

Government Notifications

Inland Revenue Act, No. 24 of 2017

BY virtue of the powers vested in me under Section 194 of the Inland Revenue Act, No. 24 of 2017, I, Mahinda Rajapaksa, Minister of Finance do by this Order prescribe the information technology and enabled services referred to in Part I of the SCHEDULE hereto, but subject to the conditions of Part II of the SCHEDULE for the purposes of the subparagraph (ii) of paragraph (u) of Third Schedule of the Inland Revenue Act, No. 24 of 2017 as amended by the Inland Revenue (Amendment) Act, No. 10 of 2021, effective from the date of January 1, 2020.

MAHINDA RAJAPAKSA,
Minister of Finance.

Ministry of Finance,
Colombo.
June 29, 2021.

SCHEDULE

Part I

1. Software development services in Sri Lanka by any person.
2. Adaptation, upgrading, enhancement, implementation and similar services, related to any type of software developed in Sri Lanka.
3. Following services provided by any local institution to any person :-
 - a) services of computer programming;
 - b) deployment of business Information Technology applications;
 - c) system integration;
 - d) services to develop web;
 - e) services to develop online platforms;
 - f) network integration;
 - g) data processing for data mining and data administration services;
 - h) local cloud services;
 - i) artificial intelligence;
 - j) Internet of Things; and
 - k) cyber security.

4. Provision of following back-office services by any local institution or a person in Sri Lanka to any person, electronically or by using computer system or mobile electronic devices -
 - a) remote Information Technology maintenance;
 - b) data search integration and analysis;
 - c) clinical database management services excluding clinical trials; and
 - d) Information Technology service outsourcing.
5. Knowledge process outsourcing services provided mainly with the assistance or use of Information Technology requiring application of knowledge and advanced analytical and technical skills in relation to -
 - a) geographic information system;
 - b) engineering and design services; and
 - c) animation or content development and management.

Part II

1. With effect from April 1, 2020, number of local technical employees related to information technology should not be less than 70% of the total number of such type of employees deployed in the software development referred to in item 1 or providing services referred to in item 2; as the case may be; of Part I.
2. With effect from April 1, 2020, in the case of services referred to in Part I other than the services referred to in item 1 or 2 of such Part, minimum "local value addition" should be not less than 50% of the gross income of such services.

For the purpose of calculating the "local value addition", the cost of any goods imported by such person or locally purchased but imported goods used by such person or any cost of service for which the payments are made to a person outside Sri Lanka shall be deducted from the gross income of such services.

3. Any business set up or formed by splitting-up an existing business as at the effective date of this notification shall not be qualified.