lease or hire is more than 20 years, the aggregate of the hire or lease payable for the first 20 years of such term is to be considered)	
A receipt or discharge given for money or property (Including Remuneration)	
Up to Rs. 25,000/-	Exempt
Above Rs. 25,000/-	Rs. 25/-

NATION BUILDING TAX

Description	Rate
Threshold – Rs. 3 million per quarter	
Manufacture and Service Provider	2% on liable turnover
Wholesale and Retail Trade	
– Distributer	2% on 25% of liable turnover
– All other traders	2% on 50% of liable turnover

CONSTRUCTION INDUSTRY GUARANTEE FUND LEVY

Description	Rate
Value of contract	
– Less than Rs. 15 M	Nil
– Not less than Rs. 15 M but less than Rs. 50 M	0.25%
– Not less than Rs. 50 M but less than Rs. 150 M	0.5%
– Rs. 150 M or more	1%
In respect of construction contracts for the implementation of specified projects approved by the Minister	Nil

SHARE TRANSACTION LEVY

Description	Rate
Buyer as well as seller	0.3%

BETTING AND GAMING LEVY

Description	Rate
Business of bookmarker	
– Betting business done through Agents	Rs. 2,000,000/-
– If live telecast facilities are issued	Rs. 300,000/-
– If live telecast facilities are not issued	Rs. 25,000/-
Business of Gaming (casino etc.) per place of business	Rs. 100,000,000/-
Tax on gross collection on betting and gaming (after deducting winning prizes)	5%
(However, no 5% tax is payable if the gross collection does not exceed one million rupees per month.)	
Introduced a fee of US$ 100 on every person who enters premises where casino entertainment activity takes place.	

Source: Department of Inland Revenue