

APPENDICES

APPENDIX I

EXTRACTS OF MAJOR LEGAL ENACTMENTS OF THE NATIONAL STATE ASSEMBLY OF SRI LANKA IN 1976, WHICH RELATE TO THE FUNCTIONS AND OPERATIONS OF THE CENTRAL BANK AND BANKING INSTITUTIONS.

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**EXTRACTS FROM THE MAHAWELI DEVELOPMENT BOARD
(AMENDMENT) LAW, No. 3 of 1976**

2. Section 3 of the Mahaweli Development Board Act, No. 14 of 1970, (hereinafter referred to as the "principal enactment") is hereby amended as follows :—

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

(a) by the substitution, for paragraphs (a) and (b) of that subsection, of the following new paragraphs :—

“(a) three members appointed by the Minister from persons who have had experience and shown capacity in engineering, agriculture, science, commerce, administration or accountancy, hereinafter referred to as ‘appointed members’; and

(b) eight *ex officio* members being—

- (i) one representative member being an officer of the Ministry of Planning and Economic Affairs appointed by the Minister in charge of that Ministry;
- (ii) one representative member being an officer of the Ministry of Irrigation, Power and Highways appointed by the Minister in charge of that Ministry;
- (iii) one representative member being an officer of the Ministry of Finance appointed by the Minister in charge of that Ministry;
- (iv) one representative member being an officer of the Ministry of Agriculture and Lands appointed by the Minister in charge of that Ministry;
- (v) one representative member being an officer of the Ministry of Public Administration and Home Affairs appointed by the Minister in charge of that Ministry;
- (vi) the person for the time being holding the office of Director of Irrigation;
- (vii) the person for the time being holding the office of Director of Agriculture;
- (viii) the person for the time being holding the office of Land Commissioner;” and

(b) by the omission of paragraph (c) of that subsection; and

(2) by the omission of subsection (13) of that section.

5. The Schedule to the principal enactment is hereby repealed and the following new Schedule substituted therefor :—

“ SCHEDULE

Forest Ordinance.

Irrigation Ordinance.

Land Development Ordinance.

Agricultural Lands Law, No. 42 of 1973.

Agricultural Productivity Law, No. 2 of 1972.

Sale of State Lands (Special Provisions) Law, No. 43 of 1973.

Written Law enacted under any of the aforesaid enactments.”.

INLAND REVENUE (AMENDMENT) LAW, No. 16 of 1976

1. This Law may be cited as the Inland Revenue (Amendment) Law, No. 16 of 1976.

2. Section 3 of the Inland Revenue Act, No. 4 of 1963. (hereinafter referred to as the "principal enactment") is hereby amended in subsection (4) of that section by the substitution, for sub-paragraph (v) of paragraph (a) of that subsection, of the following new sub-paragraph :—

“(v) for any year of assessment ending prior to April 1, 1965, any other allowance granted in respect of employment, whether in money or otherwise, other than an allowance for travelling, and for any year of assessment commencing on or after April 1, 1965, any other allowance granted in respect of employment whether in money or otherwise, other than an allowance for travelling or entertainment granted by the Government of Sri Lanka:

Provided that—

- (a) in the case of an entertainment allowance granted to any person by his employer in respect of any period ending on or before March 31, 1975, such portion of the allowance as is equivalent to, or less than, ten *per centum* of the salary (excluding all allowances) payable to such person shall be deemed not to be profits from employment if it is proved to the satisfaction of the Assessor that such portion of that allowance had been utilized by such person in the course of his duties;
- (b) in the case of any person who is employed as an executive officer, any sum granted as an allowance for travelling which is in excess of the amount determined in accordance with section 11 (2) as expenditure for travelling of such officer shall be deemed, for any year of assessment ending on or before March 31, 1965, to be profits from employment;
- (c) in the case of any allowance granted by an employer to an employee for travelling in connection with any trade, business, profession or vocation carried on or exercised by such employer other than travelling from the place of residence of the employee to his place of employment and *vice versa*—
 - (i) such allowance, if it does not exceed one hundred rupees for a month, shall be deemed for the year of assessment commencing on April 1, 1965, and for each of the three years of assessment next succeeding, not to be profits from employment, and

(ii) such allowance, if it does not exceed one thousand two hundred rupees for an year, or if it exceeds that amount, such portion of that allowance as is not in excess of that amount, shall be deemed, for each year of assessment commencing on or after April 1, 1969, but not after April 1, 1974, not to be profits from employment;

(d) any allowance for travelling, subsistence and lodging granted by an employer to an employee travelling outside Sri Lanka in connection with his employment, shall be deemed for any year of assessment commencing on or after April 1, 1969, not to be profits from employment if such allowance does not exceed the amount authorized for the purpose by the Controller of Exchange;”.

3. Section 5 of the principal enactment is hereby amended as follows :—

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

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

“(ee) for any year of assessment commencing on or after April 1, 1976, the emoluments earned in foreign currency by any individual resident in Sri Lanka, not being an individual referred to in subsection (6) or subsection (9) of section 54, in respect of services rendered by him outside Sri Lanka in the course of any employment, profession or vocation carried on or exercised by him, if such emoluments less such amount spent by him outside Sri Lanka as is considered by the Controller of Exchange to be reasonable personal expenses, are remitted by him to Sri Lanka in accordance with such regulations as may be prescribed on that behalf by the Controller of Exchange;”;

(b) by the insertion, immediately after paragraph (i) of that subsection, of the following new paragraph :—

“(ii) the profits and income derived from Sri Lanka by the Government of the Peoples Republic of China, or by an agency of that Government, from the business of shipowner or charterer, and referred to in any agreement entered into between that Government and the Government of Sri Lanka;”;

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

“(1A) Subsection (1) of this section shall, for each year of assessment commencing on or after April 1, 1975, have effect as though there were substituted for paragraph (x) of that subsection the following new paragraph :—

“(x) the profits and income of any registered society within the meaning of the Co-operative Societies Law, No. 5 of 1972, the majority of the members of which are resident in Sri Lanka other than the profits and income of that society arising out of—

- (a) the business of a printer, publisher, transporter or distiller, or
- (b) any other business specified by the Minister by notice published in the *Gazette* for such period, not earlier than the period on the profits and income of which income tax is payable for the year of assessment commencing on April 1, 1975, as may be specified in that notice;”.

4. Section 5A of the principal enactment is hereby amended as follows :—

- (1) in subsection (1) of that section, by the substitution for paragraph (d) of that subsection, of the following new paragraph :—

“(d) any dividend paid to shareholders of a company out of such profits and income of that company as are referred to in paragraph (b) or paragraph (c):

Provided that nothing in the preceding provisions of this subsection shall apply to—

- (i) any dividend declared by a company incorporated on or after November 6, 1974;
- (ii) any dividend declared on or after April 1, 1974, in respect of any share in the capital of a company which is not an ordinary share ;
- (iii) any dividend declared out of such profits and income of a company as are referred to in paragraph (c) and as arose or were derived on or after April 1, 1975, and
- (iv) such part of the total of any dividends declared on or after April 1, 1974, in respect of an ordinary share in the capital of a company out of the profits of any accounting period of that company as is in excess of—
 - (a) ten *per centum* of the amount paid up on that share before November, 6, 1974, where such accounting period is not less than twelve months,
 - (b) such percentage of the sum paid up on that share before November 6, 1974, as bears to ten *per centum* the same proportion as the number of days in the accounting period bears to the number of days in an year where such accounting period is less than twelve months.”; and

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

“(1A) Notwithstanding the provisions of subsection (1), the exemption from income tax under that subsection shall not apply to any profits and income referred to in paragraph (a) or paragraph (c) of that subsection if such profits and income arose or were derived on or after April 1, 1975.”

5. Section 6 of the principal enactment is hereby amended by the repeal of subsection (3) of that section and the substitution therefor of the following new subsection :—

“(3) Where the profits and income for any year of assessment of any corporation or undertaking referred to in subsection (1) are exempt from income tax by virtue of subsection (2), all dividends which are in that year paid out of such profits and income to the shareholders of the corporation or undertaking shall be exempt from income tax, and accordingly the provisions of section 27 shall not apply to such dividends:

Provided that nothing in the preceding provisions of this subsection shall apply to—

- (a) any dividend declared by a company carrying on any such undertaking referred to in paragraph (v) or paragraph (vi) of subsection (1) as has been approved by the Minister on or after November 6, 1974,
- (b) any dividend declared on or after April 1, 1974, in respect of any share in the capital of a company which is not an ordinary share, and
- (c) such part of the total of any dividends declared on or after April 1, 1974, in respect of an ordinary share in the capital of a company out of the profits of any accounting period of that company as is in excess of—
 - (i) ten *per centum* of the amount paid up on that share before November 6, 1974, where such accounting period is not less than twelve months, and
 - (ii) such percentage of the sum paid up on that share before November 6, 1974, as bears to ten *per centum* the same proportion as the number of days in the accounting period bears to the number of days in an year where such accounting period is less than twelve months.”.

6. Section 7A of the principal enactment is hereby amended in subsection (4) of that section, by the insertion at the end of that subsection, of the following proviso :—

“Provided that nothing in the preceding provisions of this subsection shall apply to—

- (a) any dividend declared by a company carrying on any such undertaking as has been approved on or after November 6, 1974, by the Minister under subsection (1);
- (b) any dividend declared on or after April 1, 1974, in respect of any share in the capital of a company which is not an ordinary share; and
- (c) such part of the total of any dividends declared on or after April 1, 1974, in respect of an ordinary share in the capital of a company out of the profits of any accounting period of that company as is in excess of—
 - (i) ten *per centum* of the amount paid up on that share before November 6, 1974, where such accounting period is not less than twelve months, and
 - (ii) such percentage of the sum paid up on that share before November 6, 1974, as bears to ten *per centum* the same proportion as the number of days in the accounting period bears to the number of days in an year where such accounting period is less than twelve months.”.

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

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

- (a) by the substitution, in paragraph (a) of that subsection, for all the words and figures from “for the successive periods” to the end of that paragraph, of the following :—

“for each successive period of twelve months;”;

- (b) by the substitution, in paragraph (b) of that subsection, for all the words and figures “and December 31, 1975, respectively; and”, of the following :—

“for the period commencing on January 1, 1975, and ending on March 31, 1976, and thereafter for each successive period of twelve months; and”;

- (c) by the substitution, in paragraph (c) of that subsection, for all the words and figures from “for the period of nine months” to the end of that paragraph, of the following :—

“for each successive period of twelve months.”;

(2) in subsection (2) of that section—

- (a) by the substitution, in paragraph (a) of that subsection, for all the words and figures from “for each successive period” to the end of that paragraph, of the following :—

“for each successive period of twelve months;”;

- (b) by the substitution, in paragraph (b) of that subsection, for the expression “up to December 31, 1975;”, of the following :—

“up to December 31, 1974, for the period commencing on January 1, 1975, and ending on March 31, 1976, and thereafter for each successive period of twelve months; and”;

- (c) by the substitution, in paragraph (c) of that subsection, for all the words and figures from “for the period of nine months” to the end of that paragraph, of the following :—

“for each successive period of twelve months”; and

- (3) in subsection (3) of that section, by the substitution for all the words and figures “up to December 31, 1975,” of the following :—

“from the commencement of such trade, business, profession or vocation up to March 31, immediately succeeding and make the subsequent accounts for each successive period of twelve months.”.

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

- “(b) the amount of a loss incurred by him during the year of assessment 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;”.

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

- (1) by the substitution for all the words and figures from “grant that person” to “such relief”, of the words and figures “grant that person for any year of assessment commencing on or after April 1, 1974, such relief”; and
- (2) by the substitution for the marginal note to the section, of the following new marginal note :—

“Grant of relief for the years of assessment commencing on or after April 1, 1974, in respect of certain losses.”.

10. Section 16B of the principal enactment is hereby amended by the addition, at the end of that section, of the following new subsection :—

“(3) An individual to whom an allowance has been granted under section 16E in respect of premia paid for the purchase of a deferred annuity shall not be entitled to an allowance under this section in respect of such premia.”.

11. Section 16CC 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) In this section “approved investment” means—

- (a) an approved investment within the meaning of section 68A made by a company or a body of persons;
- (b) any sum invested in the purchase of ordinary shares, other than existing shares, in a company engaged solely in carrying on an undertaking which is considered by the appropriate Minister to be capable of exporting goods or commodities or of providing services for payment in foreign currency and is, at the request of such Minister, declared by the Minister in charge of the subject of Finance to be an approved undertaking for the purposes of this section; or
- (c) any sum invested on or after April 1, 1975 in the purchase of ordinary shares, other than existing shares, in a company approved for the purposes of this section by the Minister and engaged solely—
 - (i) in the construction and sale of houses; or
 - (ii) in the development and sale of land for building purposes under any scheme approved by the Minister in charge of the subject of Housing; or
 - (iii) in the construction and sale of houses and in the development and sale of land for building purposes under any scheme approved by the Minister in charge of the subject of Housing; or
 - (iv) in carrying on an undertaking which is considered by the Minister to be essential for the economic progress of Sri Lanka; or
- (d) any amount paid on or after April 1, 1974, by an individual to the Government or to any banking institution within the meaning of the Monetary Law Act, or to any local authority or to any other institution approved for the purpose by the Minister in charge of the subject of Housing—
 - (i) in the repayment of capital of any loan granted on or after April 1, 1973, for the construction of a house or for the purchase either of the first house or of the first site for the construction of a house purchased on or after that date; or
 - (ii) as monthly payments in respect of any house let on or after April 1, 1973, on rent purchase terms; or

- (e) any amount certified by the Commissioner of National Housing to have been spent by an individual on the construction of the first house which he commenced to construct on or after April 1, 1974, such amount not being an amount obtained on any loan from the Government or any institution or authority referred to in paragraph (d); or
- (f) any amount spent by an individual on or after April 1, 1974, for the purchase of either the first house or the first site for the construction of a house purchased on or after that date, such amount not being an amount obtained on any loan from the Government or any institution or authority referred to in paragraph (d).'

12. The following new section is hereby inserted immediately after section 16D, and shall have effect as section 16E, of the principal enactment:—

16E. (1) Where the assessable income of any individual for any year of assessment commencing on or after April 1, 1977, is computed taking into account income immediately derived by him through his personal exertions from any profession or vocation carried on or exercised by him and such individual has paid during the year preceding that year of assessment premia for the purchase from the Insurance Corporation of Ceylon of a deferred annuity then—

- (i) a sum equal to the amount of such premia; or
 - (ii) an amount representing fifteen *per centum* of the profits and income of that individual for that year of assessment immediately derived by him through his personal exertions from such profession or vocation, or
 - (iii) six thousand rupees,
whichever amount is the least, shall be the allowance in relation to such premia and such allowances shall be deducted from the assessable income of that individual for that year of assessment in arriving at his taxable income for that year of assessment.
- (2) Where the entirety of the assessable income of an individual who is entitled to the allowance referred to in subsection (1) is aggregated with the assessable income of the head of the family of which that individual is a member, the head of the family shall be entitled to deduct from his assessable income any allowance to which that individual is entitled under that subsection.
- (3) In this section “deferred annuity” in relation to an individual means an annuity payable to that individual either upon his reaching an age of not less than fifty-five years or in such circumstances as the Minister may approve on the recommendation of the Insurance Corporation of Ceylon.’.

13. Section 17 of the principal enactment is hereby amended by the repeal of subsection (3) of that section and the substitution therefor of the following new subsection :—

“(3) Where in consequence of the inclusion in the statutory income of an individual of—

- (a) a sum received in commutation of a pension, or
- (b) a sum received in commutation of an annuity referred to in section 16E, or
- (c) a sum refunded under section 46 (1) or section 49 of the Widows' and Orphans' Pension Fund Ordinance or under any regulation relating to any Widows' and Orphans' Pension Fund or Scheme established for the Local Government Service which corresponds to the said section 46 (1) or section 49, or
- (d) a sum received as a retiring gratuity, or
- (e) any sum received on or after April 1, 1968, as compensation for loss of office or employment, or
- (f) a sum paid to him, at the time of his retirement from any employment, from a provident fund approved by the Commissioner-General other than such part of that sum as represents his contributions to that provident fund made after April 1, 1954, or
- (g) any sum paid on or after April 1, 1967, from a regulated provident fund to an employee (other than such part of that sum as represents his contributions to that fund, and such part of that sum as represents the contributions made by the employer to that fund prior to April 1, 1968, and the interest which accrued on such contributions made by the employer if, but only if, in respect of such contributions made by the employer and the interest which accrued on such contributions made by the employer, tax at the rate of fifteen *per centum* has been paid by the employer),

his taxable income for any year of assessment exceeds that which would be his taxable income if no such afore-mentioned sum were included in his statutory income, the excess, notwithstanding anything contained in any other subsection, shall, if he was liable to income tax in the three immediately preceding years of assessment, be chargeable with tax at the average of the effective rates at which he was liable to tax in those three years, or if he was liable to tax for only two of those three years, be chargeable with tax at the average of the effective rates at which he was liable to tax in those two years, or, if he was liable to tax for only one of those three years, be chargeable with tax at the effective rate at which he was liable to tax in that year :

Provided that for any year of assessment the rate of tax chargeable on such excess shall not exceed fifteen *per centum*:

Provided further that, where he was non-resident in any of the three immediately preceding years of assessment referred to in the preceding provisions of this subsection, the rate at which the aforesaid excess is chargeable with tax shall be determined by the Commissioner-General, so, however, that the amount payable by him as tax on such excess shall not be more than that which would be payable if he had been resident :

Provided further that, where the excess referred to in the preceding provisions of this subsection is in consequence of the inclusion in the statutory income of such sum as is referred to in paragraph (f) of those provisions and tax has already been paid in respect of that sum or any part thereof, the amount of the tax chargeable under those provisions on such excess shall be reduced by the amount of the tax already paid and, if the amount of the tax already paid is more than the tax so chargeable on such excess, no tax shall be chargeable on such excess :

Provided further that, where the excess referred to is in consequence of the inclusion in the statutory income of such sum as is referred to in paragraph (g) of those provisions, the amount of the tax chargeable under those provisions on such excess shall be reduced by—

- (i) the amount of any tax already paid in respect of that sum or any part thereof, and
- (ii) an amount equal to the tax calculated at the effective rate at which he was liable to tax for the year of assessment commencing on April 1, 1967, or at fifteen *per centum*, whichever is less on the contributions made by him to the regulated provident fund prior to April 1, 1966,

and if the aggregate of the amounts referred to in paragraphs (i) and (ii) is more than the tax so chargeable on such excess no tax shall be so chargeable on such excess.

For the purposes of this subsection, the effective rate of tax for any year of assessment shall be the percentage which the amount of tax payable for that year, without any deduction for any relief under sections 13, 27, 66, 67, 68, 69, 69A, 70 and 71, bears to the amount of the assessable income for that year."

14. Section 21 of the principal enactment, as last amended by Law No. 18 of 1975, is hereby further amended as follows :—

- (1) by the repeal of subsection (6) of that section, and the substitution therefor of the following new subsection :—

'(6) Where the assessable income of any individual for any year of assessment commencing on or after April 1, 1964, but not after April 1, 1974, consists of any earned income, such individual shall be entitled to an allowance of five hundred rupees or an amount equal to such earned income, whichever is less, and if such individual is included in a family such allowance shall, subject to the provisions of subsection (7), be deducted from the assessable income of the head of that family.

In this subsection "earned income" means any profits immediately derived by an individual through his personal exertions from any profession, vocation or employment exercised or carried on by him, either singly or, in the case of a partnership, as an active partner thereof, and includes any pension, superannuation, or other allowance given to any individual in respect of the past services of that individual or of any other individual whether that individual or that other individual shall have contributed to such pension, superannuation or other allowance or not.;

- (2) in subsection (6A) of that section, by the substitution in paragraph (b) of that subsection for the expression "each year of assessment commencing on or after April 1, 1974", of the expression "the year of assessment commencing on April 1, 1974";
- (3) by the insertion, immediately after subsection (6A), of the following new subsection :—

“(6B) Where the profits and income of any individual for any year of assessment commencing on or after April 1, 1975, consists of any earned income, such individual shall be entitled to deduct from his assessable income—

- (a) if his earned income for that year of assessment is less than six thousand rupees, an allowance of an amount equal to—
 - (i) one thousand two hundred rupees,
or
 - (ii) his earned income,
whichever is less, and
- (b) if his earned income for that year of assessment is not less than six thousand rupees, an allowance of an amount equal to—
 - (i) twenty *per centum* of his earned income, or
 - (ii) three thousand rupees,
whichever is less.

Where such individual is included in a family the allowance to which he is entitled under this subsection shall, subject to the provisions of subsection (7), be deducted from the assessable income of the head of the family.

For the purposes of this subsection "earned income"—

- (i) in relation to the years of assessment commencing on April 1, 1975, and April 1, 1976, respectively shall have the same meaning as in subsection (6); and
- (ii) in relation to any year of assessment commencing on or after April 1, 1977, means profits from any employment.;

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

“(7) Where for any year of assessment commencing on or after April 1, 1965, any part of the assessable income of a member of a family who is a child has not been aggregated with the assessable income of the head of the family under paragraph (b) of subsection (1) of section 20, no deduction under subsection (2) or subsection (2A) or subsection (3) or subsection (3A) or subsection (4) or subsection (4B) or subsection (6) or subsection (6A) or subsection (6B) or subsection (8) shall, in respect of that child, be made from the assessable income of the head of such family for that year of assessment.”; and

- (5) by the insertion, immediately after subsection (7) of that section, of the following new subsection :—

“(8) Where the profits and income of any individual for any year of assessment commencing on or after April 1, 1976, include profits from any employment carried on or exercised by him, such individual shall be entitled to deduct from his assessable income—

- (i) an allowance of an amount equal to nine thousand rupees, or
- (ii) an allowance equal to the amount of his profits from employment,

whichever is less and, where such individual is included in a family the head of that family shall, subject to the provisions of subsection (7), be entitled to deduct such allowance from his assessable income:

Provided that the preceding provisions of this subsection shall not apply where such individual or any member of his family has been allowed a deduction under paragraph (d) or paragraph (e) of subsection (1) of section 10 or subsection (1) of section 15 or section 16A or section 16B or section 16CC or section 16D or section 16E or the preceding subsections of this section.

For the purposes of this subsection—

- (a) a person in receipt of a pension, shall be deemed to be carrying on or exercising an employment; and
- (b) the following persons shall not be deemed to be in receipt of profits from any employment :—
 - (i) a member of a family who is employed in a business carried on by his parent or by any other member of that family or in a partnership of which his parent or any other member of that family is a partner;

- (ii) a member of a family who is employed in a company in which more than one-half of the total shares issued is held by not more than five persons, their wives or minor children either directly or through nominees and if one of such persons or wives is his parent or if one of such persons or wives or minor children is that member or any other member of that family; and
- (iii) an employee in a company in which more than one-half of the total shares issued is held by not more than five persons, their wives or minor children either directly or through nominees and if that employee is one of such persons.”.

15. Section 23A of the principal enactment, as last amended by Act No. 33 of 1971, is hereby further amended as follows :—

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

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

“(d) income tax for any year of assessment commencing on or after April 1, 1971, but not later than April 1, 1974, shall be computed in accordance with the provisions of Part V of the Second Schedule to this Act;” and

(b) by the addition, at the end of that subsection, of the following new paragraphs :—

“(e) income tax for the year of assessment commencing on April 1, 1975, shall be computed in accordance with the provisions of Part VI of the Second Schedule to this Act; and

(f) income tax for any year of assessment commencing on or after April 1, 1976, shall be computed in accordance with the provisions of Part VII of the Second Schedule to this Act.”;

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

“(4) For the purposes of the computation of the income tax payable for any of assessment commencing on or after April 1, 1969, on the taxable income of any person who is the head of a family, the first slab of Rs. 1,800 and the second slab of Rs. 1,800 specified in Part IV or Part V or Part VI or Part VII whichever Part is applicable to that year of assessment, of the Second Schedule to this Act shall—

(a) if such family consists of—

- (i) a husband and wife, or
 - (ii) an individual and not more than two children who are not in receipt of any occupational income, or
 - (iii) an individual and not more than two dependent relatives, or
 - (iv) an individual and one child who is not in receipt of any occupational income and one dependent relative,
- be increased by Rs. 600;

(b) if such family consists of—

- (i) a husband and wife and not more than two children who are not in receipt of any occupational income, or
 - (ii) a husband and wife and not more than two dependent relatives, or
 - (iii) a husband and wife and one child who is not in receipt of any occupational income and one dependent relative, or
 - (iv) an individual and three or more children who are not in receipt of any occupational income, or
 - (v) an individual and three or more dependent relatives, or
 - (vi) an individual and three or more children who are not in receipt of any occupational income and dependent relatives,
- be increased by Rs. 1,200 ; and

(c) if such family consists of—

- (i) a husband and wife and three or more children who are not in receipt of any occupational income, or
- (ii) a husband and wife and three or more dependent relatives, or
- (iii) a husband and wife and three or more children who are not in receipt of any occupational income and dependent relatives,

be increased by Rs. 1,800.”.

16. Section 24 of the principal enactment, as last amended by Law No. 1 of 1974, is hereby further amended as follows :—

(1) in paragraph (f) of that section, by the substitution for the expression "commencing on or after April 1, 1971," of the expression "commencing on or after April 1, 1971, but not after April 1, 1974,"; and

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

"(g) the provisions of Part VI of the Second Schedule to this Act shall, in their application to that individual for the year of assessment commencing on April 1, 1975, 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,

(h) the provisions of Part VII 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, 1976, 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."

17. The following section is hereby inserted immediately after section 24, and shall have effect as section 24A, of the principal enactment :—

24A (1) The provisions of this section shall apply to any resident individual (not being an individual referred to in subsection (4)) whose taxable income for any year of assessment commencing on or after April 1, 1976, is computed taking into account profits and income which consist—

- (a) only of profits from an employment carried on or exercised by him and which do not exceed thirty thousand rupees; or
- (b) only of profits from an employment carried on or exercised by his spouse and which do not exceed thirty thousand rupees; or
- (c) only of profits from an employment carried on or exercised by him and from an employment carried on or exercised by his spouse and the aggregate of which does not exceed thirty thousand rupees; or
- (d) of such profits from employment not exceeding thirty thousand rupees as are referred to in paragraphs (a), (b) or (c) and of profits and income not exceeding in the aggregate one thousand two hundred rupees from all sources other than employment.

- (2) In the case of an individual referred to in subsection (1) and in relation to any year of assessment commencing on or after April 1, 1976—
- (a) the assessable income of his spouse shall not be deemed to form part of his assessable income and such spouse shall not be deemed to be a member of his family;
 - (b) the profits and income not exceeding in the aggregate one thousand two hundred rupees from all sources other than employment shall be exempt from income tax;
 - (c) no assessment of income tax shall be made in respect of that individual for that year of assessment if income tax has been deducted from his remuneration in accordance with the income tax tables prescribed by the Commissioner-General under section 107E and applicable to that year of assessment;
 - (d) the provisions of section 107G shall have no application except where tax was deducted in excess due to an error in the application of the income tax tables prescribed under section 107E by the Commissioner-General;
 - (e) he shall not be entitled to any refund of any tax deducted under the provisions of Chapter XIII A, notwithstanding the provisions of section 117, unless he proves to the satisfaction of the Assessor that such tax was paid in excess due to an error in the application of the income tax tables prescribed under section 107E by the Commissioner-General and applicable to that year of assessment;
 - (f) he and any member of his family shall not be entitled to any deduction under paragraph (d) or paragraph (e) of subsection (1) of section 10 or subsection (1) of section 15 or section 16A or section 16B or section 16CC or section 16D or section 16E or under any of the provisions of section 21 (other than under subsection (8) of that section); and
 - (g) the provisions of Chapter XI A shall have no application to him in relation to the income tax payable by him for that year of assessment if income tax has been deducted from his remuneration in accordance with the income tax tables prescribed by the Commissioner-General under section 107E and applicable to that year of assessment.
- (3) Where in respect of any year of assessment commencing on or after April, 1, 1976, the assessable income of the wife of an individual is not deemed to form part of his assessable income for that year of assessment under subsection (2) such wife shall be assessed separately in respect of her assessable income for that year of assessment, and—

- (a) the assessable income of the wife less the allowance to which such wife, had she been an individual not included in a family, would have been entitled under subsection (8) of section 21 shall be her taxable income for that year of assessment;
 - (b) such wife shall be liable to pay tax on her taxable income; and
 - (c) the provisions of paragraphs (b), (c), (d), (e), (f) and (g) of subsection (2) shall apply to such wife.
- (4) The provisions of subsections (1), (2) and (3) shall have no application to—
- (a) an individual who is—
 - (i) a member of a family employed in a business carried on by his parent or by any other member of that family or in a partnership of which his parent or any other member of that family is a partner;
 - (ii) a member of a family employed in a company in which more than one-half of the total shares issued is held by not more than five persons, their wives or minor children either directly or through nominees and if one of such persons or wives is his parent or if one of such persons or wives, or minor children is that member or any other member of that family; or
 - (iii) an employee in a company in which more than one-half of the total shares issued is held by not more than five persons, their wives or minor children either directly or through nominees and if he is one of such persons; or
 - (b) an individual who has given notice in writing to the Commissioner-General within twelve months of the end of an year of assessment that the provisions of this section be not applied to him; or
 - (c) the wife of an individual referred to in paragraph (b).”.
18. Section 25 of the principal enactment is hereby amended by the insertion, immediately after subsection (1A) of that section, of the following new subsection :—
- “(1B) Notwithstanding the preceding provisions of this section, the income tax to which a company shall be liable for any year of assessment commencing on or after April 1, 1976, shall, if it was a people’s company throughout the year preceding such year of assessment or, in the case of a company incorporated in the year preceding such year of assessment, from the date of its incorporation, consist of—
- (a) a sum equal to forty *per centum* of the taxable income of such company for such year of assessment, and

- (b) a sum equal to $33\frac{1}{3}$ *per centum* of the aggregate amount of the gross dividends distributed by such company out of the profits on which the taxable income of such company is computed for such year of assessment.

For the purposes of this subsection a people's company means a company which is resident in Sri Lanka and which furnishes to the Commissioner-General a certificate from the Registrar of Companies in such form as may be prescribed by the Commissioner-General to the effect that—

- (a) it is not a private company within the meaning of the Companies Ordinance ;
- (b) the number of shareholders of the company exceeds fifty and the nominal value of each share does not exceed ten rupees;
- (c) any person may invest in one or more shares in the company at any allotment of shares by the company or in the open market;
- (d) it is a company in which no person either individually or together with his wife or minor children, holds either directly or through nominees, more than ten *per centum* of the issued share capital;
- (e) it is a company in which there are three or more directors each owing one or more shares; and
- (f) that none of the directors of the company holds office as director of any other people's company.”.

19. The following section is hereby inserted immediately after section 27, and shall have effect as section 27A, of the principal enactment :—

27A. (1) Every resident company shall deduct from the amount of any dividend payable to any shareholder in the form of money or an order to pay money out of profits which are exempt from income tax under this Act or under any other enactment, income tax equal to $33\frac{1}{3}$ *per centum* of that part of the dividend which is not exempt from income tax under subsection (1) of section 5A, subsection (3) of section 6 or subsection (4) of section 7A of this Act, or under section 3 of the Housing Developers (Special Provisions) Law, No. 49 of 1973.

- (2) The amount of the income tax which a resident company is, under subsection (1), required to deduct shall be a debt due from such resident company to the Republic and shall be recoverable forthwith as such or may be assessed and charged upon such company in addition to any income tax otherwise payable by it.
- (3) Where a dividend is payable by any resident company to another company and a deduction has been made under subsection (1) in respect of that

dividend, that dividend shall, notwithstanding any other provisions of this Act, be deemed not to form part of the assessable income of the second-mentioned company.”.

20. Section 30 of the principal enactment is hereby amended in subsection (1) of that section, by the insertion immediately after paragraph (a) of that subsection, of the following new paragraph :—

“(aa) for any year of assessment commencing on or after April 1, 1975, any motor vehicle of which he is the possessor or, where he is the head of a family, any motor vehicle of which he or any member of his family is the possessor :

“possessor” when used in relation to a motor vehicle, means the person who, by reason of such motor vehicle having been mortgaged to him or by reason of any agreement (other than a hire-purchase agreement) having been made in respect of that motor vehicle, is in possession of that motor vehicle;”.

21. Section 31 of the principal enactment is hereby amended as follows :—

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

“(dd) one motor car kept for his private use of which he is the owner or the possessor within the meaning of section 30 (1) (aa), so however that where more than one member of a family is entitled to exclude from his wealth one motor car under this paragraph the exclusion shall apply only in respect of one member of that family;”;

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

“(1B) Notwithstanding anything in paragraph (d) of subsection (1), there shall not be excluded from the wealth of any person for any year of assessment commencing on or after April 1, 1975, any motor car kept for his private use and of which he is the owner.”;

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

“(2A) Notwithstanding anything in subsection (2), there shall not be excluded from the wealth of any person for any year of assessment commencing on or after April 1, 1975, any investment referred to in that subsection.”, and

- (4) in subsection (3) of that section, by the substitution for the words "any year of assessment" occurring in that subsection, of the expression "any year of assessment commencing not later than April 1, 1974."

22. The following new Chapter is hereby inserted immediately after Chapter VII, and shall have effect as Chapter VIIA, of the principal enactment :—

CHAPTER VIIA

IMPOSITION OF THE EXPENDITURE TAX

38A. This Chapter shall not apply to any individual referred to in section 28.

38B. (1) Subject to the other provisions of this Chapter, there shall be charged for every year of assessment commencing on or after April 1, 1976, a tax (hereafter in this Act referred to as the "expenditure tax") at the appropriate rates specified in the Seventh Schedule to this Act, in respect of the taxable expenditure of every individual who is the head of a family and who is resident in Sri Lanka in the year preceding that year of assessment, and of every individual not included in a family who is resident in Sri Lanka in such preceding year, other than an individual who is deemed under subsection (6) of section 54 of this Act to be resident in Sri Lanka.

(2) Where an individual is chargeable to the expenditure tax as a resident for a part only of the year preceding any year of assessment—

(a) he shall be entitled for that year of assessment to the same proportion only of the allowances under section 38G as the number of days during which he is resident bears to the number of days in that preceding year, and

(b) the provisions of the Seventh Schedule to this Act shall, in their application to that individual, have effect as if each of the sums mentioned in those provisions were reduced in the proportion which the number of days during which he is resident bears to the number of days in that preceding year.

38C. The expenditure of an individual shall be deemed to include the following :—

(a) any expenditure incurred by any person other than that individual in respect of any obligation or personal requirement of that individual or any member of the family of that individual which, but for the expenditure having been incurred by that person, would have been incurred by that individual or such member and would be part of the assessable expenditure of that individual ;

- (b) any donation or benefit made or provided by any person other than that individual to, and enjoyed by, that individual or any member of his family, the expenditure in making or providing the donation or benefit being expenditure which, if incurred by that individual or such member, would be part of the assessable expenditure of that individual;
- (c) the rental value of any place of residence provided free of rent to that individual by his employer or where such place of residence is provided at a rent less than the rental value of that place of residence, the excess of such rental value over such rent; and
- (d) the expenditure incurred in the acquisition of a motor vehicle for private use other than in the purchase of one motor vehicle and in the replacement of that motor vehicle.

38D. (1) The expenditure of an individual shall be deemed not to include the following :—

- (a) any such expenditure incurred by him in the production of profits or income from any trade, business, profession, or vocation carried on or exercised by him as is allowed by this Act to be deducted for the purpose of ascertaining his profits or income, and any capital expenditure incurred by him in the production of such profits or income;
- (b) expenditure incurred in travelling outside Sri Lanka in connection with any trade, business, profession or vocation carried on or exercised by him if such expenditure was incurred with the approval of the Controller of Exchange and does not exceed the amount authorized by him for that purpose ;
- (c) any expenditure incurred by him wholly and exclusively for advertising in connection with any trade, business, profession, vocation or employment carried on or exercised by him;
- (d) any expenditure incurred by him by way of the acquisition of any immovable property on the construction, repair or improvement of any immovable property, other than the repair of a house owned and occupied by him;
- (e) any expenditure incurred by him by way of investment in deposits, loans, shares or securities or by way of purchase of a business or by way of contribution as capital in a business;
- (f) any expenditure incurred by him by way of paying premia in respect of any policy of insurance, or of paying premia for the purchase of an annuity;
- (g) any expenditure incurred by him by way of the acquisition of any bullion, precious stones or jewellery;

- (h) any expenditure incurred by him by way of repayment of any debt or by way of payment of interest thereon;
- (i) any gift made by him;
- (j) any ground rent paid by him;
- (k) any annuity or other sum which he is legally bound to pay;
- (l) any expenditure incurred by him by way of payment of any tax, duty or levy administered by the Commissioner-General or any rates or tax levied on immovable property other than any rates paid in respect of a house owned and occupied by him;
- (m) any expenditure incurred by him by way of the payment of any sum under an order of any court;
- (n) lawyers' fees paid and other expenses incurred in connection with any proceedings in any court or before any tribunal or before any arbitrator whose award is enforced by a judgment of any court;
- (o) any expenditure not exceeding five thousand rupees, incurred in connection with the funeral of any member of his family;
- (p) any expenditure, not exceeding ten thousand rupees incurred in connection with his marriage or the marriage of any child of his whether such child is or is not under twenty-one years;
- (q) any expenditure, in excess of three thousand rupees, incurred by him in obtaining for himself, or in providing to any member of his family, medical treatment, such expenditure being in respect of hospital or nursing home charges, doctors' fees, cost of drugs, and nurses' and attendants' charges;
- (r) any expenditure incurred by him in making good any loss of his or of any member of his family arising from theft or from fire, flood or other elemental cause;
- (s) where he is not a citizen of Sri Lanka, any expenditure incurred by him in educating his children abroad;
- (t) where he is not a citizen of Sri Lanka, the cost of his passage and the passage of any member of his family in proceeding to and back from his home abroad;
- (u) where he is a candidate at an election of a Member of the National State Assembly, any expenditure incurred by him which is authorized by any written law to be incurred by him as such candidate;

- (v) any contribution made to any pension or provident fund;
- (w) any expenditure incurred by a child who is in receipt of occupational income to the extent of his occupational income; and
- (x) any expenditure incurred wholly and necessarily in connection with the discharge of any duties assigned to him by the State.

(2) Where any expenditure falls within two or more paragraphs of subsection (1), that expenditure as specified in only one of those paragraphs shall be deemed under that subsection not to be included in the expenditure of that individual.

38E. The assessable expenditure of an individual for any year of assessment shall be the expenditure incurred by him in the year preceding such year of assessment.

38F. Where an individual has, during the period commencing on April 1, 1975, and ending on November 5, 1975, incurred any non-recurrent expenditure in excess of ten thousand rupees, the Commissioner-General may, in his discretion, for the purpose of ascertaining his assessable expenditure, permit such non-recurrent expenditure to be spread over a period not exceeding three years of assessment, if a written application is made on or before March 31, 1977.

38G. The following allowances shall be deducted from the assessable expenditure of an individual for any year of assessment in arriving at his taxable expenditure for that year of assessment :—

- (a) where he is the head of a family, an allowance of thirty-six thousand rupees in respect of him, an allowance of four thousand rupees in respect of his wife, and an allowance of two thousand rupees in respect of each of not more than three children or dependent relatives or children and dependent relatives;
- (b) where he is not included in a family, an allowance of thirty-six thousand rupees in respect of him;
- (c) where he is a Member of the National State Assembly, such allowance as is applicable to him under paragraph (a) or paragraph (b) and such other allowances referred to in section 73 as are not taken into consideration in ascertaining the profits and income of such Member.

38H. The assessable expenditure of the members of a family, other than the head of that family, for any year of assessment shall be aggregated. The aggregate amount of such assessable expenditure shall be deemed to form part of the assessable expenditure of the head of that family for that year of assessment. The assessable expenditure of the head of that family for that year of assessment after deducting therefrom the allowance to which he is entitled under

section 38G shall be his taxable expenditure for that year of assessment, and the head of the family shall be liable to the expenditure tax, in respect of such taxable expenditure.

38J. The assessable expenditure for any year of assessment of an individual who is not included in a family after deducting therefrom the allowance to which he is entitled under section 38G shall be his taxable expenditure for that year of assessment, and he shall be liable to the expenditure tax, in respect of such taxable expenditure.

38K. Where the expenditure tax in respect of an individual who has taxable expenditure and who is the head of a family cannot be collected from him, then, if his wife or child is included in such family, such portion of the expenditure tax as appears to the Commissioner-General to be attributable to the assessable expenditure of such wife or child may be collected from such wife or child notwithstanding that no assessment has been made upon such wife or child and the provisions of this Act as to collection and recovery of expenditure tax shall apply accordingly.

38L. Any reference in sections 44, 45, 46, 48, 49, 51, 82, 92, 93, 94, 95, 96, 96A, 96B, 96C, 103, 104, 106, 108, 113, 115, 117, 118, 120 and 125 to income, assessable income and income tax, shall, unless the context otherwise requires be construed as including a reference to expenditure, assessable expenditure and expenditure tax respectively.

38M. The reference in section 97 (2) (b) to wealth tax shall be construed as including a reference to expenditure tax.

23. Section 61 of the principal enactment is hereby amended by the insertion, immediately after subsection (4) of that section, of the following new subsection :—

“(4A) Where a non-resident person carries on the business of shipowner or charterer and any ship owned or chartered by him calls at a port in Sri Lanka, an amount equal to six *per centum* of the entire sum receivable on account of the carrying of passengers, mails, livestock and goods shipped in Sri Lanka (other than goods brought to Sri Lanka solely for trans-shipment) shall, for any year of assessment commencing on or after April 1, 1975, notwithstanding anything to the contrary in any other provision of this Act, be deemed to be his full profits arising from the carriage of such passengers, mails, livestock or goods and such profits shall be deemed to arise in Sri Lanka.”

24. Section 64 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) The provisions of sections 61 to 63, other than the provisions of subsection (4A) of section 61, shall apply to every non-resident person who carries on business as the owner or charterer of aircraft in like manner as they apply

in the case of a non-resident person who carries on the business of ship-owner or charterer.”.

25. (1) The following heading is hereby inserted immediately after section 72 of the principal enactment :—

“MM. Special Rates of Tax in respect of Certain Dividends.”.

(2) The following section is hereby inserted immediately after the heading inserted therein by subsection (1) of this section, and shall have effect as section 72A of the principal enactment :—

72A. (1) Where a dividend is received by a non-resident person from an investment made by him in the purchase of shares in a company resident in Sri Lanka, the tax in respect of that dividend may—

- (a) if any agreement has been entered into between the Government of Sri Lanka and the Government of the territory in which such person is resident, be reduced to such extent as may be specified in that agreement; and
- (b) if no agreement has been entered into between the Government of Sri Lanka and the Government of the territory in which such person is resident, be reduced in the case of such investment as may be approved by the Minister, in such manner and to such extent as may be specified by Order made by the Minister, approved by the National State Assembly, and published in the *Gazette*.

(2) For the purposes of this section, “tax in respect of a dividend” means—

- (i) the tax to which a company resident in Sri Lanka is liable under subsection (1) of section 25 in respect of that dividend,
- (ii) the tax which every resident company shall deduct under subsection (4) of section 26 from the amount of any dividend which becomes payable to any non-resident company,
- (iii) the tax which every resident company shall be entitled to deduct under subsection (1) of section 27 from the amount of any dividend payable to any shareholder, or
- (iv) the tax payable by a non-resident person other than a non-resident company, under this Act in respect of that dividend.’.

26. The following new sections are hereby inserted immediately after section 73A, and shall have effect as sections 73B, 73C, 73D, 73E, 73F, and 73G respectively, of the principal enactment :—

73B. A company which in the year preceding any year of assessment commencing on or after April 1, 1976, makes an investment in any undertaking carried on by such company in accordance with an investment plan approved by an authority appointed by the Minister shall be entitled to a deduction from the income tax payable by that company for that year of assessment of an amount equal to—

- (i) the amount of the investment, or
- (ii) *ten per centum* of the taxable income of the company for that year of assessment,

whichever amount is the lower:

Provided that the provisions of this section shall not apply to a people's company within the meaning of section 25 (1B) or to a company the income tax payable by which is calculated in accordance with the proviso to section 25 (1).

73C. (1) Where a person carrying on an undertaking in Sri Lanka proves to the satisfaction of the Commissioner-General that in the year preceding any year of assessment commencing on or after April 1, 1976, he has brought foreign exchange to Sri Lanka for the purposes of the undertaking he shall be entitled, subject to the provisions of section 73G, to a deduction from the income tax payable by him for that year of assessment of an amount equal to—

- (i) the amount of the foreign exchange, or
- (ii) *twenty per centum* of the income tax attributable to the income from such undertaking for that year of assessment,

whichever is lower.

In this subsection "foreign exchange" has the same meaning as in the Exchange Control Act but shall not include any foreign exchange—

- (a) received in respect of the export of goods or the performance of services; or
- (b) which the Controller of Exchange could have required him to remit to Sri Lanka; or
- (c) received in consequence of any agreement or arrangement entered into or made by the Government of Sri Lanka or by any public corporation in Sri Lanka.

(2) For the purposes of this section, for any year of assessment commencing on or after April 1, 1976, the income tax attributable to the income from an undertaking shall—

- (a) in the case of a resident company, other than a people's company, be a sum which bears to the income tax payable by that company for that year of assessment under paragraph (a) of subsection (1) of section 25 the same proportion as the profits and income of that undertaking bears to the total statutory 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 that 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 1/3 *per centum*), the same proportion as the profits and income of that undertaking bears to the total statutory income of that company for that year of assessment, and
- (c) in the case of a people's company be a sum which bears to the income tax payable by that company for that year of assessment under paragraph (a) of subsection (1B) of section 25 the same proportion as the profits and income of that undertaking bears to the total statutory income of that company for that year of assessment, and
- (d) in the case of any other person, be a sum which bears to the income tax payable by that person for that year of assessment the same proportion as the profits and income of that undertaking bears to the total statutory income of that person for that year of assessment.

73D. (1) Where during the year preceding any year of assessment commencing on or after April 1, 1976, a person carries on an undertaking of construction and sale of houses or of development and sale of land for building purposes under any scheme approved by the Minister in charge of the subject of Housing, he shall be entitled, subject to the provisions of section 73G, to a deduction from the income tax payable by him for such year of assessment of an amount equal to twenty *per centum* of the income tax attributable to the income from such undertaking:

Provided that where any person is entitled to relief from income tax under the Housing Developers (Special Provisions) Law, No. 49 of 1973, in respect of any house, he shall not be entitled to any deduction under this section in respect of such house.

(2) For the purposes of this section, the income tax attributable to the income from an undertaking shall be computed in the manner specified in section 73C (2).

73E. (1) This section shall apply to any person who carries on in Sri Lanka—

- (a) any agricultural undertaking;
- (b) any undertaking in fishing, extracting of minerals, or production or manufacture of goods; or
- (c) any undertaking which, in the opinion of the Commissioner-General, promotes the purposes of any undertaking referred to in paragraph (a) or paragraph (b).

(2) An undertaking referred to in subsection (1) shall not include an undertaking formed by the splitting up or reconstruction of any business previously in existence.

(3) Where the Commissioner-General is satisfied that in the year commencing on January 1, 1976, there has been an increase in the number of persons, other than executive officers, employed in an undertaking commenced prior to that date and that in respect of such persons the employer has made contributions to the Employees' Provident Fund from the date of commencement of employment of each such person to December 31, 1976, the person carrying on the undertaking shall be entitled, subject to the provisions of section 73G, to a deduction from the income tax payable by him for the year of assessment commencing on April 1, 1977, of an amount which bears to twenty *per centum* of the income tax attributable to the income from the undertaking the same proportion as the increase in the number of persons employed bears to the total number of persons employed on December 31, 1975:

Provided however that the deduction shall not exceed twenty *per centum* of the income tax attributable to that undertaking.

(4) Where, in the year commencing on January 1, 1976, an undertaking has been commenced and the number of employees in respect of whose employment in that undertaking for the period from the date of employment to December 31, 1976, contributions have been made by the person carrying on that undertaking to the Employees' Provident Fund is not less than fifty, such person shall, subject to the provisions of section 73G, be entitled to a deduction from the income tax payable by him for the year of assessment commencing on April 1, 1977, of an amount equal to twenty *per centum* of the income tax attributable to the income from that undertaking.

(5) For the purposes of this section, income tax attributable to the income from an undertaking shall be computed in the manner specified in section 73c (2).

73F. (1) Where a person who carries on in any year of assessment commencing on or after April 1, 1976, an undertaking for the production or export of tea in bulk, crepe rubber, sheet rubber, scrap rubber, coconut oil, desicated coconut, copra, fresh coconuts or any other commodity specified for the purposes of this section by the Minister by notice published in the *Gazette*, proves to the satisfaction of the Commissioner-General that the total quantity of goods or articles of that undertaking produced or exported by him during the year preceding that year of assessment is in excess of the total quantity of such or similar goods or articles produced or exported by him during the period of twelve months commencing on April 1, 1974, he shall be entitled, subject to the provisions of section 73G, to a deduction from the income tax payable by him for that year of assessment of an amount which bears to twenty *per centum* of the income tax for that year of assessment attributable to the income from that undertaking the same proportion as the excess of the goods or articles produced or exported bears to the total quantity produced or exported in the year preceding the year of assessment.

(2) For the purposes of this section, income tax attributable to the income from an undertaking shall be computed in the manner specified in section 73c (2).

73G. The aggregate of the deductions from the income tax to which a person is entitled for any year of assessment under sections 73C, 73D, 73E and 73F shall not exceed thirty-three and one-third *per centum* of the income tax which, but for the provisions of those sections, would have been payable by him for that year of assessment.

For the purposes of this section "income tax" shall not include—

- (a) in the case of a resident company, other than a people's company, the income tax payable by that company under paragraph (b) of subsection (1) of section 25;
- (b) in the case of a non-resident company, such part of the tax payable under section 26 as is computed under that section at the additional rate of 6 *per centum* or at the rate of 33½ *per centum*; and
- (c) in the case of a people's company, the income tax payable under paragraph (b) of subsection (1B) of section 25.'

27. The following section is hereby inserted immediately after section 107ss, and shall have effect as section 107sss, of the principal enactment :—

107sss. In respect of any year of assessment commencing on or after April 1, 1976—

(1) "specified employee" means—

- (a) any individual who receives remuneration in excess of seven hundred and fifty rupees per mensem or nine thousand rupees per annum, or
- (b) any non-resident individual receiving remuneration for services rendered in Sri Lanka in excess of eighty-five rupees per mensem or one thousand rupees per annum;

(2) the provisions of section 107D shall have no application; and

(3) the provisions of subsections (2) (3), (4) and (5) of section 107E shall have no application.'

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

(1) by the substitution, for the definition of "child", of the following new definition :—

"child" in relation to an individual to whom this Act applies means—

- (1) with reference to the year preceding any year of assessment commencing not later than April 1, 1974, a child under twenty-five years in such preceding year,

- (2) with reference to the year preceding any year of assessment commencing on or after April 1, 1975, a child under twenty-one years of age in such preceding year,

and includes—

- (a) a step-child of that individual,
- (b) a child authorized by any adoption order made under the Adoption of Children Ordinance to be adopted by that individual and where that individual is not a citizen of Sri Lanka and he satisfies the Commissioner-General that he has a child whom he has adopted in accordance with the law of the country of which he is a subject or citizen, such child,

but does not include—

- (i) any other adopted child,
- (ii) a married child,
- (iii) a child living apart from and not maintained by the parents, or
- (iv) an illegitimate child;'

(2) by the substitution, for the definition of "dependent relative", of the following new definition :—

"dependent relative" in relation to an individual to whom this Act applies means—

- (1) a parent, brother or sister of that individual and if such individual has a wife, a parent, brother or sister of his wife,
- (2) a child or a step-child of that individual or of his wife (other than an adopted child who is not an adopted child referred to in subparagraph (b) in the definition of "child", or an illegitimate child) who—
- (a) with reference to the year preceding any year of assessment commencing not later than April 1, 1974, is over twenty-five years in such preceding year,
- (b) with reference to the year preceding any year of assessment commencing on or after April 1, 1975, is over twenty-one years in that preceding years, and

who throughout the year preceding that year of assessment either lived with him or was maintained by him in any sanatorium, asylum or educational establishment and whose assessable income for that year of assessment did not exceed five hundred rupees;'; and

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

“expenditure” means any sum in money or money’s worth spent or disbursed in Sri Lanka or for the spending or disbursing in Sri Lanka of which a liability has been incurred by an individual, and includes any amount which under this Act is required to be included in expenditure, but does not include any amount which under this Act is deemed not to be included in expenditure;’.

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

(1) in the item relating to non-resident individuals—

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

“(d) for each year of assessment commencing on or after April 1, 1969, but not after April 1, 1974—

On the first Rs. 15,000 of the taxable income 15 *per centum*

On the next Rs. 6,000 of the taxable income 20 *per centum*

On the next Rs. 6,000 of the taxable income 25 *per centum*

On the next Rs. 6,000 of the taxable income 30 *per centum*

On the next Rs. 6,000 of the taxable income 40 *per centum*

On the next Rs. 6,000 of the taxable income 50 *per centum*

On the next Rs. 10,000 of the taxable income 60 *per centum*

On the balance of the taxable income 65 *per centum*”; and

(b) by the insertion immediately after paragraph (d) of the following new paragraphs :—

“(e) For the year of assessment commencing on April 1, 1975—

On the first Rs. 15,000 of the taxable income 15 *per centum*

On the next Rs. 6,000 of the taxable income 20 *per centum*

On the next Rs. 6,000 of the taxable income 25 *per centum*

On the next Rs. 6,000 of the taxable income 30 *per centum*

On the next Rs. 6,000 of the taxable income *40 per centum*

On the next Rs. 6,000 of the taxable income *50 per centum*

On the next Rs. 7,200 of the taxable income *60 per centum*

On the next Rs. 7,200 of the taxable income *70 per centum*

On the balance of the taxable income *75 per centum*

(f) For each year of assessment commencing on or after April 1, 1976—

On the first Rs. 15,000 of the taxable income *15 per centum*

On the next Rs. 6,000 of the taxable income *20 per centum*

On the next Rs. 6,000 of the taxable income *25 per centum*

On the next Rs. 6,000 of the taxable income *30 per centum*

On the next Rs. 6,000 of the taxable income *40 per centum*

On the balance of the taxable income *50 per centum*", and

(2) by the substitution for the item "Co-operative Societies registered under the Co-operative Societies Ordinance—

Taxable income of Co-operative Societies registered under the Co-operative Societies Ordinance *45 per centum*", of the following new item :—

"Co-operative Societies registered or deemed to be registered under the Co-operative Societies Law, No. 5 of 1972—

Taxable income of Co-operative Societies registered or deemed to be registered under the Co-operative Societies Law—

For any year of assessment commencing not later than April 1, 1974, *45 per centum*

For any year of assessment commencing on or after April 1, 1975, *35 per centum*."

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

(1) by the substitution for Part V of that Schedule, of the following :—

“Part V

The rates of income tax for the year of assessment commencing on April 1, 1971, and for each of the three years of assessment next succeeding, shall be as follows :—

On the first Rs. 1,800 of the taxable income $7\frac{1}{2}$ per centum

On the next Rs. 1,800 of the taxable income 10 per centum

On the next Rs. 2,400 of the taxable income $12\frac{1}{2}$ per centum

On the next Rs. 2,400 of the taxable income 15 per centum

On the next Rs. 2,400 of the taxable income $17\frac{1}{2}$ per centum

On the next Rs. 2,400 of the taxable income 20 per centum

On the next Rs. 3,600 of the taxable income 25 per centum

On the next Rs. 4,800 of the taxable income 30 per centum

On the next Rs. 7,200 of the taxable income 40 per centum

On the next Rs. 10,800 of the taxable income 50 per centum

On the next Rs. 10,800 of the taxable income 60 per centum

On the balance of the taxable income 65 per centum.”; and

(2) by the insertion, immediately after Part V of that Schedule, of the following :—

“PART VI

The rates of income tax for the year of assessment commencing of April 1, 1975, shall be as follows :—

On the first Rs. 1,800 of the taxable income $7\frac{1}{2}$ per centum

On the next Rs. 1,800 of the taxable income 10 per centum

On the next Rs. 2,400 of the taxable income $12\frac{1}{2}$ per centum

On the next Rs. 2,400 of the taxable income 15 per centum

On the next Rs. 2,400 of the taxable income $17\frac{1}{2}$ per centum

On the next Rs. 2,400 of the taxable income 20 per centum.

On the next Rs. 3,600 of the taxable income 25 per centum.

On the next Rs. 4,800 of the taxable income 30 per centum.

On the next Rs. 7,200 of the taxable income 40 *per centum*.

On the next Rs. 7,200 of the taxable income 50 *per centum*.

On the next Rs. 7,200 of the taxable income 60 *per centum*.

On the next Rs. 7,200 of the taxable income 70 *per centum*.

On the balance of the taxable income 75 *per centum*.

PART VII

The rates of income tax for any year of assessment commencing on or after April 1, 1976, shall be as follows :—

On the first Rs. 1,800 of the taxable income $7\frac{1}{2}$ *per centum*.

On the next Rs. 1,800 of the taxable income 10 *per centum*.

On the next Rs. 3,600 of the taxable income $12\frac{1}{2}$ *per centum*.

On the next Rs. 3,600 of the taxable income 15 *per centum*.

On the next Rs. 3,600 of the taxable income 20 *per centum*.

On the next Rs. 3,600 of the taxable income 25 *per centum*.

On the next Rs. 3,600 of the taxable income 30 *per centum*.

On the next Rs. 3,600 of the taxable income 35 *per centum*.

On the next Rs. 4,800 of the taxable income 40 *per centum*.

On the next Rs. 7,200 of the taxable income 45 *per centum*.

On the balance of the taxable income 50 *per centum*."

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

"Seventh Schedule

Rates of Expenditure Tax

On the first Rs. 6,000 of taxable expenditure 10 *per centum*.

On the next Rs. 6,000 of taxable expenditure 25 *per centum*.

On the next Rs. 6,000 of taxable expenditure 50 *per centum*.

On the balance of all taxable expenditure 100 *per centum*."

EXTRACTS FROM THE JANAWASA LAW

No. 25 of 1976

A LAW TO PROVIDE FOR THE REGISTRATION OF CERTAIN SOCIETIES AS JANAWASAS, FOR THE ESTABLISHMENT OF A JANAWASA COMMISSION TO REGISTER, REGULATE AND SUPERVISE JANAWASAS, FOR THE FORMATION OF A JANAWASA FEDERATION, AND FOR MATTERS INCIDENTAL TO OR CONNECTED WITH THE MATTERS AFORESAID.

1. This Law may be cited as the Janawasa Law, No. 25 of 1976, and shall come into operation on such date as the Minister may appoint by Order published in the *Gazette* (hereinafter referred to as the "appointed date").

PART I

REGISTRATION

2. Any society which—

- (a) has the objects set out in paragraph (a) or paragraph (b) of section 9, and
- (b) consists of members —

- (i) who are citizens of Sri Lanka;
- (ii) who are not less than eighteen years of age; and
- (iii) in the case of a society having the objects set out in paragraph (a) of section 9, who have entered into an agreement to work in accordance with the principles of this Law and subject to such conditions as may be determined by the Janawasa Commission,

may be registered by the Janawasa Commission as a Janawasa under this Law.

6. (1) Every society registered as a janawasa society under the Co-operative Societies Law, No. 5 of 1972, shall, with effect from the appointed date, be deemed to be registered as a Janawasa under this Law, and the by-laws of such Janawasa shall, in so far as they are not inconsistent with the express provisions of this Law, continue in force until altered or rescinded under this Law.

(2) With effect from the appointed date—

- (a) all the property held by, and
- (b) all the existing rights and liabilities under any contract or agreement of,

a janawasa society registered under the Co-operative Societies Law, No. 5 of 1972, which is deemed to be a Janawasa registered under this Law shall be held by, and be transferred to, such Janawasa.

7. The registration of society as a Janawasa shall render it a body corporate by the name under which it is registered, with perpetual succession and a common seal, and with power to hold property, to enter into contracts, to institute and defend suits and other legal proceedings, and to do all things necessary for the purpose of its constitution.

PART II

OBJECTS, POWERS AND FUNCTIONS

9. The objects of a Janawasa shall be—

- (a) (i) to foster the collective management and development of agricultural land, and the collective development of animal husbandry and agro-based and cottage industries,
 - (ii) to ensure maximum productivity and maximum utilization of agricultural land for maximum employment and profit sharing in proportion to the quality and quantity of the work output,
 - (iii) to promote the social and cultural development of the members,
 - (iv) to promote and foster group farming among owners or cultivators of neighbouring agricultural lands; or
- (b) to provide agricultural machinery, implements and inputs and other such services to members.

10. (1) Land required by a Janawasa for the purposes of achieving its objects may be obtained by way of lease from—

- (a) the Land Reform Commission,
- (b) any state institution, or
- (c) any other source.

(2) Before the expiry of a lease referred to in subsection (1), the Janawasa may apply to the Janawasa Commission for permission to purchase such land and such Commission shall if it is satisfied that the Janawasa has satisfactorily achieved its objects, grant such permission. An appeal shall lie to the Minister against the refusal of the Janawasa Commission to grant permission. The decision of the Minister on such appeal shall be final and conclusive.

11. No land held by a Janawasa shall be used for the benefit of any individual member of the Janawasa except for an extent of not exceeding thirty perches which may be leased to a member for residential purposes on such terms and conditions as may be determined by the Janawasa.

12. A Janawasa may, in addition to the powers and functions conferred on or assigned to it by this Law, exercise and discharge all such powers and functions as are necessary or conducive to the attainment of its objects or as may be conferred on or assigned to it by by-laws.

PART III

14. (1) Each Janawasa shall have a Council of Management (hereinafter referred to as the "Council").

24. (1) There shall be an association of Janawasas (in this Law referred to as "Federation") which shall consist of all Janawasas.

(2) The Federation shall—

- (a) participate in the framing of policies of Janawasas,
- (b) assist in the supply and distribution of agricultural machinery, implements and inputs and the provision of other such services to members,
- (c) assist in the marketing of produce of members, and
- (d) exercise and discharge such powers and functions conferred or assigned to it by regulations.

PART IV

FINANCE

25. The capital of a Janawasa shall include—

- (a) the value of the shares held by members;
- (b) deposits lying to the credit of the Janawasa in fixed deposits and current accounts in any specified institution;
- (c) money borrowed by a Janawasa;
- (d) fixed and movable assets; and
- (e) profits and reserve.

26. Every Janawasa shall out of its profits in any financial year, as ascertained by audit made as hereinafter provided, set apart sums to be utilized for the following purposes :—

- (a) the development of the Janawasa;
- (b) distribution as dividends and interim dividends among members and the payments of bonuses to members;
- (c) the welfare of the members;

(d) for general expenditure; and

(e) as a reserve.

27. (1) The Janawasa Commission shall audit or cause to be audited by some person authorized by it by general or special order in writing in that behalf the accounts of every Janawasa once at least in every year.

28. (1) The Janawasa Commission may of its own motion and shall on the application of a majority of the members of a Janawasa, hold or direct some person authorized by it by order in writing in that behalf, to hold an inquiry into the constitution, working and financial condition of the Janawasa.

29. (1) If the Janawasa Commission is of the opinion after an inquiry under section 28, that the Council of any Janawasa is not performing its duties properly, it may, after giving an opportunity to the Council to state its objections, if any, to its dissolution, and after considering such objections, at a general meeting of the Janawasa summoned by it, by order in writing—

(a) dissolve the Council; and

(b) direct that the affairs of the Janawasa shall be managed and administered by a suitable person or person appointed as hereinafter provided.

30. (1) If the Janawasa Commission—

(a) after an inquiry under section 28,

(b) on receipt of an application made by three-fourths of a Janawasa and after giving an opportunity to such Janawasa to state their objections,

is of opinion that the Janawasa ought to be dissolved it may by order under its hand cancel the registration of the Janawasa.

(2) Any member of a Janawasa may, within two months from the date of an order under subsection (1), appeal from such order to the Minister.

PART V

JANAWASA COMMISSION

33. (1) There shall be established a Janawasa Commission (hereinafter in this Law referred to as "the Commission") which shall consist of the persons who are for the time being members of the Commission under section 34.

(2) The Commission shall by the name assigned to it by subsection (1) be a body corporate and shall have perpetual succession and a common seal and may sue and be sued in such name.

34. (1) The Commission shall consist of the following members :—

- (a) four members appointed by the Minister of whom at least two shall be members of the Land Reform Commission; and
- (b) three members elected by the Federation.

(2) A person shall be disqualified from being appointed or from continuing as a member of the Commission—

- (a) if he is or becomes a member of the National State Assembly, or
- (b) if he, directly or indirectly, holds or enjoys any right or benefit under any contract made by or on behalf of the Commission, or any Janawasa, or
- (c) if he has any such function or any other interest as is likely to affect prejudicially the discharge by him of his functions as a member of the Commission.

35. (1) Every member shall ordinarily hold office for a period of three years unless he earlier vacates his office by death, resignation or removal from such office by the Minister or, in the case of a member who is a member of the Land Reform Commission, on his ceasing to be a member of such Commission.

36. (1) The Minister may, if he considers it expedient to do so, remove by Order published in the *Gazette* any member of the Commission appointed under subsection (1) of section 34 without reasons stated.

(3) The removal of any member under subsection (1) shall not be called in question in any court or tribunal whether by way of writ or otherwise.

38. (1) The Minister shall appoint one of the members of the Commission to be the Chairman. The Chairman shall preside at all meetings of the Commission at which he is present. In the absence of the Chairman from any meeting of the Commission, any member chosen by those present shall preside thereat.

(5) The Minister may without assigning any reason terminate the appointment of any member as Chairman of the Commission and appoint another member as Chairman of such Commission.

41. (1) The Commission may appoint a Secretary to the Commission.

43. The quorum for a meeting of the Commission shall be three members.

45. (1) At the request of the Commission any officer in the state service may, with the consent of that officer and of the Secretary to the Ministry in charge of the subject of Public Administration, be temporarily appointed to the staff of the Commission, for such period as may be determined by the Commission with like consent or be permanently appointed to such staff.

(5) At the request of the Commission, any officer or servant of a public Corporation may, with the consent of such officer or servant and the Board of Directors of such Corporation, be temporarily, or permanently appointed to the staff of the Commission on such terms and conditions, including those relating to provident fund rights as may be agreed upon by the Board of Directors of such Corporation and the Commission.

46. (1) The Commission may with the concurrence of the Land Reform Commission give such directions as it seems fit for the implementation of this Law to such officers and advisers of the Land Reform Commission whose services are made available to the Commission and such persons shall comply with such directions.

(2) Every person carrying out the directions of the Commission under subsection (1) shall be deemed to be acting as an agent of the Commission.

47. The Commission may exercise and discharge the following powers and functions, namely—

- (a) to acquire, hold, take or give on lease or hire, exchange, mortgage, pledge, sell or otherwise dispose of, any movable or immovable property;
- (b) to carry out investigations, surveys and record data concerning and relating to any agricultural land and call for return in the prescribed form concerning and relating to agricultural land;
- (c) to conduct, assist and encourage research into all aspects of land tenure and reform;
- (g) to borrow money, for the purposes of its business;
- (i) to invest and deal with moneys not immediately required for its purposes in such accounts, investments and securities in specified institutions, or carrying a Government guarantee;
- (j) to register Janawasas;
- (k) to supervise and regulate the work of Janawasas and the Federation;
- (l) to provide management advice, technical knowledge and the expertise to Janawasas and the Federation;
- (m) to audit or cause to be audited the accounts of Janawasas and the Federation and for that purpose to exercise such powers as it deems necessary;
- (n) to dissolve the Council of a Janawasa when it is satisfied that such Council is not carrying out its duties properly and order the election of another Council in its place;

(o) to cancel the registration of a Janawasa when it is satisfied that such Janawasa is acting in contravention of the provisions of this Law or the regulations or by-laws made thereunder or has failed to achieve its objects;

(p) to issue general or special directions to Janawasas;

49. (1) The initial capital of the Commission shall be twenty million rupees.

(2) The amount of the initial capital of the Commission shall be paid to the Commission out of the Consolidated Fund in such instalments as the Minister in charge of the subject of Finance may in consultation with the Minister determine.

(3) The capital of the Commission may be increased from time to time by a resolution of the National State Assembly.

50. (1) The Commission shall have its own fund.

(2) There shall be paid into the fund of the Commission—

(a) all such amounts as may be voted from time to time by the National State Assembly for the use of the Commission;

(b) all such sums of money received by the Commission in the exercise, discharge and performance of its powers, duties and functions; and

(c) all such sums of money as may be advanced from time to time by the Minister to the Commission.

51. The financial year of the Commission shall be the period of twelve months commencing on the first day of January each year.

52. 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 Commission.

54. The Commission shall be deemed to be a scheduled institution within the meaning of the Bribery Act and the provisions of that Act shall be construed accordingly.

PART VI

GENERAL

55. (1) The Minister may made regulations necessary for the purpose of carrying out or giving effect to the principles and provisions of the Law and in respect of which regulations are required or authorized to be made.

(2) Every regulation made by the Minister shall be published in the *Gazette* and shall come into operation on the date of such publication or on such later date as may be specified therein.

(3) Every regulation shall, as soon as convenient after its publication in the *Gazette*, be brought before the National State Assembly for approval. Any regulation which is not so approved shall be deemed to be rescinded from the date of its disapproval but without prejudice to anything previously done thereunder. Notification of the date on which any regulation is deemed to be rescinded shall be published in the *Gazette*.

56. The Minister may give such general or special directions in writing to the Commission for the purpose of this Law as he considers necessary and the Commission shall give effect to such directions.

59. Where any immovable property is required to be acquired for any purpose of the Commission and the Minister by Order published in the *Gazette* approves of the proposed acquisition, that property shall be deemed to be required for a public purpose and may accordingly be acquired under the Land Acquisition Act and be transferred to the Commission.

EXTRACTS FROM THE LAND BETTERMENT CHARGES LAW

No. 28 of 1976.

A LAW TO PROVIDE FOR THE LEVY OF BETTERMENT CHARGES ON LANDS WITHIN AREAS WHERE THE VALUE OF LAND HAS INCREASED AS A RESULT OF THE CONSTRUCTION WITHIN THOSE AREAS OF CERTAIN DEVELOPMENT PROJECTS, FINANCED IN WHOLE OR IN PART BY THE STATE, AND TO PROVIDE FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

1. This Law may be cited as the Land Betterment Charges Law, No. 28 of 1976, and shall come into operation on such date (hereinafter referred to as the "appointed date") as the Minister may appoint by Order published in the *Gazette*.

2. Subject as hereinafter provided, a charge to be known as the land betterment charge shall be levied on—

- (a) every land situated within an area declared to be a betterment area by an Order made under section 3; and
- (b) every agricultural land situated within an area declared to be a benefited area by an Order made under section 17.

PART I—BETTERMENT AREAS

3. (1) Where the value of land in any area has appreciated or is likely to appreciate as a result of the construction or establishment of, or improvement effected to, a development project in such area, and where the expenditure incurred in such construction, establishment or improvement was provided in whole or in part by the State or by a State Corporation, the Minister may by Order declared such area to be a "betterment area":

4. The Government Agent of every administrative district shall be the land betterment charges officer of that administrative district for the purpose of this Part of this Law, and accordingly every such Government Agent shall exercise the powers and perform the duties conferred or imposed on a land betterment charges officer under this Part of this Law in relation to each betterment area falling within his administrative district.

6. The land betterment charges officer shall, in consultation with the Chief Valuer, prepare in respect of every land contained in the statement prepared under section 5, an assessment of—

- (a) the market value of such land immediately prior to the construction or establishment of, improvement to, the development project in relation to which the betterment area is declared; and
- (b) the market value of such land one year after such construction, establishment or improvement.

7. The land betterment charges officer shall fix a land betterment charge, in respect of every land specified in the statement prepared under section 5, calculated at fifty *per centum* of the increase in the market value of such land, as shown in the assessment prepared under section 6.

8. (1) The land betterment charges officer shall cause copies of the statement prepared under section 5 to be exhibited in the office of the local authority, post office, office of the Divisional Revenue Officer and in such other places within the betterment area as which in his opinion are resorted to by the public of the area.

9. (1) Every objection made in response to any notice given under section 8 shall be in writing and shall be sent to the land betterment charges officer by registered post before the date specified in such notice. The person making such objections shall hereinafter in his section be referred to as "the objector".

(2) On receipt of any objection sent under subsection (1), the land betterment charges officer shall notify the objector of the date, time and place fixed for the inquiry into such objections:

Provided further that where any objection sent under subsection (1) relates to any dispute as to the ownership of any land specified in the statement prepared under section 5, or as to the beneficial interest in such land, the land betterment charges officer shall refer such dispute to the District Court or Magistrate's Court having jurisdiction over the place where such land is situated, according as the value of such land does or does not exceed one thousand five hundred rupees and the provisions of section 11, section 12, section 13 and section 14 of the Land Acquisition Act shall, *mutatis mutandis*, apply to every such reference.

10. (1) Any person aggrieved by the decision of the land betterment charges officer under subsection (3) of section 9, may within thirty days after the communication of such decision to him, make a written appeal from such decision to the Minister. Where no appeal is made from the decision of the land betterment charges officer within the time allowed therefor, such decision shall be final and conclusive and shall not be questioned in any court.

(2) The Minister may on any appeal made to him under this section, confirm or vary the decision from which an appeal was made, and the decision of the Minister on such appeal shall be final and conclusive and shall not be questioned in any court.

12. (1) The person whose name appears as the owner of, or as trustee of, or as the person having a beneficial interest in, any land specified in the statement prepared under section 5, in the year in which such statement is first prepared, shall be liable to pay the land betterment charge fixed in respect of such land, or where the amount of such charge has been varied or modified under section 9 or section 10, the amount so varied or modified.

(2) The land betterment charge fixed in respect of any land shall be payable in such number of annual instalments not exceeding twenty as the land betterment charges officer may in his discretion determine.

15. Where any land in respect of which a land betterment charge is payable, is subject to a change of ownership the amounts paid as a land betterment charge on such land by the person disposing of the ownership of such land, shall be deductible from the amount assessed as the value of such land at the time of such change of ownership, for the purposes of the computation of the capital gains tax payable by such person under the Inland Revenue Act, No. 4 of 1963.

PART II—BENEFITED AREAS

16. The Government Agent of every administrative district shall be the land betterment charges officer of that administrative district for the purpose of this Part of this Law, and accordingly every such Government Agent shall exercise the powers and perform the duties conferred or imposed on a land betterment charges officer under this Part of this Law in relation to each benefited area falling within his administrative district.

17. (1) Where the productivity of the agricultural lands in any area within an administrative district has improved or is likely to improve as the result of the construction of a development project in such area (whether such construction was before or after the appointed date), and where the expenditure incurred in such construction was provided in whole or in part by the State or by a State Corporation, the land betterment charges officer for that administrative district may by Order published in the *Gazette* declare such area to be a "benefited area".

(2) Every such Order shall specify the limits of the benefited area referred to in that Order and the name of the development project in relation to which such benefited area is declared.

18. (1) As soon as may be after the publication of an Order under section 17, the land betterment charges officer shall prepare a register of all the agricultural lands situated in the benefited area specified in such Order.

(2) Every register prepared under subsection (1), shall contain the names of all the agricultural lands in the benefited area, the extent thereof, and where any such land is cultivated by the owner thereof, the name of such owner, and, where any such land has been alienated by a permit issued under the Land Development Ordinance, the name of permit-holder, and, where any such land is cultivated by a tenant, the name of such tenant, and such other particulars as may be prescribed.

(3) The land betterment charges officer shall classify the lands contained in such register, having regard to the following matters :—

- (a) the capital expenditure incurred in the development project situated in the benefited area and its rate of depreciation;
- (b) the operation, repair and maintenance expenditure on such development project ;

- (c) the average availability of water to the land which is the subject of classification, whether for a single cropping, double cropping or more intensive cropping;
- (d) assurance and regularity of irrigation to such land;
- (e) the extent to which such land has benefited;
- (f) the likely increase in the agricultural production of such land as a result of such development project; and
- (g) such other matters as may be prescribed.

19. (1) In respect of the agricultural lands in any benefited area land betterment charges shall be levied on such one or more of the following basis as the Minister may direct :—

- (a) on the basis of a fixed amount per year per acre of land;
- (b) on the basis of a minimum charge for a fixed quantity of water supplied annually to any such land, and an additional charge for water supplied in excess of such fixed quantity;
- (c) on the basis of the total quantity of water supplied annually to any such land.

23. Where the agricultural crops in a benefited area have failed in any year due to adverse weather conditions, the outbreak of pest disease or like causes, the Minister may by Order published in the *Gazette* exempt every person liable to pay a land betterment charge in respect of any land within such benefited area, from the payment of the land betterment charge fixed in respect of such land under this Part of this Law for that year.

24. (1) Where the agricultural crops in any land within a benefited area have been adversely affected in any year, due to any defects in the irrigation works or distributory system supplying such land, the person liable to pay a land betterment charge in respect of such land for that year may appeal to the land betterment-charges officer that he is exempted from the payment of such land betterment charge.

(2) The decision of the land betterment charges officer on any such appeal shall be final and conclusive.

29. (1) The Minister may from time to time make regulations for the purposes of carrying out and giving effect to the principles and provisions of this Law.

(3) Every regulation made by the Minister shall be published in the *Gazette* and shall come into operation on the date of such publication or on such later date as may be specified in the regulation.

(4) Every regulation made by the Minister shall, as soon as convenient after its publication in the *Gazette*, be brought before the National State Assembly for approval. Any regulation which is not so approved, shall be deemed to be rescinded from the date of disapproval, but without prejudice to anything previously done thereunder.

30. In this Law, unless the context otherwise requires:—

“agricultural land” means any land used for the production of any agricultural or horticultural produce;

“land betterment charges officer” in relation to any land means the land betterment charges officer appointed or designated, as the case may be, in relation to the betterment area or the benefited area within which such land is situated;

“Chief Valuer” includes any Senior Assistant Valuer or Assistant Valuer of the Government Valuation Department;

“development project” in relation to—

- (a) the provisions of Part I of this Law includes an industrial project, a road project, a salt-water exclusion project, a water supply project and an electrical generating and transmission project; and
- (b) the provisions of Part II of this Law includes an irrigation scheme, a drainage scheme and a flood protection scheme;

“local authority” means a Municipal Council, Urban Council, Town Council or Village Council

“market value” with reference to any land and any date, means the price which in the opinion of the person making the assessment, that land would have fetched on that date in the open market;

“State Corporation” means any corporation, board or other body established under any written law with capital wholly or partly provided by the Government by way of grant loan or other form;

EMBARKATION TAX (AMENDMENT) LAW, No. 32 of 1976

A LAW TO AMEND THE EMBARKATION TAX ACT, No. 19 OF 1961.

1. This Law may be cited as the Embarkation Tax (Amendment) Law, No. 32 of 1976.

2. Section 2 of the Embarkation Tax Act, No. 19 of 1961, as amended by Act No. 5 of 1971, is hereby further amended by the repeal of subsection (1) of that section, and the substitution therefor of the following new subsection :—

“(1) There shall be levied and paid an embarkation tax at such rates as may be specified from time to time by the Minister by Order published in the *Gazette*—

(a) in respect of every person leaving Sri Lanka by ship; and

(b) in respect of every person leaving Sri Lanka by aircraft—

(i) from the Bandaranaike International Airport, Colombo,

(ii) from the Colombo International Airport, Ratmalana, or from the Kankasanturai Airport, Jaffna, and

(iii) from any other airport:

Provided, however, that the preceding provisions of this subsection shall not apply in the case of—

(a) children who are less than two years of age;

(b) officers and members of the crew of that ship or aircraft;

(c) transit passengers of that ship or aircraft; and

(d) such other persons as may be prescribed.”.

EXTRACTS FROM THE APPROPRIATION LAW, NO. 37 OF 1976

A LAW TO PROVIDE FOR THE SERVICE OF THE FINANCIAL YEAR, 1977, 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.

(1) This Law may be cited as the Appropriation Law, No. 37 of 1976.

(2) (1) Without prejudice to any other law authorizing any expenditure, the expenditure of the Government, which it is estimated will be rupees seven thousand six hundred and twenty-five million five hundred and ninety-eight thousand and seventy-eight for the service of the period beginning on January 1, 1977, and ending on December 31, 1977, in this Law referred to as the "financial year 1977", 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 three thousand five hundred and fourteen million.

The sum of rupees seven thousand six hundred and twenty-five million five hundred and ninety-eight thousand and seventy-eight 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 receipts 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 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 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 First Schedule to this Law shall be transferred out of that allocation.

6. Where the Minister is satisfied—

- (1) that receipts from taxes and other sources will be less than the amounts anticipated to finance authorized expenditures; or
- (2) that amounts originally appropriated for a particular purpose or purposes are no longer required,

he may, with the approval of the Government, withdraw in whole or in part any amounts previously released, for expenditure under the authority of a warrant issued by him, from the Consolidated Fund or from any other fund or moneys of, or at the disposal of, the Government.

7. The Minister with the approval of the Government, may, on or before July 31, 1978, 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.

8. 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.