

## PART 4

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### MAJOR LEGISLATIVE ENACTMENTS OF 1978 RELATING TO THE FUNCTIONS AND OPERATIONS OF THE CENTRAL BANK AND BANKING INSTITUTIONS IN SRI LANKA.

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# GREATER COLOMBO ECONOMIC COMMISSION LAW,

No. 4 of 1978

(Certified on 31st January, 1978)

A LAW TO ESTABLISH THE GREATER COLOMBO ECONOMIC COMMISSION; TO VEST THE SAID COMMISSION WITH POWERS NECESSARY FOR THE DEVELOPMENT AND RESURGENCE OF THE ECONOMY OF THE REPUBLIC; AND TO PROVIDE FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

1. This Law may be cited as the Greater Colombo Economic Commission Law. No. 4 of 1978, and shall come into operation in respect of all or any of its provisions on such date or dates as the Minister may appoint by Order published in the *Gazette*.

2. (1) There shall be established a Commission called the Greater Colombo Economic Commission (hereinafter referred to as the "Commission").

(2) The Commission shall, by the name assigned to it under subsection (1), be a body corporate having perpetual succession and a common seal and may sue be sued in its corporate name, and may perform such other acts as bodies corporate may by law perform.

3. The objects of the Commission shall be—

- (a) to foster and generate the economic development of the Republic;
- (b) to widen and strengthen the base of the economy of the Republic;
- (c) to encourage and promote foreign investment within the Republic;
- (d) to diversify the sources of foreign exchange earnings and to increase the export earnings;
- (e) to encourage and foster the establishment and development of industrial and commercial enterprises within the Republic;
- (f) to administer the affairs of the Area of Authority referred to in section 4; and
- (g) to do all such other acts as may be necessary or conducive to the attainment of any or all of the above objects.

4. For the purposes of this Law, the Area of Authority shall be the area depicted in the plan set out in Schedule A hereto.

5. The Commission shall have jurisdiction in and over —

- (1) the area of Authority; and
- (2) any licensed enterprise.

16. Without prejudice to the generality of the powers conferred on the Commission by this Law, the Commission shall have the power—

- (a) to do all such acts or take such steps as may be necessary or conducive to the attainment of the objects of the Commission;

- (b) to acquire, sell or lease land for the purposes of industrial sites, for the use of employees or for general economic development;
- (c) to lay out industrial estates for sale or lease;
- (d) to enter into agreements with enterprises;
- (e) to exercise, perform and discharge all such powers, duties and functions as are by or under this Law vested in or assigned or delegated to the Commission; and
- (f) generally to do all such other acts and things as are incidental to or consequential upon the exercise, performance and discharge of its powers, duties and functions under this Law.

17. (1) The Commission shall have the power to enter into agreements with any enterprise in or outside the Area of Authority and to grant exemptions from any law referred to in Schedule B hereto, or to modify or vary the application of any such laws, to such enterprises in accordance with such regulations as may be made by the Minister.

(2) Every such agreement shall be reduced to writing and shall upon registration with the Commission, constitute a valid and binding contract between the Commission and the enterprise.

18. (1) The Commission may, with the approval of the Minister, make rules relating to the exercise, performance and discharge of the powers, duties and functions vested in or assigned to the Commission, including the power to impose or levy any charge or fee, and in respect of any matter for which rules are authorized to be made.

(2) Every rule made under subsection (1) shall come into force upon publication in the *Gazette*.

19. In the exercise of its powers and the carrying out of its objects under this Law the Commission shall comply with the general policy of the Government.

20. (1) The written laws for the time being specified in Schedule C hereto shall have effect in the Area of Authority subject to the modification that it shall be lawful for the Commission—

- (a) to make or issue for the whole or any specified part of the Area of Authority, any by-law, regulation, order or notification under any such written law; and
- (b) to exercise and discharge in the Area of Authority or any part thereof all or any of the powers or functions vested in or assigned to by any such written law in any officer or person,

in like manner as though the references in any such written law to the authority, officer or person empowered to make or issue such by-laws, regulations, orders or notifications or to exercise or discharge such powers or functions were a reference to the Commission.

(2) The Commission may by rule designate any officer or person to exercise or discharge on behalf of the Commission any power or function referred to in this section.

21. (1) The Commission shall, with the concurrence of the Minister, within the Area of Authority, exercise, perform and discharge all the powers, duties and functions of a Municipal Council and its officers and servants under the Municipal Councils Ordinance.

(2) The provisions of the Municipal Councils Ordinance, save and except the provisions contained in Parts I, II, III, IX, X, XI and XIV, shall, *mutatis mutandis*, apply within the Area of Authority except such provisions as are inconsistent with the provisions of this Law and every reference to the Municipal Council in such Ordinance shall be deemed to be a reference to the Commission, every reference to the Municipality shall be deemed to be a reference to the Area of Authority and every reference to the Minister shall be deemed to be a reference to the Minister to whom the subject and function of the administration of this Law has been assigned.

(3) The Commission may designate any officer or person by rule to exercise, perform and discharge within the Area of Authority any power, duty or function vested in and assigned to by the Municipal Councils Ordinance in any officer or person.

(4) Every reference in any written law to a local authority shall, in the Area of Authority, be deemed to be a reference to the Commission.

22. (1) In any case where the Area of Authority comprises the whole of the administrative area under the control of any local authority established under the Municipal Councils Ordinance, the Urban Councils Ordinance, the Town Councils Ordinance or the Village Councils Ordinance, the Commission shall be deemed to be the successor of such local authority for all purposes relating to such administrative area from the date of coming into operation of section 4 of this Law and such local authority shall be deemed to be dissolved on the date immediately preceding that date.

(2) In any case where the Area of Authority does not comprise the whole of the administrative area under the control of any local authority established under any such Ordinance the Minister may, with the concurrence of the Minister in Charge of the subject of Local Government, by Order published in the *Gazette* direct that the provisions of subsection (1) shall apply to the area situated within the Area of Authority with such exceptions, adaptations and modifications, if any, as may be specified in the Order and in particular

may by such Order issue all such directions as he may deem necessary with a view to providing for any circumstances that may arise or to determine or adjust any question or matter in the application of this section.

(3) All by-laws made by any local authority which were in force in any area on the date of coming into operation of section 4 of this Law shall, in so far as they are not inconsistent with the provisions of this Law, continue to be in force in that area and shall be deemed for all purposes to be by-laws made by the Commission under this Law.

23. In the exercise, performance and discharge of its powers, duties and functions under this Law, the Commission shall comply with any general or special direction issued by the Minister.

24. (1) The Minister may, by regulation —

- (a) determine the scope and extent of any exemption or modification of any of the written laws set out in Schedule B hereto which may be embodied or incorporated in any written agreement entered into between the Commission and any enterprise under this Law;
- (b) modify or alter the provisions of any written law set out in Schedule C hereto in the application of such laws to the Area of Authority and modify any provisions of the Municipal Councils Ordinance as are applicable under the provisions of this Law to any Area of Authority;
- (c) provide for any matter which is deemed by him necessary for the carrying out of the principles and provisions of this Law.

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

(3) Every regulation made by the Minister shall as soon as convenient, after the date of its publication, 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 such disapproval but without prejudice to anything previously done thereunder.

25. (1) The Commission shall, notwithstanding the provisions of any other written law, in the exercise of its powers under section 17, have the power to authorize any enterprise carrying on the business of banking to have as its constituents persons who are not citizens of Sri Lanka and to accept deposits on current accounts or otherwise from such persons.

(2) (a) The Commission may authorize any such banking institution to operate secret numbered banking accounts of constituents who are not citizens of Sri Lanka.

(b) Where such authorization is granted, the identity of the secret numbered account shall be absolutely inviolate to any court, institution, entity, department, official, agent or representative of the Government of Sri Lanka or any foreign Government or any other legal or natural person; and accordingly any person who discloses any information relating to such accounts shall be guilty of an offence, and shall, upon conviction before a District Court, be liable, notwithstanding the ordinary jurisdiction of such Court, to imprisonment for a period not exceeding five years or to a fine not exceeding twenty-five thousand rupees or to both such imprisonment and fine.

(c) The Minister may make regulations creating offences and providing punishment for the violation of such secrecy by the institution or any of its agents or servants while so employed or after cessation of employment.

(3) All deposits accepted by the banking institution authorized by the Commission under the provisions of this section, shall be in currencies other than Sri Lanka currency.

27. (1) The Commission shall permit Customs Offices to be established in the Area of Authority and shall provide adequate facilities for officers of Customs whose duties require, their presence within or at the perimeter of the Area of Authority. The Commission shall, where necessary, provide for similar facilities within the premises of any area enterprise or licensed enterprise.

(2) (a) No wholesale or retail trade shall be conducted by any area enterprise or licensed enterprise unless authorized under the agreement entered into with the Commission subject to such terms and conditions contained therein.

(b) Any goods, wares or merchandise taken out of the premises of any such enterprise in any manner whatsoever other than in accordance with the terms of the agreement entered into with the Commission shall be deemed to be imported into Sri Lanka and the provisions of the Customs Ordinance including the provisions relating to forfeiture, penalties and offences, shall apply in respect of such goods, wares or merchandise.

28. (1) Where any land or any interest in any land is required by the Commission for any of its purposes, that land or interest therein may be acquired under the Land Acquisition Act by the Government for the Commission and the provisions of that Act shall, save as otherwise provided in subsection (2) of this section, apply for the purposes of the acquisition of that land, or interest therein. Such land or such interest therein shall, for the purposes of the Land Acquisition Act, be deemed to be required for a public purpose.

(2) In the case of any such acquisition where the public notice of the intention to acquire that land or interest therein is published as required by the Land Acquisition Act at any time within the period of five years commencing from the date of coming into operation of section 4 of this Law, notwithstanding anything to the contrary in the Land Acquisition Act, the market value of the

land or the interest therein shall be deemed to be the market value which the land or the interest therein would have had on July 22, 1977, increased by a reasonable amount on account of improvements, if any, effected to such land, after that date.

29. The provisions of the laws set out hereunder shall have no application to any area enterprise or licensed enterprise unless expressly provided otherwise in the agreement entered into by such enterprise with the Commission—

- (a) the Business Undertakings (Acquisition) Act, No. 35 of 1971; and
- (b) the Companies (Special Provisions) Law, No. 19 of 1974.

## **BRETTON WOODS AGREEMENT (SPECIAL PROVISIONS) LAW,**

**No. 10 of 1978**

(Certified on 11th April, 1978)

A LAW TO MAKE SUCH LEGAL PROVISION AS MAY BE NECESSARY BY WAY OF AMENDMENT OF THE BRETTON WOODS AGREEMENTS ACT AND THE MONETARY LAW ACT IN ORDER TO GIVE FORCE AND EFFECT TO THE DECISION OF THE GOVERNMENT OF SRI LANKA TO ACCEPT FURTHER AMENDMENTS TO THE ARTICLES OF AGREEMENT OF THE INTERNATIONAL MONETARY FUND OF WHICH SRI LANKA IS A MEMBER.

WHEREAS Sri Lanka is a member of the International Monetary Fund and the text of the original Articles of Agreement of the Fund was laid before Parliament prior to the passing of the Bretton Woods Agreements Act (Chapter 424) which entitled Sri Lanka to become such a member:

And whereas the original Articles of Agreement of the Fund were amended in order to institute a facility based on Special Drawing Rights, and the text of that amendment was laid before Parliament prior to the passing of the Bretton Woods Agreements (Special Provisions) Act, No. 2 of 1969, which enables Sri Lanka to accept such amendment:

And whereas the Board of Governors of the International Monetary Fund have by resolution approved further amendments to the original Articles in order to establish a new international monetary system and to conduct its operations and transactions through the maintenance of a General Department and a Special Drawing Rights Department (in this Preamble referred to as the "proposed amendments");

And whereas the text of the Articles of Agreement of the Fund incorporating the proposed amendments was laid before the National State Assembly on April 4, 1978:

And whereas the Government of Sri Lanka has decided to accept the proposed amendments so as to enable the Government of Sri Lanka to participate in the new international monetary system which is proposed to be established;

And whereas it is necessary to make the provisions hereinafter set out to give full force and effect to such decision:

1 This Law may be cited as the Bretton Woods Agreement (Special Provisions) Law, No. 10 of 1978.

2. The President is hereby authorized by instruments under his hand to empower such person as may be named in such instruments, on behalf of the Government of Sri Lanka, to deposit with the International Monetary Fund —

- (a) an instrument of acceptance stating that the Government of Sri Lanka has accepted the amendment which is proposed to the Articles of Agreement of that Fund in order to establish a new monetary system and to effect certain other changes (which amendment was incorporated in the text of the Articles of Agreement of the Fund tabled in the National State Assembly on April 4, 1978); and
- (b) an instrument setting forth that the Government of Sri Lanka undertakes, in accordance with its law, all the obligations which are consequent on the acceptance of such amendment, and that it has taken all such steps as are necessary to enable it to carry out and discharge all such obligations.

3. Section 3 of the Bretton Woods Agreements Act (hereinafter referred to as the "principal enactment") is hereby repealed and the following new section substituted therefor: —

"Subscription to  
International  
Monetary Fund

3. (1) There shall be paid out of the Consolidated Fund of Sri Lanka such part of the subscriptions of Sri Lanka as may, in accordance with the provisions of sections 1 and 4 of Article III of the Fund Agreement, be payable in Sri Lanka currency or special drawing rights or such other currency as may be specified by the Fund.

(2) Where the subscription of Sri Lanka to the International Monetary Fund is increased in consequence of an increase in the quota for Sri Lanka, there shall be paid out of the Consolidated Fund such sums as may, under section 3 of Article III of the Fund Agreement, be necessary for paying in Sri Lanka currency or special drawing rights or any other currency specified by the Fund, the amount of the increase in such subscription.

(3) The Minister is hereby authorized on behalf of the Government, to create and issue to the General Resources Account of the International Monetary Fund, in such form as he thinks fit, any such non-interest bearing and non-negotiable notes or other obligations as the Fund may, under section 4 of Article III of the Fund Agreement, determine to accept in place of any part of the subscription of Sri Lanka which would, but for such acceptance, be payable in Sri Lanka currency."



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

Other payments  
to the  
International  
Monetary Fund.

4. (1) There shall be paid out of the Consolidated Fund of Sri Lanka—

- (a) all sums payable to the General Resources Account of the International Monetary Fund under section 11 of Article V of the Fund Agreement (which relates to changes in the exchange value of currencies of members);
- (b) all sums required for implementing the guarantee required by section 3 of Article XIII of the Fund Agreement, that is to say, a guarantee of the assets of the Fund against loss resulting from failure or default of the depository designated by the Government of Sri Lanka under the said Article;
- (c) all sums required for the redemption of any notes or obligations created and issued to the General Resources Account of the Fund under this Act;
- (d) any compensation required to be paid to the Fund or to any member thereof under Schedule J of the Fund Agreement (which relates to the withdrawal of members from the Fund) or under Schedule K thereof (which relates to the liquidation of the Fund);
- (e) to the Central Bank, all sums paid by that Bank on behalf of Sri Lanka under section 2 of Article XVI of the Fund Agreement, and assessed as so payable under section 4 of Article XX of the Fund Agreement;
- (f) any compensation which Sri Lanka is required or obliged to pay to any participant in the Special Drawing Rights Department in that Fund under section 8 of Schedule I of the Fund Agreement (which relates to the administration of the liquidation of that Department); and
- (g) all sums, other than sums by way of compensation referred to in paragraph (f), which Sri Lanka is required or obliged to pay to that Fund or any member thereof in order to discharge its obligations as a participant in the Special Drawing Rights Department in that Fund.

(2) The Minister, if he thinks fit so to do, may, on behalf of the Government, create and issue to the General Resources Account of the International Monetary Fund, in such form as he thinks fit, any such non-interest bearing and non-negotiable notes or other obligations as the Fund may, under section 4 of Article III of the Fund Agreement, determine to accept in place of any Sri Lanka currency payable to the Fund under any provisions of the Fund Agreement mentioned in paragraph (a) or paragraph (b) or paragraph (c) of subsection (1) of this section.”.

5. Section 8A of the principal enactment (inserted by Act No. 2 of 1969) is hereby repealed and the following new section substituted therefor:—

“Special provisions relating to the Central Bank in relation to operations in the Special Drawing Rights Department.

8A. (1) The Central Bank is hereby authorized to acquire, hold and operate on, or dispose of, special drawing rights in the Special Drawing Rights Department in the International Monetary Fund.

(2) The Central Bank is hereby authorized—

- (a) to make payments of all sums required for the purpose of paying any charges payable to the International Monetary Fund under section 2 of Article XX of the Fund Agreement in respect of the special drawing rights in the Special Drawing Rights Department in that Fund; and
- (b) to receive, and to credit to its own funds, the interest payable by that Fund in respect of such special drawing rights under section 1 of the said Article XX.”

6. The following new section is hereby inserted immediately after section 8A, and shall have effect as section 8B, of the principal enactment:—

“Special provision in relation to the use of the General Resources of the International Monetary Fund

8B. The Central Bank is hereby authorized to take steps—

- (a) to ensure that the balances of Sri Lanka currency purchased from the International Monetary Fund by a member of the Fund can be exchanged at the time of purchase, by such member, for a freely usable currency selected by Sri Lanka, in accordance with section 3 (e) of the Article V of the Fund Agreement; and
- (b) to ensure that any member of the Fund repurchasing its own currency from the Fund can obtain Sri Lanka currency (if Sri Lanka currency is specified by the Fund for the repurchase) at the time of repurchase in exchange for a freely usable currency selected by Sri Lanka, in accordance with section 7 (j) of Article V of the Fund Agreement.”

7. Section 10 of the principal enactment (inserted by Act No. 2 of 1969) is hereby amended as follows:—

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

““Central Bank” means the Central Bank of Ceylon established under section 5 of the Monetary Law Act”; and

- (b) by the substitution, for the definition of “Fund Agreement”, of the following definition:—

“Fund Agreement” means the Articles of Agreement of the International Monetary Fund as originally adopted and as subsequently amended —

- (a) in order to institute a facility based on special drawing rights (the text of which amendment was laid before the House of Representatives on November 23, 1968); and
- (b) in order to establish a new international monetary system (which amendment was incorporated in the text of the Articles of Agreement of the Fund laid before the National State Assembly on April 4, 1978).

8. The Monetary Law Act is hereby amended as follows: —

- (1) by the repeal of section 3 of that Act and the substitution therefor of the following new section: —

“The par value  
of the Rupee

3. (1) The Monetary Board shall, by unanimous decision, recommend to the Minister that the par value of the Sri Lanka rupee be determined in term of special drawing rights or in terms of such other common denominator as may be prescribed by the International Monetary Fund, and upon such recommendation, the Minister shall, by Order published in the *Gazette*, determine and declare the par value of the Sri Lanka rupee in accordance with the terms specified in such recommendation:

Provided, however, that if the Monetary Board is of the view that international economic conditions do not warrant the introduction or maintenance of exchange arrangements based on stable but adjustable par values, it may, by unanimous decision, recommend to the Minister that no determination be made under the preceding provisions of this section or that any Order made under this section be revoked, and upon any such recommendation, the Minister shall desist from making an Order under this section, or, as the case may be, revoke any Order made under this section.

(2) The Monetary Board may by unanimous decision recommend to the Minister the alteration of the par value of the Sri Lanka rupee, if the Board is of the opinion that such alteration is rendered necessary in any of the following circumstances, that is to say —

- (a) If the continuance of the existing par value hinders or is likely to hinder unduly, the achievement and maintenance of a high level of production, employment and real income and the full development of the productive resources of Sri Lanka, or results, or is likely to result, in a serious decline in the International Reserve of the Central Bank or in other utilizable external assets of Sri Lanka or if such decline cannot be prevented except by —

- (i) a large scale increase in the external liabilities of Sri Lanka;  
or
  - (ii) the persistent use of restrictions on the convertibility of the rupee into foreign currencies in settlement of current transactions; or
  - (iii) undue or sustained Government assistance to one or more of the major export industries; or
  - (iv) prolonged use of measures designed to restrict the volume of imports of essential commodities; or
- (b) if the maintenance of the existing par value is producing, or is likely to produce, a persisting surplus in the balance of payments on current account and a monetary disequilibrium which cannot be adequately corrected by other Government action or by Central Bank action authorized by this Act; or
- (c) if uniform proportionate changes in the par values of currencies of its members are made by the International Monetary Fund,

and upon such recommendation, the Minister may, by Order published in the *Gazette*, amend, in accordance with the terms specified in such recommendation, any Order made under subsection (1).

(3) Any Order made under subsection (1) or subsection (2) shall cease to have effect after a period of ten days from the date of publication thereof, unless such Order is approved by the National State Assembly within that period:

Provided however, that if the National State Assembly is not in session on the date of publication of the Order, the Order shall cease to have effect after a period of ten days from the date of the next meeting of the National State Assembly, unless such Order is approved by the National State Assembly within that period.”;

(2) In section 5 of that Act—

(1) by the substitution, for paragraph (b) of that section, of the following paragraph:—

“(b) if there has been a determination of the par value of the Sri Lanka rupee, the preservation of the par value of the Sri Lanka rupee and the free use of the rupee for current international transactions:”;

(2) by the insertion, immediately after paragraph (b) of that section, of the following paragraph:—

“(bb) if there has been no determination of the par value of the Sri Lanka rupee, the preservation of the stability of the exchange rate of the Sri Lanka rupee in relation to foreign currencies:”;

- (3) by the repeal of section 65 of that Act, and the substitution of the following new section therefor:—

“Principles governing determination of international policy.

65. In determining its international monetary policies the Monetary Board shall endeavour to maintain the par value of the Sri Lanka rupee, or where no determination of such par value has been made under section 3, maintain such exchange arrangements as are consistent with the underlying trends in the country and so relate its exchange with other currencies as to assure its free use for current international transactions.”;

- (4) by the repeal of subsection (2) of section 66 of that Act and the substitution therefor of the following new subsection:—

“(2) In judging the adequacy of the International Reserve, the Monetary Board shall be guided by the estimates of prospective receipts and payments of foreign exchange by Sri Lanka; by the volume and maturity of the Central Bank's own liabilities in foreign currencies; and, in so far as they are known or can be estimated, be the volume and maturity of the foreign exchange assets and liabilities of the Government and of banking institutions and other persons in Sri Lanka. So long as any part of the foreign currency assets of Sri Lanka are held in currencies which are not freely convertible by the Central Bank, whether directly or indirectly, into special drawing rights or such other common denominator prescribed by the International Monetary Fund or into foreign currencies freely usable in international transactions, or are frozen, the Monetary Board shall also take this factor into account in judging the adequacy of the International Reserve of the Central Bank.”;

- (5) in subsection (2) of section 67 of that Act by the substitution, for paragraph (iii) of that subsection, of the following new paragraph:—

“(iii) either the whole, or such maximum percentage of the whole, of the holdings of such drawing rights in the Special Drawing Rights Department in the International Monetary Fund according as may be determined from time to time by the Monetary Board;”;

- (6) by the repeal of section 69 of that Act;

- (7) in subsection (1) of section 72 of that Act, by the substitution, for the proviso to that subsection, of the following proviso:—

“Provided that nothing in the preceding provisions of this subsection shall require the Central Bank to purchase foreign exchange in any currency which is not freely convertible by the bank, whether directly or indirectly, into special drawing rights or such other common denominator prescribed by the International Monetary Fund or into foreign currencies freely usable

in international transactions, unless, in the opinion of the Monetary Board, there is an adequate demand, actual or anticipated, for such currency for the purpose of making payments for current international transactions, or unless the Monetary Board, with the concurrence of the Minister, makes a determination that the acquisition of such currency is in the national interest.”;

- (8) in subsection (3) of section 73 of that Act by the substitution, for paragraph (b) of that subsection, of the following paragraph:—

“(b) The currency of a country which is not a member of the International Monetary Fund shall have its parity with the rupee calculated on the basis of the exchange rates for the currency in international markets; and if there is divergence among the rates quoted in international markets the Governor may determine which rates shall be used for the determination of the parity.”;

- (9) by the repeal of subsection (2) of section 74 of that Act and the substitution therefor of the following subsection:—

“(2) The rates determined under subsection (1) for spot transactions shall not differ by more than four and one-half *per centum* from the legal parities determined under section 73, except in the case of the rates for purchases and sales of foreign notes and coins, in which case the Board may have regard to the additional costs of, or incidental to, such transactions.”;

- (10) by the repeal of subsection (1) of section 76 of that Act, and the substitution therefor of the following subsection:—

“(1) The Monetary Board shall determine the minimum rate at which commercial banks may buy spot exchange and the minimum rate at which they may sell spot exchange. Where the Monetary Board has certified the legal parity of a currency in accordance with section 73, the maximum and minimum exchange rates established for such currency shall not differ from such parity by more than four and one-half *per centum*.”; and

- (11) In section 79 of that Act—

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

“(1) Any revaluation profits realized or any revaluation losses incurred by banking institutions on their net assets and liabilities in foreign currencies freely convertible by the Central Bank, whether directly or indirectly, into special drawing rights or such other common denominator prescribed by the International

Monetary Fund or into foreign currencies freely usable in foreign transactions and arising from changes in the par value of the Sri Lanka rupee or in the legal parties or in the Central Bank's exchange rates, of such currencies with respect to the Sri Lanka rupee, shall be assumed in their entirety by the Central Bank and shall be debited or credited accordingly.”; and

- (b) by the substitution, for the marginal note to that section, of the following marginal note:—

“Revaluation profits and losses on holdings of foreign exchange by banking institutions”.

## MOTOR CARS (TAX ON TRANSFERS) LAW, No. 13 of 1978

(Certified on 11th May, 1978)

A LAW TO IMPOSE AND LEVY A TAX ON THE TRANSFER OF CERTAIN MOTOR CARS, AND FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

1. This Law may be cited as the Motor Cars (Tax on Transfers) Law, No. 13 of 1978.

2. (1) No person who is the first registered owner of a motor car to which this Law applies shall transfer such motor car within the period of seven years from the date of the first registration of such motor car, unless he obtains the prior approval in writing of the Registrar:

Provided, however, that nothing in the preceding provisions of this section shall apply to a person who is the first registered owner of a motor car to which this Law applies, if a sum calculated in the manner specified in section 110 of the Finance Act, No. 11 of 1963, has been paid to the Registrar, in respect of the sale of that motor car:

Provided further that nothing in the preceding provisions of this section shall be read and construed as prohibiting the first registered owner of a motor car to which this Law applies from transferring such motor car otherwise than by sale, prior to the date of commencement of this Law.

(2) A transfer of a motor car to which this Law applies in contravention of the provisions of subsection (1), whether such transfer is before or after the date of commencement of this Law, shall be null and void and of no effect in Law.

3. Where a person who is the first registered owner of a motor car to which this Law applies makes an application, in such form as may be provided for the purpose by the Registrar, for the written approval of the Registrar, for the transfer of that motor car to a person specified in that application as the proposed transferee, the Registrar shall grant such approval if, but only if, the

person specified in that application as the proposed transferee pays to the Registrar, the relevant tax payable on the transfer of a motor car to which this Law applies.

4. The relevant tax payable on the transfer of a motor car to which this Law applies shall be —

- (a) five thousand rupees if the tare weight of such motor car does not exceed seventeen hundred weights; and
- (b) ten thousand rupees if the tare weight of such motor car exceeds seventeen hundred weights.

5. Where upon an application made under section 3 for the written approval of the Registrar for the transfer of a motor car to which this Law applies, the person specified in such application as the proposed transferee pays to the Registrar, the relevant tax payable on the transfer of such motor car, the Registrar shall, on application made in that behalf, refund to that person the amount of such tax less a sum of fifty rupees, if he is satisfied that the transfer in respect of which such tax was paid did not in fact take place. The Registrar shall at the same time cancel the written approval granted by him for the transfer of such motor car to that person.

6. (1) Where it appears to the Registrar that there has been a change of possession of a motor car to which this Law applies in consequence of a transfer of that motor car in contravention of the provisions of section 2, the Registrar may, by a notice in writing, require the person in possession of that motor car (in this section referred to as "the person in possession") to pay, within a period of one month from the date of receipt of such notice, the relevant tax payable on the transfer of that motor car, as if an application had been made to the Registrar under section 3 by the first registered owner of that motor car for the written approval of the Registrar for the transfer of that motor car to the person in possession, together with a penalty of an amount equal to twenty per centum of such tax.

(2) Where a person in possession fails to comply with the requirements of a notice sent under subsection (1) within a period of one month from the date of receipt by him of such notice, such person shall be deemed to be a defaulter and the amount of the tax specified in such notice shall be deemed to be in default, and the Registrar may issue a certificate containing particulars of the amount of the tax in default and the name and place of residence of the defaulter to a Magistrate having jurisdiction over such place. The Magistrate shall thereupon summon the defaulter before him to show cause why proceedings for the recovery of the amount of the tax in default should not be taken against such defaulter, and, if sufficient cause is not shown, the amount of the tax in default shall be deemed to be a fine imposed by such Magistrate on such defaulter and shall be recovered accordingly. The amount so recovered shall be remitted to the Registrar.

(3) Where the person in possession pays the amount of the relevant tax in compliance with a notice sent under subsection (1) or where the amount of the relevant tax is recovered from the person in possession under subsection (2),



such person shall be entitled to be registered, under the provisions of the Motor Traffic Act, as the new owner of the motor car in respect of which such tax was paid or recovered, as the case may be; and upon such registration, the purported transfer in consequence of which the change of possession to such person occurred shall be deemed, for all purposes other than for the purpose of a prosecution under section 8, to be, and to have been, a transfer made with the prior written approval of the Registrar.

(4) For the purposes of subsection (2) and subsection (3), the expression "tax" includes the penalty imposed under subsection (1).

7. No person shall be entitled to be registered under the provisions of the Motor Traffic Act as the new owner of a motor car to which this Law applies, unless he satisfies the Registrar that either—

- (a) the transfer in consequence of which he became such new owner was with the prior written approval of the Registrar; or
- (b) no prior written approval of the Registrar was required under any provision of this Law for the transfer in consequence of which he became such new owner.

8. Any person who, being the first registered owner of a motor car to which this Law applies, purports to transfer such motor car in contravention of the provisions of section 2 shall be guilty of an offence under this Law and shall, on conviction after trial before a Magistrate, be liable—

- (a) to a fine of not less than six thousand rupees if the tare weight of such motor car does not exceed seventeen hundred weights;
- (b) to a fine of not less than twelve thousand rupees if the tare weight of such motor car exceeds seventeen hundred weights.

9. Where a motor car to which this Law applies has been purported to have been transferred by way of sale prior to the date of commencement of this Law and in contravention of the provisions of section 2, such motor car shall be deemed for all purposes to have been transferred with the prior written approval of the Registrar, if any person pays to the Registrar, within two months of the date of commencement of this Law, a sum equivalent to the relevant tax that would have been payable by the person to whom such motor car was purported to have been transferred had an application been made by the first registered owner of such motor car, after the date of commencement of this Law, for the written approval of the Registrar for the transfer of that motor car to that person.

10. All taxes collected by the Registrar under the provisions of this Law shall be credited by the Registrar to the Consolidated Fund.

11. Part X of the Finance Act, No. 11 of 1963, is hereby repealed.

12. The provisions of this Law shall have effect notwithstanding anything to the contrary in any other law.

13. In this Law—

“motor car” has the same meaning as in the Motor Traffic Act;

“motor car to which this Law applies” means a motor car which is registered for the first time on or after November 15, 1970, being a motor car which was imported into, or manufactured or assembled in, Sri Lanka, and not being a motor car in respect of which no licence fee is payable on the issue of a revenue licence by reason of the operation of subsection (4) of section 31 of the Motor Traffic Act;

“Registrar” means the Registrar of Motor Vehicles or any person authorized by him for the purposes of this Law;

“transfer”, with its grammatical variations and cognate expressions, when used in relation to a motor car to which this Law applies, includes—

- (a) a change of possession of such motor car arising by reason of a sale;
- (b) a change of possession, on or after the date of commencement of this Law, of such motor car—
  - (i) arising by reason of a gift or mortgage; or
  - (ii) in consideration of money or money's worth under the terms of any agreement or arrangement, howsoever described.

## EXPORTS (SPECIAL TAX) LAW, No. 20 of 1978

(Certified on 22nd June, 1978)

A LAW TO IMPOSE ON PERSONS WHO HAVE EXPORTED CERTAIN GOODS PRIOR TO THE MIDNIGHT OF 15/16 NOVEMBER, 1977, AND RECEIVE PAYMENT IN SRI LANKA RUPEES ON OR AFTER THE MIDNIGHT OF 15/16 NOVEMBER, 1977, A TAX COMPUTED BY REFERENCE TO THE EXPORT DUTY AND CESSES WHICH SUCH PERSONS WOULD HAVE BEEN LIABLE TO PAY ON SUCH GOODS HAD SUCH GOODS BEEN EXPORTED ON OR AFTER THE MIDNIGHT OF 15/16 NOVEMBER 1977; AND TO PROVIDE FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

1. This Law may be cited as the Exports (Special Tax) Law, No. 20 of 1978.

2. Where any person—

- (a) has exported any goods prior to the midnight of 15/16 November, 1977, and
- (b) has received payment in, or has been credited with, or has otherwise received a benefit in, Sri Lanka rupees, on or after the midnight of 15/16 November, 1977, for, or in respect of, such goods,

such person shall be liable to a tax (hereinafter referred to as "the tax") of such amount as is equivalent to the amount of the difference between—

- (i) the aggregate of the amount of any export duty and cess which would have been leviable and payable on such goods, had such goods been exported on or after the midnight of 15/16 November, 1977; and
- (ii) the aggregate of the amounts of any export duty and cess which were levied and paid on such goods at the time at which such goods were exported:

Provided however, that a person who has exported any goods prior to the midnight of 15/16 November, 1977, and has received payment in, or has been credited with, or has otherwise received a benefit in, Sri Lanka rupees on or after the midnight of 15/16 November, 1977, for, or in respect of, such goods shall not be liable to the tax if such person has received such payment or has been so credited with Sri Lanka rupees, or has received such benefit, in accordance with the terms of a contract entered into by such person with a commercial bank prior to the midnight of 15/16 November, 1977, for the purchase by such bank, of the foreign exchange which will accrue to such person from the export of such goods.

3. Every person who is liable to the tax shall, within two weeks of—

- (a) the date of coming into operation of this Law; or
- (b) the date on which such person receives payment in, or is credited with, or otherwise receives a benefit in, Sri Lanka rupees for, or in respect of, the goods by reason of the export of which, his liability to the tax arises,

whichever date is later—

- (i) pay the tax to the Commissioner-General; and
- (ii) furnish to the Commissioner-General a return setting out the particulars of the export duties and cesses by reference to which the amount of the tax has been computed.

4. (1) Where any tax or part thereof payable under this Law is not paid on or before the date specified in section 3, such tax or part thereof shall be deemed to be in default and,—

- (a) if the person in default is an individual or company, such individual or company, or
- (b) if the person in default is a firm, every partner of the firm, shall be deemed to be a defaulter for the purposes of this Law.

(2) Where the tax is deemed to be in default in respect of any amount, the defaulter shall, in addition to the amount in default, pay as a penalty a sum equivalent to twenty *per centum* of the amount in default.

5. Where it appears to an Assessor that any person who is liable to the tax has not paid such tax on or before the date specified in section 3, or that such person has paid an amount less than the amount which he should have paid as such tax, he may assess such person at the amount or additional amount which according to his judgement such person ought to have paid as the tax and shall, by notice in writing, require such person to pay the amount of tax so assessed together with any penalty which is payable under section 4.

6. (1) Any person aggrieved with the amount of an assessment made under section 5 may appeal against such assessment to the Commissioner-General within thirty days after the service of the notice of assessment.

(2) The Commissioner-General shall, before reaching his decision on an appeal made to him under sub-section (1), give the appellant an opportunity of placing his case before the Commissioner-General either in person or by his authorized representative.

(3) The Commissioner-General may, upon an appeal made to him under subsection (1), confirm, reduce, increase or annul the assessment against which such appeal was made.

(4) Any person aggrieved by a decision of the Commissioner-General upon an appeal made to him under subsection (1) may appeal against that decision to the Board of Review constituted under the Inland Revenue Act, No. 4 of 1963, and the provisions of that Act relating to appeals to the Board of Review shall, *mutatis mutandis*, apply to an appeal under this sub-section.

(5) Any person aggrieved by a decision of the Board of Review upon an appeal made to the Board under subsection (4) may appeal from that decision to the Supreme Court on a question of law and the provisions of the Inland Revenue Act, No. 4 of 1963, relating to appeals to the Supreme Court, shall, *mutatis mutandis*, apply to an appeal under this sub-section.

7. Where no appeal has been made against an assessment within the period specified in section 6, or where the amount of the tax has been determined on appeal, then the assessment or as the case may be, the assessment as reduced, confirmed or increased on appeal, shall be final and conclusive for all purposes as regards the amount of the tax.

8. The provisions of section 109 of the Inland Revenue Act, No. 4 of 1963, shall apply as if such provisions were provisions of this Law and refer to the tax instead of to income tax, and as if the reference in that section to the provisions of any other section of that Act were a reference to the provisions of that other section applied as if they were provisions of this Law in the manner indicated in this Law.

9. The provisions of section 110 of the Inland Revenue Act, No. 4 of 1963, shall apply as if such provisions were provision of this Law and refer to the tax instead of to income tax.

10. The provisions of section 111 of the Inland Revenue Act, No. 4 of 1963, shall apply as if such provisions were provisions of this Law and refer to the tax instead of to income tax, and as if the reference in that section to the provisions of any other section of that Act were a reference to the provisions of that other section applied as if they were provisions of this Law in the manner indicated in this Law.

11. The provisions of section 112 of the Inland Revenue Act, No. 4 of 1963, shall apply as if such provisions were provisions of this Law and refer to the tax instead of to income tax.

12. The provisions of section 113 of the Inland Revenue Act, No. 4 of 1963, shall apply as if such provisions were provisions of this Law and as if the reference in that section to income tax, wealth tax or gifts tax were a reference to the tax.

13. The provisions of section 114 of the Inland Revenue Act, No. 4 of 1963, shall apply as if such provisions were provisions of this Law and refer to the tax instead of to income tax, and if the reference in that section to the provisions of any Chapter of that Act were a reference to the provisions of that Chapter applied as if they were provisions of this Law in the manner indicated in this Law.

14. In sections 8, 9, 10, 11, 12 and 13 "the tax" includes any penalty payable under section 4.

15. For the purposes of ascertaining under section 10 of the Inland Revenue Act, No. 4 of 1963, the profits and income of any person for the year preceding the year of assessment commencing on April 1, 1978, the amount of the tax which such person is liable to pay under section 2 and which has been paid by such person shall, notwithstanding anything to the contrary in that Act, be deemed to be an expense incurred in the production of such profits and income.

16. If it is proved to the satisfaction of the Commissioner-General by claim made in writing on or before the thirty-first day of March, 1980, that any person has paid any tax or penalties in excess of the amount he was liable to pay under this Law, such person shall be entitled to a refund of the amount paid in excess:

Provided that nothing in this section shall be read or construed as extending or reducing any time limit for appeal or as validating any appeal which is otherwise invalid or as authorizing a revision of any assessment which has become final and conclusive.

17. The Commissioner-General may, by notice in writing to any person, require such person to furnish within such time as may be specified in the notice such returns or other information as may be necessary for the purposes of this Law.

18. (1) Any person who —

- (a) fails to furnish a return as required by section 3; or
- (b) fails to comply with the requirements of any notice sent under section 17; or
- (c) knowingly makes a false or incorrect statement in a return furnished under section 3 or section 17; or
- (d) knowingly furnishes any false or incorrect information in complying with the requirements of a notice sent under section 17,

shall be guilty of an offence and shall on conviction after trial before a Magistrate be liable to a fine not exceeding one thousand rupees or to imprisonment for a term not exceeding six months, or to both such fine and imprisonment.

(2) Where an offence is committed by a body of persons, then —

- (a) if that body of persons is a company, every director of that company, and
  - (b) if that body of persons is a firm, every partner of that firm,
- shall be deemed to be guilty of that offence:

Provided however that a director of that company or a partner of that firm shall not be deemed to be guilty of that offence if he proves that such offence was committed without his knowledge or that he used all diligence to prevent the commission of the offence.

19. If in the operation of this Law any case shall arise in which, in the opinion of the Minister, substantial hardship is likely to be caused to any person by reason of the liability of such person to pay the tax or any penalty incurred under this Law, the Minister may waive or reduce such tax or penalty if he considers that such waiver or reduction is just and equitable in all the circumstances of the case.

20. In this Law, unless the context otherwise requires —

“Assessor” has the same meaning as in the Inland Revenue Act, No. 4 of 1963;

“cess” means any cess levied or imposed by or under any law other than the Customs Ordinance;

“commercial bank” has the same meaning as in section 127 (1) of the Monetary Law Act;

“company” means any company incorporated or registered under any law in force in Sri Lanka or elsewhere;

“Commissioner-General” has the same meaning as in the Inland Revenue Act, No. 4 of 1963;

“export duty” means the customs duty levied under the Customs Ordinance on goods exported from Sri Lanka;

“firm” means a body of two or more individuals, or one or more individuals and one or more corporations or companies or two or more corporations or companies, who have entered into partnership with one another with a view to carrying on business for profit;

“goods” means any goods in respect of the export of which the exporter was not entitled to the issue of any Foreign Exchange Entitlement Certificates under the Foreign Exchange Entitlement Certificates Act, No. 28 of 1968;

“person” shall be deemed to include a firm.

## INTERNATIONAL FINANCE CORPORATION AGREEMENT (AMENDMENT) LAW, No. 28 of 1978

(Certified on 12th July, 1978)

### A LAW TO AMEND THE INTERNATIONAL FINANCE CORPORATION AGREEMENT ACT.

1. This Law may be cited as the International Finance Corporation Agreement (Amendment) Law, No. 28 of 1978.

2. The following new section is hereby inserted immediately after section 3, and shall have effect as section 3A, of the International Finance Corporation Agreement Act:—

“Increase of  
subscription

3A. Where the authorized capital stock of the Corporation is increased in pursuance of sub-paragraph (ii) of paragraph (c) of Section 2 of Article II of the Articles and Sri Lanka decides to subscribe such proportion of the increase of that capital stock as Sri Lanka is entitled to subscribe under paragraph (d) of Section 2 of Article II of the Articles, there shall be paid out of the Consolidated Fund of Sri Lanka such sum as may be necessary for making such subscription in accordance with such conditions as may be decided by the Corporation under the aforesaid paragraph (d)”.

## INLAND REVENUE (AMENDMENT) LAW, No. 30 of 1978

(Certified on 21st July, 1978)

### A LAW TO AMEND THE INLAND REVENUE ACT, NO. 4 OF 1963

1. This Law may be cited as the Inland Revenue (Amendment) Law, No. 30 of 1978.

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, as follows:—

(1) by the insertion, immediately after sub-paragraph (iv) of paragraph (g) of that sub-section, of the following new sub-paragraphs:—

- “(v) the passing of any property to any person on or after April 1, 1977, on the death of the owner of that property,
- (vi) the passing of any property occurring on the gift of that property on or after April 1, 1977, by its owner to any other person; and
- (vii) the passing of any property, being shares in any company incorporated in Sri Lanka with which an agreement has been entered into by the Greater Colombo Economic Commission under section 17 of the Greater Colombo Economic Commission Law, No- 4 of 1978, from the owner of that property to any other person by way of sale, gift or otherwise;”;

(2) in paragraph (j) of that subsection—

(a) by the substitution, for sub-paragraph (vi) of that paragraph, of the following new sub-paragraph:—

“(vi) (a) where the acquisition of the property by such person is by the transfer of the property by a trustee under a trust to such person in his capacity as a beneficiary under the trust or is by the transfer of the property by an executor to such person in his capacity as a testate or an intestate heir of the deceased whose estate is administered by such executor, the value of the property at the time of such acquisition shall, if the date of the acquisition by such trustee or executor is before April 1, 1957, be an amount equal to the market value of the property on April 1, 1957, and, if the date of such acquisition is on or after April 1, 1957, be an amount equal to the market value of the property at the time when such trustee or executor came into possession of the property; and

(b) where the acquisition of the property by such person is by way of gift made by any other person (hereinafter in this sub-paragraph referred to as the “donor”) on or after April 1, 1977, and where the first-mentioned person transfers such property within one year of the date of such acquisition, the value of the property at the time of such acquisition shall be an amount equal to the aggregate of—

- (i) the market value on April 1, 1957, of that property, if that property was acquired by the donor before April 1, 1957, or
- (ii) the cost of purchase of the property by the donor, if that property was purchased by the donor on or after April 1, 1957, or
- (iii) the market value of the property at the time when such donor acquired that property, if that property was acquired by the donor otherwise than by purchase on or after April 1, 1957, and the amount of any



deduction which the donor would have been entitled to under subsection (3) of section 4 if he had transferred that property by way of sale and not by way of gift; and

(b) by the substitution, for sub-paragraph (viii) of that paragraph, of the following new sub-paragraph:—

“(viii) where the property is a share which formed or forms part of a holding of such person in a company, being a holding which includes or at any time included —

(a) bonus shares issued to him on or after April 1, 1957, or shares issued to him on or after April 1, 1957, at a price less than their market value, or

(b) bonus shares issued to him on or after April 1, 1957, and shares issued to him on or after April 1, 1957, at a price less than their market value, and

(c) other shares in that company on the basis of which the shares referred to in sub-paragraph (a) or sub-paragraph (b) were issued to him, the value of the property at the time when it was acquired by such person shall, subject to the provisions of sub-paragraph (x), be an amount equal to the aggregate of —

(i) the market value on April 1, 1957, of such shares comprised in that holding as were acquired by him prior to that date,

(ii) the cost of acquisition of such shares comprised in that holding as were acquired by him on or after April 1, 1957, either by allotment or purchase,

(iii) the market value on the date of acquisition of such shares (not including bonus shares issued to him or shares issued to him on or after April 1, 1957, at a price less than the market value) comprised in that holding as were acquired by him on or after April 1, 1957, otherwise than by purchase or allotment,

divided by the total number of shares which comprised or comprises that holding, and accordingly, where the property consists of more than one share, the value of the property at the time it was acquired by such person shall be an amount equal to the value of one share determined in accordance with the foregoing provisions of this sub-paragraph multiplied by the number of shares which constitute the property;”.

3. Section 4 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) The amount of a capital gain shall be computed after making the following deductions:—

- (a) any expenditure (other than the purchase price if any) incurred on or after April 1, 1957, solely in connection with the acquisition of the property by the person who is the owner of that property immediately before the occurrence of the transaction which resulted in such gain;
- (b) the expenditure incurred on or after April 1, 1957, by the aforesaid owner in making any improvements, additions or alterations to that property if no deduction in respect of such expenditure is allowed under section 10 or section 53 or section 53A or section 53B;
- (c) the expenditure incurred by the aforesaid owner solely in connection with the transaction which resulted in such gain; and
- (d) in the case of a change of ownership of any immovable property occurring on or after April 1, 1977—
  - (i) where the change of ownership occurs not less than five years but not exceeding fifteen years after the acquisition of that property by the person to whom the capital gain arises, a sum equal to twenty-five *per centum*, and
  - (ii) where the change of ownership occurs over fifteen years after the acquisition of that property by the person to whom the capital gain arises, a sum equal to fifty *per centum*,

of the difference between—

- (a) the value within the meaning of section 3, of that property at the time of its acquisition by that person; and
- (b) the value of that property at the time of such change of ownership after deducting therefrom any expenditure referred to in paragraph (a) or paragraph (b) or paragraph (c).”.

4. Section 5 of the principal enactment is hereby amended in subsection (1) of that section, as follows:—

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

“(ac) the emoluments, pension and any other benefit arising to any person from the office of the President of the Republic of Sri Lanka,”;

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

“(ae) any dividend paid to any person by a company with which an agreement has been entered into by the Greater Colombo Economic Commission under section 17 of the Greater Colombo Economic Commission Law, No. 4 of 1978, during the period for which the profits and income of that company are exempt from income tax

under the terms of that agreement or within one year thereafter, out of the profits and income of the company which are exempt from income tax;

(af) any dividend paid on or after April 1, 1978, to any person who is not resident in Sri Lanka by any company with which an agreement has been entered into by the Greater Colombo Economic Commission under section 17 of the Greater Colombo Economic Commission Law, No. 4 of 1978;

(ag) the income of the World Tourism Organization;

(ah) the official emoluments of any individual who is employed by the World Tourism Organization;

(ai) the income of the corporation known as the Incorporated Council of Legal Education and established by the Council of Legal Education Ordinance;";

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

"(g) the emoluments, and any income not arising in Sri Lanka, of any scientist, technician, expert or adviser, who is not a citizen of Sri Lanka and who is brought to and employed in Sri Lanka on or after April 1, 1958, by a corporation to which section 6 applies or by the proprietor of an undertaking to which that section applies or by any undertaking, being an enterprise with which an agreement has been entered into by the Greater Colombo Economic Commission under section 17 of the Greater Colombo Economic Commission Law, No. 4 of 1978, for the purposes of that corporation or undertaking, as the case may be, but so however that such exemption shall end on the date of the cessation of employment of such scientist, technician, expert or adviser in such corporation or undertaking or on the date on which the exemption from tax granted, as the case may be, by section 6 or by the agreement entered into under section 17 of the Greater Colombo Economic Commission Law, in respect of that corporation or undertaking ends, whichever is the earlier";

(4) by the substitution, for paragraph (ggg) of that subsection, of the following new paragraph:—

"(ggg) the emoluments, and any income not arising in Sri Lanka, of any scientist, technician, expert or adviser, who is not a citizen of Sri Lanka and who is brought to and employed in Sri Lanka on or after April 1, 1968, by the proprietor of any such undertaking as is, on the recommendation of the appropriate Minister, declared by the Minister in charge of the subject of Finance by notice published in the Gazette to be an approved undertaking for the purposes of this section for such period as may be specified in the notice, but so however, that

such exemption shall end on the date of the cessation of employment of such scientist, technician, expert or advisor in such approved undertaking or on the date on which such undertaking ceases to be an approved undertaking, whichever date is earlier;”;

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

“(m) any overseas allowance or representational allowance granted by the Government of Sri Lanka, to any individual who is deemed by subsection (6) of section 54 to be resident in Sri Lanka and such part of the profits from employment received by any other individual who is employed out of Sri Lanka for any period as is, in the opinion of the Commissioner-General, equivalent to an overseas allowance;”;

- (6) by the insertion, immediately after paragraph (ub) of that subsection, of the following new paragraph:—

“(uc) the interest accruing to any person during the period in which he is not resident in Sri Lanka on moneys lying to his credit in foreign currency in any account opened by him or on his behalf in any commercial bank with the approval of the Central Bank of Ceylon;”;  
and

- (7) by the insertion, immediately after paragraph (v) of that subsection, of the following new paragraphs:—

“(vv) and sum paid to any person by the Ministry of Fisheries as a subsidy for the purchase of fishing boats, marine engines, fishing gear and other fishing equipment;

(vvv) any sum paid on or after April 1, 1977, as a subsidy to any person by the Coconut Cultivation Board established under the Coconut Development Act, No. 46 of 1971;”.

5. The following new sections are hereby inserted immediately after section 6A, and shall have effect as section 6B, 6C, 6D and 6E respectively, of the principal enactment:—

“Exemption for profits and income of certain companies engaged in fishing, animal husbandry and agriculture.

6B. (1) This section shall apply to any company incorporated on or after November 15, 1977, and approved by the Minister, which commenced to carry on, on or after that date, and is engaged only in carrying on, one or more of the undertakings hereinafter specified, namely—

- (a) an undertaking for off-shore or deep-sea fishing,  
(b) an undertaking for off-shore or deep-sea fishing and the processing of the product of any such activity,  
(c) an undertaking for animal husbandry, or

- (d) an undertaking for cultivating land with plants, palms, trees, bushes or foodstuffs, other than tea, rubber, coconut or paddy and processing the product of such cultivation;
- (e) an undertaking for cultivating land with plants, palms, trees, bushes or foodstuffs, other than tea, rubber, coconut or paddy:

Provided that this section shall not apply to any company which carries on—

- (i) an undertaking which was in existence prior to November 15, 1977, or
- (ii) an undertaking which was formed by the splitting up or reconstruction of any business which was in existence prior to November 15, 1977.

(2) The profits and income of any company referred to in subsection (1) from such undertaking or undertakings as is or are referred to in that subsection, being profits and income of that company within the meaning of section 3 (1) (a) (other than any profit from the sale of capital assets) shall be exempt from income tax for the period commencing from the date of incorporation of the company and ending on March 31, 1983.

6C. (1) This section shall apply to any undertaking commenced on or after November 15, 1977, and approved by the Minister, for the production or manufacture in Sri Lanka of goods or commodities where the Assessor is satisfied that—

- (a) it is not an undertaking for the milling of paddy; and
- (b) it was not an undertaking which was formed by the splitting up, reconstruction or acquisition of any business which was previously in existence; and
- (c) the place where the production or manufacture is carried on is located outside the administrative limits of a Municipality, within the meaning of the Municipal Councils Ordinance.

(2) The profits and income of any undertaking referred to in subsection (1), being profits and income of that undertaking within the meaning of section 3 (1) (a) (other than any profits and income from the sale of capital assets of that undertaking) shall, subject to the provisions of subsection (3) and subsection (4), be exempt from income tax for the period commencing from the date of commencement of the undertaking and ending on March 31, 1983.

(3) Where at any time during the year preceding any year of assessment commencing on or after April 1, 1978, but prior to April 1, 1984, the capital of any such undertaking exceeds five hundred thousand rupees, the profits and income of that undertaking arising in such preceding year shall not be exempt from income tax for that year of assessment.

(4) For any year of assessment the exemption from income tax of the profits and income of that undertaking for the year preceding that year of assessment shall not apply to such part of such profits and income as exceed—

- (i) one hundred thousand rupees where that undertaking was in existence throughout such preceding year, and
- (ii) such sum as bears to one hundred thousand rupees the same proportion as the number of days in such preceding year during which such undertaking was in existence bears to the number of days in that year, where such undertaking was in existence for only a part of such preceding year.

(5) In this section, "capital," in relation to an undertaking means the aggregate of—

- (a) the cost of any land, building, plant, machinery and fixtures of that undertaking, and
- (b) the value of the other assets of that undertaking after deducting there from any profits of that undertaking retained for use in that undertaking.

6D. (1) Subject as hereinafter provided, where any person who carries on an undertaking approved by the Commissioner for National Housing for the construction and sale of houses sells any house or flat, the construction of which was commenced by such person on or after January 1, 1977, such sale being the first sale of that house or flat,

- (a) the entirety of the profits and income arising from such sale shall be exempt from income tax, if the floor area of such house or flat does not exceed five hundred square feet,
- (b) seventy-five *per centum* of the profits and income arising from such sale shall be exempt from income tax, if the floor area of such house or flat exceeds five hundred square feet but does not exceed one thousand two hundred and fifty square feet, and
- (c) fifty *per centum* of the profits and income arising from such sale shall be exempt from income tax, if the floor area of such house or flat exceeds one thousand two hundred and fifty square feet but does not exceed two thousand square feet:

Provided that—

- (a) where such sale relates to a house with land appurtenant thereto in excess of ten perches situated in a municipal or urban area, such part of the profits and income arising from the sale as is in the opinion of the Commissioner-General attributable to the sale of such part of the appurtenant land as is in excess of ten perches,

- (b) where such sale relates to a house with land appurtenant thereto in excess of twenty perches situated in any area other than a municipal or urban area, such part of the profits and income arising from the sale as is in the opinion of the Commissioner-General attributable to the sale of such part of the appurtenant land as is in excess of twenty perches,
- (c) where such sale relates to a flat with land appurtenant thereto in excess of five perches and situated in a municipal or urban area, such part of the profits and income arising from the sale as in the opinion of the Commissioner-General attributable to the sale of such part of the appurtenant land as is in excess of five perches,
- (d) where such sale relates to a flat with land appurtenant thereto in excess of ten perches and situated in an area other than a municipal or urban area, such part of the profits and income arising from the sale as is in the opinion of the Commissioner-General attributable to the sale of such part of the appurtenant land as is in excess of ten perches,

shall, for the purposes of this section, be deemed not to be profits and income arising from the sale of such house or such flat, as the case may be:

Provided further that where such sale is a sale on rent-purchase terms—

- (i) such sale shall be deemed to have taken place on the date on which the agreement for the sale on such terms was entered into, and
- (ii) such part of the total amount payable by the purchaser under such agreement for sale on rent-purchase terms as is attributable to the interest payable by the purchaser shall, for the purposes of this section, be deemed not to form part of the profits and income arising from such sale.

(2) Where any dividend paid by a company to its shareholders or any part of such dividend is out of the profits and income which are exempt from income tax, under subsection (1), then, such dividend or part thereof shall be exempt from income tax, and the provisions of sections 25 (1) (b) and (27) (1) shall not apply to such dividend or part thereof.

(3) Every person who issues a warrant, cheque or other order drawn or made in payment of any dividend referred to in subsection (2). shall annex thereto a statement in writing specifying the amount of the profits and income exempt from income tax under subsection (1) which is included in that dividend.

6E. (1) This section shall apply to any undertaking commenced on or after November 15, 1977, and approved by the Minister, for the milling of paddy.

(2) The profits and income of any undertaking referred to in subsection (1), being profits and income of that undertaking within the meaning of section 3 (1) (a) (other than any profits and income from the sale of capital assets of

that undertaking) shall, subject to the provisions of subsection (3), be exempt from income tax for the period commencing from the date of commencement of the undertaking and ending on March 31, 1983, if the Assessor is satisfied that it was not an undertaking which was formed by the splitting up, reconstruction, or acquisition of any business which was previously in existence.

(3) The Minister in charge of the subject of Agriculture and Lands may, in respect of an undertaking referred to in subsection (1), specify—

(i) the quantity of rice that shall be supplied by that undertaking to the Paddy Marketing Board established under the Paddy Marketing Board Act, No. 14 of 1971, or to any authorized purchaser within the meaning of that Act, and

(ii) the quality of the rice that shall be so supplied,

having regard to the capacity of that undertaking and the area in which that undertaking is situated.

(4) Where in respect of any year of assessment commencing on or after April 1, 1978, but prior to April 1, 1984, any undertaking referred to in subsection (1) fails to furnish to the Commissioner-General a certificate signed by the Minister in charge of the subject of Agriculture and Lands or by a person authorized by such Minister to the effect that it has complied, in the year preceding that year of assessment, with the conditions specified by such Minister in respect of such undertaking under subsection (3), the profits and income of that undertaking arising in such preceding year shall not be exempt from income tax for that year of assessment”.

6. Section 10 of the principal enactment is hereby amended as follows:—

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

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

“(a) such sum as the Commissioner-General in his discretion considers reasonable for the depreciation by wear and tear of plant, machinery and fixtures arising out of their use by such person as the owner thereof in a trade, business, profession, vocation or employment carried on or exercised by him, such sum being calculated normally at a fixed rate *per centum per annum* on the written-down value:

Provided that where any sum is deductible under the preceding provisions of this paragraph in respect of any plant, machinery or fixtures, in ascertaining the profits and income of that person from any sources for the year preceding the year of assessment commencing on April 1, 1978, there shall be deducted, in lieu of the sum calculated at a fixed rate *per centum per annum* on the written-down value, a sum equivalent to the written-down value, on April 1, 1977, of such plant, machinery and fixtures;”;



- (b) by the insertion, immediately after paragraph (g) of that subsection, of the following paragraph:—
- “(gg) any sum expended on or after April 1, 1978, by such person being a person who is professionally qualified, in payment of subscription to any professional association of which he is a member or in the purchase of professional books, journals and reports;”;
- (c) in paragraph (h) of that subsection by the substitution, for the proviso to that paragraph, of the following new proviso:—

“Provided that no deduction under the preceding provisions of this paragraph shall be allowed to such person in respect of any plant, machinery or fixtures acquired by him—

- (a) if such acquisition was for the purpose of renewing any plant, machinery or fixtures earlier used by him in any trade, business, profession, vocation or employment carried on or exercised by him and if the cost of such renewal is allowed as a deduction under paragraph (j), or
- (b) if the sum expended in the purchase and installation of such plant, machinery or fixtures is allowed as a deduction under paragraph (l) or paragraph (m), or
- (c) if such plant, machinery or fixtures were acquired on or after April 1, 1977, or acquired before April 1, 1977, and used by him for the first time on or after that date;”;
- (d) in paragraph (i) of that subsection, by the substitution, for the proviso to that paragraph, of the following new proviso:—

“Provided that no deduction under the preceding provisions of this paragraph shall be allowed to such person in respect of any building constructed by him—

- (a) if such construction was to renew any building earlier used by him for any of the purposes specified in the preceding provisions of this paragraph and if the cost of such renewal is allowed as a deduction under paragraph (j), or
- (b) if such construction took place on or after April 1, 1977;”;
- (e) by the substitution, for paragraph (j) of that subsection, of the following paragraph:—
- “(j) any sum expended by such person for the repair (not renewal) of plant, machinery or fixtures employed for producing the income, or the cost of renewal of any plant, machinery or fixtures, if no deduction for depreciation thereof or allowance thereof has been allowed under paragraph (a) or paragraph (h) or paragraph (l) or paragraph (m) or paragraph (n) of this subsection, or under paragraph (a) of subsection

(1) of section 11 of the Income Tax Ordinance, or any sum expended for the renewal of any building, implement, utensil or articles so employed, if no deduction for depreciation thereof or allowance therefor has been granted under paragraph (i) or paragraph (l) or paragraph (m) or paragraph (o) or paragraph (p) of this subsection, or any sum expended for the repair of any building, implement, utensil or articles so employed;”;

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

“(kk) in respect of any year of assessment commencing on or after April 1, 1978—

(a) the full cost of advertising outside Sri Lanka incurred solely in connection with the export trade of any articles or goods or the provision of any services for payment in foreign currency;

(b) the expenses incurred in travelling outside Sri Lanka solely in connection with—

(i) the promotion of the export trade of any articles or goods; or

(ii) the provision of any services for payment in foreign currency,

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;”;

(g) by the substitution, for paragraph (l) of that subsection, of the following new paragraph:—

“(l) any sum expended by such person in the purchase and installation, or in the purchase, as the case may be of—

(i) any plant, machinery, fixtures, furniture, utensils or articles for any undertaking as is referred to in paragraph (v) or paragraph (vi) of subsection (1) of section 6, carried on by such person, or

(ii) any implement or equipment for any undertaking of deep-sea or off-shore fishing carried on by him:

Provided that where such person has, during the period for which the profits are being ascertained, sold, discarded, otherwise disposed of, or otherwise ceased to be the owner of, any such plant, machinery, fixtures, furniture, utensils, articles, implements or equipment or ceased to use any such plant, machinery, fixtures, furniture, utensils, articles, implements or equipment in an undertaking, in ascertaining the profits and income of which a deduction could have been made under this paragraph or under paragraph (n), then—

(i) the sum realized by the sale, or as the case may be,

(ii) the market value on the date of discard, other disposal, other cessation of owner-ship or cessation of use in any such undertaking,

of any such plant, machinery, fixtures, furniture, utensils, articles, implements or equipment, shall for the purpose of ascertaining the profits and income within the meaning of paragraph (a) of subsection (1) of section 3, of such person from such undertaking be treated as a receipt of that undertaking;”;

- (h) by the insertion, immediately after paragraph (m) of that subsection, of the following new paragraphs:—
- “(n) an allowance in respect of any plant, machinery or fixtures acquired by him in the year preceding the year of assessment and used by him in any trade, business, profession, vocation or employment carried on or exercised by him, such allowance being an amount equal to—
- (i) the sum expended by him in the purchase and installation of such plant, machinery or fixtures, where the acquisition of such plant, machinery or fixtures was by purchase, or
- (ii) the aggregate of the market value of such plant, machinery and fixtures on the date of acquisition by him and any sum expended by him in the installation thereof, where the acquisition of such plant, machinery or fixtures was otherwise than by purchase:

Provided that no deduction under the preceding provisions of this paragraph shall be allowed to a person in respect of any such plant, machinery or fixtures—

- (a) if such plant, machinery or fixtures were acquired and used by such person prior to April 1, 1977; or
- (b) if any sum expended in the purchase and installation of such plant machinery or fixtures is allowed as a deduction under paragraph (l) or paragraph (m) :

Provided further that where such person has, during the period for which profits are being ascertained, sold, discarded, otherwise disposed of, or otherwise ceased to be the owner of, any such plant, machinery or fixtures, or ceased to use any such plant, machinery or fixtures in an undertaking, in ascertaining the profits and income of which a deduction could have been made under this paragraph, then—

- (i) the sum realized by the sale, or as the case may be,
- (ii) the market value on the date of discard or other disposal, other cessation of ownership or cessation of use in any such undertaking,

of any such plant, machinery or fixtures, shall, for the purposes of ascertaining the profits and income within the meaning of paragraph (a) of subsection (1) of section 3, of such person from any such undertaking be treated as a receipt of that undertaking;

- (o) an allowance equal to the sum expended by him in the year preceding the year of assessment in the construction of a building for the purpose of any undertaking carried on by him for occupation as a dwelling house by any member of the staff employed by such person in such undertaking other than an executive officer:

Provided that no deduction under the preceding provisions of this paragraph shall be allowed to a person in respect of—

- (a) any sum expended by him in the construction of any building prior to April 1, 1977, or
- (b) any sum expended by him in the construction of that building if such sum is allowed as a deduction under paragraph (n) or paragraph (p):

Provided further that where such person has, during the period for which profits are being ascertained, sold, discarded, otherwise disposed of, or otherwise ceased to be the owner of, any such building or ceased to use such building in an undertaking in ascertaining the profits and income of which a deduction could have been made under this paragraph, then—

- (i) the sum realized by the sale, or as the case may be,
- (ii) the market value on the date of discard, other disposal, other cessation of ownership or cessation of use in any such undertaking,

of any such building shall, for the purposes of ascertaining the profits and income within the meaning of paragraph (a) of subsection (1) of section 3, of such person from any such undertaking, be treated as a receipt of that undertaking;

- (p) an allowance equal to fifty *per centum* of any sum expended by him in the construction, in the year preceding the year of assessment, of any building—
  - (i) for the purpose of any agricultural or industrial undertaking or any approved project within the meaning of subsection (5) carried on by such person—
    - (a) for use as a staff welfare building; or
    - (b) for occupation for the purpose of such undertaking or project otherwise than as a dwelling house, or
  - (ii) for use solely as a warehouse for the purpose of a trade or business carried on by such person:

Provided that no deduction under the preceding provisions of this paragraph shall be allowed to a person in respect of any sum expended by him in the construction of any building prior to April 1, 1977;

Provided further that where such person has, during the period for which the profits are being ascertained, sold, discarded, otherwise disposed of, or other

wise ceased to be the owner of, any such building or ceased to use any such building in an undertaking in ascertaining the profits and income of which a deduction could have been made under this paragraph, then, the excess of—

- (a) the sum realized by the sale of that building, or, as the case may be,
- (b) the market value of that building on the date of discard, other disposal, other cessation of ownership or cessation of use in such undertaking of that building,

over the allowance granted under this paragraph shall, for the purposes of ascertaining the profits and income within the meaning of paragraph (a) of sub section (1) of section 3, of such person from any such undertaking, be treated as a receipt of that undertaking.”;

(2) by the repeal of subsection (5) of that section and the substitution therefor of the following new subsection:—

“(5) There shall be deducted for the purpose of ascertaining the profits and income of any person—

- (a) a sum equal to twenty *per centum* of the expenditure actually incurred by him in the purchase and installation of any new plant, machinery or fixtures to be used by him in the commencement by him of a trade or business (other than an agricultural project) which is not an approved project;
- (b) a sum equal to forty *per centum* of the expenditure actually incurred by him in the purchase and installation of any new plant, machinery or fixtures to be used by him in an agricultural undertaking or in the commencement by him of a trade or business which is an approved project;
- (c) a sum equal to twenty *per centum* of the expenditure actually incurred by him in constructing or renewing any building, for the purposes of any industrial undertaking other than an approved project, to be used as a staff welfare building or as a dwelling house by any member of the subordinate staff employed by him in, or for the purposes of, or in connection with, such undertaking or as a building to be occupied for the purposes of such undertaking other than as a dwelling house;
- (d) a sum equal to forty *per centum* of the expenditure actually incurred by him in constructing or renewing any building, for the purposes of any approved project or agricultural undertaking, to be used as a staff welfare building, or as a dwelling house by any member of the subordinate staff employed by him in, or for the purposes of, or in connection with, such project or undertaking, or as a building to be occupied for the purposes of such project or undertaking other than as a dwelling house;

Provided that no person shall be entitled to any deduction—

- (i) under paragraph (a) or paragraph (b) of this subsection for the purchase and installation of any plant, machinery or fixtures if—
  - (a) the sum expended in the purchase or installation of such plant, machinery or fixtures has been allowed as a deduction under paragraph (l) or paragraph (m) of subsection (1), or
  - (b) the expenditure in the purchase or installation of such plant, machinery or fixtures was incurred by him on or after April 1, 1977, or if such plant, machinery or fixtures was purchased by him before April 1, 1977 and used by him for the first time after that date;
- (ii) under paragraph (c) or paragraph (d) of this subsection for the expenditure actually incurred in constructing or renewing any building if—
  - (a) the expenditure incurred in the renewal of such building has been allowed as a deduction under paragraph (j) of subsection (1), or
  - (b) the expenditure in constructing or renewing such building was incurred on or after April 1, 1977.

For the purposes of this subsection “approved project” means—

- (i) any project declared by the Minister to be an approved project for the purposes of section 47A of the Income Tax Ordinance, or
- (ii) any such project for the establishment of a new undertaking as is considered by the Minister for the time being in charge of the subject of Industries to be essential for the economic progress of Sri Lanka and is at the request of such Minister, declared by the Minister in charge of the subject of Finance to be an approved project for the purposes of this subsection and published in the *Gazette*, and includes any undertaking referred to in paragraph (v) or paragraph (vi) of subsection (1) of section 6; and
- (3) in subsection (9) of that section—
  - (a) by the substitution, for all the words and figures commencing from “No deduction” to “acquired by him if—”, of the following:—

“No deduction under subsection (1) (a) or (1) (h) or (1) (i) for depreciation by wear and tear or under subsection (1) (j) for any sum expended for renewal of any plant, machinery, fixtures or building, or under subsection (1) (l) or (1) (m) or (1) (n) for any sum expended in the purchase and installation of any plant, machinery, or fixtures or under subsection (1) (o) or (1) (p) for any sum expended in constructing any building, shall be allowed to any person if—”; and

- (b) by the substitution, for all the words and figures commencing from "the profits and income of which" to "section 7A;"; of the following:—

"the whole or any part of the profits and income (within the meaning of section 3 (1) (a)) of which are exempt from income tax;";

7. Section 11 of the principal enactment is hereby amended as follows:—

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

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

"(cc) any expenditure incurred for any year of assessment commencing on or after April 1, 1965, in travelling outside Sri Lanka in connection with any trade, business, profession or vocation carried on or exercised in Sri Lanka by such person, other than any such expenditure as is deductible under the provisions of paragraph (kk) of subsection (1) of section 10;";

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

"(f) one quarter of such person's cost of advertisement in connection with any trade, business, profession or vocation carried on or exercised by him other than the cost of advertising referred to in paragraph (kk) of subsection (1) of section 10;"; and

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

"(3) No person carrying on any trade or business or exercising any profession or vocation shall be entitled to any sum for depreciation by wear and tear, or for renewal, or to any allowance under section 10 (1) (l) or 10 (1) (m) or 10 (1) (n), in respect of any vehicle used for travelling for the purpose of his trade, business, profession or vocation except in the case of a vehicle, used for such purpose by an officer, who is not an executive officer, in the employment of such person, and in respect of the last-mentioned vehicle such person shall be entitled to such sum as the Commissioner-General may consider reasonable for such depreciation:

Provided that for each year of assessment commencing on or after April 1, 1965, the preceding provisions of this subsection shall apply as though there were substituted—

- (a) for the words "except in the case of a vehicle", the words "except in the case of a motor cycle or bicycle", and
- (b) for the words "of the last-mentioned vehicle", the words "of such motor cycle or bicycle";

8. Section 15 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) the amount of any loss which has been incurred in any year preceding the year of assessment in any undertaking referred to in section 6 or section 6B or section 6C or section 6E, such loss being computed and deducted in the manner specified, as the case may be, in subsection (1A) or subsection (1C);” and

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

“(1C) (a) Notwithstanding anything to the contrary in this section any loss incurred in any undertaking referred to in section 6C by any person carrying on that undertaking in any year of assessment from the date of commencement of that undertaking up to March 31, 1983, shall be deductible only from such part of the total statutory income of that person for any year of assessment commencing prior to April 1, 1984, as constitutes the statutory income of that person from that undertaking:

Provided that a deduction under this paragraph shall be made as far as possible from the statutory income of that person from that undertaking for the first year of assessment succeeding that in which the loss was incurred and, so far as it cannot be so made, then from the statutory income of that person from that undertaking for the next year of assessment, and so on.

(b) For the purposes of the deduction of any loss of any undertaking referred to in section 6B or section 6C or in section 6E in computing the assessable income of the person carrying on that undertaking for the year of assessment commencing on April 1, 1984, such loss shall be the total of the losses incurred in that undertaking in any year of assessment commencing prior to April 1, 1984, during which such person carried on that undertaking, after deducting therefrom the aggregate of—

- (i) any part of such losses incurred in that undertaking as has been deducted under paragraph (a) from the statutory income of such person for any year of assessment commencing prior to April 1, 1984, and
  - (ii) any profits of that undertaking which have been exempt from income tax for any year of assessment subsequent to the year of assessment in which such loss in that undertaking was incurred.
- (c) Where the loss referred to in paragraph (b) or part thereof cannot be deducted from the total statutory income for the year of assessment commencing on April 1, 1984, such loss or such part of such loss shall be deducted from the total statutory income of the next year of assessment and so on.”.



9. Section 16A of the principal enactment is hereby amended as follows:—

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

- “(1) In this section “approved donation” means a donation not less in amount than one thousand rupees—
- (a) made in money or otherwise to the Government of Sri Lanka prior to April 1, 1978, or
  - (b) made in money to any approved charity within the meaning of section 67 or to any such public charitable trust or institution as is declared by the Minister by notice published in the *Gazette* to be an approved charity for the purposes of this section.

For the purposes of this section, the amount of a donation made to the Government of Sri Lanka otherwise than in money shall be the value of such donation and such value shall—

- (i) be the actual cost to the donor of the property donated, or
- (ii) where the actual cost cannot be ascertained be the market value of the property donated; and

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

“(4) Where a person has, or is deemed to have, made in the year preceding any year of assessment two or more donations, whether to the same approved charity or to different such charities or to the Government of Sri Lanka, or to one or more charities and to the Government of Sri Lanka, the aggregate amount of the donations, if such amount is not less than one thousand rupees, shall for the purposes of this section in relation to that year of assessment be treated as one approved donation:

Provided that the provisions of this subsection shall not apply to any donation made to the Government of Sri Lanka on or after April 1, 1978.”.

10. Section 16CC of the principal enactment is hereby amended, in subsection (1) of that section, as follows:—

(1) in paragraph (f) of that subsection, by the substitution, for the expression “in paragraph (d),” of the expression “in paragraph (d); or”; and

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

- “(g) any sum invested on or after April 1, 1978, in the purchase of ordinary shares, other than existing shares, in any company with which an agreement has been entered into by the Greater Colombo Economic Commission under section 17 of the Greater Colombo Economic Commission Law, No. 4 of 1978.”.

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

16F (1) In this section “approved expenditure” means—

Allowances for approved expenditure to be deducted from assessable income in arriving at taxable income.

- (a) a donation made in money or otherwise to the Government of Sri Lanka, to a local authority, to a fund established by the Government of Sri Lanka or to a fund established by a local authority and approved by the Minister, and
- (b) expenditure incurred by any person on any project included in a development plan of the Government of Sri Lanka if such expenditure was incurred—
  - (i) with the prior written approval of the Minister, and
  - (ii) in accordance with such terms and conditions as may have been specified by the Minister at the time of granting such written approval.

(2) For the purposes of this section, the amount of a donation made to the Government of Sri Lanka otherwise than in money shall be the value of such donation, and such value shall—

- (i) be the actual cost to the donor of the property donated, or
- (ii) where the actual cost cannot be ascertained, be the market value of the property donated.

(3) Where the entirety of the assessable income of a wife or a child for any year of assessment is aggregated with the assessable income of the head of the family of which such wife or child is a member, any approved expenditure made by such wife or child shall, for the purposes of this section, be deemed to be an approved expenditure made by the head of the family.

(4) The amount of any approved expenditure incurred or deemed to have been incurred by any person in any year of assessment commencing on or after April 1, 1978, shall be deducted as far as possible from the assessable income of that person for the year of assessment immediately succeeding that in which such expenditure was incurred or was deemed to have been incurred and, so far as it cannot be so deducted then from the assessable income of that person for the next year of assessment and so on.”

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

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

“(1A) Where for any year of assessment commencing on or after April 1, 1969, but not after April 1, 1977, a family consists of a husband and wife and no child or dependent relative, an allowance of three thousand six hundred

rupees in respect of such husband and wife shall be deducted from the assessable income of the head of such family for that year in arriving at his taxable income for that year.”;

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

“(1B) Where for any year of assessment commencing on or after April 1, 1978, a family consists of a husband and wife and no child or dependent relative, an allowance of five thousand rupees in respect of such husband and wife shall be deducted from the assessable income of the head of such family for that year in arriving at his taxable income for that year.”;

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

“(2A) Where for any year of assessment commencing on or after April 1, 1969, but not after April 1, 1977, a family consists of a husband and wife and one or more children or dependent relatives, or one or more children and dependent relatives, an allowance of three thousand six hundred rupees in respect of the husband and wife, and—

- (a) if there is one child or dependent relative, an allowance of six hundred rupees in respect of such child or dependent relative,
- (b) if there are two children or two dependent relatives or one child and one dependent relative, an allowance of six hundred rupees in respect of such children or such dependent relatives or such child and such dependent relative,
- (c) if there are three or more children, or three or more children and dependent relatives, or three or more dependent relatives, in respect of such children or such children and dependent relatives or such dependent relatives, as the case may be, an allowance of one thousand two hundred rupees,

shall be deducted from the assessable income of the head of such family for that year in arriving at his taxable income for that year.”;

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

“(2B) where for any year of assessment commencing on or after April 1, 1978, a family consists of a husband and wife and one or more children, or dependent relatives or one or more children and dependent relatives, an allowance of five thousand rupees in respect of the husband and wife, and—

- (a) if there is one child or dependent relative, an allowance of one thousand rupees in respect of such child or dependent relative,
- (b) if there are two children or two dependent relatives or one child and one dependent relative, an allowance of two thousand rupees in respect of such children or dependent relatives, or such child and such dependent relative,

- (c) if there are three or more children, or three or more children and dependent relatives or three or more dependent relatives, in respect of such children or such children and dependent relatives or such dependent relatives, as the case may be, an allowance of three thousand rupees,

shall be deducted from the assessable income of the head of such family for that year in arriving at his taxable income for that year.”;

(5) by the repeal of subsection (3A) of that section and the substitution therefor of the following new subsection:—

“(3A) Where for any year of assessment commencing on or after April 1, 1969, but not after April 1, 1977, a family consists of an individual and one child or dependent relative or an individual and two children or dependent relatives or an individual and one child and one dependent relative, an allowance of three thousand rupees in respect of such individual and an allowance of six hundred rupees in respect of such child or dependent relative or such children or dependent relatives or such child and such dependent relative, as the case may be, shall be deducted from the assessable income of the head of such family for that year in arriving at his taxable income for that year.”;

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

“(4B) Where for any year of assessment commencing on or after April 1, 1969, but not after April 1, 1977, a family consists of an individual and three or more children or three or more dependent relatives or three or more children and dependent relatives, an allowance of three thousand rupees in respect of such individual and an allowance of one thousand two hundred rupees in respect of such children or dependent relatives or such children and dependent relatives shall be deducted from the assessable income of the head of such family for that year in arriving at his taxable income for that year.”;

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

“(4C) Where for any year of assessment commencing on or after April 1, 1978, a family consists of an individual and one or more children or dependent relatives or one or more children and dependent relatives, an allowance of three thousand rupees in respect of such individual and—

- (a) if there is one child or dependent relative, an allowance of one thousand rupees in respect of such child or dependent relative,
- (b) if there are two children or two dependent relatives or one child and one dependent relative, an allowance of two thousand rupees in respect of such children or such dependent relatives or such child and such dependent relative,

- (c) if there are three or more children, or three or more children and dependent relatives, or three or more dependent relatives, in respect of such children or such children and dependent relatives or such dependent relatives, as the case may be, an allowance of three thousand rupees,

shall be deducted from the assessable income of the head of such family for that year in arriving at his taxable income for that year.”; and

(8) in subsection (7) of that section, by the substitution, for the words and figures commencing from “subsection (2)” up to “subsection (4B)”, of the words and figures “subsection (2) or subsection (2A) or subsection (2B) or subsection (3) or subsection (3A) or subsection (4) or subsection (4B) or subsection (4C)”.

13. Section 23A of the principal enactment is hereby further amended as follows:—

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

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

“(f) income tax for the year of assessment commencing on April 1, 1976, and for the immediately succeeding year of assessment, shall be computed in accordance with the provisions of Part VII of the Second Schedule of this Act; and”;

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

“(g) income tax for any year of assessment commencing on or after April 1, 1978, shall be computed in accordance with the provisions of Part VIII of the Second Schedule to this Act.”;

(2) in subsection (4) of that section, by the substitution for the words and figures “or Part VII” of the words and figures “or Part VII or Part VIII”.

14. Section 24 of the principal enactment is hereby amended as follows:—

(1) by the substitution, for paragraph (h) of that section, of the following new paragraph:—

“(h) the provisions of Part VII of the Second Schedule to this Act shall, in their application to that individual for the year of assessment commencing on April 1, 1976, and for the immediately succeeding year of assessment, 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;”;

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

“(i) the provisions of Part VIII 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, 1978, 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.”.

15. Section 25 of the principal enactment is hereby amended as follows:—

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

(a) by the substitution, in sub-paragraph (ii) of paragraph (b) of that subsection, for the words and figures ‘expression “35 per centum.”’ of the words and figures ‘expression “35 per centum”’; and

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

“(c) in respect of each year of assessment commencing on or after April 1, 1978, as though there were substituted, for paragraph (b) of that subsection, the following new paragraph:—

“(b) a sum equal to 33  $\frac{1}{3}$  per centum of the aggregate amount of the gross dividends distributed by the company in the year preceding that year of assessment out of profits on which the taxable income of such company is computed for any year of assessment not being dividends in respect of which income tax has been assessed on or paid by that company for any year of assessment commencing before April 1, 1978;”.

(2) by the repeal of subsection (1B) of that section and the substitution therefor 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 the 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 to the end of that preceding year, 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 33  $\frac{1}{3}$  per centum of the aggregate amount of the gross dividends distributed by such company in the year preceding that year of assessment out of profits on which the taxable income of such

company is computed for any year of assessment, not being dividends in respect of which income tax has been assessed on or paid by that company for any year of assessment commencing before April 1, 1978.

For the purposes of this subsection a "people's company" means a company which is resident in Sri Lanka and in respect of which the Assessor is satisfied that—

- (i) it is not a private company within the meaning of the Companies Ordinance;
- (ii) the number of shareholders of the Company exceeds fifty in the case of any period ending on or before March 31, 1979, and exceeds one hundred in the case of any period commencing on or after that date, and in either case, the nominal value of each share does not exceed ten rupees;
- (iii) 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;
- (iv) it is a company in which no person either individually or together with his wife or minor children, holds either directly or through nominees—
  - (a) in the case of any period ending on or before March 31, 1979, more than ten *per centum*, and
  - (b) in the case of any period commencing on or after April 1, 1979, more than five *per centum*,  
of the issued share capital;
- (v) it is a company in which there are three or more directors each owning one or more shares;
- (vi) none of the directors of the company holds office as director of any other people's company; and
- (vii) it is a company in which no other company holds, either directly or through nominees, any share on or after April 1, 1979.

16. Section 28 of the principal enactment is hereby amended by the insertion, immediately after paragraph (at) of that section, of the following paragraph:—

"(att) the World Tourism Organization;"

17. Section 31 of the principal enactment is hereby amended in subsection (1) of that section as follows:—

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

“(bb) being an year of assessment in the year preceding which he was not resident in Sri Lanka or being any one of the three years of assessment next succeeding the first-mentioned year of assessment, the moneys lying to his credit in foreign currency in any such account as is referred to in paragraph (uc) of subsection (1) of section 5;” and

(2) by the substitution, for paragraph (p) of that subsection, of the following new paragraph:—

“(p) any jewellery belonging to him, or if he is the head of a family, any jewellery belonging to him and the members of his family, subject to a maximum of twenty-five thousand rupees in value where that year of assessment commences prior to April 1, 1978, and subject to a maximum of fifty thousand rupees in value where that year of assessment commences on or after April 1, 1978;”.

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

“(1) Where according to the return of wealth furnished by a person in respect of any year of assessment such person is the head of a family, the wealth of each individual who is a member of that family shall, for the purposes of this Act, be deemed to form part of the wealth of the head of that family and accordingly the value of the net wealth of all such members shall be aggregated with the net wealth of the head of that family for that year of assessment. Where—

- (a) for the year of assessment ending on March 31, 1964, the aggregated net wealth of the head of that family amounts to or exceeds one hundred thousand rupees, such net wealth,
- (b) for any year of assessment commencing on or after April 1, 1964, but prior to April 1, 1978, the aggregated net wealth of the head of that family exceeds one hundred thousand rupees, such part of his net wealth as exceeds one hundred thousand rupees, and
- (c) for any year of assessment commencing on or after April 1, 1978, the aggregated net wealth of the head of that family exceeds two hundred thousand rupees, such part of his net wealth as exceeds two hundred thousand rupees,

shall be his taxable wealth for that year of assessment, and the head of that family shall be liable to the wealth tax in respect of such taxable wealth.”,

19. Section 33 of the principal enactment is hereby amended by the repeal of subsection (2) of that section and the substitution therefor of the following new subsection:—

“(2) Such part of the net wealth of a person, other than an individual who is included in a family or a charitable institution, as is in excess of—



- (a) one hundred thousand rupees, for any year of assessment commencing on or after April 1, 1964, but prior to April 1, 1978, and
- (b) two hundred thousand rupees, for any year of assessment commencing on or after April 1, 1978,

shall be his taxable wealth for that year of assessment and such person shall be liable to wealth tax in respect of such taxable wealth.”.

20. Section 34 of the principal enactment is hereby repealed and the following new section substituted therefor:—

“Taxable wealth  
of a charitable  
institution

34. (1) (a) Where the net wealth for any year of assessment commencing prior to April 1, 1978, of a charitable institution exceeds one hundred thousand rupees, the entirety of such net wealth shall be the taxable wealth of such institution, and such institution shall be liable to the wealth tax in respect of such taxable wealth.

(b) Where the net wealth for any year of assessment commencing on or after April 1, 1978, of a charitable institution exceeds two hundred thousand rupees, the entirety of such net wealth shall be the taxable wealth of such institution, and such institution shall be liable to wealth tax in respect of such taxable wealth.

- (2) (a) The amount of the wealth tax which a charitable institution is liable to pay in respect of its taxable wealth for any year of assessment commencing prior to April 1, 1978, shall in no case exceed the amount by which its taxable wealth exceeds one hundred thousand rupees.

(b) The amount of the wealth tax which a charitable institution is liable to pay in respect of its taxable wealth for any year of assessment commencing on or after April 1, 1978, shall in no case exceed the amount by which its taxable wealth exceeds two hundred thousand rupees.”.

21. Section 38 of the principal enactment is hereby repealed and the following new section substituted therefor:—

“Reduction of  
wealth tax in  
certain  
circumstances.

38. (1) The wealth tax payable by any person for any year of assessment commencing not later than April 1, 1972, shall not exceed eighty *per centum* of his assessable income for that year of assessment.

(2) The wealth tax payable by any person for any year of assessment commencing on or after April 1, 1978, shall not exceed eighty *per centum* of the aggregate of the assessable income of that person for that year of assessment and of any profits and income (other than the net annual value of a residence and any subsidy exempt from income tax under this

Act), being profits and income exempt from income tax under this Act or under any other enactment, and which, but for that exemption, would have been taken into account in computing the assessable income of that person for that year of assessment.”.

22. Section 38B of the principal enactment is hereby amended by the substitution, for the words and figures “for every year of assessment commencing on or after April 1, 1976,” of the words and figures;—

“for the year of assessment commencing on April 1, 1976,”.

23. Section 39 of the principal enactment is hereby amended in subsection (1) of that section as follows:—

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

“(c) at the rate or rates specified in Part I of the Sixth Schedule to this Act, for every year of assessment commencing on or after April 1, 1965, but prior to April 1, 1978; and”;

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

“(d) at the rate or rates specified in Part II of the Sixth Schedule to this Act, for every year of assessment commencing on or after April 1, 1978.”.

24. Section 41 of the principal enactment is hereby amended, in subsection (1) of that section, by the substitution, for paragraph (c) of that subsection, of the following new paragraph:—

“(c) to any child, whether such child is over or under twenty-one years of age, of such individual in consideration of the marriage of such child subject to a maximum of ten thousand rupees in value where such gift was made prior to April 1, 1977, and subject to a maximum of twenty-five thousand rupees in value where such gift is made on or after April 1, 1977, in respect of the marriage of each such child.”.

25. Section 46 of the principal enactment is hereby amended by the substitution, for the words “aggregated with the income of his parent”, of the words ‘aggregated with the income of his parent:

Provided that for each year of assessment commencing on or after April 1, 1975, the preceding provisions of this subsection shall apply as though there were substituted for the expression “age of twenty-five”, the expression “age of twenty-one.”.

26. Section 54 of the principal enactment is hereby amended by the repeal of subsection (8) of that section, and the substitution therefor of the following new subsection:—

“(8) Where an individual leaves Sri Lanka in any year of assessment commencing on or after April 1, 1970, and does not return to Sri Lanka for a period of at least twelve months calculated from the date on which he leaves Sri Lanka, his profits and income from employment arising in, or derived from, any place outside Sri Lanka for the period commencing on the date on which he leaves Sri Lanka and ending on the date on which he returns to Sri Lanka and becomes resident in Sri Lanka shall be exempt from income tax.”.

27. Section 69c of the principal enactment is hereby amended by the substitution, for the expression “before December 31, 1975,” of the following:—

“before December 31, 1978, or within three years of the end of that year of assessment, whichever is later,”.

28. Section 73 of the principal enactment is hereby amended by the addition, at the end of that section, of the following new subsection:—

“(10) In the case of a person holding for the time being the office of the Leader of the Opposition in the National State Assembly—

- (a) the rental value of the place of residence provided to such person,
- (b) the allowance for the maintenance of the official conveyance paid to such person, and
- (c) a sum of seven hundred rupees out of the monthly remuneration paid to such person,

by the Government of Sri Lanka shall not be taken into consideration in ascertaining the profits and income arising to such person from that office.”.

29. Section 73B of the principal enactment is hereby amended by the substitution, for the words and figures “any year of assessment commencing on or after April 1, 1976,” of the following:—

“the year of assessment commencing on April 1, 1976 or in the year preceding the year of assessment commencing on April 1, 1977,”.

30. Section 73C of the principal enactment is hereby amended, in subsection (1) of that section, by the substitution, for the words and figures, “any year of assessment commencing on or after April 1, 1976,” of the following:—

“the year of assessment commencing on April 1, 1976,” or in the year preceding the year of assessment commencing on April 1, 1979,”.

31. Section 73D of the principal enactment is hereby amended, in subsection (1) of that section, by the substitution, for the words and figures “any year of assessment commencing on or after April 1, 1976” of the following:—

“the year of assessment commencing on April 1, 1976 or in the year preceding the year of assessment commencing on April 1, 1977,”.

32. Section 73F of the principal enactment is hereby amended in subsection (1) of that section, by the substitution, for the words and figures "any year of assessment commencing on or after April 1, 1976," of the following:—

"the year of assessment commencing on April 1, 1976 or in the year of assessment commencing on April 1, 1977,".

33. Section 92 of the principal enactment is hereby amended by the repeal of subsection (1) of that section and the substitution therefor of the following new subsection:—

"(1) Where any person fails to comply with the notice in writing given to him by an Assessor requiring him to furnish a return of his income, wealth or gifts, and if he has a wife, child (other than a child who is in receipt of income which is wholly occupational income) or dependent relative, the income or wealth of such wife, child or dependent relative, or fails to furnish a return which he is required to furnish under section 96B (4), the Commissioner-General may in writing order that person —

- (a) to pay as penalty for failure to comply with the requirements of such notice or the requirements of such section, a sum not exceeding two hundred and fifty rupees, and
- (b) to furnish such return within a specified period."

34. Section 93 of the principal enactment is hereby amended by the repeal of subsection (2) of that section, and the substitution therefor of the following new subsection:—

"(2) Where a person has furnished a return of income, wealth or gifts, the Assessor may —

- (a) either accept the return and make an assessment accordingly ; or
- (b) if he does not accept the return, estimate the amount of the assessable income, taxable wealth or taxable gifts of such person and assess him accordingly and communicate to such person in writing the reasons for not accepting the return."

35. Section 94 of the principal enactment is hereby repealed and the following new section substituted therefor :—

"Additional  
assessments

94. Where it appears to an Assessor that for any year of assessment any person chargeable with income tax, wealth tax or gifts tax has not been assessed or has been assessed at less than the proper amount, the Assessor may assess such person at the amount or additional amount at which according to his judgment such person ought to have been assessed, and the provisions of this Act as to notice of assessment, appeal and other proceedings shall apply to such assessment or additional assessment and to the tax charged thereunder :

Provided that —

- (a) no assessment shall be made of income tax or wealth tax, as the case may be, payable under this Act or of gifts tax payable under this Act in respect of any gift made in the year preceding any year of assessment and included by the donor in a return made by him on or before the fifteenth of May next succeeding that year of assessment —
  - (i) in respect of any year of assessment commencing prior to April 1, 1972, after six years from the end of that year of assessment;
  - (ii) in respect of the years of assessment commencing respectively, on April 1, 1972, April 1, 1973 and April 1, 1974, after March 31, 1979, and
  - (iii) in respect of any year of assessment commencing on or after April 1, 1975, after three years from the end of that year of assessment;
- (b) where the non-assessment or under assessment of any person for any year of assessment is due to fraud or wilful evasion an assessment or additional assessment may, notwithstanding anything in the preceding provisions of this section, be made at any time after the end of that year of assessment ; and
- (c) where an Assessor does not accept a return made by any person for any year of assessment and makes an assessment on that person for that year of assessment, he shall communicate to such person in writing his reasons for not accepting the return.”.

36. Section 96B of the principal enactment is hereby amended by repeal of subsection (4) of that section, and the substitution therefor of the following new subsection :—

“(4) Every person who is chargeable with income tax, wealth tax or gifts tax for any year of assessment commencing on or after April 1, 1972, shall, according as such tax is income tax, wealth tax, or gifts tax, furnish to the Commissioner-General, a return, in such form as may be prescribed by the Commissioner-General, of his income, wealth or gifts and if he has a wife, child (other than a child who is in receipt of income which is wholly occupational income) or dependent relative, the income or wealth of such wife, child or dependent relative—

- (a) where that year of assessment commences prior to April 1, 1978, at the time of payment of the quarterly instalment of such tax; and
- (b) where that year of assessment commences on or after April 1, 1978, on or before the fifteenth day of May in the year of assessment immediately preceding that year of assessment.”.

37. Section 96C 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 the opinion of the Assessor, any person chargeable with any income tax, wealth tax or gifts tax for any year of assessment has paid as quarterly instalment of that tax for that year of assessment an amount less than the proper amount which he ought to have paid as such instalment, the Assessor may assess the amount which in the judgment of the Assessor ought to have been paid by such person and shall, by notice in writing, require that person to pay forthwith the difference between the amount so assessed and the amount paid by that person :

Provided that—

- (a) no assessment shall be made of income tax or wealth tax payable under this Act or gifts tax payable under this Act in respect of any gift made in the year preceding any year of assessment and included by the donor in a return of gifts made by him on or before the fifteenth of May next succeeding that year of assessment —
  - (i) in respect of the year of assessment commencing respectively, on April 1, 1972, April 1, 1973 and April 1, 1974, after March 31, 1979, and
  - (ii) in respect of any year of assessment commencing on or after April 1, 1975, after three years from the end of that year of assessment;
- (b) nothing in the preceding provisions of this subsection shall preclude an Assessor from making, in accordance with those provisions, an additional assessment in respect of any individual on whom an assessment under this subsection has been made;
- (c) where the non-assessment or underassessment of any person for any year of assessment is due to fraud or wilful evasion an assessment or additional assessment may, notwithstanding anything in the preceding provisions of this subsection, be made at any time after the end of that year of assessment;
- (d) where an Assessor does not accept a return made by any person for any year of assessment and makes an assessment on that person for that year of assessment, he shall communicate to such person in writing his reasons for not accepting the return."

38. Section 97 of the principal enactment is hereby amended by the insertion, immediately after subsection (12) of that section, of the following new subsection:—

"(12A) Where the Commissioner-General hears the evidence of the appellant or of any other person in respect of the appeal, he shall maintain or cause to be maintained, a record of such evidence."

39. Section 101 of the principal enactment is hereby amended by the insertion, immediately after subsection (1) of that section, of the following new subsection:—

“(1A) The Commissioner-General shall, on receipt of a notice under subsection (1), transmit to the Board —

- (a) a copy of the list of documents and names of persons furnished by the appellant in compliance with any notice issued to him under section 97(7) by the Commissioner-General; and
- (b) a copy of the record of evidence maintained under section 97(12A).’.

40. Section 105 of the principal enactment is hereby amended as follows:—

- (a) by the renumbering of that section as subsection (1) of that section; and
- (b) by the insertion, immediately after subsection (1) of that section of the following new subsection:—

“(2) Where the aggregate of—

- (a) the wealth tax to which a person is liable for any year of assessment commencing on or after April 1, 1978, and
- (b) the income tax to which such person is liable for that year of assessment,

exceeds eighty *per centum* of the aggregate of the assessable income of that person for that year of assessment and of any profits and income (other than the net annual value of a residence and any subsidy exempt from income tax under this Act), being profits and income exempt from income tax under this Act or under any other enactment, and which but for that exemption would have been taken into account in computing the assessable income of that person for such year of assessment, such excess shall be set off against the wealth tax to which he is liable for that year of assessment.”.

41. Section 118 of the principal enactment is hereby amended in paragraph (d) of subsection (1) of that section by the substitution for the expression “88(1), 107 (6)”, of the expression “88(1), 96B(4), 107(6)”.

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

- (a) by the substitution, for the definition of “industrial undertaking”, of the following new definition:—

“ industrial undertaking for the purposes of section 10 means—

- (a) an undertaking for the manufacture or production by mechanical means, of any articles, goods or materials, or for the subjection, by mechanical means, of any articles, goods or materials to any process, or for mining or for printing, or for repairing machinery or vehicles or vessels, other than an undertaking in the case of which the Commissioner-General is satisfied that mechanical means are not used for the purpose of a substantial part of the work done in the undertaking, or

- (b) an undertaking for transporting persons or goods, or
- (c) an undertaking for off-shore or deep-sea fishing; and
- (b) by the substitution, for the definition of "written-down value" of the following new definition:—

"written-down value" with reference to any plant, machinery or fixtures purchased before April 1, 1957, or, where the statutory income is directed by the Commissioner-General under section 12(2) to be computed up to any such day other than the thirty-first day of March as is specified in the direction, before such specified day in the year preceding the year of assessment commencing on April 1, 1957, means the residue of the cost thereof to the owner thereof after deducting the aggregate of a sum representing the total depreciation which has occurred in such plant, machinery or fixtures since the date of purchase by him but before March 31, 1977, and any sum deducted under the proviso to paragraph (a) of subsection (1) of section 10, such cost where any deduction in respect of such plant, machinery or fixtures was allowed under paragraph (d)(1) or paragraph (e)(1) of section 11(1) of the Income Tax Ordinance being deemed to be the amount of the difference between the actual amount of such cost and the amount of that deduction;.

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

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

(a) in paragraph (f) of that item, by the substitution, for the words and figures "each year of assessment commencing on or after April 1, 1976", of the following:—

"the year of assessment commencing on April 1, 1976, and for the immediately succeeding year of assessment"; and

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

"(g) For each year of assessment commencing on or after April 1, 1978—

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. 6,000 of the taxable income 60 per centum.

On the balance of the taxable income 70 per centum"; and



- (2) by the substitution, for the item relating to "Governments (other than the Government of Sri Lanka and the Government of the United Kingdom)", of the following new item:—

"Governments (other than the Government of Sri Lanka and the Government of the United Kingdom)—

Taxable income of Governments other than the Government of Sri Lanka and the Government of the United Kingdom—

- (a) for each year of assessment commencing prior to April 1, 1965—  
63 per centum
- (b) for each year of assessment commencing on or after April 1, 1965 but prior to April 1, 1978—56 per centum
- (c) for each year of assessment commencing on or after April 1, 1978—66 per centum."

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

(1) in Part VII of that Schedule, by the substitution, for the words and figures "for any year of assessment commencing on or after April 1, 1976", of the following:—

"for the year of assessment commencing on April 1, 1976, and the immediately succeeding year of assessment"; and

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

#### "PART VIII

The rates of income tax for any year of assessment commencing on or after April 1, 1978, 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 next Rs. 7,200 of the taxable income 50 per centum.
- On the next Rs. 7,200 of the taxable income 55 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 65 *per centum*.

On the balance of the taxable income 70 *per centum*."

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

#### "Sixth Schedule

##### Part I

For gifts made during the year preceding any year of assessment commencing on or after April 1, 1965 but prior to April 1, 1978, the gifts tax shall be at the same rate or rates specified in Part II of the Fifth Schedule subject however to the variation that for gifts made during the year preceding any year of assessment commencing on or after April 1, 1974, the rate on the first Rs. 50,000 of the value of all taxable gifts shall, in lieu of the 5 *per centum* specified in that Part of that Schedule, be 3 *per centum*.

##### Part II

For gifts made during the year preceding any year of assessment commencing on or after April 1, 1978, the rates of gifts tax shall be as follows,—

On the first Rs. 50,000 of the value of the all taxable gifts	..	Nil
On the next Rs. 30,000 of the value of the all taxable gifts	..	5%
On the next Rs. 3,000 of the value of the all taxable gifts	..	7½%
On the next Rs. 30,000 of the value of the all taxable gifts	..	10%
On the next Rs. 40,000 of the value of the all taxable gifts	..	13%
On the next Rs. 50,000 of the value of the all taxable gifts	..	14%
On the next Rs. 100,000 of the value of the all taxable gifts	..	16%
On the next Rs. 100,000 of the value of the all taxable gifts	..	18%
On the next Rs. 100,000 of the value of the all taxable gifts	..	24%
On the next Rs. 100,000 of the value of the all taxable gifts	..	30%
On the next Rs. 125,000 of the value of the all taxable gifts	..	32%
On the next Rs. 125,000 of the value of the all taxable gifts	..	36%
On the next Rs. 200,000 of the value of the all taxable gifts	..	42%
On the next Rs. 350,000 of the value of the all taxable gifts	..	48%
On the next Rs. 500,000 of the value of the all taxable gifts	..	55%
On the next Rs. 600,000 of the value of the all taxable gifts	..	60%
On the balance of the value of all taxable gifts	..	70%

**TAX AMNESTY ACT, No. 5 of 1978**

(Certified on 24th November, 1978)

AN ACT TO ENABLE THE DEPOSIT IN SPECIAL ACCOUNTS IN THE NATIONAL SAVINGS BANK OF MONEYS REPRESENTING ACCUMULATED PROFITS AND INCOME IN RESPECT OF WHICH A PERSON HAS NOT FURNISHED A RETURN OF INCOME OR WHICH HAVE NOT BEEN DISCLOSED IN A RETURN FURNISHED BY SUCH PERSON UNDER THE LAW RELATING TO THE IMPOSITION OF INCOME TAX; TO IMPOSE AND LEVY A TAX ON THE MONEYS DEPOSITED IN SUCH SPECIAL ACCOUNTS; TO ENABLE THE WITHDRAWAL OF THE MONEYS DEPOSITED IN SUCH SPECIAL ACCOUNTS FOR SPECIFIED PURPOSES; TO INDEMNIFY PERSONS WHO DEPOSIT MONEYS IN SUCH SPECIAL ACCOUNTS AGAINST LIABILITY TO PAY CERTAIN TAXES IN RESPECT OF THE PROFITS AND INCOME REPRESENTED BY SUCH MONEYS AND AGAINST PROSECUTIONS FOR OFFENCES IN RELATION TO SUCH PROFITS AND INCOME; AND FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

1. This Act may be cited as the Tax Amnesty Act, No. 5 of 1978, and shall come into operation on December 1, 1978.

2. (1) Subject to the provisions of subsection (2), this Act shall apply to any person who under the law for the time being relating to the imposition of income tax was liable to pay such tax for any year of assessment commencing on or before April 1, 1977, in respect of any profits and income arising or accruing on or before March 31, 1977, and who has not furnished a return of income under the provisions of such law for any such year of assessment or who has failed to disclose such profits or income in any return furnished by him under the provisions of such law for any such year of assessment.

(2) The provisions of this Act shall not apply to any person in relation to whom investigations have been commenced by the Commissioner-General or by any other officer of the Department of Inland Revenue for any alleged or suspected evasion of any tax payable under the provisions of the law for the time being relating to the imposition of income tax, in respect of any profits and income arising or accruing on or before March 31, 1977.

(3) Every person referred to in subsection (1), not being a person to whom the provisions of subsection (2) applies shall hereafter in this Act be referred to as a "person to whom this Act applies".

3. Where any person to whom this Act applies has moneys which represent accumulated profits or income which arose or accrued on or before March 31, 1977, and—

- (a) in respect of which such person has failed to furnish a return of income; or
- (b) which such person has failed to disclose in any return of income furnished by him,

under the law for the time being relating to the imposition of income tax, then such person may, on or before March 31, 1979, deposit such moneys to his credit in any such special account as may be opened by him for that purpose in the Bank.

4. (1) Every person who deposits moneys in a special account in the Bank under the provisions of section 3 shall—

- (a) make a declaration to the Bank in the Form set out in the Schedule to this Act; and
- (b) be liable to pay to the Commissioner-General, a tax of an amount equal to 30 *per centum* of the moneys so deposited.

(2) The tax payable by any person under sub-section (1) shall, notwithstanding anything in any written law, be paid to the Commissioner-General by the Bank on or before April 30, 1979, out of moneys lying to the credit of such person in any such special account as is referred to in section 3.

(3) The payment by the Bank of the tax to the Commissioner-General under subsection (2) from the moneys lying to the credit of any person in any such special account as is referred to in section 3 shall be deemed to be authorized by such person, and such tax shall be deemed to have been paid by such person to the Commissioner-General.

5. Notwithstanding anything in any other law, the Bank shall not permit any person who has deposited any moneys in any such special account as is referred to in section 3 to withdraw, prior to April 1, 1983, the whole or any part of the balance amount lying to the credit of such person in such special account after payment of the tax referred to in section 4 (other than the interest accruing on such balance amount), except for the purposes specified in section 6.

6. (1) Any person who has deposited any moneys in any such special account as is referred to in section 3, may withdraw the balance amount lying to his credit in such special account after payment of the tax referred to in section 4, after March 31, 1983:

Provided, however, that such person may withdraw, after April 30, 1979, the whole or a part of such balance amount for—

- (a) the purchase of ordinary shares—
  - (i) in a company approved by the Minister under section 16CC of the Inland Revenue Act, No. 4 of 1963, or approved by the Minister under this section as being essential for the economic progress of Sri Lanka;
  - (ii) in any company with which the Greater Colombo Economic Commission has entered into an agreement under section 17 of the Greater Colombo Economic Commission Law, No. 4 of 1978; or

- (b) the purpose of making any approved expenditure within the meaning of section 16F of the Inland Revenue Act, No. 4 of 1963; or
- (c) the purchase or construction of a house, if such purchase or construction is approved by the Commissioner for National Housing by a certificate issued under his hand.

(2) Where for the purposes of paragraph (c) of subsection (1), the Commissioner for National Housing refuses to approve the purchase or construction of a house, any person aggrieved by such refusal may appeal therefrom to the Minister in charge of the subject of Housing. The decision of the Minister on any such appeal shall be final and conclusive.

(3) Where any person who withdraws after April 30, 1979, any moneys lying to his credit in any such special account as is referred to in section 3 for any of the purposes specified in the proviso to section 6, fails to apply such moneys for the purpose for which such moneys were withdrawn, such person shall be guilty of an offence under this Act and shall, on conviction after summary trial before a Magistrate, be liable to a fine of an amount equal to the moneys withdrawn and an amount not exceeding twenty thousand rupees.

(4) Notwithstanding anything in any other law, in computing the taxable income for any year of assessment commencing on or after April 1, 1979, of any person who withdraws after April 1, 1979, moneys lying to his credit in any such special account as is referred to in section 3 and applies such moneys to any of the purposes specified in the proviso to section 6, no deduction shall be allowed from the assessable income of that person for that year of assessment, in respect of the moneys so applied.

7. The Bank shall pay interest on the balance amount lying to the credit of any person in any such special account as is referred to in section 3, after payment of the tax referred to in section 4, at the current rate of interest payable by the Bank on moneys lying to the credit of savings accounts. The interest so accruing may be withdrawn by such person after April 30, 1979.

8. Any person to whom this Act applies, who has deposited moneys in any such special account as is referred to in section 3 and who is deemed under section 4, to have paid the tax referred to in that section, shall not be liable—

- (a) to pay for any year of assessment commencing on or before April 1, 1977—

- (i) any income tax or wealth tax under the law for the time being relating to the imposition of income tax; or

- (ii) capital levy under the Capital Levy Act, No. 51 of 1971,

in respect of the profits or income or wealth represented by such moneys or to pay, for any quarter ending on or before March 31, 1977, any business turnover tax under the Finance Act, No. 11 of 1963, on the turnover from which such profits or income arose; or

- (b) to a prosecution for any offence under the law for the time being relating to the imposition of income tax or the Capital Levy Act, No. 51 of 1971, or the Finance Act, No. 11 of 1963, in relation to any year of assessment commencing on or before April 1, 1977, or to any period prior to April 1, 1977, in respect of, or in connection with, the profits or income or wealth represented by such moneys or the turnover from which such profits or income arose.

9. Nothing in the preceding provisions of this Act shall be read and construed as authorizing the revision of any assessment made prior to November 15, 1978, under the provisions of the law for the time being relating to the imposition of income tax or any other matter which has become final and conclusive under the aforesaid provisions.

10. (1) Every officer or employee of the Bank and every officer or employee of the Department of Inland Revenue shall preserve and aid in preserving secrecy with regard to all matters that may come to his knowledge in the operation of this Act:

Provided, however, that an officer or employee of the Bank may communicate to the Commissioner-General or to any officer of the Department of Inland Revenue or to a court of law for the purpose of complying with the provisions of this Act, the following particulars relating to any such special account as is referred to in section 3:-

- (a) name of the holder of the account and income tax file number;
- (b) name of business, if any, and income tax file number;
- (c) date of deposit or withdrawal;
- (d) amount deposited or withdrawn;
- (e) such other particulars as are referred to in any declaration made under section 4 (1) (a) in relation to such special account.

(2) Any officer or employee of the Bank or of the Department of Inland Revenue who acts in contravention of the provisions of subsection (1) shall be guilty of an offence under this Act, and shall, on conviction after summary trial before a Magistrate, be liable to a fine not exceeding two thousand rupees.

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

the expressions "Commissioner-General" "profits", "income" and "year of assessment" shall have the same meanings respectively as in the Inland Revenue Act, No. 4 of 1963;

"Bank" means the National Savings Bank established by the National Savings Bank Act, No. 30 of 1971;

"person" includes a company, a body of persons and a partnership;

"the law for the time being relating to the imposition of income tax" means the Income Tax Ordinance or the Inland Revenue Act, No. 4 of 1963.

DECLARATION UNDER SECTION 4 (1) (a)

## Special Amnesty Savings Deposit

**If any.....**

Account No.....

Name of business

**if any.....**

Date.....

I Mr./Mrs./Miss./We

(full name)

of ..... do hereby:—  
(Address)

(1) request you —

(a) to accept in terms of the Tax Amnesty Act, No.        of 1978, a sum of Rupees.....(Rs.        ) to be placed in a Special Amnesty Savings Deposit Account in the name of.....  
.....of.....

(b) to remit direct to the Commissioner-General of Inland Revenue the tax due, on this amount amounting to Rupees.....  
.....(Rs.        ).

(c) to hold the balance in that account, to wit—  
Amount Tendered

Rs.....

**Less 30% Tax deductible**

Rs. ....

**Balance to be held in Special Amnesty Savings  
Deposit Account by the National Savings Bank**

(2) undertake not to withdraw any part of this balance amount before April 1, 1983, except for the purposes specified in section 6 of the aforementioned Act;

(3) agree to my/our Special Amnesty Savings Deposit Pass Book being kept in the safe custody of your Bank;

(4) further agree to be bound by the rules pertaining to Savings Deposits in your Bank for the time being, and which may come into effect from time to time.

**signed in my presence**

**Signature of Depositor.**

Signature of Branch Manager.

# SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

Act, No 15 of 1978.

(Certified on 11th December, 1978)

AN ACT TO PROVIDE FOR THE ESTABLISHMENT OF THE SRI LANKA EXPORT CREDIT INSURANCE CORPORATION AND FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

1. This Act may be cited as the Sri Lanka Export Credit Insurance Corporation Act, No. 15 of 1978, and shall come into operation on such date (hereinafter referred to as the "appointed date") as may be appointed by the Minister by Order published in the *Gazette*.

## PART I

### CONSTITUTION OF THE SRI LANKA EXPORT CREDIT INSURANCE CORPORATION

2. (1) There shall be established a Corporation which shall be called the Sri Lanka Export Credit Insurance Corporation (hereinafter referred to as the "Corporation")

(2) The Corporation 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.

(3) The head office of the Corporation shall be in Colombo and the Corporation may with the prior approval of the Minister establish branch offices within or outside Sri Lanka.

3. (1) The management and the administration of the affairs of the Corporation shall be vested in a Board of Directors (hereinafter referred to as the "Board") which shall consist of the following members appointed by the Minister:—

- (a) a Chairman in consultation with the Minister in charge of the subject of Finance;
- (b) an officer of the Central Bank of Ceylon nominated by the Monetary Board;
- (c) an officer of the Insurance Corporation of Ceylon nominated by the Board of Directors of the Insurance Corporation of Ceylon;
- (d) an officer of the Ministry of the Minister in charge of the subject of Trade; and
- (e) an officer of the Ministry of the Minister in charge of the subject of Finance nominated by such Minister.

(2) The provisions of Part III of this Act shall apply to the members of the Board.



4. The Board may exercise, discharge and perform the powers, functions and duties of the Corporation subject to such general or special directions as the Minister may issue from time to time and it shall be the duty of such Board to comply with such directions.

## PART II

### OBJECTS, POWERS AND FUNCTIONS

5. The objects of the Corporation shall be—

(1) to issue insurance policies to exporters of goods and services against non-receipt or delayed receipt of payments resulting from commercial and non-commercial risks;

(2) to issue guarantees to banks and other financial institutions to facilitate the granting of pre-shipment and post-shipment finance;

(3) to issue guarantees to persons or institutions abroad in connection with goods exported by any person or institution from Sri Lanka or for the due performance of any services to be rendered to such persons or institutions within or outside Sri Lanka;

(4) to provide financial assistance to exporters for the promotion and development of export of goods and services from Sri Lanka;

(5) to provide guarantees to exporters against losses that may be sustained in undertaking market surveys, publicity and any other promotional measures in foreign countries;

(6) to re-finance and provide refinancing facilities to banks and other financial institutions in respect of credit facilities granted by such banks and institutions for the promotion of exports;

(7) to undertake market studies abroad for promotion of exports from Sri Lanka and to conduct seminars and courses on various aspects of export promotion and to collect and disseminate information relating to marketing possibilities and procedures;

(8) to act as agent of the Government, or with the approval of the Government on its own account, to provide insurance and guarantees, undertake such responsibilities and discharge such functions as are considered by the Government as necessary in the national interest;

(9) to help exporters to diversify and expand exports, find new markets and sell their goods abroad on competitive terms of payment; and

(10) to discharge such other functions as the Corporation may consider as necessary for the achievement of any of its objects.

6. (1) For the purpose of carrying out its objects the Corporation may exercise, perform and discharge all or any of the following powers, duties and functions:—

- (a) acquire and hold any movable or immovable property and dispose of any property acquired or held by the Corporation;
- (b) draw, make, accept, discount, execute, endorse, issue and negotiate bills of exchange, promissory notes and other negotiable or transferable instruments;
- (c) obtain loans on such terms and conditions as may be approved by the Minister with the concurrence of the Minister in charge of the subject of Finance;
- (d) invest the moneys of the Corporation in appropriate Government securities as may be determined by the Corporation with the approval of the Minister given with the concurrence of the Minister in charge of the subject of Finance;
- (e) take all such steps as may be necessary or expedient for the protection or realization of any investment;
- (f) provide financial assistance in the form of loans with or without security to exporters, banks or any other person to promote the expansion of exports;
- (g) employ such officers and servants as may be necessary for the purpose of carrying out the work of the Corporation;
- (h) delegate, subject to the general or special directions of the Corporation, to any member or officer of the Corporation any functions or duties of the Corporation as the Corporation may consider necessary so to delegate for the efficient transaction of its business;
- (i) establish and maintain a provident fund for persons employed by the Corporation and to make contributions to such fund and to provide for the welfare of the employees and their dependants by grants of loans, pension or other payments;
- (j) appoint, employ, remunerate and control its officers, servants and agents and direct and decide all matters connected with the administration of its affairs;
- (k) enter into and perform all such contracts as may be necessary for or incidental to the carrying out and performance of its objects;
- (l) re-insure with any insurer, organisation or any Government any liability arising out of any policy of insurance or guarantee issued by the Corporation and to offer re-insurance to other insurers;
- (m) collaborate and associate with other insurers, in regional or international export credit insurance or re-insurance schemes;
- (n) provide managerial, technical and administrative training for its officers and servants;
- (o) furnish managerial, technical and administrative advice and services to any Government Departments, public corporation or other institution within or outside Sri Lanka; and
- (p) do all such other things as are incidental or conducive to the attainment of its objects.

### PART III

#### BOARD OF DIRECTORS

7. A person shall be disqualified from being appointed or continuing as the Chairman or a member of the Board—

- (a) if he is or becomes a member of Parliament;
- (b) if he directly or indirectly holds or enjoys any right or benefit under any contract made by or on behalf of the Corporation; or
- (c) if he has any such financial or other interest as is likely to affect prejudicially the discharge by him of his functions as a member of the Board.

8. Every member appointed under section 3 shall unless he vacates office earlier by death, resignation or removal, hold office for a term of three years and shall be eligible for reappointment.

9. Any member of the Board may at any time resign his office by letter to that effect addressed to the Minister.

10. (1) The Minister may, by order published in the *Gazette*, remove the Chairman or any member from office without assigning any reason therefor and such removal shall not be called in question in any court:

Provided however that no member shall be removed under this subsection except in consultation with the Minister in consultation with whom such member was appointed or the Minister or authority nominating such member.

(2) In the event of the vacation of office by any member of the Board or his removal from office under the provisions of the preceding subsection, the Minister may appoint another person in like manner as such member was appointed in accordance with the provisions of section 3. Any person appointed in place of such member shall hold office during the unexpired part of the term of office of the member whom he succeeds.

(3) If any member of the Board is temporarily unable to perform the duties of his office during any period due to ill health or absence from Sri Lanka or for any other cause, the Minister may appoint some other person to act in his place during such period, in like manner as such member was appointed in accordance with the provisions of section 3.

11. The Chairman or any member of the Board may be paid such remuneration out of the Fund of the Corporation as may be determined by the Minister.

12. (1) The Chairman of the Board shall, if present preside at all meetings of the Board. In the absence of the Chairman from any such meeting, the members present shall elect one of the members to preside at such meetings.

(2) The quorum for any meeting of the Board shall be three members and the Board may regulate the procedure in regard to the meetings of such Board and the transaction of business at such meetings.

(3) All questions for decision at any meeting of the Board shall be decided by the vote of the majority of the members present. In the case of an equality of votes the member presiding shall have a casting vote.

13. A member who is directly or indirectly interested in any business transacted or proposed to be transacted by the Corporation shall disclose the nature of such interest at the meeting of the Board where such business is being discussed. The disclosure shall be recorded in the minutes of the Board and such member shall not take part in any deliberation or decision of the Board with regard to that business, and shall withdraw from such meeting while such deliberation is in progress or such decision is being made.

14. No act or decision or proceeding of the Board shall be invalidated by reason only of the existence of a vacancy among its members or any defect in the appointment of a member thereof.

15. (1) The seal of the Corporation shall be in the custody of the Board.

(2) The seal of the Corporation may be altered in such manner as may be determined by the Board.

(3) The seal of the Corporation shall not be affixed to any instrument or document except in the presence of two members of the Board who shall sign the instrument in token of their presence.

## PART IV

### FINANCE

16. (1) The authorized capital of the Corporation shall be five million rupees of which a sum of two and a half million rupees shall be initially paid up by the Central Bank of Ceylon and the Insurance Corporation of Ceylon in equal proportion.

(2) On a resolution adopted by the Board, the balance authorized capital of two and a half million rupees shall be drawn by the Corporation from the Central Bank of Ceylon and the Insurance Corporation of Ceylon in equal proportion.

(3) The authorized and paid-up capital of the Corporation may be increased from time to time by such amount as may be determined by the Corporation with the approval of the Minister given with the concurrence of the Minister in charge of the subject of Finance.

(4) The amount of any increase in the capital referred to in subsection (3) shall be paid to the Corporation in such instalments as may be determined by the Minister with the concurrence of the Minister in charge of the subject of Finance.

17. (1) At the request of the Minister, the Minister in charge of the subject of Finance shall guarantee the liability of the Corporation in respect of the insurance policies and guarantees issued by the Corporation up to such amount as may be determined by him.

(2) Any sum required for the fulfilment of a guarantee provided under subsection (1) may be paid out of the Consolidated Fund.

(3) In pursuance of a resolution of the Board, any portion of the amount of the guarantee provided under subsection (1) as may be determined by the Minister with the concurrence of the Minister in charge of the subject of Finance may be drawn by the Corporation for the payment of any claim in excess of the minimum reserves of the Corporation in respect of any insurance policies and guarantees issued by the Corporation.

18. The maximum limit up to which the Corporation may undertake liability under the policies of insurance and guarantees issued by the Corporation shall be determined from time to time by the Minister with the concurrence of the Minister in charge of the subject of Finance.

19. (1) The Corporation shall have its own Fund.

(2) There shall be paid into the Fund—

- (a) any sum paid to the Corporation under section 16 and 17;
- (b) all sums received by the Corporation as premium in respect of the policies of insurance and guarantees issued by the Corporation;
- (c) all grants of money received by the Corporation; and
- (d) all sums of money including recoveries and charges received by the Corporation in the exercise, discharge and performance of its powers, functions and duties.

(3) There shall be paid out of the Fund—

- (a) all sums of money required for the discharge of the liabilities of the Corporation under the policies of Insurance and the guarantees issued by the Corporation; and
- (b) all sums of money required to defray any expenditure incurred by the Corporation in the exercise, discharge and performance of its powers, functions and duties.

20. (1) The financial year of the Corporation shall be the calendar year.

(2) 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 Corporation as though such Corporation were a public corporation within the meaning of that Part of that Act.

21. (1) The net profit of the Corporation in each year shall be exempt from income tax.

(2) The profits of the Corporation may be invested in such manner as the Corporation may determine with the approval of the Minister in consultation with the Minister in charge of the subject of Finance.

(3) No dividend shall be paid on the share capital of the Corporation.

22. (1) No person other than a Director or a person expressly authorized by the Board, shall sign and execute any documents required to be signed or executed by the Board in the exercise, discharge or performance of any powers, functions or duties conferred or imposed on or assigned to him by the Board under this Act.

(2) Receipts signed by the Directors or by any person expressly authorized by the Board to sign such receipts shall be an effectual discharge of the amounts paid to the Corporation.

## PART V

### STAFF OF THE CORPORATION

23. (1) The Chairman shall function as the Managing Director of the Corporation.

(2) The Chairman shall, subject to the general directions and control of the Board, be charged with the direction of the business of the Corporation, the organisation and the exercise, discharge and performance of the powers, functions and duties of the Corporation and the administrative control of the employees of the Corporation.

(3) The Chairman may, with the approval of the Board, whenever he considers it necessary to do so delegate in writing to any employee any power, function or duty, conferred or imposed on or assigned to him by this Act and such employee shall exercise, discharge and perform such power, function or duty subject to the general or special directions of the Chairman.

24. (1) The Board may appoint such other officers and servants as it considers necessary for the efficient discharge of its functions.

(2) The officers and servants appointed under subsection (1) shall be remunerated in such manner and at such rates and shall be subject to such conditions of service as may be determined by the Board.

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

(4) Where any officer in the Public Service is temporarily appointed to the staff of the Corporation, the provisions of subsection (2) of section 13 of the Transport Board Law, No. 19 of 1978, shall *mutatis mutandis* apply to and in relation to him.

(5) Where any officer in the Public Service is permanently appointed to the staff of the Corporation, the provisions of subsection (3) of section 13 of the Transport Board Law, No. 19 of 1978, shall *mutatis mutandis* apply to and in relation to him.

(6) Where the Corporation employs any person who has agreed to serve the Government for a specified period, any period of service to the Corporation by that person shall be regarded as service to the Government for the purpose of discharging the obligations of such agreement.

(7) At the request of the Corporation any member of the local Government Service or any other officer or servant of a local authority, may, with the consent of such member, officer or servant of the Local Government Service Advisory Board, or the local authority, as the case may be, be temporarily appointed to the staff of the Corporation for such period as may be determined by the Corporation with like consent or be permanently appointed to such staff on such terms and conditions including those relating to pension or provident fund rights as may be agreed upon by the Corporation and the Local Government Service Advisory Board or that local authority.

(8) At the request of the Board any officer or servant of a public corporation may, with the consent of such officer or servant, be temporarily appointed to the staff of the Corporation for such period as be determined by the Corporation with like consent, or be permanently appointed to such staff on such terms and conditions including those relating to pension and provident fund rights, as may be agreed upon by the Corporation and the said public corporation.

(9) Where any persons is temporarily appointed to the staff of the Corporation in pursuance of subsection (7) or (8), such person shall be subject to the same disciplinary control as any other member of such staff.

25. All Directors, officers and servants of the Corporation shall be deemed to be public servants within the meaning and for the purposes of the Penal Code.

26. The Corporation 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

27. No Director, officer or servant of the Corporation shall be liable for any damage or loss suffered by the Corporation unless such damage was caused by his wilful act or default.

28. (1) No suit or prosecution shall lie—

- (a) against the Board for any act which in good faith is done or purported to be done by the Board under this Act; or
- (b) against any Director, officer, servant or agent of the Corporation for any act which in good faith is done or purported to be done by him under this Act or on the direction of the Board.

(2) Any expenses incurred by the Corporation in any suit or prosecution brought by or against the Corporation before any court shall be paid out of the funds of the Corporation, and any costs paid to, or recovered by, the Corporation in any such suit or prosecution shall be credited to the funds of the Corporation.

(3) Any expenses incurred by any such person as is referred to in paragraph (b) of subsection (1) in any suit or prosecution brought against him before any court in respect of any act which is done or is purported to be done by him under this Act or on the direction of the Board shall, if the court holds that such act was one in good faith, be paid out of the funds of the Corporation unless such expenses are recovered by him in such suit or prosecution.

29. Every Director, employee or auditor of the Corporation shall, before entering upon his duties, sign a declaration pledging himself to observe strict secrecy respecting all transactions of the Corporation and all matters relating to such transactions and shall by such declaration pledge himself not to reveal any such transaction or matter except—

- (a) when required so to do by the Board of Directors, a court of law, or the person to whom the transaction or matter relates;
- (b) in the performance of his duties; and
- (c) in order to comply with any of the provisions of this Act or any other written law.

30. Any notice, order or document required or authorized under this Act or any regulation made thereunder to be served on any person, may be served—

- (a) by delivering it to that person or by delivering it at the usual or last known address of abode or business of that person in a cover addressed to such person;
- (b) by sending it by registered post addressed to that person at his usual or last known place of abode or business.

31. (1) The Minister may make regulations relating to all or any of the matters 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 made by the Minister shall, as soon as convenient after its publication in the *Gazette*, be brought before the Parliament for approval. Every regulation which is not so approved shall be deemed to be rescinded as from the date of disapproval, but without prejudice to the validity of anything previously done thereunder.

32. Any person who—

- (a) contravenes any provision of this Act or of any regulation made thereunder; or
- (b) furnishes for the purposes of this Act any information which is, or any document the contents of which are, or any part of the contents of which is, to his knowledge untrue or incorrect; or
- (c) wilfully obstructs any officer of the Corporation in the performance of his duties under the provisions of this Act,

shall be guilty of an offence and shall, on conviction after trial before a Magistrate, be liable to imprisonment of either description for a period not exceeding six months or to a fine not exceeding one thousand rupees or to both such imprisonment and fine.

33. All the assets, debts, liabilities and obligations of the Central Bank of Ceylon, acting as agent of the Government under the provisions of section 108 of the Monetary Law Act (Chapter 422), in relation to the Packing Credit Guarantee Scheme and the Export Performance Guarantee Scheme operated by the Bank and subsisting on the appointed date, shall be transferred to the Corporation.

34. Notwithstanding anything to the contrary in the Insurance Corporation Act, No. 2 of 1961, the Insurance Corporation of Ceylon may contribute to the share capital of the Corporation.

35. Notwithstanding anything to the contrary in the Insurance Corporation Act, No. 2 of 1961, the Corporation shall carry on the insurance business specified in this Act.

36. Notwithstanding anything to the contrary in the Monetary Law Act, the Central Bank of Ceylon may contribute to the share capital of the Corporation.

37. (1) The Minister may by regulations made under this Act provide for the application to the Corporation, with or without any modifications of any provisions of the Companies Ordinance.

(2) The provisions of the Companies Ordinance, other than the provisions of that Ordinance which are made applicable to the Corporation by regulations made under this Act, shall not apply to the Corporation.

38. The provisions of this Act shall have effect notwithstanding anything to the contrary in any other written law and accordingly, in the event of any conflict or inconsistency between the provisions of this Act and such other law, the provisions of this Act shall prevail.

**APPROPRIATION ACT, No. 18 of 1978**

(Certified on 27th December, 1978)

AN ACT TO PROVIDE FOR THE SERVICE OF THE FINANCIAL YEAR, 1979, 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 Act may be cited as the Appropriation Act, No. 18 of 1978.

2. (1) Without prejudice to any other law authorizing any expenditure, the expenditure of the Government, which it is estimated will be rupees sixteen thousand eight hundred and forty-two million eight hundred and fifty-four thousand seven hundred and seventy-four for the service of the period beginning on January 1, 1979, and ending on December 31, 1979, in this Act referred to as the "financial year 1979", 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 eight thousand one hundred and eighty six million.

The sum of rupees sixteen thousand eight hundred and forty two million eight hundred and fifty-four thousand seven hundred and seventy-four herein before referred to may be expended as specified in the First Schedule to this Act.

(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 1 of the Second Schedule to this Act shall be credited to the Account of such activity, but the aggregate of the receipts so credited shall not exceed the minimum limit specified

in the corresponding entry in column III of that Schedule. Any receipts from such activity in excess of such minimum 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 Act 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 Act 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 Act 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 Act, 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 Act 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 expenditure; 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 May 31, 1980, by order vary or alter any of the maximum limits, specified in column II, column IV and column V or the minimum limits specified in column III of the Second Schedule to this Act. 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. Parliament may, by resolution, amend the Second Schedule to this Act, by adding to the appropriate columns of that Schedule, any activity and all or any of the maximum limits relating to such activity.