

**EXCHANGE OF LETTERS BETWEEN THE GOVERNMENT OF THE PEOPLE'S  
REPUBLIC OF CHINA AND THE GOVERNMENT OF THE DEMOCRATIC SOCIALIST  
REPUBLIC OF SRI LANKA FOR THE RECIPROCAL EXEMPTION OF INDIRECT  
TAXATION ON REVENUE ARISING FROM INTERNATIONAL TRANSPORTATION**

**Letter of the Democratic Socialist Republic of Sri Lanka**

H E Mr Xie Xuren  
Commissioner  
State Administration of Taxation  
5# Yangfangdian West Road  
Haidian District  
Beijing 100038  
People's Republic of China

Your Excellency

I have the honour to refer to the discussions held through diplomatic channels on the issue of exempting airlines designated by the Government of the Democratic Socialist Republic of Sri Lanka to operate air services to the People's Republic of China, from Business Tax and other indirect taxes imposed in the People's Republic of China.

In view of the fact that, no indirect tax similar to such Business Tax is imposed or chargeable in Sri Lanka at present in respect of international air transportation services, I wish to propose the following arrangements:

1. Airlines designated by the Government of the Democratic Socialist Republic of Sri Lanka to operate air services to the People's Republic of China and to engage in the sale of air transportation services in China shall be exempt from Business Tax and all other indirect taxes imposed on the gross receipts and/or turnover derived by such airlines in the People's Republic of China.
2. The exemption referred to in paragraph 1 above shall also be effective for the gross receipts and/or turnover derived by the designated airlines of the People's Republic of China from the operation of air services to Sri Lanka and the sale of air transportation services in Sri Lanka.

If the foregoing is acceptable to Your Excellency, I have the honour to propose that this letter and your Excellency's letter in reply confirming the acceptance of the above proposal by the Government of the Peoples Republic of China shall constitute an understanding between the competent tax authorities of the two countries, which will enter into force on the date of Your Excellency's reply.

With assurances of our highest consideration.

Rankoth Pahiranage Lional Weerasinghe  
Commissioner General of Inland Revenue  
The Democratic Socialist Republic of Sri Lanka

January 27, 2005

## **Letter of the People's Republic of China**

HE Mr. Rankoth Pathiranage Lionel Weerasinghe  
Commissioner General  
Inland Revenue  
Democratic Socialist Republic of Sri Lanka

Beijing  
1 March, 2005

Your Excellency:

I have the honor to acknowledge receipt of Your Excellency's Note dated 27 January 2005, which reads as follows:

“I have the honour to refer to the discussions held through diplomatic channels on the issue of exempting airlines designated by the Government of the Democratic Socialist Republic of Sri Lanka to operate air services to the People's Republic of China, from Business Tax and other indirect taxes imposed in the People's Republic of China.

In view of the fact that no indirect tax similar to such Business Tax is imposed or chargeable in Sri Lanka at present in respect of international air transportation services, I wish to propose the following arrangements.

1. Airlines designated by the Government of the Democratic Socialist Republic of Sri Lanka to operate air services to the People's Republic of China and to engage in the sale of air transportation services in China shall be exempt from Business Tax and all other indirect taxes imposed on the gross receipts and/or turnover derived by such airlines in the People's Republic of China.

2 The exemption referred to in paragraph 1 above shall also be effective for the gross receipts and/or turnover derived by the designated airlines of the People's Republic of China from the operation of air services to Sri Lanka and the sale of air transportation services in Sri Lanka.

If the foregoing is acceptable to Your Excellency, I have the honour to propose that this letter and Your Excellency's letter in reply confirming the acceptance of the above proposal by the Government of the People's Republic of China shall constitute an understanding between the competent tax authorities of the two countries, which will enter into force on the date of Your Excellency's reply.

With assurance of our highest consideration”

I have further the honor to confirm the acceptance of the proposals contained in Your Excellency's Note, on behalf of the Government of the People's Republic of China.

I avail myself of this opportunity to renew to Your Excellency the assurances of the highest consideration.

Xie Xuren  
Commissioner  
The State Administration of Taxation  
The People's Republic of China