

APPENDICES

APPENDIX I

EXTRACT OF MAJOR LEGAL ENACTMENTS OF THE NATIONAL STATE ASSEMBLY OF SRI LANKA IN 1974, WHICH RELATE TO THE FUNCTIONS AND OPERATIONS OF THE CENTRAL BANK AND BANKING INSTITUTIONS.

	<i>Page</i>
1. Inland Revenue (Amendment) Law, No. 1 of 1974	(i)
2. Finance (Amendment) Law, No. 7 of 1974	(xxii)
3. Bank of Ceylon (Amendment) Law, No. 10 of 1974	(xxii)
4. Development Finance Corporation of Ceylon (Amendment) Law, No. 12 of 1974	(xlii)
5. Foreign Exchange Amnesty (Amendment) Law, No. 13 of 1974 ..	(xlviii)
6. Inland Revenue (Amendment) Law, No. 15 of 1974	(xlix)
7. Estate Duty (Amendment) Law, No. 32 of 1974	(lii)
8. Monetary Law (Amendment) Law, No. 37 of 1974	(lvii)
9. Appropriation Law, No. 42 of 1974	(lxii)

INLAND REVENUE (AMENDMENT) LAW, NO. 1 OF 1974

A Law to amend the Inland Revenue Act, No. 4 of 1963

1. This Law may be cited as the Inland Revenue (Amendment) Law, No. 1 of 1974.

2. Section 3 of the Inland Revenue Act, No. 4 of 1963, hereafter in this Law referred to as the "principal enactment", is hereby amended as follows:—

(1) In subsection (1) of that section, by the substitution, for sub-paragraph (i) of paragraph (h) of that subsection, of the following new sub-paragraph:—

"(i) the change of ownership of any property occurring by sale, disposal, transfer, realization, exchange, or in any other manner whatsoever, other than—

(a) any such change of ownership of a fiduciary's rights in a property subject to a fideicommissum as occurs by a transfer or extinction of those rights,

(b) a change of ownership of a right to exploit a property occurring by a transfer of that right,

(c) a change of ownership of any motor vehicle in respect of which a deduction for depreciation has not been allowed under section 10 or of any household effect or other article (excluding jewellery) of personal use, and

(d) a change of ownership of any property occurring on the donation of that property by its owner to the Government of Sri Lanka,"; and

(2) In subsection (4) of that section, by the substitution, for sub-paragraph (x) of paragraph (j) of that subsection, of the following new sub-paragraph:—

"(x) where the property consists of shares in respect of which there has been a return or of distribution of capital, the value of the property at the time when such shares were acquired shall—

(a) if such shares were acquired by him before April 1, 1957 be an amount equal to the market value of the shares on April 1, 1957, less the amount of the capital returned or distributed, on or after that date, if the amount of the capital returned or distributed is not a dividend within the meaning of this Act, and

(b) if such shares were acquired by him on or after April 1, 1957, be an amount equal to the value to him of the shares at the time when they were acquired less the amount of the capital returned or distributed if the amount of capital returned or distributed is not a dividend within the meaning of this Act;".

3. Section 5 of the principal enactment, as last amended by Act No. 33 of 1971, is hereby further amended, in subsection (1) of that section as follows:—

(1) by the substitution, for paragraph (a) of that subsection, of the following new paragraph:—

“(a) the income of any local authority or Government institution, exclusive of—

(i) the income of any trust or other matter vested in or administered by such authority or institution to which such authority or institution is not beneficially entitled; and

(ii) the profits and income for any period commencing on the date of acquisition or vesting, as the case may be, of any business undertaking acquired by or vested in the Government under the Business Undertakings (Acquisition) Act, No. 35 of 1971;”;

(2) by the insertion, immediately after paragraph (a) of that subsection, of the following new paragraphs:—

“(aa) the profits and income for any year of assessment commencing on or after April 1, 1972, of the Insurance Corporation of Ceylon attributable to the life insurance business of that Corporation;

(ab) for any year of assessment commencing on or after April 1, 1973, the net annual value of not more than one place of residence owned and occupied by any individual who is not included in a family or in the case of individuals included in a family the net annual value of not more than one place of residence owned by any member of that family and occupied by that member or by any other member of that family;

(ac) the salary received by the President of the Republic from, and the rental value of any place of residence provided to him by, the Government of Sri Lanka;

(ad) for any year of assessment commencing on or after April 1, 1973, the profits and income derived by the owner or cultivator of any paddy land from the sale to the Paddy Marketing Board established under the Paddy Marketing Board Act, No. 14 of 1971, of paddy cultivated on such land;”;

(3) by the substitution, for paragraph (f) of that subsection, of the following new paragraph:—

“(f) the emoluments, and any income not arising in Sri Lanka, of any scientist, technician, expert, or adviser who is not a citizen of Sri Lanka and who is—

(i) employed in Sri Lanka on a contract of employment entered into on or after April 1, 1959, between him and the Government of Sri Lanka or between him and any such statutory corporation or institution as may be approved by the Minister for that purpose;
or

- (ii) engaged in the year preceding any year of assessment commencing on or after April 1, 1969, in performing any services in any project carried on by the Government of Sri Lanka or by such statutory corporation or by any other body corporate approved by the Minister, to the capital of which the Government of Sri Lanka or such statutory corporation has made a contribution;";
- (4) by the substitution, for paragraph (gg) of that subsection, of the following new paragraph:—
- "(gg) the emoluments, and any income not arising in Sri Lanka, for three years reckoned from the date of employment in Sri Lanka of any individual who is not a citizen of Sri Lanka and who is brought to and employed in Sri Lanka on or after April 1, 1966, by the proprietor of any such undertaking as is referred to in paragraph (v) of subsection (1) of section 6 or in paragraph (m) of subsection (1) of section 10 in such executive capacity or other capacity as may be approved by the Minister on the recommendation of the Ceylon Tourist Board;";
- (5) by the substitution, for paragraph (kk) of that subsection, of the following new paragraph:—
- "(kk) interest accruing for any period commencing on or after June 16, 1968, to any company, partnership or other body of persons outside Sri Lanka from any loan granted by that company, partnership or body of persons to the Government of Sri Lanka or to the Agricultural and Industrial Credit Corporation of Ceylon, or to the Development Finance Corporation of Ceylon or to the Ceylon State Mortgage Bank or to any other State corporation or to any Government institution or to any other institution to the capital of which the Government of Sri Lanka has made any contribution, or to any undertaking approved by the Minister in charge of the subject of Finance, or to any commercial bank for the time being operating in Sri Lanka if such loan is considered by the Minister in charge of the subject of Finance to be essential for the economic progress of Sri Lanka and is approved by him;";
- (6) by the substitution, for paragraph (t) of that subsection, of the following new paragraph:—
- "(t) the accumulated interest payable to an individual in respect of any Ceylon Savings Certificate issued under the Savings Certificates Ordinance or any National Savings Certificate issued under the National Savings Bank Act, No. 30 of 1971, and purchased by that individual on or before March 31, 1973, so long as the amount of the certificates held by the individual who is for the time being the holder of such certificates does not exceed the amount which an individual is for the time being authorized to hold under the written law, rules or regulations relating to such certificates;";
- (7) by the substitution, for paragraph (u) of that subsection, of the following new paragraph:—

“(u) interest paid or credited in respect of any period ending not later than March 31, 1972, on sums not exceeding fifteen thousand rupees lying to the credit of any individual in the Ceylon Savings Bank and the Ceylon Post Office Savings Bank; ; and

(8) by the insertion, immediately after paragraph (u) of that subsection, of the following new paragraphs:—

“(ua) the total interest not exceeding one thousand rupees payable to an individual in respect of—

(a) any savings certificates issued or deemed to be issued, under the National Savings Bank Act, No. 30 of 1971, after March 31, 1973, and

(b) moneys lying in the National Savings Bank to the credit of such individual,

for the year preceding any year of assessment commencing on or after April 1, 1973, but so however that, where more than six individuals in the same family are qualified for the exemption conferred under this paragraph, the exemption shall apply only in respect of six such individuals;

(ub) the income accruing to any person from such moneys lying to his credit in any account in a commercial bank as, in the opinion of the Commissioner, represent moneys remitted by him to Sri Lanka under the Passport (Regulation) and Exit Permit Act, No. 53 of 1971;”

4. Section 6 of the principal enactment as last amended by Act No. 6 of 1969, is hereby further amended by the repeal of subsection (1) of that section and the substitution therefor, of the following new subsection:—

“(1) This section shall apply—

(i) to any corporation established on or after April 1, 1951, and—

(a) to the capital of which the Government of Sri Lanka makes a contribution and

(b) which prior to August 2, 1968, is declared by the Minister by Order published in the Gazette to be a corporation to which this section shall apply; and

(ii) to any industrial undertaking in respect of which the Commissioner is satisfied that the following conditions are fulfilled:—

(a) that it is an undertaking commenced on or after April 1, 1951, for the production or manufacture in Sri Lanka of goods or commodities;

(b) that the undertaking is not formed by the splitting up or reconstruction of any business previously in existence, or by the transfer to a new business of buildings, machinery or plant used in a business which was being carried on before April 1, 1951;

(c) that more than twenty-five persons are employed for the purposes of the undertaking;

- (d) that the goods or commodities produced or manufactured by the undertaking are certified to be of satisfactory quality by an authority if and when an authority is prescribed for such purpose; and
- (e) that the prices at which such goods or commodities are sold are certified to be reasonable by an authority if and when an authority is prescribed for such purpose;
- (iii) to any undertaking of deep sea fishing commenced prior to August 2, 1968;
- (iv) to any undertaking carried on in any land for a purpose for which such land was leased in accordance with such notification as was, or may be, published in that behalf in the *Gazette* if the lease of such land was sanctioned upon an application made for that purpose prior to August 2, 1968;
- (v) to any such undertaking, commenced on or after April 1, 1966, of operating hotels for tourists as is on the recommendation of the Ceylon Tourist Board approved by the Minister by Order published in the *Gazette*; and
- (vi) to any such undertaking of providing buildings for the use of an undertaking referred to in paragraph (v) as is on the recommendation of the Ceylon Tourist Board approved by the Minister by Order published in the *Gazette*:

Provided that this section shall not apply to any industrial undertaking which on or after April 1, 1969, commences the production or manufacture in Sri Lanka of goods or commodities unless the Commissioner is satisfied that the conditions set out in paragraph (ii) are fulfilled in respect of that undertaking and unless such undertaking—

(a) is an undertaking—

- (i) which, if it is a company, has its ordinary shares held wholly or partly by, or if it is not a company, has a capital provided wholly or partly by, any company, partnership or body of persons being a company, partnership or body of persons outside Sri Lanka;
- (ii) which was approved by the Director of Industrial Development upon application made to the Ministry of Planning and Economic Affairs through the Permanent Secretary prior to August 2, 1968; and
- (iii) which commenced the production or manufacture in Sri Lanka of goods or commodities on or before March 31, 1972; or

(b) is an undertaking—

- (i) which was approved by the Director of Industrial Development prior to August 2, 1968;

- (ii) in respect of which the Commissioner is satisfied that any land, plant, machinery, fixtures or building was acquired for the purposes of that undertaking prior to August 2, 1968, or that prior to that date a contract was entered into for the purchase of any land, plant, machinery or fixtures for the purposes of that undertaking or for the purchase or erection of any building for the purposes of that undertaking, and
- (iii) which commenced the production or manufacture in Sri Lanka of any goods or commodities on or before March 31, 1972."

5. (1) The following new section is hereby inserted immediately after section 7A, and shall have effect as section 7B, of the principal enactment:—

7B. Where a person carrying on any undertaking to which section 6 or section 7A applies, sells, discards, or otherwise disposes of, or ceases otherwise than by death to be the owner of, any building constructed by him and used for the purposes of that undertaking or any plant, machinery or fixtures acquired by him and used for the purposes of that undertaking, then the income on which tax is payable by that person shall, notwithstanding anything in section 6 or section 7A, as the case may be, include—

- (a) an amount ascertained under subsection (3) or subsection (4) of section 10, according as such person has or has not ceased to carry on such undertaking;
- (b) amounts treated as receipts of that undertaking under paragraph (l) paragraph (m) of subsection (1) of section 10; an
- (c) the net capital gains arising from the change of ownership of such building, plant, machinery or fixtures, if that person has ceased to carry on such undertaking,

as though a deduction for depreciation has been made under paragraph (h) or paragraph (i) or paragraph (l) or paragraph (m) of subsection (1) of section 10 in respect of the things sold or discarded or otherwise disposed or otherwise ceased to be owned."

- (2) The provisions of the new section 7B inserted in the principal enactment by subsection (1) of this section shall apply in respect of every year of assessment commencing on or after April 1, 1973.

6. (1) Section 10 of the principal enactment, as amended by Act No. 26 of 1968, is hereby further amended as follows:—

- (a) in subsection (1) of that section—

- (i) by the substitution, for paragraph (i) of that subsection, of the following new paragraph:—

“(i) a prescribed lump sum for the depreciation by wear and tear of any building constructed in the year preceding the year of assessment—

- (a) for the purpose of any agricultural or industrial undertaking or any approved project within the meaning of subsection (5) carried on by such person—

- (i) for use as a staff welfare building, or
- (ii) for occupation as a dwelling house by any member of the subordinate staff employed by such person in such undertaking or project, or
- (iii) for occupation for the purposes of such undertaking or project otherwise than as a dwelling house, or
- (b) for use solely as a warehouse for the purpose of a trade or business carried on by such person:

Provided that no deduction under the preceding provisions of this paragraph shall be allowed to such person in respect of any building constructed by him if such construction was to renew any building earlier used by him for any of the purposes specified in the preceding provisions of this paragraph and if the cost of such renewal is allowed as a deduction under paragraph (j);”;

- (ii) by the substitution, for paragraph (m) of that subsection, of the following new paragraph:—

“(m) any sum expended in the purchase and installation, or in the purchase, as the case may be, of any plant, machinery, fixtures, furniture, utensils or articles or in the renovation of, or in the making of any additions or improvements to, any existing building or in the erection of any building, by such person for any such undertaking of operating hotels for tourists as is not referred to in paragraph (v) of subsection (1) of section 6 and is on the recommendation of the Ceylon Tourist Board approved by the Minister by Order published in the Gazette for the purposes of this paragraph:

Provided that where such person has, during the period for which the profits are being ascertained, sold, discarded, otherwise disposed of, or otherwise ceased to be the owner of, any such plant, machinery, fixtures, furniture, utensils or articles without ceasing to carry on such undertaking, the sum realized by the sale or discard or other disposal or other-cessation of ownership shall be treated as a receipt of that undertaking.”;

- (b) by the substitution, for subsection (3) of that section, of the following new subsection:—

“(3) Where any person sells, discards, otherwise disposes of, or otherwise ceases to be the owner of, any plant, machinery or fixtures acquired by him after March 31, 1957, or such specified day as is referred to in subsection (2), and used in producing the income from any trade, business, profession, vocation, or employment carried on or exercised by him, or any building constructed after March 31, 1957, or such specified day as is referred to in subsection (2), which is—

- (a) a staff welfare building or a building for use as a dwelling house by any member of the subordinate staff employed by him in or for the purposes of, or in connection with, any agricultural or industrial undertaking, or which is a building occupied for the purposes of such undertaking, otherwise than as a dwelling house, or
- (b) a building for use solely as a warehouse for the purposes of any trade or business carried on by him,

and the sale or discard or other disposal or other cessation of ownership occurs when or after he ceases to carry on or exercise such trade, business, profession, vocation, employment or undertaking, and a deduction for depreciation has been made under paragraph (h), or paragraph (i) of subsection (1) in respect of the things sold or discarded or otherwise disposed of or otherwise ceased to be owned, then, if the sale or discard or other disposal or other cessation of ownership is before the expiry of the period of likely use by reference to which the deduction for depreciation was determined, such part of the amount deducted for depreciation as is in the opinion of the Commissioner attributable to the unexpired part of such period shall be added to the profits or income of such person as a receipt of such trade, business, profession, vocation, employment or undertaking."

- (c) by the substitution, for subsection (4) of that section of the following new subsection:—

"(4) Where any person sells, discards, otherwise disposes of, or otherwise ceases to be the owner of, any plant, machinery or fixtures acquired by him after March 31, 1957, or such specified day as is referred to in subsection (2), and used in producing the income from any trade, business, profession, vocation or employment carried on or exercised by him, or any building constructed after March 31, 1957, or such specified day as is referred to in subsection (2), which is—

- (a) a staff welfare building or a building for use as a dwelling house by any member of the subordinate staff employed by him in or for the purposes of, or in connection with, any agricultural or industrial undertaking, or which is a building occupied for the purposes of such undertaking, otherwise than as a dwelling house, or
- (b) a building for use solely as a warehouse for the purposes of any trade or business carried on by him,

and the sale or discard or other disposal or other cessation of ownership occurs without his ceasing to carry on or exercise such trade, business, profession, vocation, employment or undertaking, and a deduction for depreciation has been made under paragraph (h) or paragraph (i) of subsection (1) in respect of the thing sold or discarded or otherwise disposed of, or otherwise ceased to be owned, then—

- (i) if the sale or discard or other disposal or other cessation of ownership is before the expiry of the period of likely use by reference to which the deduction for depreciation was determined, the Commissioner shall take into account the unexpired part of such period and determine the amount of the loss, or the amount of the profit, arising in the event of a sale from the sale or in the event of a discard or other disposal or other cessation of ownership, from the likely sale of such plant, machinery, fixtures or building, and where the amount of the loss is so determined, there shall be deducted that amount for the purpose specified in subsection (1), and where the amount of the profit is so determined, that amount shall be added to the profits or income of such person as a receipt of such trade, business, profession, vocation, employment, or undertaking, and where such plant, machinery or fixtures was or were only partly used or employed for such trade business profession vocation or employment or such building was only partly used for the purposes of, or in connection with, such undertaking, the deduction or addition under this subsection shall be proportionately reduced; and
 - (ii) if the sale or discard or other disposal or other cessation of ownership is after the expiry of the aforesaid period of likely use, the full amount of the sale proceeds in the event of a sale, or the full amount likely to be realized by the sale of such plant, machinery, fixtures, or building in the event of a discard or other disposal or other cessation of ownership shall be added to the profits or income of such person as a receipt of such trade, business, profession, vocation, employment, or undertaking, and where in the case of a sale or discard or other disposal or other cessation of ownership such plant, machinery, or fixtures was or were only partly used or employed for such trade, business, profession, vocation, or employment, or such building was only partly used for the purposes of, or in connection with, such undertaking, the addition under this subsection shall be proportionately reduced.”; and
- (d) by the addition, at the end of that section, of the following new subsection:—
- “(9) No deduction under subsection (1) (a) or (1) (h) or (1) (i) or depreciation by wear and tear or under subsection (1) (j) for any sum expended for renewal shall be allowed to any person in respect of any building, plant, machinery or fixtures constructed or acquired by him if—
- (a) such person has let on hire—
 - (i) such building, plant, machinery or fixtures to any undertaking the profits and income of which are exempt from income tax under section 6 or section 7A; or
 - (ii) such plant, machinery or fixtures for use in any undertaking carried on by the person from whom it was acquired or by any member of the family of that person or any member of his family in partnership with any other person or persons; or

- (b) such person uses such plant, machinery or fixtures in any undertaking carried on by him in partnership with the person from whom it was acquired or with any member of the family of the person from whom it was acquired:

Provided that nothing in the preceding provisions of this subsection shall apply to any person in respect of an undertaking referred to in paragraph (vi) of subsection (1) of section 6 and carried on by that person."

(2) The amendment made in the principal enactment—

- (a) by sub-paragraph (i) of paragraph (a), paragraph (b), paragraph (c) and paragraph (d) of subsection (1) of this section shall apply in respect of every year of assessment commencing on or after April 1, 1973; and
- (b) by sub-paragraph (ii) of paragraph (a) of subsection (1) of this section shall be deemed to have come into force on June 16, 1968.

7. Section 19 of the principal enactment is hereby repealed and the following new section substituted therefor:—

19. (1) Where, according to a return of income furnished under this Act by a resident individual in respect of any year of assessment, he had a wife and no child or dependent relative in the year preceding that year of assessment, then, for the purpose of the computation of the income tax in respect of them for such year of assessment, they shall be deemed to be a family, and such individual shall be deemed to be the head of such family.

(2) Where, according to a return of income furnished under this Act by a resident individual in respect of any year of assessment, he had a wife and any child (other than a child who is in receipt of income which is entirely occupational income) or dependent relative in the year preceding that year of assessment, then, for the purpose of the computation of the income tax in respect of them for such year of assessment, they shall be deemed to be a family, and such individual shall be deemed to be the head of such family.

(3) Where, according to a return of income furnished under this Act by a resident individual other than an individual referred to in subsection (1) or subsection (2), in respect of any year of assessment, such individual had any child (other than a child who is in receipt of income which is entirely occupational income) or dependent relative in the year preceding that year of assessment then for the purpose of the computation of the income tax in respect of them for such year of assessment such individual and child or dependent relative shall be deemed to be a family, and such individual shall be deemed to be the head of such family."

8. Section 24 of the principal enactment, as last amended by Act No. 6 of 1969 is hereby further amended as follows:—

- (1) by the substitution, for paragraphs (d) and (e) of that section, of the following new paragraphs:—

“(d) the provisions of Part III of the Second Schedule to this Act shall, in their application to that individual for the year of assessment commencing on April 1, 1965, and for each of the three years of assessment next succeeding, have effect as if each of the sums mentioned in that Part of that Schedule, or the aggregate of the sums computed in the manner mentioned in subsection (3) of section 23A, as the case may be, were reduced in the proportion which the number of days during which he is resident bears to the number of days in such preceding year,

“(e) the provisions of Part IV of the Second Schedule to this Act shall, in their application to that individual for the year of assessment commencing on April 1, 1969, and for the year of assessment next succeeding, have effect as if each of the sums mentioned in that Part of that Schedule, or the aggregate of the sums computed in the manner mentioned in subsection (4) of section 23A, as the case may be, were reduced in the proportion which the number of days during which he is resident bears to the number of days in such preceding year, and”;

(2) by the addition, at the end of that section, of the following new paragraph:—

“(f) the provisions of Part V of the Second Schedule to this Act shall, in their application to that individual for any year of assessment commencing on or after April 1, 1971, have effect as if each of the sums mentioned in that Part of that Schedule, or the aggregate of the sums computed in the manner mentioned in subsection (4) of section 23A, as the case may be, were reduced in the proportion which the number of days during which he is resident bears to the number of days in such preceding year.”

9. Section 28 of the principal enactment is hereby amended by the insertion, immediately after paragraph (s) of that section, of the following new paragraphs:—

“(ss) the National Savings Bank established by the National Savings Bank Act, No. 30 of 1971;

(sss) the Colombo District (Low-lying Areas) Reclamation and Development Board established by the Colombo District (Low-lying Areas) Reclamation and Development Board Act, No. 15 of 1968;”

10. Section 31 of the principal enactment, as amended by Act No. 33 of 1971, is hereby further amended as follows:—

(1) in subsection (1) of that section, by the insertion immediately after paragraph (gg) of that subsection, of the following new paragraph:—

“(ggg) such moneys lying to his credit in any account in a commercial bank as, in the opinion of the Commissioner, represent moneys remitted by him to Sri Lanka under the Passport (Regulation) and Exit Permit Act, No. 53 of 1971;” and

(2) by the repeal of subsection (3) of that section, and the substitution thereof, of the following new subsection:—

“(3) Where a person has any share in the capital of any corporation or undertaking specified in section 6 of this Act, the amount of that share shall be excluded from his wealth for any year of assessment if the period during which the profits and income of that corporation or undertaking are exempt from income tax does not expire earlier than the thirty-first day of March of the year preceding that year of assessment.”

11. Section 32 of the principal enactment is hereby amended by the repeal of subsection (1) of that section and the substitution therefor, of the following new subsection:—

“(1) Where according to the return of wealth furnished by a person in respect of any year of assessment such person is the head of a family, the wealth of each individual who is a member of that family shall, for the purposes of this Act, be deemed to form part of the wealth of the head of that family and accordingly the value of the net wealth of all such members shall be aggregated with the net wealth of the head of that family for that year of assessment. Where, for the year of assessment ending on March 31, 1964, the aggregated net wealth of the head of that family amounts to or exceeds one hundred thousand rupees, such net wealth shall be his taxable wealth for that year of assessment and where, for any year of assessment commencing on or after April 1, 1964, the aggregated net wealth of the head of that family exceeds one hundred thousand rupees, such part of his net wealth as exceeds one hundred thousand rupees shall be his taxable wealth for that year of assessment, and the head of that family shall be liable to the wealth tax in respect of such taxable wealth.”

12. Section 40 of the principal enactment is hereby amended as follows:—

(1) by the substitution, for paragraph (e) and paragraph (f) of that section, of the following new paragraphs:—

“(e) where there is a release, discharge, surrender or abandonment of any debt (other than a debt which is treated as a bad debt and allowed as a deduction for the purposes of income tax under this Act) or contract or of any interest in any property by any person, the value of the release, discharge, surrender or abandonment shall be deemed to be a gift made by him;

(f) the gift of any property on or after July 18, 1958, subject to a reservation in favour of the donor or any other person shall be deemed to take effect when it is made and not when the interest created by the reservation is extinguished; and”; and

(2) by the addition, at the end of that section, of the following new paragraph:—

“(g) subject to the provisions of paragraphs (b) and (c), where any property is transferred by any person to any member of his family or to any son or daughter of that person or of his spouse, being a son or daughter not included in the family of that person, and the entirety or a part of the consideration for the transfer is the creation of a debt or an annuity in favour of the transferor, such debt or annuity shall be disregarded and the transferor shall be deemed to have made a gift of such property to the transferee to the extent of the value of the debt or annuity created.”

13. Section 44 of the principal enactment, as last amended by Act No. 31 of 1971, is hereby further amended as follows:—

- (1) by the repeal of subsection (2) of that section and the substitution therefor, of the following new subsection:—

“(2) Subject to the provisions of subsection (2B) and subsection (4B), where in the case of a married woman the marriage subsists during part only of a year preceding any year of assessment,—

- (a) the provisions of Chapter V shall apply only to such part of the wife's assessable income for that year of assessment as bears to the whole of such income the same proportion as the number of days in the period during which the marriage subsists in the year preceding that year of assessment bears to the total number of days in the year preceding that year of assessment;
- (b) the provisions of Chapter VII shall apply only to such part of the wife's net wealth for that year of assessment as bears to the whole of such wealth the same proportion as the number of days in the period during which the marriage subsists in the year preceding that year of assessment bears to the total number of days in the year preceding that year of assessment;
- (c) the aforesaid provisions shall not apply to any source of profits or income or net wealth, as the case may be, which is not a source of profits or income or net wealth of the wife during that part of the year for which the marriage subsists.”; and

- (2) by the repeal of subsection (4) of that section and the substitution therefor, of the following new subsection:—

“(4) Subject to the provisions of subsection (2B) and subsection (4B), where in the case of a married woman, the marriage is on a date after the first day of April in the year preceding any year of assessment or the marriage subsists for part only of that preceding year, then, as the case may be, she shall—

- (a) for such period of the preceding year commencing on the first day of April and ending on the date of the marriage, if prior to that date she was an individual not included in a family, or
- (b) for such period in that preceding year during which the marriage does not subsist,

be assessed separately on her income in respect of income tax, and on her net wealth, in respect of wealth tax and the provisions of this Act as to collection and recovery shall apply to her accordingly.”.

14. Section 46 of the principal enactment is hereby repealed and the following new section substituted therefor:—

46. Where a child whose assessable income exceeds five hundred rupees for any year of assessment either reaches the age of twenty-five or marries or leaves the parental home during the year preceding that year of assessment, the income (other than income from employment) of that child for the period commencing on the date on which he attains such age or marries or leaves his parental home and ending on the last day of the year preceding that year of assessment and the income from employment of that child for the period commencing on the date on which he attains such age or marries or leaves his parental home and ending on the last day of that year of assessment shall not be aggregated with the income of his parent."

15. Section 52 of the principal enactment is hereby amended as follows:—

(1) by the repeal of subsection (4) of that section and the substitution therefor, of the following new subsection:—

"(4) The statutory income of any partner from the partnership shall be computed in accordance with the provisions of section 12 by treating his share of the divisible profit of the partnership as though it were profits of a trade, business, profession, vocation, or employment carried on or exercised by him, and his share of other income as though it accrued to him solely:

Provided that where no return has been made as required by subsection (2) or a return made under that subsection has not been accepted, the Assessor may estimate the statutory income of any partner from the partnership to the best of his judgment:

Provided further that where the Assessor is of the opinion that the whole or a part of the divisible profit of the partnership has been appropriated by a partner, the Assessor may include in that partner's share of the divisible profit of the partnership the amount appropriated by him and the statutory income of such partner may be computed accordingly."; and

(2) by the addition, at the end of that section, of the following new subsection:—

"(10) Where for any year of assessment the statutory income of any person who is a partner in a partnership includes his share of the divisible profits of the partnership and the tax payable by that person is in default, such part of the tax in default as is in the opinion of the Commissioner, attributable to his share of such divisible profits may be recovered out of the assets of the partnership and accordingly, for the purposes of section 110, the assets of the partnership shall be deemed to be the assets of the partner:

Provided that the amount so recovered shall not exceed the interest of the partner in the partnership."

16. Section 54 of the principal enactment, as amended by Act No. 31 of 1971, is hereby further amended as follows:—

(1) by the repeal of subsection (7) of that section and the substitution therefor, of following new subsection:—

"(7) Where an individual arrives in Sri Lanka in any year of assessment commencing on or after April 1, 1970, and carries on or exercises any employment in that year of assessment or in the year following that year of assessment, the Commissioner may direct that such individual shall be deemed to have been resident for the whole or a part the year preceding each of the aforesaid years of assessment or any one of those years for the purpose of granting such relief as the circumstances of the case may require."; and

(2) by the addition, at the end of that section of the following new subsections:—

"(8) Where an individual leaves Sri Lanka in any year of assessment commencing on or after April 1, 1970, his profits and income from employment arising in or derived from any place outside Sri Lanka during the period commencing on the date on which he leaves Sri Lanka and ending on the thirty-first day of March of the year of assessment immediately succeeding the year of assessment in which he leaves Sri Lanka shall be exempt from income tax unless he is deemed to be, or becomes, resident in Sri Lanka at any time during that period.

(9) An individual who is employed in a Ceylon ship, within the meaning of the Merchant Shipping Act, No. 52 of 1971, shall, for the purposes of this Act, be deemed to be resident in Sri Lanka during the period he is so employed:

Provided that whether any such individual is a citizen or subject of any country other than Sri Lanka he shall not, by reason of his being so deemed to be resident in Sri Lanka, be liable to income tax as a resident in respect of any income other than his income from employment in such ship."

17. Section 69B of the principal enactment, inserted therein by Act, No. 31 of 1971, is hereby repealed and the following new section substituted therefor:—

69B. Where the profits and income of an individual for the year of assessment commencing on April 1, 1971, include profits from employment, such individual or, if such individual is a member of a family, the head of such family shall be entitled to a deduction from the income tax payable by him or by the head of the family of which he is a member, as the case may be, for that year of assessment, of a sum equal to income tax at the effective rate on such part of the profits from employment as bears to the total profits from employment the same proportion as the number of days during which such individual carried on or exercised an employment during the period from April 1, 1971, to September 30, 1971, bears to the total number of days during which he carried on or exercised an employment in that year of assessment:

Provided that such profits from employment for the purposes of this section shall not include any sum falling within section 3(4) (a) (ii).

For the purposes of this section—

(a) the effective rate of tax for the year of assessment commencing on April 1, 1971, shall be the percentage which the amount of tax payable for that year of assessment without any deduction for any relief under section 27, or section 66 or section 70 or section 71, bears to the amount of the assessable income for that year of assessment, and

- (b) where a person is in receipt of a pension for the year of assessment commencing on April 1, 1971, or any part of that year, such person shall, in respect of the period he is in receipt of such pension, be deemed to be carrying on or exercising an employment".

18. Section 73A of the principal enactment is hereby repealed and the following new section substituted therefor:—

73A. Where a company carries on an undertaking which is referred to in paragraph (v) or paragraph (vi) of subsection (1) of section 6 and which has been approved thereunder by the Minister prior to April 1, 1976, such company shall, in respect of its profits and income from that undertaking for the period of fifteen years immediately following the period of five years for which the profits and income of that undertaking are exempt from income tax under subsection (2) of that section, be entitled to a deduction from the income tax payable by that company of a sum equal to fifty *per centum* of the specified sum.

For the purposes of this section, such specified sum shall—

- (a) in the case of a resident company, be a sum which bears to the income tax payable by that company for any year of assessment under paragraph (a) of subsection (1) of section 25 after the deduction of any relief granted under section 70 or section 71 the same proportion as the profits and income of that undertaking bears to the profits and income of that company for that year of assessment, and
- (b) in the case of a non-resident company, be a sum which bears to the income tax payable by that company for any year of assessment under section 26 (excluding such part of that tax as is computed under that section at the additional rate of 6 *per centum* or at the rate of 33 $\frac{1}{3}$ *per centum*) after the deduction of any relief granted under section 70 or section 71, the same proportion as the profits and income of that undertaking bears to the profits and income of that company for that year of assessment."

19. Section 79 of the principal enactment is hereby amended as follows:—

- (1) by the repeal of subsection (1) and (2) of that section, and the substitution therefor, of the following new subsections:—

'(1) Where, in the case of a company controlled by not more than five persons,—

- (a) the assessable income of the company for any year of assessment is computed on the profits of the company for any year ending on or after the first day of April, 1962, (hereinafter in this subsection referred to as the "previous year"); and
- (b) the Assessor is satisfied that, in respect of the previous year, the company has not distributed to its shareholders a reasonable part of its profits,

the Assessor may, subject to the provisions of subsections (2), (3) and (4), treat the whole or a part of the profits of the company after deducting therefrom any expenditure incurred for the development of the business of the company other than the price paid for the purchase of an existing business or an agricultural undertaking as distributed in the form of dividends to the shareholders of the company on a date specified by the Assessor and the persons concerned shall, for the year of assessment, commencing on the first day of April immediately following the date so specified, be assessable in respect of the amount treated as distributed in the form of dividends to them.

(2) In determining under subsection (1) whether a company has not distributed to its shareholders a reasonable part of its profits, the Assessor shall have regard—

- (a) to the total amount of its profits;
- (b) to the additional assessments, if any, made on the company;
- (c) to the current requirements of the company's business; and
- (d) to such other requirements as may be necessary or advisable for the maintenance and development of the company's business.”; and

(2) by the insertion, immediately after subsection (4) of that section, of the following new subsection:—

“(4A) Where the Assessor under subsection (1) treats the whole or a part of the profits of the company as distributed in the form of dividends to shareholders of the company—

- (a) the provisions of section 27 shall not apply to the profits treated as distributed in the form of dividends;
- (b) the shareholders shall be assessable on the actual amount of the profits treated as distributed in the form of dividends and shall not be entitled to any set-off under subsection (6) of section 27; and
- (c) where the shareholder is a company, the profits treated as distributed in the form of dividends to that company shall, notwithstanding any other provision of this Act, be treated as part of the assessable income of the company and assessed accordingly.”

20. The following section is hereby inserted immediately after section 79, and shall have effect as section 79A, of the principal enactment:—

79A. Where the profits and income of a company or any part of such profits and income are appropriated by any director, manager, shareholder or executive officer of that company, such profits and income or such part of such profits and income shall form part of the profits and income of the person by whom such profits or income or part thereof are appropriated and also of that company and that person and that company shall be assessable accordingly.”

21. Section 90 of the principal enactment is hereby repealed and the following new section substituted therefor:—

90 (1) The secretary, manager, director or other principal officer of every company or body of persons, corporate or unincorporate, shall be answerable for doing all such acts, matters, or things as are required to be done under the provisions of this Act by such company or body of persons:

Provided that any person to whom a notice has been given under the provisions of this Act on behalf of a company or body of persons shall be deemed to be the principal officer thereof unless he proves that he has no connection with the company or body of persons or that some other person resident in Sri Lanka is the principal officer thereof.

(2) Where an offence under this Act is committed by a company or body of persons, corporate or unincorporate, every person who at the time of the commission of that offence was the secretary, manager, director or other principal officer of that company or body of persons shall be deemed to be guilty of that offence unless he proves that the offence was committed without his knowledge and that he exercised all such diligence to prevent the commission of that offence as he ought to have exercised having regard to the nature of his functions in such capacity and to all the circumstances."

22. Section 107D of the principal enactment, inserted therein by Act No. 31 of 1971, is hereby amended by the addition, at the end of that section, of the following new subsection:—

"(8) Where an employer has reasonable grounds to suspect that any particular set out in a declaration furnished by an employee under this section is incorrect, he shall forthwith notify the grounds for his suspicion to the Commissioner and also send him a copy of such declaration."

23. Section 107G of the principal enactment, inserted therein by Act No. 31 of 1971, is hereby amended as follows:—

(1) by the insertion, immediately after subsection (2) of that section, of the following new subsection:—

'(2A) The Commissioner, or any officer authorized by the Commissioner, may, in respect of any employee chargeable with income tax under this Act, issue to the person who is the employer of that employee or who, in the opinion of the Commissioner or such officer, is the employer of that employee, a direction in writing (a copy of which shall be issued to that employee) requiring such person to deduct in accordance with such direction from the remuneration of such employee the income tax payable under this Act and such person shall deduct income tax from such remuneration in accordance with such direction:

Provided that any such direction may at any time be varied.

For the purposes of this chapter a person in respect of whom a direction has been issued under this section shall be deemed to be a "specified employee"; and

- (2) by the repeal of subsection (3) of that section and the substitution therefor, of the following new subsection:—

“(3) Any employee who is dissatisfied with a direction issued under subsection (2) or under subsection (2A) may, within a period of thirty days after the date of issue of such direction, appeal to the Commissioner in writing setting out precisely the grounds of such appeal. The decision of the Commissioner on such appeal shall be final and conclusive.”.

24. The following section is hereby inserted in the principal enactment immediately after section 107ss, of that enactment:—

107ss. Where under the provisions of this Chapter an employer is required to record or furnish particulars in such form and in such manner as may be prescribed by the Commissioner, it shall be sufficient compliance with those provisions if the particulars are recorded or furnished by the employer in such form and in such manner as may be approved in writing by the Commissioner upon an application made by the employer.”.

25. Section 123 of the principal enactment is hereby amended by the repeal of subsection (1) of that section and the substitution therefor, of the following new subsection:—

“(1) For the purposes of this Act there shall be appointed a Commissioner of Inland Revenue, an Additional Commissioner of Inland Revenue, a Senior Deputy Commissioner of Inland Revenue, and such number of Deputy Commissioners of Inland Revenue, Assistant Commissioners of Inland Revenue and Assessors of Inland Revenue as may be necessary.”.

26. Section 129 of the principal enactment is hereby amended as follows:—

- (1) by the insertion, immediately after the definition of “active partner”, of the following definition:—

““Additional Commissioner” means an Additional Commissioner of Inland Revenue appointed under this Act;”

- (2) by the insertion, immediately after the definition of “agricultural undertaking”, of the following definition:—

“annuity” for the purposes of the year preceding any year of assessment commencing on or after April 1, 1973, means an annual payment (other than a payment of a capital nature) made in money or money's worth—

- (a) by any person to any other person under an order of court, the payment being in the nature of alimony or maintenance payment, or
- (b) by one spouse to the other under a duly executed deed of separation, or
- (c) by any person in return for full consideration in money or money's worth to any other person who is not the son, daughter, father, mother, brother or sister of that person or of his wife;”

- (3) by the insertion, immediately after the definition of "business", of the following new definition:—

“Ceylon Tourist Board” means the Ceylon Tourist Board established under the Ceylon Tourist Board Act, No. 10 of 1966;’;

- (4) by the substitution, for the definition of "Commissioner", of the following new definition:—

“Commissioner” means the Commissioner of Inland Revenue appointed under this Act, and includes an Additional Commissioner, a Senior Deputy Commissioner, a Deputy Commissioner, and an Assistant Commissioner specially authorized by the Commissioner either generally or for some specific, purpose to act on behalf of the Commissioner;’;

- (5) by the insertion, immediately after the definition of "company", of the following new definition:—

“Controller of Exchange” means the officer designated as the head of the Department of Exchange Control of the Central Bank;’;

- (6) by the substitution, for the definition of "dividend", of the following new definition:—

“dividend” includes any distribution of profit by a company to its shareholders in the form of money or of an order to pay money, or in the form of shares or debentures in the company or in any other company, and the amount of any capital returned or distributed to the extent of the paid-up value of any shares distributed by the company to its shareholders within six years preceding the date of the return or distribution of capital, such paid up value representing the capitalization of the whole or any part of the profits of the company, but does not include—

(a) a distribution made wholly out of profits from the sale of fixed capital assets where such profits are not chargeable with tax under the provisions of this Act,

(b) the paid-up value of any shares distributed by a company to its shareholders to the extent to which such paid-up value represents the capitalization of the whole or any part of the profits of the company;’;

- (7) by the insertion, immediately after the definition of "family", of the following new definition:—

“foreign currency” has the same meaning as in the Exchange Control Act;’;

- (8) by the insertion, immediately after the definition of "industrial undertaking", of the following new definition:—

“interest” for any year of assessment in relation to a saving certificate within the meaning of the National Savings Bank Act, No. 30 of 1971—

- (a) where the certificate is acquired by any person prior to the commencement of the year preceding that year of assessment (hereinafter referred to as the "preceding year") and is held by him during the whole or a part of the preceding year, means the amount by which the surrender value of the certificate on the thirty-first day of March of the preceding year or on the date on which such person ceases to be the holder of the certificate, as the case may be, exceeds the surrender value of the certificate on the first day of April of the preceding year or its purchase price, according as the certificate has or does not have a surrender value on the afore-mentioned first day of April; or
- (b) where the certificate is acquired by any person after the commencement of the preceding year and is held by him during the whole or a part of the remaining portion of the preceding year, means the amount by which the surrender value of the certificate on the thirty-first day of March of the preceding year or on the date on which such person ceases to be the holder of the certificate, as the case may be, exceeds the surrender value of the certificate on the date of acquisition of the certificate or its purchase price, according as the certificate has or does not have a surrender value on the date of acquisition;";
- (9) by the insertion, immediately after the definition of "resident", of the following new definition:—
- “Senior Deputy Commissioner” means the Senior Deputy Commissioner of Inland Revenue appointed under this Act;” and
- (10) by the insertion, immediately after the definition of “taxable income”, of the following new definition:—
- “tourist” means any person who is not a citizen of Sri Lanka and who holds a valid passport which bears an endorsement granted to him by an authorized officer under the Immigrants and Emigrants Act;”.

27. The First Schedule to the principal enactment, as amended by Act No. 18 of 1965, is hereby further amended by the insertion, immediately after the item relating to “Public Corporations established with capital wholly or partly provided by the Government of Ceylon”, of the following new item:—

“Business Undertakings acquired or vested in the Government under the Business Undertakings (Acquisition) Act, No. 35 of 1971—	} The rate of tax chargeable in respect of resident companies.”.
--	--

FINANCE (AMENDMENT) LAW, NO. 7 OF 1974

A Law to amend the Finance Act, No. 38 of 1971

1. This Law may be cited as the Finance (Amendment) Law, No. 7 of 1974.
2. The following new section is hereby inserted immediately after section 28 of the Finance Act, No. 38 of 1971 (hereinafter referred to as the "principal enactment") and shall have effect as section 28A of that enactment:—

28A. Notwithstanding the provisions of section 30 (1) (e) of the Motor Traffic Act, the Minister may, from time to time, by Notification published in the Gazette specify in respect of any year the date before which applications for revenue licences for such year shall be made. In this section "Minister" means the Minister to whom the subject of Transport has been assigned by the Prime Minister"

3. Section 29 of the principal enactment is hereby repealed and the following new section substituted therefor:—

29. Notwithstanding any of the provisions of the Motor Traffic Act, there shall be levied and collected a penalty amounting to ten per centum of the amount of any licence fee due under any regulation made under that Act, if payment of such licence fee is not made in full on or before the date on which such fee falls due for payment under that Act or under any Notification made under section 28A."

4. The amendment made to the principal enactment by section 3 of this Law shall be deemed, for all purposes, to have come into force on the date on which that enactment came into operation.

BANK OF CEYLON (AMENDMENT) LAW, NO. 10 OF 1974

A Law to amend the Bank of Ceylon Ordinance.

1. This Law may be cited as the Bank of Ceylon (Amendment) Law, No. 10 of 1974.

2. Section 4 of the Bank of Ceylon Ordinance (hereinafter referred to as the "principal enactment") is hereby repealed and the following new section substituted therefor:—

4. The central office of the bank shall be at Colombo in Sri Lanka."

3. Section 6 of the principal enactment is hereby repealed and the following new section substituted therefor:—

6. (1) The management and administration of the affairs of the bank shall be vested in a board, consisting of six directors appointed by the Minister, one of whom shall be a representative of the Ministry in charge of the Minister to whom the subject of Finance is assigned (hereinafter referred to as the "ex officio director").

(2) The board may exercise, discharge or perform the powers, functions or duties of the bank for the purpose of carrying on the business, and administering the affairs, of the bank.

(3) No act or proceeding of the board shall be invalid by reason only of the existence of any vacancy among the directors or any defect in the appointment of a director or authorization by the *ex officio* director under subsection (8).

(4) A Member of Parliament shall not be qualified to be a director.

(5) The Minister shall appoint one of the appointed directors as the chairman of the board.

(6) Every appointed director shall hold office for a period of three years, unless he is earlier removed from office or vacates his office.

(7) If any appointed director is temporarily unable to discharge the duties of his office on account of ill health, or absence from Sri Lanka, or any other cause, the Minister may appoint some other person to act as a director in his place.

(8) If the *ex officio* director is unable to attend any meeting of the board, he may authorize any other officer to be present on his behalf at such meeting; and the officer so authorized shall be deemed for the purpose of such meeting to be a member of the board.

(9) An appointed director may resign his office by letter addressed to the Minister.

(10) The Minister may, if he thinks it expedient to do so, remove an appointed director from office.

(11) A director who vacates office by resignation or effluxion of time shall be eligible for reappointment.

(12) The *ex officio* director shall have all the same rights and privileges as the appointed directors.

(13) The provisions of subsections (1), (2) and (3) shall be deemed to have come into operation on October 12, 1961.

4. Section 7 of the principal enactment is hereby repealed and the following new section substituted therefor:—

7. (1) The capital of the bank shall be one hundred and twenty million rupees divided into one hundred and twenty thousand shares of one thousand rupees each.

(2) The thirty thousand convertible preference shares of fifty rupees each and sixty thousand ordinary shares of fifty rupees each presently held by the Government shall be converted into ninety thousand shares of one thousand rupees each, so however that the balance sum of nine hundred and fifty rupees due on each of the aforesaid convertible preference shares and ordinary shares amounting to eighty-five million and five hundred thousand rupees shall be the reserve liability of the Government.

(3) The liability of the Government at any time as sole shareholder shall be limited to the total amount of the capital represented by the shares held for the time being by the Government."

5. Section 8 of the principal enactment is hereby repealed and the following new section substituted therefor:—

8. (1) The board shall, out of the profits available for payment of dividend and before any dividend is declared, set aside a sum equivalent to twenty per centum of such profits to the credit of a fund called the permanent reserve fund of the bank until such permanent reserve fund is equivalent to one-half of the paid-up capital of the bank for the time being; and in the event that at any time thereafter the amount of such permanent reserve fund is less than one-half of the paid-up capital of the bank for the time being, the board shall as soon as practicable carry to that fund such further sum or sums out of the profits available for dividend as may be necessary until the amount of the permanent reserve fund is equivalent to one-half of the paid-up capital of the bank for the time being. The board may from time to time in its discretion carry to the permanent reserve fund out of profits such further sums as it may deem fit, in addition to the sums required by the preceding provisions of this subsection to be carried thereto.

(2) The permanent reserve fund shall be shown separately in the balance sheet of the bank.”.

6. (1) Section 9 of the principal enactment is hereby repealed and the following new section substituted therefor:—

9. (1) In addition to the permanent reserve fund the board shall create a fund called the contingency fund of the bank and shall carry to that fund such sums out of the profits of the bank as the board thinks proper.

(2) The contingency fund may be applied from time to time in such manner as the board shall determine—

- (a) for meeting depreciation and losses;
- (b) for equalizing dividends;
- (c) for repairing, improving or maintaining any of the property of the bank;
- (d) for any other purposes which the board may think proper.

(3) The board may divide the contingency fund into such special funds as it thinks fit, and may consolidate into one fund any special funds or any parts of any special funds into which the contingency fund may have been divided as it thinks fit, with full power to employ the whole or any part of the assets constituting the contingency fund in the business of the bank without being under any obligation to keep the same separate from the other assets of the bank. The board may also, (subject to the provisions of this Ordinance), without placing the same to reserve, carry over any profits which it may think it is not prudent to divide.

(4) It shall not be necessary to show the contingency fund separately in the balance sheet of the bank.”.

7. Section 10 of the principal enactment is hereby repealed and the following new section substituted therefor:—

10. (1) The Minister in charge of the subject of Finance shall guarantee the repayment of any sum due to the bank on any loan, overdraft, advance or other accommodation granted by the bank with the approval of such Minister under clause 3 (a) of Part II in the First Schedule hereto.

(2) Any sum required for the fulfilment of a guarantee provided under subsection (1) may, with the approval of the National State Assembly, be paid out of the Consolidated Fund.

(3) Immediately after a guarantee is given under subsection (1), the Minister in charge of the subject of Finance shall lay a statement of the guarantee before the Cabinet of Ministers.

(4) Where any sum is paid out of the Consolidated Fund in fulfilment of a guarantee provided under subsection (1), the Minister in charge of the subject of Finance shall forthwith lay before the National State Assembly a statement that such sum has been paid."

8. Section 11 of the principal enactment is hereby repealed and the following new section substituted therefor:—

11. A director who or whose spouse or dependent child or a firm^o or company in which such director, his spouse or dependent child has a substantial interest is directly or indirectly interested in any business transacted or proposed to be transacted by the bank shall disclose the nature of such interest at the meeting of the board where such business is discussed. The disclosure shall be recorded in the minutes if the board and such director shall not take part in any deliberation or decision of the board with regard to that business and shall withdraw from such meeting whilst such deliberation is in progress or decision is being made."

9. Section 12 of the principal enactment is hereby repealed and the following new section substituted therefor:—

12. A director for the time being of the bank who incurs an obligation or debt to any other bank or to a lending institution shall, within one month of the date on which such obligation or debt was incurred, disclose to the bank the particulars relating to such obligation or debt."

10. Section 13 of the principal enactment is hereby repealed and the following new section substituted therefor:—

13. (1) Every application for any loan, overdraft, advance or other accommodation shall be made to the general manager or an officer nominated by him for the purpose.

(2) Every application made under subsection (1) which requires the approval of the board shall be submitted to the board together with the written observations of the general manager on such application.

(3) The manner in which every application made under subsection (1), which does not require the approval of the board is disposed of by the general manager or other officer under the powers delegated by the board shall be reported to the board."

11. Section 14 of the principal enactment is hereby repealed and the following new section substituted therefor:—

14. (1) Any person over sixteen years of age who has a deposit or savings account may nominate a person, (hereinafter called a "nominee"), to whom the moneys lying to the credit of such first-mentioned person (hereinafter called a "nominator") shall be paid upon his death and, if his death should occur while the account exists, the moneys shall be so paid subject to the provisions of this Ordinance.

(2) A nomination made under subsection (1) shall have effect upon the death of the nominator notwithstanding anything in his last will to the contrary.

(3) Any nomination made under subsection (1) shall be deemed to be revoked by the death of the nominee in the lifetime of the nominator or by written notice of revocation signed by the nominator in the presence of a witness (who shall attest the signature of the nominator) or by any subsequent nomination made by the nominator.

(4) The moneys lying in his deposit or savings account to the credit of the person who has made a nomination under subsection (1) shall, in the event of his death, be deemed not to form part of the estate or property of that person for the purpose of probate or administration proceedings under the Administration of Justice Law, No. 44 of 1973, and the transfer of such property shall not be an offence under section 279 of that Law.

(5) Upon the death of any person who has a savings account, and who has made a nomination under subsection (1), the bank shall communicate in writing by registered post with the Commissioner of Inland Revenue informing him of the name and address of such person, the fact of his death, the name and address of the nominee and the amount of the moneys lying to the credit of the nominator at the time of his death, and inquiring whether any, and if so what, sum of moneys should be withheld against payment of estate duty in respect of such moneys

(6) If the Commissioner of Inland Revenue informs the bank, in reply to the communication made under subsection (5), what sum of money should be withheld, the bank may withhold that sum and pay it to the Commissioner of Inland Revenue.

(7) If no reply, specifying what sum of money should be withheld, is received by the bank from the Commissioner of Inland Revenue to the communication made under subsection (5) within one month of the date of posting or handing over that communication, the bank may take action as if no sum of money need be withheld.

(8) No payment shall be made by the bank to any nominee unless the nominee—

(a) submits an affidavit stating that he is the nominee; and

(b) produces a certificate as to his identity from a person acceptable to the bank.

(9) A payment made subject to the deduction, if any, made under subsection (6) and the conditions set out in subsection (8), to any nominee of a nominator who has died shall be a complete discharge of the obligations of the bank in respect of the moneys lying to the credit of such nominator.

(10) Where, upon the death of any person who has a deposit or savings account, other than a nominator, there is a sum of money to the credit of such person in the bank, any officer or person who is duly authorized to make payments in respect of accounts may, if satisfied that such first-mentioned person died intestate and that letters of administration to the estate of such person are not required by any written law, pay such sums of money, subject to the provisions of this Ordinance, to the person or persons to whom such sum is required, in accordance with any rule in that behalf, to be paid:

Provided that until rules are made in that behalf, any such sum may be paid to the person or persons legally entitled to the payment thereof.

12. Sections 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31 and 32 of the principal enactment are hereby repealed and the following new sections substituted therefor:—

15. Where default is made in the payment of any sum due on any loan, overdraft, advance or other accommodation granted on the mortgage of movable or immovable property, whether that sum is due on account of principal or interest or both, default shall be deemed to have been made in respect of the whole of the unpaid portion of that loan, overdraft, advance or other accommodation and the interest due thereon up to date.

16. Where under the provisions of this Ordinance, default is made or deemed to have been made in respect of the whole of the unpaid portion of any loan, overdraft, advance or other accommodation and the interest due thereon, the board may, in its discretion, take action as specified either in section 17 or in section 19:

Provided that where the board has in any case taken action, or commenced to take action, in accordance with section 17, nothing shall be deemed to prevent the board at any time from subsequently taking action in that case by resolution under section 19 if the board deems it necessary or advisable to do so.

17. Subject to the provisions of section 20, the board may by resolution to be recorded in writing authorize any person specified in the resolution to enter upon and take possession of any immovable property or seize any movable property mortgaged to the bank as security for any loan, overdraft, advance or other accommodation in respect of which default has been made and to manage and maintain such property, and to exercise the same powers in the control and management of such property as might have been exercised by the mortgagor if he had not made default.

18. (1) Any person authorized by resolution of the board under section 17 in respect of any property shall be entitled generally to take action in terms of the resolution and in particular—

- (a) to sell the produce of such property;
- (b) to receive the rents, profits or other income from such property;
- (c) to pay the expenses incurred in the control and management of such property out of the income from such property;
- (d) to appropriate to himself out of such income such sum (if any) as the board may deem fit to fix as remuneration for his services;
- (e) to remain in possession of such property until all moneys due to the bank under the mortgage on such property have been fully paid or until he is directed by the board to yield possession of such property under subsection (2).

(2) Every person authorized by resolution of the board under section 17 in respect of any property shall—

- (a) pay monthly, out of the income of such property such sum (if any) as the board may in its discretion fix, to the mortgagor for his maintenance;
- (b) pay quarterly or as otherwise directed by the board to such person or persons and in such manner as the board may direct the balance of the income from such property remaining after the payments herein before authorized have been made;
- (c) keep and render to the board at such intervals as the board may determine, clear and accurate records of all sums received or paid out by him in respect of such property;
- (d) yield possession of such property to the mortgagor or some other person as directed by the board and pay to the board any balance of the income from such property remaining in his hands after the payments herein before authorized have been made.

(3) The board shall when all sums due to the bank under the mortgage have been fully paid surrender possession of the mortgaged property to the mortgagor and return to him any balance remaining of the income from such property.

19. Subject to the provisions of section 20 the board may by resolution to be recorded in writing authorize any person specified in the resolution to sell by public auction any movable or immovable property mortgaged to the bank as security for any loan, overdraft, advance or other accommodation in respect of which default has been made in order to recover the whole of the unpaid portion of such loan, overdraft, advance or other accommodation, and the interest due thereon up to the date of the sale, together with the moneys and costs recoverable under section 26.

20. (1) Save as otherwise provided in subsection (2), the provisions of sections 17 and 19 shall apply in the case of any default notwithstanding that the borrower may have died or that any right, title or interest whatsoever in the property mortgaged as security for the loan, overdraft, advance or other accommodation may have passed by voluntary conveyance or by operation of law to any other person.

(2) Where the borrower is dead and probate of his will or letters of administration to his estate have not been issued, the District Court of Colombo or the District Court of the district in which that property is situate or kept may, upon application made in that behalf by the board and after service of notice of the application on such persons, if any, as the court may order, and if satisfied that the grant of probate or the issue of letters of administration is likely to be unduly delayed, appoint a person to represent the estate of the borrower for the purposes of this section; and the provisions of sections 17 and 19 shall not apply in the case of any default made by the borrower unless and until a representative of his estate is appointed under this section.

21. Notice of every resolution under section 19 authorizing the sale of any property shall be published, in addition to the Gazette, in three daily newspapers in Sinhala, Tamil and English respectively, and copies of such notice shall be served on the borrower, if he is alive.

22. Notice of the date, time and place of every sale shall, not less than fourteen days before the date fixed for the sale, be published in the Gazette and copies of such notice shall—

- (a) be served on the borrower, if he is alive;
- (b) where immovable property is to be sold, be posted on or near such property; and
- (c) be affixed to the walls of the kachcheri and the several District Courts and Magistrates' Courts within the jurisdiction of which the property is situate or kept.

23. (1) If the amount of the whole of the unpaid portion of the loan, overdraft, advance or other accommodation (together with all interest due thereon according to the terms of the mortgage), and of the moneys and costs, if any, recoverable by the board under section 26 is tendered to the board at any time before the date fixed for the sale, the property shall not be sold and no further steps shall be taken in pursuance of the resolution under section 19 for the sale of that property.

(2) If the amount of the instalment or other payment in respect of which default has been made, together with any interest due thereon according to the terms of the mortgage, and of the moneys and costs, if any, recoverable by the board under section 26, is tendered to the board at any time before the date fixed for the sale, the board may, in its discretion, direct that the property shall not be sold, and that no further steps shall be taken in pursuance of the resolution under section 19 for the sale of that property.

24. The board may fix an upset price below which the property shall not be sold to any person other than the Bank.

25. In any case where more than one loan, overdraft, advance or other accommodation has been granted by the bank on the security of the same property and default is made in the payment of any sum due upon any one or more of such loans, overdrafts, advances or other accommodation, the foregoing provisions of this Ordinance shall apply notwithstanding that default may not have been

made in respect of any of the other loans, overdrafts, advances or other accommodation, and the board may, in any such case, by resolution under section 19 authorize the sale of the property for the recovery of the total amount due to the bank in respect of all such loans, overdrafts, advances and other accommodation, as the case may be, and the provisions of this Ordinance shall apply accordingly.

26. In addition to the amount due on any loan, overdraft, advance or other accommodation, the board may recover from the borrower, or any person acting on his behalf—

- (a) all moneys expended by the bank in accordance with the covenants contained in the mortgage bond executed by the person to whom the loan, overdraft, advance, or other accommodation was made or in the payment of premiums and other charges in respect of any policy of insurance effected on the property mortgaged to the bank, and in the payment of all other costs and charges authorized to be incurred by the bank, under the covenants contained in such mortgage bond; and:
- (b) the costs of advertising the sale and of selling the mortgaged property.

Provided that the costs incurred under this paragraph shall not exceed such percentage of the loan, overdraft, advance or other accommodation as may from time to time be fixed by resolution of the board.

27. If the mortgaged property is sold, the board shall, after deducting from the proceeds of the sale the amount due on the mortgage and the money and costs recoverable under section 26, pay the balance remaining, if any, either to the borrower or any person legally entitled to accept the payments due to the borrower, or where the board is in doubt as to whom the money should be paid, into the District Court of the district in which the mortgaged property is situate or kept.

28. (1) If the mortgaged property is sold, the board shall sign a certificate of sale and thereupon all the right, title and interest of the borrower to and in the property shall vest in the purchaser; and thereafter it shall not be competent for any person claiming through or under any disposition whatsoever of the right, title or interest of the borrower to and in the property, made or registered after the date of the mortgage of the property to the bank, in any court to move to invalidate the sale for any cause whatsoever or to maintain any right, title or interest to or in the property as against the purchaser.

(2) A certificate signed by the board under subsection (1) shall be conclusive proof, with respect to the sale of any property, that all the provisions of this Ordinance relating to the sale of that property have been complied with.

(3) If the purchaser is some person other than the bank, the certificate shall be substantially in Form A in the Third Schedule hereto and, if the purchaser is the bank the certificate shall be substantially in Form B in that Schedule.

(4) Every certificate of sale shall be liable to stamp duty and charges as if it were a conveyance of property and to any registration and other charges authorized by law, all of which shall be payable by the purchaser.

29. (1) The purchaser of any immovable property sold in pursuance of the preceding provisions of this Ordinance shall, upon application made to the District Court of Colombo or the District Court having jurisdiction over the place where that property is situate, and upon production of the certificate of sale issued in respect of that property under section 28. be entitled to obtain an order for delivery of possession of that property.

(2) Every application under subsection (1) shall be made, and shall be disposed of, by way of summary procedure in accordance with the provisions of Chapter XXIV of the Civil Procedure Code; and on all documents filed for the purpose of each such application and on all proceedings held thereupon, stamp duties and other charges shall be payable at the respective rates payable under any written law for the time being in force, on application for, and proceedings connected with or incidental to, the execution of a decree of a District Court for the delivery of possession of any immovable property of the same value as the land to which such application relates.

(3) Where any immovable property sold in pursuance of the preceding provisions of this Ordinance is in the occupancy of the debtor or of some person on his behalf or of some person claiming under a title created by the debtor subsequently to the mortgage of the property to the bank, the District Court shall order delivery to be made by putting the purchaser, or any person whom he may appoint to receive possession on his behalf, in possession of the property.

(4) Where any immovable property sold in pursuance of the preceding provisions of this Ordinance is in the occupancy of a tenant or other person entitled to occupy the same, the District Court shall order delivery to be made by affixing a notice that the sale has taken place, in the Sinhala, Tamil and English languages, in some conspicuous place on the property, and proclaiming to the occupant by beat of tom-tom, or in such other mode as may be customary, at some convenient place, that the interest of the debtor has been transferred to the purchaser. The cost of such proclamation shall be fixed by the court and shall in every case prepaid by the purchaser.

(5) Every order under subsection (3) or subsection (4) shall be deemed, as the case may be, to be an order for delivery of possession made under section 287 or 288 of the Civil Procedure Code, and be enforced in like manner as an order so made, the debtor and the purchaser being deemed, for the purpose of the application of any provision of that Code, to be the judgment-debtor and judgment-creditor, respectively.

30. (1) Where the property sold has been purchased on behalf of the bank, the board may, at any time before it resells that property, cancel the sale by an endorsement to that effect on a certified copy of the certificate of sale, upon the debtor or any person on his behalf paying the amount due in respect of the loan, overdraft, advance or other accommodation, for which the property was sold (including the costs of seizure and sale) and interest on the aggregate sum at a rate not exceeding the prescribed rate.

(2) An endorsement made under this section shall—

(a) in the case of movable property, immediately on the endorsement being made, and

(b) in the case of immovable property, upon registration in the office of the Registrar of Lands,

have the effect of revesting the property in the debtor as though the sale under this Ordinance had not taken place.

31. (1) If the property sold has been purchased on behalf of the bank, and the sale is not cancelled under section 30, the board may, at any time, resell the property and transfer to the purchaser by endorsement on a certified copy of the certificate referred to in subsection (3) of section 28, all the right, title and interest which would have been acquired by the purchaser at the original sale.

(2) An endorsement made under this section shall be liable to the same stamp duty and charges as a certificate to a purchaser at the original sale and shall—

(a) in the case of movable property, immediately on the endorsement being made, and

(b) in the case of immovable property, upon registration in the office of the Registrar of Lands,

have the effect of vesting the property in the purchaser as though the sale under this Ordinance had not taken place.

32. Nothing in sections 16 to 31 shall be deemed to preclude the board from recovering the amount due on any mortgage bond in accordance with the provisions of any other written law."

13. Section 33 of the principal enactment is hereby repealed and the following new section substituted therefor:—

33. The Minister may, after consultation with the board, give to the board general or special directions in writing as to the transaction of the business of the bank and the board shall give effect to such directions."

14. Sections 34 to 40 (both sections inclusive) of the principal enactment are hereby repealed.

15. Sections 45 to 55 (both sections inclusive) of the principal enactment are hereby repealed.

16. Section 56 of the principal enactment is hereby repealed and the following new section substituted therefor:—

56. (1) The board shall have power to appoint the staff of the bank including the subordinate staff:

Provided that the appointment of the general manager shall not be made without the previous approval in writing of the Minister:

Provided further that the Minister's approval shall not be necessary for the appointment of an officer of the bank to act for the general manager during his absence if such appointment is for a period not exceeding four months.

(2) The board may, with the approval of the Minister, from time to time alter or revise the salaries, emoluments, travelling allowances, provident fund and pension rights of any officer or member of the subordinate staff of the bank.”.

17. Section 57 of the principal enactment is hereby amended, by the substitution for subsection (1) thereof, of the following new subsection:—

“(1) Every officer and member of the subordinate staff of the bank shall give security to the satisfaction of the board for the due and faithful performance of his duties.”.

18. Section 58 of the principal enactment is hereby repealed and the following new section substituted therefor:—

58. No general manager of the bank shall be dismissed except—

(a) on a resolution of the board passed by a majority of two-thirds of the the directors for the time being holding office; and

(b) with the written approval of the Minister.”.

19. Section 60 of the principal enactment is hereby repealed and the following new section substituted therefor:—

60. Every director, manager, secretary or other officer of the bank shall be indemnified by the bank from all losses and expenses incurred by him in or about the discharge of his duties, other than such losses and expenses as the board may deem to have been occasioned by his misconduct or wilful default.”.

20. Section 61 of the principal enactment is hereby amended by the substitution, for paragraph (a) thereof, of the following new paragraph:—

“(a) when required to do so—

(i) by the directors, or

(ii) by a court of law, or

(iii) by the person to whom such matters relate;”.

21. Section 64 of the principal enactment is hereby repealed and the following new section substituted therefor:—

64. No person, unless he is a director, auditor, officer, accountant or clerk of the bank or other person whose duties require him to do so, shall be entitled to inspect any of the books, accounts, documents or writings of the bank, except where he is authorized to do so under any written law.”.

22. Section 65 of the principal enactment is hereby repealed and the following new section substituted therefor:—

65. The provisions of Part II of the Finance Act, No. 38 of 1971, shall *mutatis mutandis* apply to the financial control and accounts of the bank.”.

23. Sections 66 and 67 of the principal enactment are hereby repealed.

24. Sections 68 and 69 of the principal enactment are hereby repealed and the following new sections substituted therefor:—

68. Nothing in the Money Lending Ordinance, the Debt Conciliation Ordinance or the Conciliation Boards Act, No. 10 of 1958, shall apply or be deemed to apply to any debt due to the bank, or to prejudice or affect the rights of the bank in respect of the recovery of any such debt.

69. The Pawnbrokers Ordinance shall not apply to the bank where the bank carries on the business of a pawn-broker.

25. The following new sections are hereby inserted immediately after section 69 of the principal enactment and shall have effect as sections 69A, 69B, 69C and 69D of that enactment:—

69A. Notwithstanding the provisions of section 10 of the Rubber Control Act the bank may lawfully possess a quantity of rubber in excess of the quantity prescribed under that Act.

69B. Notwithstanding the provisions of section 15 of the Tea Control Act, No. 51 of 1957, the bank may lawfully possess a quantity of made tea in excess of the quantity prescribed under that Act.

69C. Notwithstanding the provisions of section 17 of the Excise Ordinance the bank may lawfully possess a quantity of any excisable article in excess of the quantity declared under section 4 of that Ordinance to be the limit of sale by retail.

69D. The provisions of the Tea and Rubber Estates (Control of Fragmentation) Act, No. 2 of 1958, shall not apply to the transfer of ownership by the bank of any immovable property the sale of which is authorized by the board under section 19 of this Ordinance.”.

26. Section 73 of the principal enactment is hereby repealed.

27. Section 75 of the principal enactment is hereby repealed.

28. Section 76 of the principal enactment is hereby amended as follows:—

(a) by the insertion, immediately before the definition of “bank”, of the following new definition:—

“approved society” means a society approved for the purposes of the Ordinance by the Minister by Order published in the Gazette;” ;

(b) by the insertion, immediately after the definition of “capital”, of the following definition:—

“central office” means the central office of the bank;”;

(c) by the repeal of the definition of “Deputy Secretary to the Treasury”;

(d) by the repeal of the definitions of “elected director”, “extraordinary resolution” and “general meeting”;

(e) by the repeal of the definition of “head office”, and the substitution therefor, of the following definition:—

“mortgage” includes any charge on property for securing money or money’s worth;”;

- (f) by repeal of the definition of "ordinary meeting";
- (g) by the repeal of the definitions of "special resolution" and "shareholder"; and
- (h) by the insertion, immediately after the definition of "Secretary to the Treasury", of the following new definition:—

“substantial interest”—

- (a) in relation to a company, means the holding of a beneficial interest by an individual or his spouse or minor child, whether singly or taken together, in the shares thereof, the amount paid up of which exceeds five hundred thousand rupees or five *per centum* of the paid-up capital of the company, whichever is less; and
- (b) in relation to a firm, means the beneficial interest held therein by an individual or his spouse or minor child, whether single or taken together, which represents more than five *per centum* of the total capital subscribed by all the partners of the said firm.”.

29. (1) Section 8 of the Finance Act, No. 65 of 1961 is hereby repealed.

(2) Notwithstanding the repeal of section 8 of the Finance Act, No. 65 of 1961, by subsection (1) of this section, the directors appointed under that section and holding office on the date on which this Law comes into force shall be deemed for all purposes to have been appointed under section 6 of the principal enactment (inserted by this Law) and shall, subject to the provisions of the said section 6, continue to hold office for the unexpired portion of their period of office.

30. The First and Second Schedules to the principal enactment are hereby amended in the manner and to the extent specified in the Schedule hereto.

31. The following new Schedule is hereby inserted immediately after the Second Schedule to the principal enactment and shall have effect as the Third Schedule to that enactment:—

“THIRD SCHEDULE

(Section 30)

FORM A

Form of Certificate of Sale where the Bank is not the Purchaser

Whereas a sum of _____ rupees is due to the Bank of Ceylon from _____ and the property _____ hereinafter more fully described has been *mortgaged by the said _____ on * bond No. _____ dated _____ as security for the payment of the aforesaid sum in the manner provided in the said * bond:

And whereas the moneys due in respect of the said * bond have not been paid by or on behalf of the said _____

And whereas the aforesaid property was sold in conformity with the Bank of Ceylon Ordinance on the _____ day of _____ and the same was purchased by _____ of _____ for the sum of _____ rupees, which has been duly paid by the said _____

Now Know Ye that the Bank of Ceylon by virtue and in the exercise of the powers in the said Bank vested in this behalf by or under the Ordinance aforesaid, doth hereby certify that the following property, to wit *(here insert full and accurate description of property)* has been sold and purchased by the said _____ for the sum of _____ rupees, which he has duly paid, and that the said property shall henceforward be vested in the said _____ his heirs, executors, administrators and assigns.

Given under the Common Seal of the Bank of Ceylon this _____ day of _____ 19 .

The Common Seal of the
within named Bank of Ceylon is
hereto affixed in the presence of

of the said Bank of Ceylon who
do hereby attest the sealing
thereof.

(SEAL)

(Not to be notarially attested)

(Section 30)

FORM B

Form of Certificate of Sale where the Bank is the Purchaser

Whereas a sum of _____ rupees is due to the Bank of Ceylon from _____ and the property _____ hereinafter more fully described has been * mortgaged by the said _____ on * bond No. _____ dated _____ as security for the payment of the aforesaid sum in the manner provided in the said * bond:

And whereas the moneys due in respect of the said * bond have not been paid by or on behalf of the said _____.

And whereas the aforesaid property was sold in conformity with the Bank of Ceylon Ordinance on the _____ day of _____ and the same was purchased for and on behalf of the Bank of Ceylon _____ by _____ for the sum of _____ rupees, which has been duly credited to the said Bank, in part *(or full, as the case may be)* satisfaction of the sum due as aforesaid:

Now Know Ye that the Bank of Ceylon by virtue and in the exercise of the powers in the said Bank vested in this behalf by or under the Ordinance aforesaid, doth hereby certify that the following property, to wit, _____ *(here insert full and accurate description of the property)* has been sold and purchased by the said _____ for and on behalf of the said Bank of Ceylon for the sum of _____ rupees, and that the said property shall hence forward be absolutely vested said Bank of Ceylon.

Given under the Common Seal of the Bank of Ceylon this _____ day
_____ 19.

The Common Seal of the
withinnamed Bank of Ceylon is
hereto affixed in the presence of

of the said Bank of Ceylon who
do hereby attest the sealing
thereof.

(SEAL)

(Not to be notarially attested)."

SCHEDULE

I. The First Schedule to the principal enactment is hereby amended as follows:—

(1) in clause I of Part I of that Schedule—

(a) by the substitution, for paragraph (f) thereof, of the following new paragraph:—

“(f) To buy, sell, invest, underwrite, deal in and dispose of stocks shares, debentures, mortgages, bonds, or securities issued or guaranteed by the Government of Sri Lanka or by the Government of any other country or by any company or corporation:

Provided, however, that the bank shall not enter into any transaction affecting the stocks, shares, debentures, mortgages, bonds or securities issued or guaranteed by any other country or by any such company or corporation except with the approval of not less than four directors of the bank given after considering the written observations of the general manager of the bank, and with the written consent of the Minister.”;

(b) in paragraph (g) thereof, by the substitution, for the proviso thereto, of the following new proviso:—

“Provided, however, that the power contained in this paragraph shall only be exercised with the approval of not less than four directors of the bank given after considering the written observations of the general manager of the bank, and with the written consent of the Minister.”;

(c) by the substitution, for paragraph (h) thereof, of the following new paragraph:—

(h) To purchase, take on lease or in exchange, hire or otherwise acquire, any immovable or movable property and any rights or privileges.”;

(d) by the substitution, for paragraph (i) thereof, of the following new paragraph:—

- (i) To enter into any arrangement for sharing profits, union of interest, co-operation, joint adventure, reciprocal concession or otherwise with any person or company carrying on or engaged in or about to carry on or engaged in any business or transaction.”;
- (e) in paragraph (l) thereof, by the substitution, for the proviso thereto, of the following new proviso:—
- “Provided, however, that the powers contained in this paragraph shall only be exercised with the approval of at least four directors of the bank given after considering the written observations of the general manager of the bank, and with the written consent of the Minister.”;
- (f) by the substitution, for paragraph (m) thereof, of the following new paragraph:—
- (m) To construct buildings on or improve or develop any land belonging to or taken on lease or possessed or occupied by the bank and to manage, exchange, lease, mortgage, dispose of, sell, turn to account or otherwise deal with all or any part of the property and rights of the bank.”;
- (g) by the substitution, for paragraph (p) thereof, of the following new paragraph:—
- (p) To procure the bank to be registered or recognized in any foreign country or place.”;
- (h) by the substitution, for paragraph (q) thereof, of the following new paragraph:—
- (q) To give any guarantee or indemnity and to enter into any arrangements with any Government or any local authority in order to obtain any rights, concessions and privileges.”;
- (i) by the substitution, for paragraph (r) thereof, of the following new paragraph:—
- (r) To do hire-purchase business and receive discounts, commissions and other remuneration.”;
- (j) by the substitution, for paragraph (s) thereof, of the following new paragraph:—
- (s) To form any company for carrying on any business, to acquire and undertake the business of, purchase any interest in, or acquire or hold shares or stock in, any company carrying on any business.”;
- (k) by the insertion, immediately after paragraph (s) thereof, of the following new paragraphs:—
- (t) To carry on such other trade or business or engage in such other activity, which can in the opinion of the bank be advantageously carried on or engaged in by the bank.
- (u) To do all things incidental or conducive to the attainment of the above objects or the exercise of the above powers.

(2) in clause 3 of Part II of that Schedule—

(a) by the substitution, for paragraph (a) thereof, of the following new paragraph:—

(a) No loan, overdraft, advance or other accommodation shall be granted by the bank to any person unless the board is satisfied that he is worthy of credit up to the amount of such advance, loan or other accommodation or that such amount is secured by adequate security, or that the project or scheme to which such amount is to be applied is financially sound:

Provided that the bank may grant any loan, overdraft, advance or other accommodation to any Government department, corporation, statutory body, local authority, co-operative society, approved society or unincorporate body of persons which is unable to satisfy the board as to the requirement contained in the preceding provisions of this paragraph if the grant of such loan, overdraft, advance or other accommodation is approved by the Minister in consultation with the Minister in charge of the subject of Finance and if the Minister in charge of the subject of Finance guarantees under section 10 the repayment of such advance, loan or other accommodation.”;

(b) by the substitution, for paragraph (b) thereof, of the following new paragraph:—

(b) (i) Where prior to the date of his appointment as a director no sum had been granted by way of loan, overdraft, advance or other accommodation to such director or any company or firm in which he has a substantial interest, then, no loan, overdraft, advance, or other accommodation shall be granted to any such company or firm, but a sum not exceeding fifty thousand rupees in the aggregate may be granted to such director by way of loans, overdrafts, advances and other accommodation.

(ii) Where prior to the date of his appointment as a director any sum has been granted by way of loan, overdraft, advance or other accommodation to such director or any company or firm in which he has a substantial interest, then, such director, company or firm may be granted by way of loans, overdrafts, advances or other accommodation a sum which does not exceed the aggregate of the sums granted to such director, company or firm prior to the date of such appointment, less any sum remaining unpaid:

Provided that where any sum so granted to a director prior to his appointment as a director is a sum not exceeding fifty thousand rupees such director may be granted by way of loans, advances, overdrafts and other accommodation a sum not exceeding fifty thousand rupees in the aggregate, in addition to any sum remaining unpaid.

(iii) No loan, overdraft, advance or other accommodation shall be granted to a director for the time being of the bank or a firm, or company in which he has a substantial interest unless security approved by the bank is given and the loan, overdraft, advance or other accommodation is sanctioned at a meeting of the board by not less than four other directors.”.

(c) by the substitution, for paragraph (f) thereof, of the following new paragraph:—

(f) No loan, overdraft, advance or other accommodation shall be granted by the bank on the guarantee of an employee of the bank other than to another employee of the bank.”; and

(d) by the omission of paragraph (g) thereof.

2. The Second Schedule to the principal enactment is hereby amended as follows:—

(a) by the repeal of parts i, ii, iii, iv and v thereof;

(b) by the renumbering of Part VI as Part I thereof;

(c) by the repeal of by-law 70;

(d) by the renumbering of by-laws 60, 61, 62, 63, 64, 65, 66, 67, 68, 69 and 71 as by-laws 1, 2, 3, 4, 5, 6, 7, 8, 9, 10 and 11 respectively;

(e) in the renumbered by-law 6 by the substitution, for sub-paragraph (c) of paragraph (1) of the following new paragraph:—

“(c) the proceedings and resolutions of all meetings of the board and committees.”;

(f) by the substitution, for the renumbered by-law 10, of the following new by-law:—

10. Nothing in by-law 9 shall apply to any contract made by or on behalf of the bank to give to the directors or any of them any security for advances or by way of indemnity.”;

(g) by the substitution, for the renumbered by-law 11, of the following new by-law:—

11. (1) The board may delegate any of its powers, other than the power to appoint the general manager, to committees consisting of two or more directors, or to a director, or to the general manager or to any other officer of the bank selected by the board; and may from time to time revoke any such delegation either wholly or in part and either as to persons or purposes. Every such committee, director, general manager or other officer shall, in the exercise of the powers delegated to it or him, conform to all such regulations as are prescribed by the board.

(2) The general manager may, with the consent of the board, in writing delegate to any of the officers of the bank selected by him any of the powers delegated to him under paragraph (1). Every such officer shall

in the exercise of the powers delegated to him under this paragraph conform to all such regulations as are prescribed by the board and the general manager.

(3) All acts done by any such committee, director, general manager or other officer in conformity with such regulations and in fulfilment of the purposes of its or his appointment, but not otherwise, shall have the like force and effect as if done by the board.”;

- (h) by the renumbering of Part VII as Part II thereof;
- (i) by the renumbering of by-law 72 as by-law 12;
- (j) by the substitution, for the renumbered by-law 12, of the following new by-law:—

12. No loan, overdraft, advance or other accommodation shall be sanctioned by the board without the recommendation of the general manager unless such loan, overdraft, advance or other accommodation is approved by all the directors for the time being of the bank, after considering the written observations of the general manager of the bank.”;

- (k) by the repeal of by-law 73;
- (l) by the renumbering of by-law 74 as by-law 13;
- (m) by the renumbering of Part VIII as Part III thereof;
- (n) by the renumbering of by-law 75 as by-law 14;
- (o) by the substitution, for the renumbered by-law 14, of the following new by-law:—

14. A director may be remunerated out of the funds of the bank in such manner and at such rates as the Minister may determine.”

- (p) by the repeal of by-law 76;
- (q) by the renumbering of by-laws 77 and 78 as by-laws 15 and 16;
- (r) by the repeal of by-law 79;
- (s) by the renumbering of by-law 80 as by-law 17;
- (t) by the substitution, for the renumbered by-law 17, of the following new by-law:—

17. Where any director is entrusted with any special mission or function or by request performs special services on behalf of the bank, the board may grant him such additional remuneration as it thinks fit. The directors may be repaid by the bank all such reasonable travelling, hotel and incidental expenses as they may incur in attending meetings of the board or of committees of the board or which they may otherwise incur in or about the business of the bank.”;

- (u) by the renumbering of by-law 81 as by-law 18;
- (v) by the substitution, for the renumbered by-law 18, of the following new by-law:

18. All remuneration to which directors who are state officers become entitled shall be paid to the Consolidated Fund.”;

- (w) by the renumbering of Part ix as Part V thereof;
- (x) by the repeal of by-laws 82, 83 and 84;
- (y) by the renumbering of by-law 85 as by-law 19;
- (z) by the substitution, for the renumbered by-law 19, of the following new by-law:—

19. The board may—

- (i) on the report of the general manager that the profits earned by the bank during any half-year justifies the payment of a half-yearly dividend; and
- (ii) with the approval of the Minister, declare a half-yearly dividend.”;
- (aa) by the repeal of by-law 86;
- (bb) by the renumbering of by-law 87 as by-law 20;
- (cc) by the substitution, for the renumbered by-law 20, of the following new by-law:—

20. Any amounts standing to the credit of any reserve funds and also any other funds of the bank not for the time being employed in or required for the purposes of the business of the bank shall be invested with the approval of the Minister in stock, shares, debentures, bonds or securities—

- (a) recommended in writing by the general manager and approved at a meeting of the board by a majority of not less than two directors; or
- (b) unanimously approved by all the directors for the time being of the bank after considering the written observations of the general manager of the bank.”;
- (dd) by the repeal of by-laws 88, 89 and 90; and
- (cc) by the repeal of Part X thereof.

**DEVELOPMENT FINANCE CORPORATION OF CEYLON
(AMENDMENT) LAW, NO. 12 of 1974**

L. D.—O. 37/69.

A Law to amend the Development Finance Corporation of Ceylon Act.

BE it enacted by the National State Assembly of the Republic of Sri Lanka as follows:—

1. This Law may be cited as the Development Finance Corporation of Ceylon (Amendment) Law, No. 12 of 1974.

2. Section 5 of the Development Finance Corporation of Ceylon Act (as amended by Act No. 1 of 1967), hereinafter referred to as the “principal Act”, is hereby repealed and the following new section substituted therefor:—

5. In carrying out its purposes, the Corporation may exercise all or any of the following powers:—

- (i) provide finance in the form of long-term or medium-term loans with or without security, or by purchasing or subscribing for shares or other securities, or by acquiring any other interest;
- (ii) underwrite new issues of stocks, shares, bonds, debentures and other securities;
- (iii) guarantee loans from investment sources;
- (iv) nominate a representative of the Corporation to serve on the governing body of any enterprise in which the Corporation has a financial interest;
- (v) make funds available for re-investment by selling any investments of the Corporation when and as appropriate;
- (vi) borrow funds for the purposes of the business of the Corporation from sources either in Sri Lanka or abroad and give security for any loans obtained;
- (vii) furnish managerial, technical and administrative advice and assist in obtaining managerial, technical and administrative services to private industrial, agricultural and commercial enterprises in Sri Lanka;
- (viii) act as agents for, and administer the funds of, such statutory bodies, corporations, companies or other institutions as the board of directors may consider conducive to the attainment of the purposes of the Corporation;
- (ix) invest idle funds and reserves of the Corporation in appropriate securities;
- (x) acquire, hold, take or give on lease or hire, mortgage, pledge and sell or otherwise dispose of any immovable or movable property;
- (xi) accept, before the date on which it is due, any payment in respect of a loan granted by the Corporation;
- (xii) open deposit accounts with any bank;
- (xiii) draw, accept, or endorse bills of exchange for the purposes of the business of the Corporation;
- (xiv) give any guarantee or indemnity to, and enter into any arrangements with, the Government, any local authority, or any body corporate or other person, in order to obtain any rights, concessions and privileges that may seem to the Corporation to be conducive to any object of the Corporation;
- (xv) make appropriate provision for the welfare of employees or ex-employees of the Corporation and of their dependants; and
- (xvi) do all such other things as are incidental or conducive to the attainment of its purposes."

3. Section 10 of the principal Act is hereby repealed and the following new section substituted therefor:—

10. (1) The board of directors shall be constituted in accordance with the provisions of this section.

(2) So long as there is outstanding any loan made by the Government to the Corporation pursuant to the provisions of this Act, the Minister in charge of the subject of Finance, acting in consultation with the Minister in charge of the subject of Industries, shall be entitled from time to time to appoint one person as a director (hereinafter called the "Government director") of the Corporation, to remove such person from office and, on a vacancy being caused in such office whether by resignation, death, removal or otherwise, to appoint a director to fill the vacancy. The Government director shall not be liable to retire by rotation or be removed from office except by the Minister in charge of the subject of Finance as aforesaid and shall not be bound to hold any qualification shares. Subject as aforesaid the Government director shall be entitled to the same rights and privileges and be subject to the same obligations as any other director of the Corporation.

(3) The Minister in charge of the subject of Industries shall be entitled from time to time to appoint one person as a director (hereinafter called the "appointed director") of the Corporation, to remove such person from office and, on a vacancy being caused in such office whether by resignation, death, removal or otherwise, to appoint a director to fill the vacancy. The appointed director shall not be liable to retire by rotation or be removed from office except by such Minister and shall not be bound to hold any qualification shares. Subject as aforesaid the appointed director shall be entitled to have the same rights and privileges and be subject to the same obligations as any other director of the Corporation.

(4) The following shall be *ex officio* directors of the Corporation without the right to vote:—

- (a) The holder for the time being of the office of Director of the Ceylon Institute of Scientific and Industrial Research.
- (b) The holder for the time being of the office of General Manager of the Corporation.

The *ex officio* directors shall not be required to hold any qualification shares.

(5) There shall be not less than six and not more than eight other directors (hereinafter referred to as "shareholder-directors"). The Minister in charge of the subject of Finance shall appoint the initial shareholder-directors. At the end of each financial year of the Corporation after the Corporation is entitled to transact business, one of the initial shareholder-directors so appointed shall

retire. The director who shall so retire shall be determined by the drawing of lots. Any successor to an initial shareholder-director who retires pursuant to this subsection or whose office becomes vacant for any other cause, and any new shareholder-director shall be elected and hold office in accordance with the regulations of the Corporation made under section 11. An initial shareholder-director shall be eligible to be elected to succeed himself if qualified to be elected under subsection (6). A majority of the shareholder-directors shall at all times be citizens of Sri Lanka.

(6) A person shall be qualified to be elected and hold office as a shareholder director if and so long as he—

- (a) has, or is an officer, director or partner of a company or partnership which has, shares of the par value of not less than five thousand rupees in the capital of the Corporation,
- (b) is not a Member of Parliament or a member of a local authority,
- (c) is not a paid employee of the Corporation,
- (d) is not a person who, having been declared an insolvent or a bankrupt under any law in force in Sri Lanka or in any other country, is an undischarged insolvent or bankrupt,
- (e) is not found or declared to be of unsound mind under any law in force in Sri Lanka or in any other country; and
- (f) is not serving a sentence of imprisonment imposed by any court in in Sri Lanka or in any other country:

Provided, however, that the initial shareholder-directors shall not be required to have the qualification specified in paragraph (a) of this subsection until two months have elapsed after the first issue of shares.

(7) The members of the board of directors shall elect one of the shareholder-directors to be the chairman of the board of directors. Such election shall not take effect unless approved by the Minister in charge of the subject of Planning and Economic Affairs.’

4. The following new section is hereby inserted immediately after section 10, and shall have effect as section 10A, of the principal Act:—

10A. The Minister in charge of the subject of Finance may, from time to time, after consultation with the board of directors, issue to the board of directors general directions in writing on matters of policy, and the board of directors shall give effect to such directions.”

5. Section 14 of the principal Act, as amended by Act No. 1 of 1967, is hereby repealed and the following new section substituted therefor:—

14. (1) The Government is hereby authorized to guarantee, on such terms and conditions as the Government may determine, loans raised by the Corporation from the International Bank for Reconstruction and Development, or from any other international or foreign organization approved by the Government.

The loans authorized to be guaranteed under this subsection may be denominated in foreign currency. No guarantee shall be given under this subsection if the aggregate amount of all loans guaranteed under this subsection exceeds, or as a result of the loan to be guaranteed would exceed, the equivalent of seventy-two million rupees at the rate of exchange prevailing at the date of the loan agreement to which such guarantee would apply.

(2) All sums payable by the Government under any guarantee given under subsection (1) are hereby charged on the Consolidated Fund.

(3) All sums payable by the Corporation in respect of principal, interest and other charges on any loan to the Corporation from the International Bank for Reconstruction and Development or from any other international or foreign organization approved by the Government, or by the Government under any guarantee given under subsection (1) shall, notwithstanding anything to the contrary in any law of Sri Lanka, be paid—

(a) without deduction for and free from any taxes duties or fees now or hereafter imposed by or under any law of Sri Lanka, and

(b) free from all restrictions now or hereafter imposed by or under any law of Sri Lanka:

Provided, however, that the preceding provisions of this subsection shall not apply to any taxes, duties, fees or restrictions upon payments under any bond or promissory note to a holder thereof other than the International Bank for Reconstruction and Development, or any other international organization or foreign organization approved by the Government when such bond or promissory note is beneficially owned by an individual or a corporation resident in Sri Lanka.

(4) For the purposes of subsection (3), the question whether an individual or a corporation is or is not resident in Sri Lanka shall be determined in accordance with the provisions of section 54 of the Inland Revenue Act, No. 4 of 1963.

(5) Every guarantee agreement between the Government and the International Bank for Reconstruction and Development, or any other international or foreign organization approved by the Government pursuant to this Act and every guarantee given by the Government pursuant to any such guarantee agreement shall, notwithstanding anything to the contrary in any law of Sri Lanka, be valid and enforceable in accordance with their respective terms.

(6) In the case of any loan made to the Corporation by the International Bank for Reconstruction and Development, or any other international or foreign organization approved by the Government, and guaranteed by the Government the Government shall bear any loss, and be entitled to any profit, resulting from any revaluation of the Sri Lanka rupee in relation to the currency or currencies in which that loan is expressed or repayable in whole or in part.

The amount of every such loss is hereby charged on the Consolidated Fund.

(7) The President, or any person authorized in that behalf by the President by instrument under his hand, is hereby empowered, on behalf of the Government, to sign any guarantee agreement between the Government and the International Bank for Reconstruction and Development or any other international or foreign organization approved by the Government.

(8) Notwithstanding anything in any other written law, no agreement, bond or other document executed by the Corporation in respect of any loan which may be raised by the Corporation from the International Bank for Reconstruction and Development, or from any other international or foreign organization approved by the Government, shall be subject to, or be charged with, any stamp duty or duties whatsoever.

(9) As soon as possible after the end of each financial year the Minister in charge of the subject of Finance shall cause to be laid before the National State Assembly the report on the statement of accounts of the Corporation and of every loan, bond and guarantee entered into under this Act, during the course of that financial year".

6. Section 18 of the principal Act, as amended by Act No. 1 of 1967, is hereby repealed and the following new section substituted therefor:—

18. In this Act, unless the context otherwise requires,—

"agricultural enterprise" means an agricultural or live-stock enterprise operated on a commercial basis;

"board of directors" means the board of directors of the Corporation;

"commercial enterprise" includes an enterprise, not falling within the description of an agricultural or industrial enterprise, which shall be conducive to the economic development of Sri Lanka;

"governing body", in relation to any enterprise, means any body of person by whatsoever name or designation called for the time being charged with the management or administration, or any part thereof, of such enterprise's business of affairs;

"industrial enterprise" means an enterprise for a productive purpose operated on a commercial basis;

"local authority" means a Municipal Council, an Urban Council, a Town Council, a Village Council, The River Valleys Development Board, or any other authority having administrative powers over any area; and

"shareholder" means a shareholder of the Corporation.

**FOREIGN EXCHANGE AMNESTY (AMENDMENT) LAW,
NO. 13 OF 1974**

L. D.—O. 77/71.

**A Law to amend with retrospective effect the
Foreign Exchange Amnesty Act, No. 1 of 1971.**

BE it enacted by the National State Assembly of the Republic of Sri Lanka as follows:—

1. This Law may be cited as the Foreign Exchange Amnesty (Amendment) Law, No. 13 of 1974, and shall be deemed, for all purposes, to have come into operation on January 21, 1971.

2. The following section is hereby inserted immediately after section 7, and shall have effect as section 7A, of the Foreign Exchange Amnesty Act, No. 1 of 1971, hereafter in this Law referred to as the "principal enactment":—

7A. Where any person to whom this Act applies who has made a declaration of his foreign assets to the competent authority but who has not complied with the relevant directions issued to that person by such authority is prosecuted for any contravention of the provisions of the law for the time being in force relating to exchange control, such declaration and any other documents or any oral or written statement made or given by such person to such authority, shall be admissible in evidence, notwithstanding the provisions of section 5, or that such provisions may or may not have induced such person to make such declaration and notwithstanding anything in any other written law to the contrary."

3. Section 8 of the principal enactment is hereby amended in subsection (2) of that section by the substitution for paragraph (f) of that subsection, of the following new paragraphs:—

"(f) the Secretary to the Ministry of Finance; or

(g) any person to whom it is necessary to communicate such matter for the purpose of—

(i) instituting proceedings in a court of law or before a Criminal Justice Commission established under the Criminal Justice Commissions Act, No. 14 of 1972, for any contravention of the law for the time being in force relating to exchange control against the person to whom such matter relates; or

(ii) investigating into any contravention of the law for the time being in force relating to exchange control or for securing compliance therewith."

INLAND REVENUE (AMENDMENT) LAW, NO. 15 OF 1974

L. D.—O. 67/73.

A Law to amend the Inland Revenue Act, No. 4 of 1963

BE it enacted by the National State Assembly of the Republic of Sri Lanka as follows:—

1. This Law may be cited as the Inland Revenue (Amendment) Law, No. 15 of 1974.

2. Section 12 of the Inland Revenue Act, No. 4 of 1963, hereinafter referred to as the "principal enactment", is hereby amended as follows:—

(1) by the repeal of subsection (2) of that section and the substitution thereof, of the following new subsection:—

"(2) Where the Commissioner is satisfied that any person usually makes up the accounts of a trade, business, profession, vocation, or employment carried on or exercised by him to some day other than the thirty-first day of March, he may direct that for any year of assessment commencing not later than April 1, 1973, the statutory income from that source be computed on the amount of the profits of the year ending on that day in the year preceding the year of assessment. Where, however, the statutory income of any person from a trade, business, profession, vocation, or employment has been computed by reference to an account made up to a certain day, and such person fails to make up an account to the corresponding day in the year following, then, subject to the provisions of subsection (4), the statutory income from that source both of the year of assessment in which such failure occurs and of the two years of assessment following shall be computed on such basis as the Commissioner in his discretion thinks fit:

Provided that the Commissioner may at any time revoke a direction given under the preceding provisions of this subsection:

And provided further that where any such direction is revoked by the Commissioner he may order that the statutory income for any year of assessment commencing not later than April 1, 1973, from the source in respect of which such direction was given be computed as if the accounts were made up to the thirty-first day of March immediately preceding such year of assessment."; and

(2) by the addition, at the end of that section, of the following new subsections:—

"(3) Where for the year of assessment commencing on April 1, 1973, the statutory income of any person from any trade, business, profession or vocation, carried on or exercised by him has, under subsection (2), been computed on the amount of the profits of a year ending on a date other than March 31, 1973, or would have been so computed had there been a profit, then for the year of assessment commencing on April 1, 1974, the statutory income of that person from that trade, business, profession or vocation shall be computed either on the amount of the profits of the year immediately following the year in relation to which the statutory income from that source was computed for the year of assessment commencing on April 1, 1973, or on the amount of the profits of the year ending on March 31, 1974, whichever is the higher amount.

(4) where any person who carries on or exercises any trade, business, profession or vocation, fails to make up the accounts of that trade, business, profession or vocation in accordance with the provisions of section 12A, the statutory income of that person from that source for the year of assessment commencing on April 1, 1973, and for the two years of assessment following shall be computed on such basis as the Commissioner in his discretion thinks fit."

(3) The following new section is hereby inserted immediately after section 12, and shall have effect as section 12A of the principal enactment:—

12A. (1) Every person who carries on or exercises any trade, business, profession or vocation commenced prior to April 1, 1972, shall subject to the provisions of subsection (4) make up the accounts of that trade, business, profession or vocation in accordance with the following provisions:—

- (a) where his statutory income from that trade, business, profession or vocation, for the year of assessment commencing on April 1, 1973, has been computed by reference to an account made up to March 31, 1973, or would have been so computed had there been a profit, he shall make up the accounts of that trade, business, profession or vocation for the successive periods of twelve months ending on March 31, 1974, and March 31, 1975, respectively and for the period of nine months ending on December 31, 1975;
- (b) where his statutory income from that trade, business, profession or vocation for the year of assessment commencing on April 1, 1973, has been computed by reference to an account made up to December 31, 1972, or would have been so computed had there been a profit, he shall make up the accounts of that trade, business, profession or vocation for the successive periods of twelve months ending on December 31, 1974, and December 31, 1975, respectively; and
- (c) where his statutory income from that trade, business, profession or vocation for the year of assessment commencing on April 1, 1973, has been computed by reference to an account made up to a date other than the thirty-first day of December or thirty-first day of March in the year preceding that year of assessment, or would have been so computed had there been a profit, he shall make up the accounts of that trade, business, profession or vocation—
 - (i) for the period commencing on the day immediately following the date between April 1, 1973, and March 31, 1974, up to which the accounts of that trade, business, profession or vocation were made, and ending on March 31, 1974.
 - (ii) for the period of twelve months commencing on April 1, 1974, and ending on March 31, 1975, and
 - (iii) for the period of nine months commencing on April 1, 1975, and ending on December 31, 1975.

(2) Every person who carries on or exercises any trade, business, profession or vocation commenced on or after April 1, 1972, but before April 1, 1975 shall, subject to the provisions of subsection (4), make up the accounts of that trade, business, profession or vocation in accordance with the following provisions:—

- (a) where he makes up or has made up the first account of that trade, business, profession or vocation for a period ending on March 31 of any year, he shall make up the accounts of that trade, business, profession or vocation for each successive period of twelve months up to March 31, 1975, and for the period of nine months commencing on April 1, 1975, and ending on December 31, 1975;
- (b) where he makes up or has made up the first account of that trade, business, profession or vocation for a period ending on December 31 of any year, he shall make up the accounts of that trade, business, profession or vocation for each successive period of twelve months up to December 31, 1975; and
- (c) where he makes up or has made up the first account of that trade, business, profession or vocation for a period ending on a date other than March 31, or December 31, of any year he shall make up the accounts of that trade, business, profession or vocation—
 - (i) for the period commencing on the day following the last day of the period for which the first account of that trade, business, profession or vocation was made up and ending on March 31 next succeeding and for each successive period of twelve months up to March 31, 1975, and
 - (ii) for the period of nine months commencing on April 1, 1975, and ending on December 31, 1975.

(3) Every person who commences on or after April 1, 1975, to carry on or exercise any trade, business, profession or vocation shall, subject to the provisions of subsection (4), make up the first account of that trade, business, profession or vocation up to December 31, 1975.

(4) Where any person is unable to comply with the preceding provisions of this section in relation to any trade, business, profession or vocation carried on or exercised by him, he shall give notice in writing to the Commissioner setting out the reasons for his inability to comply with those provisions. The Commissioner may, if satisfied with the reasons set out, direct such person to make up the accounts of that trade, business, profession or vocation for such periods as may be specified in that direction and it shall be the duty of such person to comply with the direction:

Provided that the Commissioner may at any time vary or revoke any direction given by him under the preceding provisions of this sub section."

4. Section 15 of the principal enactment is hereby amended in subsection (1) thereof, by the substitution, for paragraph (b), of the following new paragraph:—

“(b) in respect of any year of assessment commencing not later than April 1, 1974, the amount of a loss incurred by him during that year of assessment, and in respect of the year of assessment commencing on April 1, 1975, the amount of a loss incurred by him during the period of nine months commencing on April 1, 1975, in any trade, business, profession or vocation, which, if it had been a profit, would have been assessable under this Act:

Provided that no such deduction shall be made unless it is claimed by notice in writing within six months of the end of the year of assessment;”.

5. The following new section is hereby inserted immediately after section 15, and shall have effect as section 15A, of the principal enactment:—

15A. Where the statutory income of any person from a trade, business, profession or vocation has, for the year of assessment commencing on April 1, 1973, been computed under subsection (2) of section 12 by reference to an account made up to a day other than the thirty-first day of March or would have been so computed had there been a profit, and such person incurs a loss in that trade, business, profession or vocation either during the year ending on March 31, 1974, or during the year immediately following the year in relation to which the statutory income for the year of assessment commencing on April 1, 1973, is computed, or during both such years, then, in respect of such part of that loss as has not been taken into account in computing the statutory income of that person for the year of assessment commencing on April 1, 1974, or as has not been allowed as a deduction from his total statutory income for any year of assessment under the provisions of section 15, the Commissioner may grant that person for the two years of assessment commencing on the first day of April 1974, and the first day of April 1975, or for any one of those years of assessment, such relief as the Commissioner may deem to be equitable.”.

ESTATE DUTY (AMENDMENT) LAW, NO. 32 OF 1974

L. D.—O. 16/74.

A Law to amend the Estate Duty Ordinance and to give certain Provisions of that Ordinance retrospective effect

BE it enacted by the National State Assembly of the Republic of Sri Lanka as follows:—

1. This Law may be cited as the Estate Duty (Amendment) Law, No. 32 of 1974.

2. The provision in paragraph (iv) of the proviso to paragraph (d) of section 6 of the Estate Duty Ordinance, hereinafter referred to as the “principal enactment”, as amended by Act No. 15 of 1959 and Act No. 18 of 1962, whereby nothing contained in paragraph (d) of section 6 of that Ordinance shall apply to such gifts as are specified in subsection (1) of section 21 of the Personal Tax Act, No. 14 of 1959, other than any gifts specified in paragraph (b), paragraph (f), paragraph (h) or paragraph (i) of that subsection, shall be deemed for all purposes to have come into force on May 15,

1959, and accordingly every assessment or additional assessment of estate duty made prior to the date of commencement of this Law in respect of gifts made at any time before July 18, 1958, by any person whose death occurred on or after May 15, 1959, but before May 26, 1962, shall be deemed to have been made under the principal enactment as so amended, read with the foregoing provisions of this section, and to be valid and effectual for the purposes for which the assessment was made.

3. The following new section is hereby inserted immediately after section 13, and shall have effect as section 13a, of the principal enactment:—

13.a. Where the total estate of any person dying on or after the first day of November, 1973, does not exceed one hundred and fifty thousand rupees in value and where the property of which he was at the time of his death competent to dispose includes or comprises not more than one residential premises, then the estate duty payable upon the value of his Sri Lanka estate shall be reduced by a sum which bears to such estate duty the same proportion as the value of such residential premises bears to the value of his Sri Lanka estate.”.

4. Section 14 of the principal enactment is hereby repealed and the following new section substituted therefor:—

14. It shall be lawful for the Commissioner to remit the estate duty, respect of any such pictures, prints, books, manuscripts, works of art, or scientific collections as appear to the Commissioner to be of national, scientific, artistic or historic interest, and to be given or bequeathed to the Government of Sri Lanka, or to any University or public library in Sri Lanka, or to the Sri Lanka National Library Services Board, or to any local authority, and no property the duty in respect of which is so remitted shall be aggregated with any other property) for the purpose of fixing the rate of estate duty.”.

5. Section 17 A of the principal enactment (inserted therein by Act No. 15 of 1959 is hereby repealed and the following new section substituted therefor:—

17A. (1) Where any contribution has been made or has to be made to the Personal Tax under the Personal Tax Act, No. 14 of 1959, in respect of any property which has been gifted by any person whose death occurs before the first day of November, 1973, the amount of such contribution, without deducting from that amount any sum allowed to be deducted under section 19 (3) of the Personal Tax Act, No. 14 of 1959, shall be set off against the amount of the estate duty payable on his Sri Lanka estate upon his death and where any gifts tax has been paid or has to be paid under the Inland Revenue Act, No. 4 of 1963, in respect of any property which has been gifted by such person the amount of such gifts tax shall be set off against the amount of estate duty payable on his Sri Lanka estate upon his death, the amount of the gifts tax for the purposes of this section being computed without deducting any stamp duty which was paid in respect of the instrument by which the gift was made.

(2) Where any contribution has been made to the Personal Tax under the Personal Tax Act, No. 14 of 1959, or gifts tax has been paid under the Inland Revenue Act, No. 4 of 1963, in respect of any property gifted by any person whose death occurs on or after the first day of November, 1973, the estate duty payable on the Sri Lanka estate of such person shall be reduced by a sum which bears to such estate duty the same proportion as the value of the gifted property increased by the amount of such contribution or such gifts tax, as the case may be, bears to the value of the Sri Lanka estate of such person.”.

6. Section 21 of the principal enactment, as amended by Act No. 6 of 1967, is hereby further amended as follows:—

(1) by the substitution, for subsection (8) of that section, of the following new subsection:—

“(8) Where in the case of a person whose death occurs before the first day of November, 1973, the property to be valued is property in respect of which a contribution has been made, or has to be made, to the Personal Tax under Chapter IV of the Personal Tax Act, No. 14 of 1959, the value of such property for the purposes of this Ordinance shall be the value of such property for the purpose of the determination of such contribution increased by the amount of such contribution without deducting from that amount any sum allowed to be deducted under section 19 (3) of the Personal Tax Act, No. 14 of 1959, and where, in the case of such person, the property to be valued is property in respect of which gifts tax under the Inland Revenue Act, No. 4 of 1963, has been paid or has to be paid, the value of such property for the purposes of this Ordinance shall be the value of such property for the purpose of the determination of such tax increased by the amount of such tax, the amount of such tax for the purposes of this section being computed without deducting any stamp duty which was paid in respect of the instrument by which the gift was made.”; and

(2) by the addition, at the end of that section, of the following new subsection:—

“(9) Where in the case of a person whose death occurs on or after the first day of November, 1973, the property to be valued is property in respect of which a contribution has been made to the Personal Tax under Chapter IV of the Personal Tax Act, No. 14 of 1959, the value of such property for the purposes of this Ordinance shall be the value of such property for the purpose of the determination of such contribution increased by the amount of such contribution, without deducting from that amount any sum allowed to be deducted under section 19 (3) of the aforesaid Personal Tax Act, and where in the case of such person, the property to be valued is property in respect of which gifts tax under the Inland Revenue Act, No. 4 of 1963, has been paid, the value of such property for the purposes of this Ordinance shall be the value of such property for the purpose of the determination of such tax increased by the amount of such tax, the amount of such tax for the purposes of this section being computed without deducting any stamp duty which was paid in respect of the instrument by which the gift was made.”.

7. Section 25 of the principal enactment is hereby repealed and the following new section substituted therefor:—

25. (1) Where the death of the deceased occurs before the first day of November 1973, his executor shall pay the estate duty in respect of all property of which the deceased was competent to dispose at the time of his death and may pay the estate duty in respect of any other property passing on such death, if the persons liable to pay the duty in respect thereof request him to make such payment, but an executor shall not be liable for any duty in excess of the assets which he has received as executor, or might but for his own neglect or default have received:

(2) Where the death of the deceased occurs on or after the first day of November, 1973, the executor shall pay the estate duty in respect of all property of which the deceased was competent to dispose at the time of his death and in respect of property which was gifted by the deceased and in relation to which a contribution has been made, or has to be made, to the Personal Tax under the Personal Tax Act, No. 14 of 1959, or gifts tax under the Inland Revenue Act, No. 4 of 1963, has been paid or has to be paid and may pay the estate duty in respect of any other property passing on such death, if the persons liable to pay the duty in respect thereof request him to make such payment, but an executor shall not be liable to any estate duty in excess of the assets which he has received as executor or might but for his own neglect or default have received."

8. Section 28 of the principal enactment is hereby repealed and the following new section substituted therefor:—

28. (1) A person authorized or required to pay the estate duty in respect of any property shall, for the purpose paying the duty, or raising the amount of the duty when already paid, have power, whether the property is or is not vested in him, to raise with the consent of the Public Trustee the amount of such duty and any interest and expenses properly incurred or paid by him in respect thereof, by the sale or mortgage of, or by a terminable charge, on, that property of any part thereof.

(2) A person having a limited interest in any property, and a lessee or mortgagee of any property, who pays the estate duty in respect of that property shall be entitled to the like charge as if the estate duty in respect of that property had been raised by means of a mortgage to him."

9. Section 30 of the principal enactment is hereby repealed and the following new section substituted therefor:—

30. (1) The executor of every deceased person shall, within six months after the date of the death of the deceased, furnish to the Commissioner through the Public Trustee the declaration referred to in section 282 (1) of the Administration of Justice Law, No. 44 of 1973.

(2) Where the executor is not liable to pay estate duty in respect of any property passing on the death of a deceased person, the person liable to pay such duty shall, within six months after the date of the death of the deceased, furnish to the Commissioner through the Public Trustee the declaration referred to in section 282 (1) of the Administration of Justice Law, No. 44 of 1973."

10. Section 34 of the principal enactment, as amended by Act No. 15 of 1959, is hereby repealed and the following new section substituted therefor:—

34. (1) Where it appears to an Assessor that the amount which any person is liable to pay as estate duty has been assessed at less than the proper amount the Assessor may—

- (a) where such person has obtained probate or letters of administration under the Civil Procedure Code (Chapter 101), make at any time within a period of six years of the date of the notice of the original assessment or within a period of two years after the date of commencement of the Administration of Justice Law, No. 44 of 1973, whichever is the shorter period, an additional assessment of the amount which such person is in the opinion of the Assessor liable to pay; and
- (b) where such person has obtained probate or letters of administration under the Administration of Justice Law, No. 44 of 1973, make within two years after the date of grant of such probate or letters of administration, an additional assessment of the amount which such person is in the opinion of the Assessor liable to pay:

Provided that—

- (a) where the under-assessment is due to fraud or wilful evasion, such additional assessment may be made any time;
- (b) an Assessor may, notwithstanding that the above-mentioned period of two years has expired, assess at any time any liability for additional duty which may be brought to his notice by an executor or by any other person liable to pay estate duty under this Ordinance;
- (c) an additional assessment made under this section shall not effect, or create a charge upon, any property mentioned in a certificate issued under section 53, except in the circumstances referred to in subsection (4) of section 53.

(2) Where an additional assessment of estate duty has been made under subsection (1), an executor shall not, except in the case of fraud, be personally liable for any estate duty under any such additional assessment by reason of having administered or distributed the estate of the deceased without retaining assets to satisfy the duty.”.

11. Section 37 of the principal enactment is hereby repealed and the following new section substituted therefor:—

37. A notice of objection shall not be valid unless it sets out the particulars referred to in section 36 and is delivered to the Commissioner within the period mentioned in that section:

Provided that the Commissioner, upon being satisfied that owing to absence from Sri Lanka, sickness or other reasonable cause, the appellant was prevented from appealing within such period, may admit as valid a notice of objection made later than thirty days but not later than twelve months after the date of the notice of such assessment.”.

MONETARY LAW (AMENDMENT) LAW, NO. 37 OF 1974

L. D.—O. 40/69.

A Law to amend the Monetary Law Act

BE it enacted by the National State Assembly of the Republic of Sri Lanka as follows:—

1. This Law may be cited as the Monetary Law (Amendment) Law, No. 37 of 1974, and shall come into operation on such date as may be appointed by the Minister by Order published in the Gazette.

2. Section 8 of the Monetary Law Act (hereinafter referred to as the “principal enactment”) is hereby repealed and the following new section substituted therefor:—

8. (1) The Monetary Board of the Central Bank shall, in addition to determining the policies or measures authorized to be adopted or taken under this Act, be vested with the powers, duties, and functions of the Central Bank under this Act, and be generally responsible for the management, operations, and administration of the bank.

(2) The Monetary Board shall consist of—

- (a) the Governor of the Central Bank who shall be the chairman of the board;
- (b) the person holding office for the time being as Secretary to the Ministry in charge of the subject of Finance.
- (c) the person holding office for the time being as Secretary to the Ministry in charge of the subject of Planning and Economic Affairs;
- (d) a fourth member appointed by the President on the recommendation of the Prime Minister.

(3) In the absence of the Governor from any meeting of the Monetary Board, the Deputy Governor designated as senior by the board shall act as his alternate and shall preside at the meeting and have the right to vote thereat.

(4) In the absence of the member of the Monetary Board mentioned in paragraph (b) of subsection (2) from any meeting of the board, the person holding office for the time being as Deputy Secretary to the Treasury shall act as that member's alternate at the meeting and have the right to vote thereat.

(5) In the absence of the member of the Monetary Board mentioned in paragraph (c) of subsection (2) from any meeting of the board the officer appointed to act for the Secretary to the Ministry in charge of the subject of Planning and Economic Affairs shall act as that member's alternate at that meeting and have the right to vote thereat.”

3. Section 11 of the principal enactment is hereby repealed and the following new section substituted therefor:—

11. A person shall be disqualified for appointment as the Governor of the Central Bank, or as a member of the Monetary Board under paragraph (d) of section 8(2), if—

- (a) he is a Member of Parliament or a member of any local authority or
- (b) he is a state officer or a Judge within the meaning of the Constitution of the Republic of Sri Lanka or holds any office or position (other than an academic position), either by election or appointment, for which salary or other remuneration is payable out of the funds of the Republic or the funds of any local authority; or
- (c) he is a director, officer, employee, or shareholder of any banking institution (other than the Central Bank)."

4. Section 13 of the principal enactment is hereby repealed and the following new section substituted therefor:—

13. (1) The term of office of the Governor, and of the person appointed under paragraph (d) of section 8 (2) (hereinafter referred to as the "appointed member"), shall subject to the provisions of subsection (2) if this section, be the period of six years commencing on the date of his appointment:

Provided, however, that the term of office of the first appointed member holding office under this Act shall be the period of three years from the date of his appointment.

(2) In the event of the vacation of office by the Governor or by the appointed member before the expiration of his term of office, another person shall be appointed in his place to hold office during the unexpired part of the term of office of the Governor or member so vacating office.

(3) Any person vacating office as Governor or as appointed member by effluxion of time shall be eligible for reappointment."

5. Section 14 of the principal enactment is hereby amended by the repeal of subsection (2) of that section and the substitution therefor, of the following new subsection:—

"(2) The amount of such allowance shall be fixed by the Minister in charge of the subject of Finance in consultation with the Prime Minister."

6. Section 17 of the principal enactment is hereby repealed and the following new section substituted therefor:—

17. (1) Meetings of the Monetary Board shall be held at least once in every two weeks and, in addition, as frequently as is necessary for the purpose of the discharge of its responsibilities under this Act.

(2) Meetings of the board shall be convened by the Governor.

(3) At any meeting of the Board three members shall constitute a quorum.

(4) No decision taken at any meeting of the board shall be deemed to be a decision of the board unless it has the concurrence of at least three members, or, in any case where any other provision of this Act requires a unanimous decision, the concurrence of all four members."

7. The following new sections are hereby inserted immediately after section 32, and shall have effect as sections 32A, 32B 32C, 32D and 32E, of the principal enactment:—

32A. The Central Bank may establish, maintain, manage and control, as determined by the Monetary Board from time to time, a scheme for the insurance of deposits held by banking institutions and societies registered under the Co-operative Societies Law.

32B. (1) Any banking institution, or any society registered under the Co-operative Societies Law and carrying on banking business of any kind, may, as prescribed, apply to the Central Bank to insure deposits held by such institution or society.

(2) The Central Bank may, in its discretion, accept any application made under subsection (1).

(3) Every banking institution or society, whose application has been accepted under subsection (2), is hereafter in this Part of this Act referred to as "insured bank" or "insured society," as the case may be.

32C. (1) Every insured bank or insured society shall be liable to pay a premium to the Central Bank on its deposits on such basis as may be determined by the Monetary Board from time to time, with the approval of the Minister:

Provided that the premium payable by any insured bank or insured society for any period shall not exceed fifteen cents per annum for every hundred rupees of the total amount of the deposits in that bank or that society.

(2) The premium shall be payable for such periods, at such times and in such manner as may be determined by the Monetary Board.

(3) If an insured bank or insured society makes any default in the payment of any premium, it shall, for the period of such default, be liable to pay to the Central Bank, interest on the amount of such premium at such rate as may be determined by the Monetary Board.

32D. (1) The Director of Bank Supervision may, at his discretion, examine, or cause an examiner of his department to examine, the books and accounts of any insured bank or insured society.

(2) The provisions of subsections (4) and (5) of section 29, section 30, section 31 and section 32 of this Act shall, *mutatis mutandis*, apply to insured banks and insured societies.

32E. Regulations may be made by the Monetary Board in respect of—

(a) the periods for which, the times at which and the manner in which premiums will be calculated and may be paid by an insured bank or an insured society;

(b) the interest which may be charged from an insured bank or an insured society where it makes default in the payment of premiums;

(c) any matter that is stated or is required to be prescribed or in respect of which a regulation is authorized to be made under this Part of this Act; and

(d) any other matter affecting, connected with, or incidental to, the exercise, discharge, or performance of the powers, functions and duties of the Central Bank under this Part of this Act.

8. Section 35 of the principal enactment is hereby amended by the repeal of subsection (1) of that section and the substitution therefor, of the following new subsection:—

“(1) Within four months after the end of each financial year, the Monetary Board shall submit to the Minister in charge of the subject of Finance, and shall publish an annual report on the condition of the Central Bank and a review of the policies and measures adopted by the Monetary Board during the financial year and an analysis of the economic and financial circumstances which prompted those policies and measures.”

9. Section 45 of the principal enactment is hereby repealed and the following new section substituted therefor:—

45. (1) Except in the performance of his duties under this Act, every officer or servant of the Central Bank shall preserve and aid in preserving secrecy with regard to all matters relating to the affairs of any banking institution, or of any client of any such institution, that may come to his knowledge in the performance of his duties; and any such officer or servant who communicates any such matter to any person other than the Monetary Board or an officer of the Central Bank authorized in that behalf by the Governor, or suffers or permits any unauthorized person to have access to any books, papers, or other records relating to any banking institution, shall be guilty of an offence.

(2) No officer or servant of the Central Bank shall be required to produce in any court any book or document or to divulge or communicate to any court any matter or thing coming under his notice in the performance of his duties under this Act, except as may be necessary for the purpose of carrying into effect the provisions of this Act.

(3) Where, in any legal proceedings, a certified copy of any book or document of the Central Bank or of any entry in such book or document is produced, such certified copy shall be received as *prima facie* evidence of the existence of such book, document or entry, as the case may be, and shall be admitted as evidence of the matters, transactions or accounts therein recorded in every case where, and to the same extent as, the original book, document or entry is now by law admissible, but not further or otherwise.

In this subsection, “certified copy” in relation to any book, document or entry, means a copy of such book, document or entry, together with a certificate written at the foot of such copy that it is a true copy of such book, document or entry; that such book or document is still in the custody of the Central Bank; that such entry is contained in one of the ordinary books of the Central Bank, and was made in the usual and ordinary course of business, such certificate being dated and subscribed with his name and official title, by such officer as may be authorized for the purpose by the Governor of the Central Bank.

10. The following new section is hereby inserted immediately after section 108, and shall have effect as section 108A, of the principal enactment:—

108A. (1) The Central Bank may, subject to such directions as may from time to time be made by the monetary board, guarantee loans, advances or other accommodation granted to small-scale enterprises by credit institutions operating in Sri Lanka.

(2) Where the Central Bank has prior to the date of coming into operation of this section and acting as agent, or for the account, of the Government, guaranteed under section 108 any loans, advances or other accommodation granted by credit institutions to small scale industrial enterprises, such guarantee shall, with effect from such date, be deemed to be a guarantee given by the Central Bank on its own account.

(3) In this section "credit institution" means any banking institution as defined in subsection (1) of section 127 of this Act, and includes—

(a) the Development Finance Corporation of Ceylon established under the Development Finance Corporation of Ceylon Act; and

(b) any such society registered under the co-operative Societies Law and carrying on banking business of any kind as is approved for the purposes of this section by the Monetary Board;.

11. Section 116 of the principal enactment is hereby repealed and the following new section substituted therefor:—

116. (1) On or before the fifteenth day of September in each year the Monetary Board shall submit to the Minister in charge of the subject of Finance for use in preparation of the budget speech a confidential report describing and analysing the monetary situation in Sri Lanka and the current monetary policy of the board, and examining the effect of the current fiscal policy of the Government upon the ability of the Central Bank to achieve the objects specified in section 5.

(2) In the event of any difference of opinion between the Minister in charge of the subject of Finance and the Monetary Board as to whether the monetary policy of the board is directed to the greatest advantage of the people of Sri Lanka, the Minister in charge of the subject of Finance and the board shall endeavour to reach agreement. If the Minister in charge of the subject of Finance and the board are unable to reach agreement, the Minister in charge of the subject of Finance may inform the board that the Government accepts responsibility for the adoption by the board of a policy in accordance with the opinion of the Government and direct that such a policy be adopted by the board. Where a direction is so given by the Minister in charge of the subject of Finance, the board shall carry out that direction."

12. The following new section is hereby inserted immediately after section 116, and shall have effect as section 116A, of the principal enactment:—

116A. (1) Where an account with any commercial bank has lain dormant, that is to say, there has been no withdrawal from, or deposit into, such account, or the pass book relating to such account has not been presented for examination and insertion of interest, or there has been no confirmation in writing of the balance amount lying to the credit of such account, as the case may be, for a

period exceeding ten years, the moneys lying to the credit of such account together with interest accrued, if any, shall, if the Monetary Board so directs, be transferred, notwithstanding anything in any other law, by such commercial bank to a special account in the Central Bank.

For the purposes of this subsection—

- (a) any fixed deposit or any term deposit made with any commercial bank from which there has been no withdrawal, for a period exceeding ten years from the date of expiry of the period or term for which such deposit was originally made, shall be deemed to be an account with such commercial bank which has lain dormant for a period exceeding ten years;
- (b) any deposit made with any commercial bank, being a deposit repayable after notice, from which there has been no withdrawal, for a period exceeding ten years from the date on which such deposit was originally made, shall be deemed to be an account with such commercial bank which has lain dormant for a period exceeding ten years; and
- (c) any amount payable by any commercial bank on any draft, mail transfer, pay order or other similar document, payment of which has not been demanded by the person entitled to make such demand, for a period exceeding ten years from the earliest day on which such demand could have been made, shall be deemed to be an account with such commercial bank which has lain dormant for a period exceeding ten years.

(2) Any person who furnishes proof to the satisfaction of the Central Bank that moneys lying to the credit of an account which was in his name or in the name of a person from whom he derives title, have been transferred to a special account in the Central Bank under subsection (1) shall, subject to such terms, conditions or restrictions as are imposed in respect of such moneys by or under any written law, be entitled to the repayment of such moneys by the Central Bank together with the interest payable on such moneys up to the date of such repayment in accordance with such rates and conditions as are applicable to the account to the credit of which such moneys were lying before they were transferred to the special account in the Central Bank.

(3) Any moneys transferred to a special account under subsection (1) may be utilized for such purposes as may be determined by the Monetary Board after consultation with the Minister in charge of the subject of Finance.”.

13. The following new sections are hereby inserted immediately after section 121, and shall have effect as sections 121A and 121B, respectively, of the principal enactment:—

121A. No institution shall, except with the written approval of the Monetary Board, be established or maintained by or under a name which contains the word “bank”, or the word “banker”, or the word “banking”, unless it is a banking institution within the meaning of this Act.

121B. Except with the prior approval in writing of the Minister in charge of the subject of Finance—

- (1) no commercial bank shall be established in Sri Lanka;
- (2) no commercial bank shall open any branch, agency or office thereof, in any part of Sri Lanka; and
- (3) no commercial bank shall acquire the business of another commercial bank or of any branch of another commercial bank.

14. Section 71 of the Co-operative Societies Law, No. 5 of 1972, is hereby amended by the substitution for the expression "Part II of Chapter V of the Monetary Law Act", of the expression "Part IVB of Chapter II of the Monetary Law Act".

APPROPRIATION LAW No. 42 OF 1974

L. D—O.

A Law to provide for the service of the financial year, 1975, to authorize the raising of loans in or outside Sri Lanka for the purpose of such service, to make financial provision in respect of certain activities of the Government during that financial year, to enable the payment, by way of advances out of the Consolidated Fund or any other fund or moneys of, or at the disposal of, the Government, of moneys required during that financial year for expenditure on such activities, to provide for the refund of such moneys to the Consolidated Fund, and to make provision for matters connected with or incidental to the aforesaid matters.

BE it enacted by the National State Assembly of the Republic of Sri Lanka as follows:—

1. This Law may be cited as the Appropriation Law, No. 42 of 1974.
2. (1) Without prejudice to any other law authorizing any expenditure, the expenditure of the Government, which it is estimated will be rupees 6,066,141,827 for the service of the period beginning on January 1, 1975, and ending on December 31, 1975, in this Law referred to as the "financial year 1975", shall be met —
 - (a) from payments which are hereby authorized to be made out of the Consolidated Fund or any other fund or moneys of, or at the disposal of, the Government; and
 - (b) from the proceeds of loans which are hereby authorized to be raised, whether in or outside Sri Lanka, for and on behalf of the Government, so however, that the aggregate of such proceeds does not exceed rupees 2,552,000,000.

The sum of rupees six thousand and sixty six million one hundred and forty-one thousand eight hundred and twenty seven herein before referred to may be expended as specified in the First Schedule to this Law.

(2) The provisions of subsection (1) of this section shall have effect without prejudice to the provisions of any other written law authorizing the raising of loans for and on behalf of the Government.

3. (1) The receipts of the Government, during the financial year referred to in section 2, from each activity specified in column I of the Second Schedule to this Law shall be credited to the account of such activity, but the aggregate of the receipts so credited shall not exceed the maximum limit specified in the corresponding entry in column III of that Schedule. Any receipt from such activity in excess of such maximum limit shall be credited to the Consolidated Fund.

(2) The expenditure incurred by the Government, during the financial year referred to in section 2, on each activity specified in column I of the Second Schedule to this Law shall be paid out of the receipts of the Government from such activity during that financial year, but such expenditure shall not exceed the maximum limit specified in the corresponding entry in column II of that Schedule.

(3) The debit balance, outstanding at the end of the financial year referred to in section 2, of any activity specified in column I of the Second Schedule to this Law shall not exceed the maximum limit specified in the corresponding entry in column IV of that Schedule, and the total liabilities of that activity at the end of that financial year shall not exceed the maximum limit specified in the corresponding entry in column V of that Schedule.

4. Whenever, at any time during the financial year referred to in section 2, the receipts of the Government from any activity specified in column I of the Second Schedule to this Law are insufficient to meet the expenditure incurred by the Government on such activity, the Minister of Finance may, from time to time, by Order direct that such sums as he may deem necessary to meet such expenditure shall be payable, by way of advances, out of the Consolidated Fund or any other fund or moneys of, or at the disposal of, the Government, so however, that the aggregate of the sums so advanced does not exceed the maximum limit of expenditure specified in the corresponding entry in column II of that Schedule. Any sums so advanced in respect of such activity shall be refunded to the Consolidated Fund in such manner as the Minister of Finance may by Order direct.

5. (1) Any moneys which, by virtue of the provisions of the First Schedule to this Law, have been allocated to Recurrent Expenditure under any Programme appearing under any Head specified in that Schedule, but have not been expended or are not likely to be expended, may be transferred to the allocation of Capital Expenditure within that Programme, or to the allocation of Recurrent Expenditure or Capital Expenditure under any other Programme within that Head by order of the Secretary to the Treasury or any other officer authorized by him.

(2) No moneys allocated to Capital Expenditure under any Programme appearing under any Head specified in the Schedule shall be transferred out of that allocation.

6. The Minister of Finance, with the approval of the Government, may, on or before July 31, 1976, by Order vary or alter any of the maximum limits specified in column II, column III, column IV or column V, of the Second Schedule to this Law. Any such Order shall, if so expressed therein, be deemed to have had effect from such date prior to the date of making of such Order as may be specified therein.

7. The National State Assembly may, by resolution, amend the Second Schedule to this Law, by adding to the appropriate columns of that Schedule, any activity and all or any of the maximum limits relating to such activity.