

PART IV

MAJOR LEGISLATIVE ENACTMENTS OF 1985 RELATING TO THE FUNCTIONS AND OPERATIONS OF THE CENTRAL BANK AND BANKING INSTITUTIONS IN SRI LANKA

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EMPLOYEES' PROVIDENT FUND (AMENDMENT) ACT, No. 1 OF 1985

[Certified on 9th January, 1985]

AN ACT TO AMEND THE EMPLOYEES' PROVIDENT FUND ACT, No. 15 OF 1958.

1. This Act may be cited as the Employees' Provident Fund (Amendment) Act, No. 1 of 1985.

2. Section 5 of the Employees' Provident Fund Act, No. 15 of 1958 (hereinafter referred to as the "principal enactment") is hereby amended in subsection (1) thereof as follows:—

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

"(bb) the Board shall determine with the concurrence of the Minister, the amount of surcharge to be distributed, among the members affected by the failure of their employers to pay the contributions due from him to the Fund, on the day such contribution is due, out of the money received by way of surcharge under the provisions of section 16 ;" and

(2) by the substitution for paragraph (k) thereof, of the following paragraph:—

"(k) shall deduct from the income from the investment of moneys of the Fund, the expenses incurred by the Board and the Commissioner in carrying out their respective functions under this Act ;"

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 Section 7A of the principal enactment is hereby repealed and the following section substituted therefor:—

"Expenses incurred in the administrations of the Act. 7A. The expenses incurred by the Commissioner and the Monetary Board in carrying out the provisions of this Act shall be charged on the income from the investment of moneys of the Fund."

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

(1) in subsection (1) thereof, by the substitution for the words from "employment during that month: Provided that" to the end of that subsection, of the words "employment during that month."; and

(2) in subsection (2) thereof, by the substitution for the words "to pay to the Fund before the last day of the succeeding month", of the words "to pay to the Fund on or before the last day of the succeeding month".

5. Section 23 of the principal enactment is hereby amended as follows :—

(1) by the renumbering of that section as subsection (1) thereof ;

(2) in the renumbered subsection (1), by the substitution for paragraph (e) thereof of the following paragraph :—

“(e) after such member ceases to be employed in a covered employment and takes up pensionable employment—

(i) in the public service ;

(ii) in the Local Government Service constituted by the Local Government Service Act, No. 16 of 1974 ;

(iii) in the District Service established under section 47 of the Development Councils Act, No. 35 of 1980 ;

(iv) in the service of any local authority other than as a member of the Local Government Service :” ; and

(3) by the addition immediately after the renumbered subsection (1) of the following new subsection :—

“(2) The Commissioner of Labour may, where he has reason to doubt the genuineness of a Medical Certificate submitted by a member under paragraph (c) of subsection (1) of this section, refer the member concerned for re-examination by a duly constituted Medical Board or a Government Medical Officer and where on such re-examination the original Medical Certificate is found to be false in any material particular, the Commissioner shall reject such certificate, and he shall be entitled to refuse to accept future medical certificates issued by such registered medical practitioner.”.

6. Section 27 of the principal enactment is hereby amended as follows :—

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

“(2A) Where contributions payable under this Act by the employers or administrators of any approved provident fund or approved contributory pension scheme in respect of any month have not been paid to such fund or scheme on or before the last day of the succeeding month and the employer or administrator is unable to explain to the satisfaction of the Commissioner that the failure to pay such contribution was due to circumstances beyond his control, he shall be liable to pay to such fund or scheme in addition to the amount of the contributions due, a surcharge on such amount calculated in the following manner :—

- (a) Where the contributions are in arrears for a period not exceeding ten days, a surcharge of five *per centum* of the amount of the contributions due ;
- (b) where the contributions are in arrears for a period exceeding ten days but not exceeding one month a surcharge of fifteen *per centum* of the amount of the contributions due ;
- (c) where the contributions are in arrears for a period exceeding one month but not exceeding three months, a surcharge of twenty *per centum* of the amount of the contributions due ;
- (d) where the contributions are in arrears for a period exceeding three months but not exceeding six months, a surcharge of thirty *per centum* of the amount of the contributions due ;
- (e) where the contributions are in arrears for a period exceeding six months but not exceeding twelve months, a surcharge of forty *per centum* of the amount of the contributions due ; and
- (f) where the contributions are in arrears for a period exceeding twelve months, a surcharge of fifty *per centum* of the contributions due.

(2B) The moneys received by way of surcharges and paid into the fund of any approved provident fund or approved contributory pension scheme shall be deemed to form part of the income of such fund or scheme as the case may be and shall accordingly be distributed among the members of the respective fund or scheme.”; and

(2) by the addition immediately after subsection (11) thereof, of the following new subsection :—

“(12) Where the Commissioner has been notified of the existence of a dispute, between an employer or administrator as the case may be, and any member of an approved provident fund or approved contributory pension scheme he shall issue such directions as he may deem appropriate in the circumstances for the settlement of such dispute. Any directions issued by the Commissioner under this subsection shall be binding on the parties to the dispute.”.

7. Section 34 of the principal enactment is hereby amended as follows :—

- (1) in paragraph (b) thereof, by the substitution for the words “untrue or incorrect ; or”, of the words “untrue or incorrect ;” ;
- (2) in paragraph (c) thereof, by the substitution for the words “ powers under section 32 ”, of the words “ powers under section 32 ; or ” ; and

(3) by the insertion, immediately after paragraph (c) thereof, of the following new paragraph :—

“(d) contravenes any direction made by the Commissioner in the exercise of his powers under section 27,”

8. Section 38 of the principal enactment is hereby amended as follows :—

(1) in subsection (1) of that section, by the substitution for the words “having jurisdiction in any district where the defaulting employer resides or in which any property, movable or immovable owned by such employer is situate,” of the words “having jurisdiction in any district in which the member or members of the fund in respect of whom default is made, is or was employed by such defaulting employer;” and

(2) in subsection (2) of that section, by the substitution for the words “to the Magistrate having jurisdiction in the division in which such place is situate”, of the words “to the Magistrate having jurisdiction in the division in which the place of work of the member or members of the fund in respect of whom default is made, is situate.”

9. Section 47 of the principal enactment is hereby amended as follows :—

(1) by the insertion, immediately after the definition of “covered employment”, of the following definition :—

“duly constituted Medical Board” means a Medical Board nominated by the Director-General of Health Services on an application made by the Commissioner for the purpose of examining persons whose medical certificates give rise to reasonable doubt ;’ ;

(2) by the substitution for the definition of “earnings” of the following definition :—

“earning” means—

(a) wages, salary or fees ;

(b) cost of living allowance, special living allowance and other similar allowances ;

(c) payment in respect of holidays ;

(d) the cash value of any cooked or uncooked food provided by the employer to employees in prescribed employments and any such commodity used in the preparation or composition of any food as is so provided, such value being assessed by the employer subject to an appeal to the Commissioner whose decision on such appeal shall be final ;

(e) meal allowance ; and

(f) such other forms of remuneration as may be prescribed ; ;

(3) by the substitution for the definition of "employee" of the following definition :—

"employee" means any person who has entered into or works under a contract with an employer in any capacity, whether the contract is expressed or implied, or oral or in writing and whether it is a contract of service or of apprenticeship or a contract personally to execute any work of labour, and includes any person ordinarily employed under any such contract, whether such person is or is not in employment at any particular time ; ; and

(4) by the substitution for the definition of "employer" of the following new definition :—

"employer" means any person who employs or on whose behalf any other person employs any workman and includes a body of employers (whether such body is a firm, company, corporation or trade union), and any person who on behalf of any other person employs any workman, and includes the legal heir, successor in law, executor or administrator and liquidator of a company ; and in the case of an incorporated body, the President or the Secretary of such body, and in the case of a partnership, the Managing Partner or Manager ; ;

REGISTERED STOCK AND SECURITIES (AMENDMENT)

ACT, NO. 3 OF 1985

[Certified on 9th January, 1985]

AN ACT TO AMEND THE REGISTERED STOCK AND SECURITIES ORDINANCE

1. This Act may be cited as the Registered Stock and Securities (Amendment) Act, No. 3 of 1985.

2. The Registered Stock and Securities Ordinance is hereby amended by the insertion, immediately after section 30 of the following new section which shall have effect as section 30A, of that Ordinance :—

Manner of dealing with income from investments of Joint Investment Fund.

30A. Where however moneys of any sinking fund are invested by the Joint Investment Fund (hereinafter referred to as the "Fund") all dividends, interest, bonus and other profits on such investment—

- (a) whether already received or accruing to the Fund and constituting the surplus during the period January 1, 1984 to December 31, 1984, after all disbursements in settlement of the deposits of any sinking fund to redeem maturing debt have been made out of the Fund, and
- (b) accruing to the Fund on or after January 1, 1985, shall be paid into the Consolidated Fund.

For the purposes of this section, the "Joint Investment Fund" means the Fund established by the Central Bank in terms of section 106 (2) of the Monetary Law Act, in which moneys of any sinking fund are deposited for investment.

REGIONAL RURAL DEVELOPMENT BANKS ACT, NO. 15 OF 1985

[Certified on 10th April, 1985]

AN ACT TO ENABLE THE MONETARY BOARD OF THE CENTRAL BANK TO ESTABLISH REGIONAL RURAL DEVELOPMENT BANKS WITH A VIEW TO DEVELOPING THE RURAL ECONOMY BY PROVIDING, FOR THE DEVELOPMENT OF AGRICULTURE, COTTAGE AND SMALL-SCALE INDUSTRY, FISHING INDUSTRY, COMMERCE AND OTHER DEVELOPMENT ACTIVITIES IN RURAL AREAS ; AND FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

1. This Act may be cited as the Regional Rural Development Banks Act, No. 15 of 1985.

PART 1

ESTABLISHMENT OF REGIONAL RURAL DEVELOPMENT BANKS

2. (1) Where the Monetary Board of the Central Bank (hereinafter referred to as "the Monetary Board") considers it necessary that one or more than one Regional Rural Development Bank (hereinafter referred to as "the Bank") be established for the purpose of developing the rural economy by providing for the development of agriculture, cottage and small-scale industry, fishing industry, commerce and other development activities in rural areas, the Monetary Board may by Order (hereinafter referred to as the "Incorporation Order") published in the *Gazette*—

- (a) declare that the Bank be established for the purpose of developing the rural economy by providing for the development of agriculture, cottage and small scale industry, fishing industry, commerce and other development activities in rural areas ;
- (b) assign a corporate name to the Bank ;
- (c) state the area within which the Bank shall operate ;

(d) state the principal place of business of the Bank ;

(e) fix a date on which the Bank shall commence business ; end

(f) state the names of the persons appointed under section 8 as the first members of the Board of Directors of the Bank.

(2) Every Bank shall, by the name assigned to it by the incorporation Order be a body corporate and shall have perpetual succession and a common seal, and may sue and be sued in such name.

3. (1) The principal place of business of the Bank, shall be as specified in the Incorporation Order.

(2) The Bank may where the Board of Directors considers it necessary so to do, establish its branches and agencies at any place within the area specified in the Incorporation Order.

4. The objects of the Bank shall be to promote agricultural, industrial, fisheries, commercial and other development activities within the area specified in the Incorporation Order.

5. The Bank may carry on and transact banking business other than any foreign exchange operations.

6. Subject to the provisions of this Act, in carrying out its objects the Bank may exercise all or any of the following powers :—

(a) to grant short term, medium term and long term loans and other accommodation particularly to farmers and agricultural labourers, whether individually or in groups, and to co-operative societies, and marketing and processing societies for agricultural operations or other purposes relating to agriculture ;

(b) to grant short term, medium term and long term loans and other accommodation to artisans and such other persons individually or in groups, who are engaged in cottage industries, fishing industry, commercial activity or other types of development activities which are of a small-scale in the opinion of the Board of Directors ;

(c) to open, maintain and manage current, deposit, savings and other accounts ;

(d) to discount, buy, sell and deal in bills of exchange, promissory notes, drafts shares, debentures, certificate, scrip and other instruments and securities ;

(e) to negotiate loans and advances, to receive money, securities and valuable on deposit, or for safe custody ;

- (f) to collect and transmit money and securities ;
- (g) to manage property both movable and immovable and transact all kinds of agency business commonly transacted by bankers ;
- (h) to borrow or raise money in such manner as the Bank shall think fit, and to secure the prompt repayment of any money borrowed raised or owing by mortgage, charge or lien upon the whole or any part of the property or assets of the Bank whether present or future, including its uncalled capital and, also by a similar mortgage, charge or lien to secure and guarantee the performance by the Bank of any obligation or liability it may undertake ;
- (i) to lend and advance money on securities and property and give credit to such persons, firms or companies on such terms as it may deem expedient either with or without security ;
- (j) to assist and promote the marketing and processing of agriculture produce and industrial products ;
- (k) to assist and promote the marketing of fish and the processing of fish products ;
- (l) to carry on the business of a pawn broker subject to such conditions as may be determined by the Monetary Board ;
- (m) to acquire or purchase any movable or immovable property or agricultural, industrial, fisheries, commercial or other enterprise and to manage or arrange for the management of such property or enterprise, and to sell or otherwise dispose of such property or enterprise ;
- (n) to undertake rural development projects which are of a small-scale, including pilot projects, in order to achieve the objectives of the Bank ;
- (o) to assist in promoting the development of rural areas by providing encouragement to such activities as tree planting as part of ecological reconstruction and the improvement of villages and generally to provide advisory assistance which serves the objectives of the Bank ;
- (p) to engage in and promote the construction of warehouses, godowns, stores and buildings in rural areas, required for agricultural, industrial, fisheries and commercial activities ;
- (q) to enter into any agreement with any banking institution or co-operative society, subject to guidelines formulated by the Board of Directors, for taking over any undertaking or project which is being financed by such banking institution or co-operative society or which is being carried on by such banking institution or co-operative society ;

- (r) to open deposit accounts in the Central Bank, any commercial bank or co-operative society or with the approval by the Monetary Board, in any bank or financial institution outside Sri Lanka ;
- (s) to lease, let on hire, sell outright, or sell on a hire purchase basis, warehouses godowns, stores and buildings in rural areas and machinery equipment and other goods ;
- (t) to purchase or acquire shares in co-operative, marketing and processing societies and other types of co-operative societies in order to provide infra-structural support to the lending operation of the Bank ;
- (u) to acquire in any manner whatsoever and hold, take or give on lease or hire, mortgage, pledge, sell or otherwise dispose of, any immovable or movable property ;
- (v) to appoint such officers and servants as may be necessary for carrying out the work of the Bank ;
- (w) to establish a provident fund, and provide welfare and recreational facilities, and accommodation facilities, for persons employed by the Bank ;
- (x) to dismiss and exercise disciplinary control over the staff of the Bank ;
- (y) to fix the wages or salaries or other remuneration of the staff ;
- (z) to determine the terms and conditions of service of such staff ;
- (aa) to enter into and perform all such contracts, whether in or outside Sri Lanka as may be necessary for the exercise of the powers and the performance, of the duties of the Bank ;
- (bb) to make rules in relation to its officers and servants including the appointment, promotion, remuneration, disciplinary control and conduct and the grant of leave to them ;
- (cc) to make rules in respect of the administration of the affairs of the Bank ; and
- (dd) to do all things which, in the opinion of the Board, are necessary to facilitate the proper carrying on of the business of the Bank.

PART II

MANAGEMENT OF THE BANK

7. (1) The management and administration of the affairs and business of the Bank shall vest in the Board of Directors (hereinafter referred to as "the Board").

(2) The Board may exercise, all the powers of the Bank under this Act or any other law, and do all acts and things which may be done by the Bank under this Act.

(3) The Board shall in exercising its powers act on sound business principles and have due regard to the interests of rural development.

8. (1) The Board shall consist of—

(a) three Directors appointed by the Monetary Board with the concurrence of the Minister ;

(b) two Directors appointed or elected as provided in subsection (3).

(2) The Monetary Board shall, with the concurrence of the Minister, appoint a Chairman from among the Directors appointed under paragraph (a) of subsection (1) of this section.

(3) The Monetary Board shall, with the concurrence of the Minister, appoint the two Directors referred to in paragraph (b) of subsection (1) to hold office in the first instance for a period of two years or until the transfer of shares of the Bank as provided in section 20, whichever is later and thereafter the general body of the Bank shall elect two Directors to represent the shareholders other than the Central Bank from among persons having such qualifications and in accordance with such procedure as may be determined by the Monetary Board.

(4) Subject to the provisions of subsection (5), the term of office of a Director other than the Directors appointed in the first instance under subsection (3) shall be five years.

(5) Where any Director vacates his office prior to the expiration of his term of office, the Monetary Board shall with the concurrence of the Minister or the general body of the Bank, as the case may be, appoint or elect a successor to hold office, for the unexpired portion of the term of office of such Director.

(6) The Monetary Board may with the concurrence of the Minister remove from office any Director appointed by such Board.

(7) A Director vacating his office by effluxion of time may be re-appointed or re-elected.

(8) A Director elected by the general body of the Bank under subsection (3) shall vacate his office if a motion of no confidence is passed at a meeting of the general body of the Bank by a majority of the members present and voting on such motion and his successor shall be elected for the unexpired portion of the term of office of such Director.

(9) Any Director may resign his office by letter addressed to the Monetary Board.

(10) Where any Director is by reason of illness or other infirmity or absence from Sri Lanka, temporarily unable to perform the duties of his office, the Monetary Board may, with the concurrence of the Minister, or the general body of the Bank, as the case may be, appoint or elect a suitable person to act as his alternate at Board meetings and such person shall have the right to vote thereat.

9. No person shall be qualified for being appointed or elected as a Director or for continuing as a Director if he—

(a) is a Member of Parliament or a Member of any District Development Council, or of any local authority ; or

(b) is, under any law in force in Sri Lanka, found or declared to be of unsound mind ; or

(c) is a person who, having been declared an insolvent or a bankrupt under any law in force in Sri Lanka or any other country is an undischarged insolvent or bankrupt ; or

(d) is convicted of an offence involving moral turpitude and punishable with imprisonment for a term not less than six months.

10. (1) If the Chairman is by reason of illness, infirmity or absence from Sri Lanka temporarily unable to perform the duties of his office, the Monetary Board may, with the concurrence of the Minister, appoint another Director to act in his place.

(2) The Monetary Board may with the concurrence of the Minister without assigning any reason, terminate the appointment of the Chairman of the Board and such termination shall not be called in question in any court.

(3) The Chairman may resign from his office by letter addressed to the Monetary Board.

(4) Subject to the provisions of subsections (2) and (3) the term of office of the Chairman shall be his period of membership of the Board.

11. The Directors may be paid such remuneration out of the funds of the Bank as may be determined by the Monetary Board.

12. A Director who is directly or indirectly interested in a contract proposed to be made by the Bank shall disclose the nature of his interest at a meeting of the Board of Directors. The disclosure shall be recorded in the minutes of such Board, and that Director shall not take part in any deliberation or decision of such Board with respect to such contract.

13. (1) The Chairman of the Board shall, if present preside at every meeting of the Board. In the absence of the Chairman from any such meeting, the Directors present shall elect one of the Directors present, to preside at such meeting.

(2) The quorum for any meeting of the Board shall be three members.

(3) The person presiding at any meeting of the Board shall, in addition to his own vote, have a casting vote.

(4) Subject to the provisions of subsections (2) and (3) the Board may regulate the procedure in regard to the meeting of the Board and the transaction of business at such meeting.

14. No act or proceeding of the Board shall be invalid by reason only of the existence of any vacancy among the Directors, or any defect in the appointment or election of a Director.

15. (1) The Board may delegate to the Chairman or any other employee of the Bank any of its powers and duties.

(2) Every person to whom any power or duty is delegated under subsection (1) shall exercise or perform such power or duty delegated to him subject to the general or special directions of the Board.

16. (1) The seal of the Bank shall be in the custody of the Chairman or any other officer authorized by him.

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

(3) The seal of the Bank shall not be affixed to any instrument except in the presence of two Directors of the Board both of whom shall sign the instrument in token of their presence.

17. (1) On or after the diffusion of the shareholding of the Central Bank under section 20, there shall be a general body of the Bank consisting of twelve persons nominated by commercial banks incorporated or established in Sri Lanka under any written law, or elected, by co-operative societies which are shareholders of the Bank to represent such banks and societies in the general body of the Bank.

(2) The Board may determine—

(a) having regard to the shareholding the number of persons who may be nominated by such commercial banks or elected by co-operative societies under subsection (1) of this section ;

(b) the qualifications required , for persons to be so nominated or elected ; and

(c) the procedure to be followed in the election of such persons to the general body of the Bank.

(3) The general body of the Bank shall not be disqualified from performing the functions vested in it by this Act by reason any of the existence of any vacancy among its members.

18. The Bank may promote and sponsor training of banking and technical personnel, farmers and artisans and other persons engaged in allied activities individually or in groups or through co-operative societies in the subjects of agriculture, industry, commerce, fishing industry, trade and other development activities, and for these purposes the Bank is authorized to defray the costs incurred in that regard.

PART III

FINANCE

19. The authorized share capital of the Bank shall be fifty million rupees divided into five hundred thousand shares of one hundred rupees each.

20. (1) Subject to subsection (7) the issued capital of the Bank for the time being shall be ten million rupees.

(2) The issued capital of the Bank shall be subscribed to by the Central Bank in full.

(3) The Central Bank may, after a period of two years from the date of incorporation, offer shares upto forty nine *per centum* of the issued capital to commercial banks incorporated or established in Sri Lanka under any written law and to co-operative societies.

(4) The maximum shareholding held by the co-operative societies in the aggregate shall be limited to ten *per centum* of the issued capital of the Bank.

(5) No shareholder of the Bank which is a commercial bank incorporated or established in Sri Lanka under any written law or a co-operative society shall alienate the shares owned by it in any manner whatsoever to any person other than a shareholder of the Bank.

(6) Any alienation in contravention of subsection (5) shall be null and void.

(7) The issued capital of the Bank may be increased by the Monetary Board and where additional capital is issued, such capital shall also be subscribed in the same manner as specified in subsections (3) and (4) of the section.

For the purposes of this section and section 17, commercial bank incorporated or established in Sri Lanka means the Bank of Ceylon established by the Bank of Ceylon Ordinance, People's Bank established by the People's Bank Act, No. 29 of 1961, the Hatton National Bank Limited and the Commercial Bank of Ceylon Limited incorporated under the Companies Ordinance (Chapter 145).

21. The Central Bank shall, allocate a sum decided upon by the Monetary Board by way of an outright grant to meet the initial expenditure in relation to the establishment of the Bank as soon as it is incorporated.

22. (1) The Bank may, from time to time, borrow sums of money from the Central Bank for periods not exceeding six months, subject to such terms and conditions as to the interest thereon and the repayment thereof as may be determined by the Monetary Board.

(2) Borrowings by the Bank under subsection (1) shall at no time exceed a sum equivalent to ten *per centum* of the paid-up capital and free reserves of the Bank.

23. The Bank may, from time to time, borrow from the Government, with the prior approval of the Monetary Board and the Government may, from time to time, lend to the Bank through the Central Bank from the Consolidated Fund any sum of money approved by Parliament subject to such terms and conditions as may be determined by the Government.

24. The Bank may, with the prior approval of the Monetary Board from time to time, borrowed from any foreign Government, or any other source whatsoever outside Sri Lanka, any sum of money on such terms and conditions as to the interest thereon and the repayment thereof as may be determined by agreement between the Monetary Board, and such foreign Government or such other source, as the case may be.

25. The Bank shall establish a General Reserve Fund and shall credit to such Fund every year a percentage of its annual profits determined by the Board.

26. The Bank shall establish a Special Reserve Fund for bad and doubtful debts and shall credit to such Fund every year a percentage of its annual profits as may be determined by the Board.

27. The Bank may establish, maintain, manage and control a Fund to be called a "Staff Development Fund" to enable the Bank to meet the expenditure incurred by the Board in securing specialised services and such expenditure incidental thereto and may from time to time, transfer to the Fund, out of the resources of the Bank, such sums of money as it may deem necessary to discharge the functions for which such a Fund is established.

28. (1) The Bank shall establish a Fund to accept grants or donations, from local or foreign organizations which shall be known as the "Special Resources Fund" (in this section referred to as "the Fund"). The Fund shall not form

part of the general funds of the Bank, but shall be a separate fund which shall be administered by the Bank separately from the general funds of the Bank for and on behalf of the Government, or for any such foreign Government, foreign or international organization or person or persons as may be approved by the Government.

(2) The Bank, in terms of any agreement entered into between the donor and the Bank, is hereby authorized to make or give from the Fund any loan, advance, grant or other accommodation to any agricultural, industrial, fisheries, commercial or other enterprise.

(3) There shall be credited to the Fund by the Bank the amount of all donations and grants made, for the purposes of the Fund, by the donor. In addition the Fund shall be credited with the net income or interest arising from the operations of the Fund.

(4) All financial commitments or liabilities of the Bank arising from or incurred in connection with, any act or thing done by the Bank with the object of carrying out the purposes of the Fund shall be charged on the Fund.

(5) The Board may invest temporarily the excess resources of the Fund which cannot be utilised immediately in pursuance of the objectives of the Fund in such securities as it may deem appropriate, without prejudice to the long term interests of the Fund.

(6) Rules may be made under this Act in respect of all or any of the following matters :—

(a) the manner in which the accounts of the Fund shall be kept ;

(b) the establishment of reserves in the Fund for bad and doubtful debts, the depreciation of assets, and for such other contingencies as may accord with normal banking practice ;

(c) the closure or winding up of the Fund ; and

(d) any other matters connected with or incidental to any of the matters aforesaid.

29. Notwithstanding anything contained in the Monetary Law Act the provisions of section 93 of the Monetary Law Act, shall not apply to or in relation to the Bank for a period of three years after the date of commencement of its business and thereafter for the next succeeding period of three years the Bank shall be required to maintain only one-half of the reserves that such bank is required to maintain under that section.

30. The Bank shall be exempted from the payment of income tax upon the profits and income of the Bank, for a period of ten years after the date of the commencement of its business.

31. (1) Any loan granted by the Bank shall be on security and other terms and conditions as may be determined by the Board.

(2) Notwithstanding anything contained in subsection (1), the Board may, in their absolute discretion, grant loans for, purposes as may be specified by the Monetary Board without security in any cases in which the Board, for reasons to be recorded by it in writing, decides having regard to the nature and scope of any scheme or the purpose for which such loan is granted, that such security is not necessary.

PART IV

STAFF

32. (1) The Chairman shall be the Chief Executive Officer of the Bank.

(2) The Chairman shall, subject to the general direction and control of the Board be charged with the direction of the business of the Bank, the organization and execution of the powers of the Bank and the administration and control of the employees of the Bank.

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

33. (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.

PART V

RECOVERY OF LOANS

34. The Provisions of Part V of the State Mortgage and Investment Bank Law, No. 13 of 1975. shall, *mutatis mutandis*, apply to the recovery of loans by the Bank.

PART VI

AUDIT AND ACCOUNTS

35. The financial year of the Bank shall be the calendar year.

36. (1) The Bank shall cause proper books of accounts to be kept of the income and expenditure, assets and liabilities and all other transactions of the Bank,

(2) The provisions of Article 154 of the Constitution relating to the audit of the accounts of public corporations shall apply to the audit of the accounts of the Bank.

37. The provisions of Part IX of the Companies Act, No. 17 of 1982, shall, *mutatis mutandis*, apply to and in relation to the dissolution of the Bank.

PART VII

GENERAL

38. (1) Any person over sixteen years of age who has a deposit or savings account in the Bank may, nominate a person, to whom the moneys lying to the credit of such first-mentioned person shall be paid upon his death and, the provisions of section 44 of the National Savings Bank Act, No. 30 of 1971, shall, *mutatis mutandis*, apply to, and in relation to, such nomination and the payment of the moneys in such account to the nominee.

39. The provisions of the following written laws shall not apply to the Bank:—

(a) the Money Lending Ordinance ;

(b) the Debt Conciliation Ordinance ; and

(c) the Pawn Brokers Ordinance.

40. The provisions of the Companies Act, No. 17 of 1982, shall *mutatis mutandis*, apply to the procedure at the meetings of shareholders for the election of the general body of the Bank.

41. The Bank shall be deemed to be an approved credit agency within the meaning of the Mortgage Act (Chapter 89).

42. Notwithstanding anything in the Stamp Duty Act, No. 43 of 1982, any instrument required or authorized to be made or executed by the Bank or any instrument made or executed in connection with the business of the Bank by the Bank, and any instrument made or executed by any other person in favour of the Bank in respect of any security for a loan, shall be exempt from the payment of duty under that Act.

43. Notwithstanding the provisions of section 22 of the Finance Act, No. 65 of 1961, any person may open accounts with the Bank established under this Act.

44. Every Director, officer or other employer of the Bank shall be indemnified by the Bank against all losses and expenses incurred by him or in relation to the discharge of his duties, except such as are caused by his wilful act or default.

45. (1) Every Director, auditor, officer or other employee or agent or other person employed in the business of the Bank, shall before entering upon his duties sign a declaration pledging himself to observe strict secrecy, respecting all transactions of the Bank, its customers, the state of accounts with any person or institution and all matters relating thereto and shall by such declaration pledge himself not to reveal any other matters which may come to his knowledge in the discharge of his duties except—

(a) when required so to do—

(i) by the Board ; or

(ii) by a court of law ; or

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

(iv) by the Monetary Board.

(b) in the performance of his duties ; and

(c) in order to comply with any of the provisions of this Act or any other law.

(2) Every Director, auditor, officer or other employee, agent, or other person employed in the business of the Bank shall decline to answer any question concerning the business of the Bank if he cannot answer the question without infringing his pledge of secrecy under subsection (1).

(3) Every Director, auditor, officer or other employee, agent or other person employed in the business of the Bank who reveals any information in contravention of a declaration signed by him under 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, notwithstanding that such fine exceeds the amount of fine a Magistrate may impose in the exercise of his ordinary jurisdiction.

46. The Monetary Board may, from time to time give to the Board general or special directions in writing as to the policy and performance of the duties and the exercise of the powers of the Bank, and the Board shall give effect to such directions.

47. In the event of any conflict or inconsistency between the provisions of this Act or any other written law the provisions of this Act shall prevail.

48. (1) The Board may make rules in respect of all or any matters for which rules are required or authorized to be made under this Act.

(2) No rule made by the Board under this Act shall have force until it has been approved by the Monetary Board.

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

“banking business” means the business of receiving funds from the public through the acceptance of money deposits payable upon demand, and the use of such funds either in whole or in part for advance, investments or any other operation either authorized by law or by customary banking practices ;

“Central Bank” means the Central Bank of Ceylon established by the Monetary Law (Chapter 422).

“Commercial bank” shall have the same meaning as in the Monetary Law Act (Chapter 422) ;

“co-operative society” means a co-operative society registered under the Co-operative Societies Law. No. 5 of 1972 ;

“enterprise” means any body of persons, whether corporate or unincorporate, by whatsoever name or designation called, and includes a corporation sole or a sole proprietorship ;

“general body of the Bank” means the general body of the Bank constituted in accordance with the provisions of section 17 of this Act ;

“Monetary Board” means the Monetary Board of the Central Bank of Ceylon established under the Monetary Law Act (Chapter 422) ; and

“small scale industry” means any industry irrespective of technology or location where the investment in plant and machinery excluding land, buildings and utilities does not exceed one million rupees.

INLAND REVENUE (AMENDMENT) ACT, NO. 16 OF 1985

[Certified on 25th April, 1985]

AN ACT TO AMEND THE INLAND REVENUE ACT, NO. 28 OF 1979

1. This Act may be cited as the Inland Revenue (Amendment) Act, No. 16 of 1985.

2. Section 8 of the Inland Revenue Act, No. 28 of 1979 (hereinafter referred to as the “principal enactment”) is hereby amended in paragraph (a) of that section, by the insertion, immediately after sub-paragraph (xLiii) of that paragraph, of the following :—

(xLiv) the Sri Lanka Institute of Printing established by the Sri Lanka Institute of Printing Act, No. 18 of 1984;

(XLV) the Energy Conservation Fund established by the Energy Conservation Fund Act, No. 2 of 1985;

(XLVI) the Tea Small Holdings Development Authority established by the Tea Small Holdings Development Law, No. 35 of 1975 ;

(XLVII) the Co-operative Development Fund established under the Finance Act, No. 11 of 1963 ;

(XLVIII) the Greater Colombo Economic Commission established by the Greater Colombo Economic Commission Law, No. 4 of 1978”.

3. Section 10 of the principal enactment is hereby amended in paragraph (e) of that section by the substitution, for the words “ six years” , of the words “ ten years ”

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

(a) in paragraph (c) of that section by the substitution for the words “ within one year thereafter. ” of the words “ within one year thereafter ;” ; and

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

“(d) such part of the income of any individual for any year of assessment commencing on or after April 1, 1985, as consists of the aggregate of the gross dividends, not exceeding twelve thousand rupees received by such individual”.

5. Section 13 of the principal enactment is hereby amended as follows :—

(a) by the substitution, in paragraph (g) of that section, for the words “ any other agricultural product.”, of the words “any other agricultural product;” ; and

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

“(h) out of the Mill Development Fund administered by the Coconut Development Authority established under the Coconut Development Act, No. 46 of 1971, for the modernisation of machinery.”.

6. Section 20 of the principal enactment is hereby amended in paragraph (b) of subsection (1) of that section as follows :—

(a) in sub-paragraph (ii) of that paragraph by the substitution for the expression “but prior to March 31, 1983,”, of the expression “ but prior to March 31, 1983 ; or ” ; and

(b) by the insertion immediately after sub-paragraph (ii) of that paragraph, of the following sub-paragraph :—

“(iii) the provision for payment in foreign currency, of the services of ship repair, ship breaking, repair and re-furbishment of marine cargo containers, provision of computer software, computer programmes, computer systems or recording computer data, if such company commences to provide such services on or after April 1, 1984, but prior to March 31, 1989, and is approved by the Minister, by Order published in the *Gazette*.”

7. Section 20A of the principal enactment is hereby amended in paragraph (d) of the definition of “export turnover” by the substitution for the words “not exceeding that quota ;”, of the words “not exceeding that quota for the year of assessment commencing on April 1, 1984 ;”.

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

(a) in paragraph (o) of that subsection, by the substitution for the words “formation of that company ; and”, of the words “formation of that company ;”;

(b) in paragraph (p) of that subsection by the substitution for the words “from their place of work.”, of the words “from their place of work ; and” ;
and

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

“(q) the expenditure incurred by such person in the payment of gratuity to an employee on the termination of employment of such employee due to cessation of the trade, business, profession or vocation carried on by such person.”

9. Section 24 of the principal enactment is hereby amended in subsection (3) of that section by the substitution, for the words “of letting commercial buildings” of the words “of letting premises for commercial purposes.”.

10. Section 29 of the principal enactment is hereby amended in the proviso to paragraph (a) of subsection (2) of that section as follows :—

(a) in sub-paragraph (iv) by the substitution, for the expression “the provisions of section 149 ; and”, of the expression “the provisions of section 149 ;” ;
and

(b) by repeal of sub-paragraph (v) and the substitution therefor of the following :—

“(v) where any sum is payable by him by way of an annuity created on or before November 14, 1984 for a period not exceeding six years, no deduction shall be allowed in respect of any such sum payable

by him during the year of assessment in which such annuity is created and during any year of assessment succeeding that year of assessment] unless such annuity is for valuable and sufficient consideration or is for the life of the annuitant ; and

(vi) where any sum is payable by him by way of an annuity created on or after November 15, 1984, no deduction shall be allowed in respect of any such sum payable by him during the year of assessment in which such annuity is created and during any year of assessment succeeding that year of assessment unless such annuity is—

(a) paid under an order of Court by way of payment of alimony or maintenance ;

(b) paid to his spouse under a duly executed deed of separation ; or

(c) in return for full consideration in money or money's worth.

11. Section 30 of the principal enactment is hereby amended as follows :—

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

(a) by the repeal of paragraph (aa) of that subsection and the substitution therefor, of the following paragraph :—

“(aa) an allowance of eighteen thousand rupees in respect of the year of assessment commencing on April 1, 1984 ;” ; and

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

“(aaa) an allowance of twenty-four thousand rupees in respect of any year of assessment commencing on or after April 1, 1985, and” ; and

(2) in the proviso to subsection (2) of that section—

(a) by the repeal of paragraph (c) and the substitution therefor of the following paragraph :—

“(c) an allowance of eighteen thousand rupees in respect of the year of assessment commencing on April 1, 1984 ;” ; and

(b) by the insertion, immediately after paragraph (c), of the following paragraph :—

“(d) an allowance of twenty-four thousand rupees in respect of any year of assessment commencing on or after April 1, 1985.”.

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

(1) in subsection (1) of that section by the substitution, for the expression “ subsection (5)”, of the expression “ subsection (5) and subsection (5A)” ;

(2) in paragraph (k) of subsection (2) of that section by the insertion immediately after sub-paragraph (vii) of that paragraph, of the following sub-paragraph :—

“(viii) the Sri Lanka Institute of Printing, established by the Sri Lanka Institute of Printing Act, No. 18 of 1984.” ;

(3) in paragraph (o) of subsection (2) of that section by the substitution, for the words “ an individual”, of the words “ a resident individual”, and for the words “ of an unmarried child under twenty-five years of age”, of the words “ of a married or an unmarried child under thirty years of age” ;

(4) by the substitution, for subsection (5) of that section of the following subsection :—

“(5) the deduction from the assessable income of—

(a) any person other than a company, for the year of assessment commencing on April 1, 1979, and for each of the five years of assessment immediately succeeding that year of assessment, and

(b) any company for any year of assessment commencing on or after April 1, 1979,

in respect of all qualifying payments other than those referred to in paragraphs (b), (c), (m) and (n) of subsection (2) made by that person or deemed to have been made by him in that year of assessment, shall not exceed one-third of such assessable income.” ;

(5) by the insertion, immediately after subsection (5) of the following subsection :—

“(5A) The deduction from the assessable income of any person other than a company, for any year of assessment commencing on or after April 1, 1985—

(i) in respect of all qualifying payments other than those referred to in paragraphs (b), (c), (m) and (n) of subsection (2) made by him or deemed to have been made by him, in that year of assessment, shall not exceed one-third of such assessable income or five hundred thousand rupees, whichever is less ;

- (ii) in respect of all qualifying payments referred to in paragraphs (c), (m) and (n) of subsection (2) made by him or deemed to have been made by him shall not exceed five hundred, thousand rupees ;
- (iii) in respect of the aggregate of the qualifying payments referred to in paragraphs (i) and (ii) shall not exceed five hundred thousand rupees.” ;

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

“(7A) Where any person who is entitled to a deduction from his assessable income of an allowance under subsection (1) in respect of the purchase of any shares in any company, has sold such shares and has, within three months of the date of such sale, purchased other ordinary shares in respect of which he is entitled to a deduction from his assessable income under that subsection, the reduction from income tax to which he is entitled to in consequence of the second-mentioned purchase of shares shall be reduced by the amount of the reduction from income tax to which he was entitled to in consequence of the first-mentioned purchase of shares.” ;

- (7) in subsection (8) of that section by the substitution for the words “ in paragraph (d) ”, of the words “ in paragraphs (d) and (m) ”; and
- (8) in sub-paragraph (i) of paragraph (b) of subsection (9) of that section by re-lettering of item (e) as item (f) and the insertion, immediately before the re-lettered item of the following item :—

“(e) carrying on an industrial undertaking for the production or manufacture of goods or commodities being an undertaking which—

- (i) commences its production or manufacture in an area which is specified as an area of high unemployment by the Minister, by notice published in the *Gazette* ; and
- (ii) employs more than twenty-five persons ; or”

13. Section 32 of the principal enactment is hereby amended as follows :—

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

- (a) by the repeal of sub-paragraph (iii) of paragraph (a) of that subsection and the substitution therefor, of the following sub-paragraph :—

“(iii) in respect of the year of assessment commencing on April 1, 1984, at the appropriate rates specified in Part IIA of the First Schedule to this Act ;” ;

(b) by the insertion immediately after sub-paragraph (iii) of that paragraph of the following sub-paragraph :—

“(iv) in respect of any year of assessment commencing on or after April 1, 1985, at the appropriate rates specified in Part IIB of the First Schedule to this Act ;” ; and

(c) by the repeal of sub-paragraphs (i) and (ii) of the proviso to subsection (1) of that section and the substitution therefor, of the following sub-paragraphs :

“(i) twelve thousand rupees in respect of the year of assessment commencing on April 1, 1980, and for the three years of assessment immediately succeeding that year of assessment ;

(ii) eighteen thousand rupees for the year of assessment commencing on April 1, 1984 ; and

(iii) twenty-four thousand rupees for any year of assessment commencing on or after April 1, 1985.” ; and

(2) by the repeal of sub-paragraph (ii) of subsection (2) of that section and the substitution therefor of the following sub-paragraphs :—

“(ii) Part II of the First Schedule to this Act in respect of the year of assessment commencing on April 1, 1980, and for the next three years of assessment immediately succeeding that year of assessment ; or

(iii) Part IIA in respect of the year of assessment commencing on April 1, 1984 ; or

(iv) Part IIB in respect of any year of assessment commencing on or after April 1, 1985”.

14. Section 34 of the principal enactment is hereby amended in paragraph (a) of subsection (1) of that section by the substitution, for the words “and an additional five *per centum* of the taxable income of such company for such year of assessment ; and”, of the words and figures “and in respect of the year of assessment commencing on April 1, 1979, and for each of the five years of assessment immediately succeeding that year of assessment, an additional five *per centum* of the taxable income of such company for such year of assessment ; and”.

15. Section 37 of the principal enactment is hereby amended by the substitution, for the words “during any year of assessment”, of the words and figures “during the year of assessment commencing on April 1, 1979, and each of the five years of assessment immediately succeeding that year of assessment”.

16. Section 38 of the principal enactment is hereby amended by the addition immediately after subsection (5) of that section of the following subsection :—

“(6) For the purposes of subsection (4) and subsection (5), the assessable income of an individual shall be deemed to include such part of his income as is exempt from income tax under paragraph (d) of section 11.”.

17. Section 47 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution, for all the words from “Net Wealth” means the amount’ to “on that day other than—” of the following :—

‘(1) “Net wealth” means the amount by which the aggregate value, computed in accordance with the provisions of this Chapter—

(i) of the wealth of a person on the first day of the year of assessment in respect of the year of assessment commencing on April 1, 1979, and for each of the four years immediately succeeding that year of assessment ; and

(ii) of the wealth of a person on the last day of the year of assessment in respect of any year of assessment commencing on or after April 1, 1984,

is in excess of the aggregate value of all the debts owed by him on that day other than—’.

18. Section 48 of the principal enactment is hereby amended by the repeal of subsection (1) of that section and the substitution therefor of the following subsection :—

“(1) The taxable wealth of any person other than a non-resident company shall—

(a) for the year of assessment commencing on April 1, 1979, and for each of the five years of assessment immediately succeeding that year of assessment be such part of the net wealth of that person as exceeds the sum of two hundred thousand rupees ; and

(b) for any year of assessment commencing on or after April 1, 1985, be such part of the net wealth of that person as exceeds the sum of five hundred thousand rupees,

and such person shall be liable to wealth tax in respect of such taxable wealth.”.

19. Section 49 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 subsection :—

(1) The Value of any immovable property shall—

- (a) for the year of assessment commencing on April 1, 1979, and for each of the four years of assessment immediately succeeding that year of assessment, be its market value on the first day of such year of assessment ; and
- (b) for any year of assessment commencing on or after April 1, 1984, be its market value on the last day of such year of assessment :

Provided, however, that if such property formed on April 1, 1977, part of the wealth of the person whose wealth is being assessed (in this subsection referred to as the "assessee") or was acquired, by way of gift or inheritance by the assessee from another person who had owned or held an interest in such property on April 1, 1977, the market value of such property—

- (i) on the first day of the year of assessment commencing on April 1, 1979, and on the first day of each of the four years of assessment immediately succeeding that year of assessment ; and
- (ii) on the last day of any year of assessment commencing on or after April 1, 1984,

shall be deemed to be its market value on April 1, 1977, increased by an amount equal to the cost of any improvements, additions or alterations made to that property on or after April 1, 1977, or its market value—

- (a) on April 1, of that year of assessment in the case of any year of assessment referred to in sub-paragraph (i) ; or
- (b) on March 31, of that year of assessment in the case of any year of assessment referred to in sub-paragraph (ii),

whichever is less.' ;

(2) by the repeal of paragraph (a) of subsection (2) of that section and the substitution therefor, of the following paragraph :—

“(a) the market value of any movable property shall—

- (i) for the year of assessment commencing on April 1, 1979, and for each of the four years immediately succeeding that year of assessment, be its market value on the first day of such year of assessment ; and
- (ii) for any year of assessment commencing on or after April 1, 1984, be its market value on the last day of such year of assessment.” ; and

(3) by the substitution in paragraph (b) of subsection (2) of that section for the words "on the first day of the year of assessment after deducting therefrom", of the words "on the first day of the year of assessment in respect of the year of assessment commencing on or after April 1, 1979, and each of the four years of assessment next succeeding that year of assessment and on the last day of the year of assessment in respect of any year of assessment commencing on or after April 1, 1984, after deducting therefrom".

20. Section 56 of the principal enactment is hereby amended in subsection (2) of that section, by the substitution, for the expression "their value on April 1, of that year of assessment", of the expression "their value on the date of the gift".

21. Section 73 of the principal enactment is hereby amended in subsection (1A) of that section as follows :—

(a) in paragraph (i) of that subsection by the substitution for the words "immediately succeeding that year of assessment; and", of the words "immediately succeeding that year of assessment,"; and

(b) by the repeal of paragraph (i) of that subsection and the substitution therefor, of the following paragraphs :—

"(ii) eighteen thousand rupees for the year of assessment commencing on April 1, 1984; and

(iii) twenty-four thousand rupees for any year of assessment commencing on or after April 1, 1985."

22. Sub-heading J of Chapter XII of the principal enactment is hereby amended by the substitution for the word "Tourism", of the words "Tourism and Exports".

23. The following section is hereby inserted immediately after section 85, and shall have effect as section 85A of the principal enactment :—

Relief from income tax in respect of certain profits and income of companies engaged in exports.

85A. Where the net foreign exchange earnings of a company from the export turnover of an undertaking referred to in section 20 (1) or section 20A(1) is certified by the Export Development Board to be seventy-five *per centum* or more of the value (before charging freight and insurance) of such exports for each year for a period of ten years immediately succeeding the last date of the year for which the whole or any part of the profits and income of that company is exempt from income tax under the provisions of those sections, such company shall be entitled to a deduction from the income tax payable by the company on the export profits and income for any of the aforementioned ten years of a sum equal to fifty *per centum* of the specified sum.

For the purposes of this section—

(a) “export turnover” and “export profits and income” shall have the same meaning as in section 20 ;

(b) “specified sum”, in relation to any year of assessment means—

(i) in the case of a resident company, a sum which bears to the income tax payable by that company for that year of assessment under paragraph (a) of subsection (1) of section 33 after the deduction of any relief granted under section 82 or section 83, the same proportion as the export profits and income of that company bear to the total profits and income of that company for that year of assessment ; and

(ii) in the case of a non-resident company , the sum which bears to the income tax payable by that company for that year of assessment under paragraph (a) of subsection (1) of section 34 after the deduction of any relief granted under section 82 or section 83, the same proportion as the export profits and income of that company bear to the total profits and income of that company for that year of assessment. .

24. The following new section is hereby inserted immediately after section 92A and shall have effect as section 92AA of the principal enactment :—

‘Returns and other documents to contain the national identity card number or passport number

92AA. Every individual who is chargeable with income tax, wealth tax or gifts tax under this Act, for any year of assessment commencing on or after April 1, 1985, shall, for the purposes of this Act,—

(a) indicate in his return of income, wealth or gift for such year of assessment—

(i) his identity card number if he is a person liable for registration under the Registration of Persons Act, No. 32 of 1968 ; or

(ii) the number in his current passport if he is not liable to registration under the aforesaid Act ;

(b) indicate in the documents relating to any transaction specified by the Minister by notice published in the *Gazette*, having regard to the need to ensure the equitable administration of the provisions of this Act,—

(i) his identity card number if he is a person liable to registration under the aforesaid Act ; or

(ii) the number in his current passport if he is not liable to registration under the aforesaid Act.’

25. Section 97 of the principal enactment is hereby amended by the insertion immediately after subsection (2) of that section of the following subsection :—

“(3) Notwithstanding anything contained in subsection (1) and subsection (2) of this section, the entirety of the tax payable by any company resident in Sri Lanka under paragraph (b) of subsection (1) of section 33 in respect of dividends distributed by such company in any year of assessment, commencing on or after April 1, 1985, shall be paid on or before the thirtieth day succeeding the date of distribution of such dividends.”

26. Section 125 of the principal enactment is hereby amended as follows :—

(a) by the insertion immediately after subsection (1) of that section of the following subsection :—

“(1A) Where the entirety of the tax or part of such tax payable by a company on or before the date specified in section 97 (3), is not so paid, such tax or part thereof shall be deemed to be in default and such company shall be deemed to be a defaulter for the purposes of this Act.” ; and

(b) by the substitution in paragraph (ii) of the proviso to subsection (2) of that section, for the words “such quarterly instalment of tax become due ;” of the words and figures ‘such quarterly instalment of tax become due.

For the purpose of this paragraph “income tax” in relation to a company for any year of assessment commencing on or after April 1, 1985, shall not include tax payable by that company under paragraph (b) of subsection (1) of section 33 in that year of assessment ;’.

27. Section 131 of the principal enactment is hereby amended by the insertion, at the end of subsection (1) of that section, of the following subsection :—

“(1A) Where a person holds money for or on account of the defaulter and any other person or persons jointly (in this section referred to as the “joint account holder or holders”) the Commissioner-General may give a notice under subsection (1) to such person requiring him to pay the amount of the tax in default or part thereof to the officer named in such notice out of the moneys, or such part of such money’s in the joint account which the Commissioner-General is satisfied is attributable to the contributions made by the defaulter and is so certified by the Commissioner-General :

Provided that—

- (a) every person remitting money in compliance with a notice issued under subsection (1), shall intimate such fact to every other joint account holder ;
- (b) every joint account holder other than the defaulter, may, within two weeks of the date on which he receives an intimation under paragraph (a), make a claim to the Commissioner-General in respect of any part of such remittance which represents his net contribution to the balance in such joint account as at the date of notice issued by the Commissioner-General and the Commissioner-General shall consider such claim and make his order thereon ;
- (c) every joint account holder who is aggrieved by the order of the Commissioner-General made under paragraph (b) may institute an action in the District Court seeking an order for the recovery of such money or part of money which he claims to be attributable to the contributions made by him.

Notwithstanding any provision in the Prescription Ordinance (Chapter 68), no action shall be instituted for the recovery of such money or part, of such money after the expiration of three months from the date of notice issued by the Commissioner-General.

28. Section 149 of the principal enactment is hereby amended, by the insertion immediately after subsection (5) of that section, of the following subsection :—

“(6) Notwithstanding anything to the contrary in section 35 and section 38, any tax deducted in accordance with section 38 in respect of a dividend paid by a resident company to a non-resident shareholder, in excess of the rate of tax on dividends specified in an agreement referred to in section 82(1), between the Government of Sri Lanka and the Government of the country in which such shareholder is resident, shall be refunded to such shareholder, on a claim duly made in writing within three years of the end of the year in which such tax was deducted or within one year of the date on which such agreement comes into force, whichever is later.”

29. Section 151 of the principal enactment is hereby amended in paragraph (d) of subsection (1), by the substitution for the expression “or section 92(1) or section 127(2)”, of the expression “. . . “or section 92(1) or section 92AA or section 127(2)”.

30. The following new section is hereby inserted immediately after section 158, and shall have effect as section 158A, of the principal enactment :—

Inland
Revenue
Incentive
Fund.

158A. (1) There shall be established a Fund called the Inland Revenue Incentive Fund (hereinafter in this section referred to as "the Fund").

- (2) There shall be paid into the Fund in respect of each year commencing on or after January 1, 1985, such sums as may be appropriated annually by Parliament for the purpose of the Fund.
- (3) There shall be paid out of the Fund—
- (a) all sums required for the welfare of officers of the Department of Inland Revenue in accordance with any scheme approved by the Minister ; and
 - (b) group incentive allowances to any class or category of officers of the Department of Inland Revenue in accordance with such scheme as may be approved by the Minister to ensure efficiency in the administration of any Act administered by the Commissioner-General.
- (4) The Commissioner-General or any officer of the Department of Inland Revenue specially authorized by him in that behalf shall administer the Fund in accordance with the prescribed procedure.

31. Section 163 of the principal enactment is hereby amended as follows :—

- (1) by the substitution in paragraph (2) of the definition "authorized representative" for the words "being an individual registered as an Auditor under the Companies (Auditors) Regulations, is approved by the Commissioner General", of the words "is an individual approved by the Commissioner-General under regulations made in that behalf"; and
- (2) in the definition of "business" by the substitution for the words "the letting of commercial premises by a company", of the words "the letting of premises for commercial purposes by a company".

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

- (a) in Part IIA of that Schedule by the substitution, for the expression "for any year of assessment commencing on or after April 1, 1984", of the expression "for the year of assessment commencing on April 1, 1984";
- (b) by the insertion, immediately after Part IIA of that Schedule, of the following Part :—

" PART IIB

The rate of income tax for any year of assessment commencing on or after April 1, 1985, shall be as follows :—

	<i>Rate of Tax</i>
On the first Rs. 9,000 of the taxable income ..	7½ per centum
On the next Rs. 9,000 of the taxable income ..	10 per centum
On the next Rs. 9,000 of the taxable income ..	15 per centum
On the next Rs. 9,000 of the taxable income ..	20 per centum
On the next Rs. 9,000 of the taxable income ..	25 per centum
On the next Rs. 9,000 of the taxable income ..	30 per centum
On the next Rs. 9,000 of the taxable income ..	35 per centum
On the next Rs. 9,000 of the taxable income ..	40 per centum
On the next Rs. 15,000 of the taxable income ..	45 per centum
On the next Rs. 15,000 of the taxable income ..	50 per centum
On the balance of the taxable income ..	55 per centum" and

(c) by the repeal of Part IV of the Schedule and the substitution thereof of the following :—

PART IV

The rates of income tax applicable to certain profits from employment specified in subsection (2) of section 32—

(a) for the year of assessment commencing on April 1, 1979 and for the next five years of assessment immediately succeeding that year of assessment—

On the first Rs. 50,000 ..	Nil
On the next Rs. 25,000 ..	5 per centum
On the next Rs. 25,000 ..	10 per centum
On the balance ..	15 per centum

(b) for the year of assessment commencing on or after April 1, 1985—

On the first Rs. 100,000 ..	Nil
On the next Rs. 50,000 ..	5 per centum
On the next Rs. 50,000 ..	10 per centum
On the balance ..	15 per centum"

33. The Third Schedule to the principal enactment is hereby amended by the repeal of item 3 of that Schedule and the substitution thereof of the following item :—

(3) *Executors (other than trustees under last wills) and Receivers (other than liquidators).*

Taxable income of executors (other than trustees under last wills) and receivers (other than liquidators)—

(i) for the year of assessment commencing on April 1, 1979, and each of the five years immediately succeeding that year of assessment .. 30 per centum

(ii) for any year of assessment commencing on or after April 1, 1985 .. 40 per centum."

34. The Fourth Schedule to the principal enactment is hereby amended by the repeal of item 1 and the substitution therefor of the following item :—

"1 For any person other than a charitable institution or a non - resident company having immovable property in Sri Lanka—

(a) for the year of assessment commencing April 1, 1979, and for the next five years of assessment immediately succeeding that year of assessment—

On the first Rs. 200,000 of the taxable wealth	..	$\frac{1}{2}$ per centum
On the next Rs. 500,000 of the taxable wealth	..	$\frac{1}{3}$ per centum
On the next Rs. 1,000,000 of the taxable wealth	..	1 per centum
On the balance of the taxable wealth	..	2 per centum

(b) for any year of assessment commencing on or after April 1, 1985—

On the first Rs. 500,000 of the taxable wealth	..	$\frac{1}{2}$ per centum
On the next Rs. 1,000,000 of the taxable wealth	..	$\frac{1}{3}$ per centum
On the next Rs. 1,500,000 of the taxable wealth	..	1 per centum
On the balance of all taxable wealth	..	2 per centum"

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

" FIFTH SCHEDULE

(section 51)

RATES OF GIFTS TAX

1A For individuals, for the year of assessment commencing on or after April 1 1979 and for each of the five years of assessment next succeeding that year of assessment.

On the first Rs. 50,000 of the value of all taxable gifts	..	Nil
On the next Rs. 100,000 of the value of all taxable gifts	..	5 per centum
On the next Rs. 100,000 of the value of all taxable gifts	..	10 per centum
On the next Rs. 100,000 of the value of all taxable gifts	..	15 per centum
On the next Rs. 100,000 of the value of all taxable gifts	..	20 per centum
On the next Rs. 100,000 of the value of all taxable gifts	..	25 per centum
On the next Rs. 200,000 of the value of all taxable gifts	..	30 per centum
On the next Rs. 200,000 of the value of all taxable gifts	..	35 per centum
On the next Rs. 200,000 of the value of all taxable gifts	..	40 per centum
On the next Rs. 200,000 of the value of all taxable gifts	..	45 per centum
On the next Rs. 200,000 of the value of all taxable gifts	..	50 per centum
On the next Rs. 500,000 of the value of all taxable gifts	..	55 per centum
On the next Rs. 500,000 of the value of all taxable gifts	..	60 per centum
On the balance of the value of all taxable gifts	..	70 per centum

1B For individuals for any year of assessment commencing on or after April 1, 1985—

On the first Rs. 250,000 of the value of all taxable gifts	..	Nil
On the next Rs. 250,000 of the value of all taxable gifts	..	5 per centum
On the next Rs. 250,000 of the value of all taxable gifts	..	10 per centum
On the next Rs. 250,000 of the value of all taxable gifts	..	15 per centum
On the next Rs. 250,000 of the value of all taxable gifts	..	20 per centum
On the next Rs. 250,000 of the value of all taxable gifts	..	25 per centum
On the next Rs. 500,000 of the value of all taxable gifts	..	30 per centum
On the next Rs. 500,000 of the value of all taxable gifts	..	35 per centum
On the next Rs. 500,000 of the value of all taxable gifts	..	40 per centum
On the next Rs. 500,000 of the value of all taxable gifts	..	45 per centum
On the balance of the value of all taxable gifts	..	50 per centum

1B. For individuals for any year of assessment commencing on or after April 1, 1985—

(2) For companies—

On the value of all taxable gifts—50 per centum.”

36. The amendment made in the principal enactment by section 2 of this Act exempting the Greater Colombo Economic Commission established under the Greater Colombo Economic Commission Law, No. 4 of 1978, shall be deemed, for all purposes, to have come into force on the date of commencement of the principal enactment.

ESTATE DUTY (AMENDMENT) ACT, No. 41 OF 1985

[Certified on 22nd October, 1985]

AN ACT TO AMEND THE ESTATE DUTY ACT, NO. 13 OF 1980

1. This Act may be cited as the Estate Duty (Amendment) Act, No. 41 of 1985.

2. Section 3 of the Estate Duty Act, No. 13 of 1980 (hereinafter referred to as the “principal enactment”) is hereby amended by the repeal of subsection (1) of that section and the substitution therefor, of the following subsection :—

“(1) The amount of estate duty payable upon the value of the estate of any person—

(a) dying on or after November 15, 1978, and before November 15, 1984, shall be computed at the appropriate rates specified in Part I of the Schedule to this Act ; and

(b) dying on or after November 15, 1984, shall be computed at the appropriate rates specified in Part II of the Schedule to this Act.”

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

“Exception
for on ^{residential}
residential
premises.

11. (1) Where property passing on the death of any person dying before November 15, 1984, includes and residential premises, a sum of three hundred thousand rupees of the value of one such premises, if the value of such premises is equal to or exceeds three hundred thousand rupees, or the value of such premises, if the value of such premises does not exceed three hundred thousand rupees, shall be exempt from the payment of estate duty.

(2) Where property passing on the death of any person dying on or after November 15, 1984 includes any residential premises, the value of one such premises shall be exempt from the payment of estate duty”.

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

“Relief in respect of foreign estate duty.

19. Where property forming part of the estate of the deceased is situated in a foreign country and the Commissioner-General is satisfied that any duty is payable on the death of the deceased in that country in respect of that property, he shall—

(i) in the case of any person dying before November 15, 1984, in determining the value of such property, allow a deduction of an amount equal to—

(a) the amount of the duty payable in that country ; or

(b) such proportion of the estate duty payable under this Act upon the value of that estate as is equal to the proportion which the value of the property situated in that country bears to the value of the estate,

whichever amount is the lower ;

(ii) in the case of any person dying on or after November 15, 1984, deduct from the amount of the estate duty payable under this Act an amount equal to—

(a) the amount of duty payable in that foreign country ; or

(b) the amount of duty payable in Sri Lanka in respect of such property ascertained in the manner provided for in sub-section (4) of section 3.

whichever amount is the lower.”.

5. Section 24 of the principal enactment is hereby amended by the addition, immediately after subsection (2) thereof, of the following subsection :—

“(3) An assessor may give notice in writing to any person requiring him to furnish within the time specified in such notice a return of such particulars relating to the estate of a deceased person as are within his knowledge and required to be furnished under the preceding provisions of this section.”.

6. Section 43 of the principal enactment is hereby amended as follows :—

(a) in paragraph (a) of that section by the substitution, for the word “received”, of the word “receivable”; and

(b) in sub-paragraph (ii) of paragraph (b) of that section, by the substitution, for the words “one-half”, of the words “twenty thousand rupees”.

7. Section 44 of the principal enactment is hereby amended by the repeal of subsection (4) of that section and the substitution therefor of the following subsections :—

“(4) Any person to whom a notice is sent under subsection (1) who is unable to comply therewith owing to the fact that he does not hold any money on account of the estate or owe any debts to the estate or any debt owed by him to the estate does not become due within the period stated in such notice such person shall within the period stated in such notice, make a declaration to the Commissioner-General apprising him of the facts.

(5) Where any sum required to be paid by a notice given under subsection (1) is not paid in accordance with such notice, and no declaration in relation to such notice is made under the provisions of subsection (4), it shall be recoverable from the person to whom such notice was given as if such sum were estate duty due from such person and as if such estate duty were in default.”

8. Section 58 of the principal enactment is hereby amended by the substitution in that section for the word “trustee” wherever it occurs of the words “trustee, or otherwise”.

9. Section 63 of the principal enactment is hereby amended by the substitution for the words and figures “under section 26, section 49”, of the words and figures “under section 24 or section 26 or section 49”.

10. Section 78 of the principal enactment is hereby amended in subsection (1) of that section as follows :—

(1) by the substitution, for the definition of “authorized representative”, of the following definition :—

“ “authorized representative” when used with reference to a person who is liable to pay estate duty means any individual—

(a) who is authorized in writing by such person to act on his behalf for the purposes of this Act and who is in any case—

(i) a member of the Institute of Chartered Accountants of Sri Lanka ; or

(ii) an Accountant approved by the Commissioner-General ; or

(iii) an Attorney-at-law ; or

(iv) an employee regularly employed by such person ; or

(v) a relative of such person ;

(b) who is authorized in writing from time to time by such person to act his behalf for the purposes of this Act in respect of matters specified in the authorization, and who is an individual approved by the Commissioner-General under regulations made in that behalf;'

(2) by the substitution , for the definition of " Commissioner-General", of the following definition :—

" Commissioner-General " means the Commissioner-General of Inland Revenue appointed or deemed to be appointed under the Inland Revenue Act, No. 28 of 1979, and includes a Commissioner and a Deputy Commissioner who is specially authorized by the Commissioner-General either generally or for some specific purpose to act on behalf of the Commissioner-General ;'

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

SCHEDULE

PART I

<i>Column I</i> (Value of the Estate)	<i>Column II</i> (Rate of Duty)
On the first Rs. 100,000 of the value of the estate	Nil
On the next Rs. 100,000 of the value of the estate	.. 5 per centum
On the next Rs. 190,000 of the value of the estate	.. 10 per centum
On the next Rs. 100,000 of the value of the estate	.. 15 per centum
On the next Rs. 100,000 of the value of the estate	.. 20 per centum
On the next Rs. 100,000 of the value of the estate	.. 25 per centum
On the next Rs. 200,000 of the value of the estate	.. 30 per centum
On the next Rs. 200,000 of the value of the estate	.. 35 per centum
On the next Rs. 200,000 of the value of the estate	.. 40 per centum
On the next Rs. 200,000 of the value of the estate	.. 45 per centum
On the next Rs. 200,000 of the value of the estate	.. 50 per centum
On the next Rs. 300,000 of the value of the estate	.. 55 per centum
On the next Rs. 500,000 of the value of the estate	.. 60 per centum
On the next Rs. 500,000 of the value of the estate	.. 65 per centum
On the balance of the value of the estate	.. 70 per centum

PART II

<i>Column I</i> (Value of the Estate)	<i>Column II</i> (Rate of Duty)
On the first Rs. 250,000 of the value of the estate	.. Nil
On the next Rs. 250,000 of the value of the estate	.. 5 per centum
On the next Rs. 250,000 of the value of the estate	.. 10 per centum
On the next Rs. 250,000 of the value of the estate	.. 15 per centum
On the next Rs. 250,000 of the value of the estate	.. 20 per centum
On the next Rs. 250,000 of the value of the estate	.. 25 per centum
On the next Rs. 500,000 of the value of the estate	.. 30 per centum
On the next Rs. 500,000 of the value of the estate	.. 35 per centum
On the next Rs. 500,000 of the value of the estate	.. 40 per centum
On the next Rs. 500,000 of the value of the estate	.. 45 per centum
On the balance of the value of the estate	.. 50 per centum"

APPROPRIATION ACT, No. 47 OF 1985

[Certified on 27th December, 1985]

AN ACT TO PROVIDE FOR THE SERVICE OF THE FINANCIAL YEAR, 1986 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. 47 of 1985.

2. (1) Without prejudice to any other law authorizing any expenditure, the expenditure of the Government, which it is estimated will be rupees fifty thousand six hundred and eighty million five hundred and seventy-five thousand for the service of the period beginning on January 1, 1986, and ending on December 31, 1986, in this Act referred to as the "financial year 1986" 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 twenty-eight thousand and thirty-six million.

The sum of rupees fifty thousand six hundred and eighty million five hundred and seventy-five thousand hereinbefore 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 1986, from each activity specified in column I of the Second Schedule to this Act shall be credited to the account of such activity, and the aggregate of receipts so credited shall be not less than the minimum limit specified in the corresponding entry in column III of that Schedule. The net surplus, if any, of such activity, shall be paid to the Consolidated Fund before the expiry of six months after the close of the financial year 1986.

(2) For the purpose of determining the net surplus under subsection(1), the following charges shall be set off against the revenue of each activity :—

- (a) the working establishment and other expenses of the activity whether paid or accrued properly chargeable to the revenue of the activity ; and
- (b) provision to cover the depreciation of the movable and immovable property of the activity.

(3) The expenditure incurred by the Government, during the financial year 1986, 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.

(4) The debit balance, outstanding at the end of the financial year 1986, 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 1986, 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 be 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, 1987, by Order vary or alter—

- (a) any of the maximum limits specified in column II, column IV and column V of the Second Schedule to this Act ;
- (b) the minimum limits specified in column III of the Second Schedule to this Act.

No Order made under this section shall have effect unless it has been approved by Parliament, by resolution.

Any such Order shall, if so expressed therein, be deemed to have had effect from such date prior to the date of making 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—

- (a) all or any of the maximum limits relating to such activity ;
- (b) the minimum limit relating to such activity.

MONETARY LAW (AMENDMENT) ACT. No. 52 OF 1985

[Certified on 31st December, 1985]

AN ACT AMEND THE MONETARY LAW ACT

1. This Act may be cited as the Monetary Law (Amendment) Act, No. 52 of 1985.

2. In the Monetary Law Act (hereinafter referred to as the "principal enactment") and in any other written law, there shall be substituted, for the words "Central Bank of Ceylon", the words "Central Bank of Sri Lanka", and accordingly in every context in which mention is made in any notice, communication, form or other document issued, made, required or authorized by or under the principal enactment or any other written law, there shall be substituted, for the words "Central Bank of Ceylon", the words "Central Bank of Sri Lanka".

3. Section 8 of the principal enactment is hereby amended in subsection (2), by the repeal of paragraph (b) thereof, and the substitution therefor, of the following paragraph :—

“(b) the person holding office for the time being as Secretary to the Ministry of the Minister in charge of the subject of Finance ; and”.

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

“Disqualifi-
cation for
appointment
as Governor
or as member
of the Mone-
tary Board.

11 (1) A person shall be disqualified for appointment as the Governor of the Central Bank if—

(a) he is a Member of Parliament, or a member of any local authority ; or

(b) he is a public officer or a judicial officer within the meaning of the Constitution of the Democratic Socialist Republic of Sri Lanka, or holds any office or position (other than an academic position) either by election or appointment, for which salary or other remuneration is payable out of public funds or the funds of any local authority ; or

(c) he is a director, officer, employee or shareholder of any banking institution (other than the Central Bank).

(2) A person shall be disqualified for appointment as a member of the Monetary Board under paragraph (c) of subsection (2) of section 8 if—

(a) he is a Member of Parliament or a member of any local authority ; or

(b) he is a public officer or a judicial officer within the meaning of the Constitution of the Democratic Socialist Republic of Sri Lanka, or holds any office or position (other than an academic position) either by election or appointment for which he is in receipt of a salary or other remuneration paid out of public funds or the funds of any local authority ; or

(c) he is a director, officer, employee or shareholder of any banking institution (other than the Central Bank).”

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

(1) by the repeal of subsection (1) thereof, and the substitution therefor, of the following subsection :—

“(1) The Governor of the Central Bank shall be appointed by the President on the recommendation of the Minister in charge of the subject of Finance.”;

(2) in the proviso to subsection (2) thereof, by the substitution, for the words “accepting or holding any academic office or position”, of the words “accepting or holding any academic office or position or any office or position in an institution or organization, established for the purpose of carrying on research in the subjects of economics, money, banking statistics and finance”; and

(3) by the repeal of subsection (3) thereof, and the substitution therefor, of the following subsection :—

“(3) The Governor shall receive such salary as may be fixed by the President on the recommendation of the Minister in charge of the subject of Finance.”.

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

Authority of Deputy Governor to obtain information. 24A. (1) A Deputy Governor may require any person—

(a) to furnish to him or to any officer or servant of the Central Bank designated by him within such time and in such manner as he may specify, such information as he may consider necessary to obtain for the purpose of the proper discharge of the functions and responsibilities of the Central Bank ; or

(b) to produce for inspection to him or to any officer or servant of the Central Bank, designated by him within such time and in such manner as he may specify, any books or records in the possession of such person containing or likely to contain any such information, as is referred to in paragraph (a) of this subsection.

(2) Any person who, without reasonable cause, fails or refuses to comply with any requirement under subsection (1), shall be guilty of an offence.

(3) In this section “person” includes any officer of any department of Government and any body of persons, corporate or unincorporate, whether established or constituted under any written law or otherwise.

7. The following new sections are hereby inserted immediately after section 29 of the principal enactment, and shall have effect as sections 29A and 29B of that enactment :—

“Continuous supervision of banking institutions

29A. The Director of Bank Supervision may for the purpose of the continuous supervision of banking institutions—

- (a) require any commercial bank, and if so authorized by the Monetary Board any banking institution other than a commercial bank, to furnish from time to time and within such period as may be specified by him, such statement and information relating to the business or affairs of a commercial bank or a banking institution, as the case may be, as he may consider necessary to obtain for the purpose of ascertaining the true condition of the affairs of the commercial bank or the banking institution ;
- (b) require the auditor of any commercial bank, and if so authorized by the Monetary Board of any banking institution other than a commercial bank, to furnish to him within such period as may be specified by him, any information in relation to an audit carried out by such auditor of the commercial bank or banking institution, as the case may be, as he may consider necessary to obtain for the purpose referred to in paragraph (a) ; and
- (c) examine or cause an examiner of his department to examine the books and accounts kept by any commercial bank, or other banking institution as he may deem necessary for the purpose of verifying the accuracy of any statement or information so furnished.

29B. (1) The Director of Bank Supervision shall examine or cause an examiner of his department to examine the books and accounts of any subsidiary or agency of any commercial bank, or the books and accounts of any subsidiary or agency of any banking institution other than a commercial bank, if directions in that behalf are given by the Monetary Board, or the books and accounts of any society registered under the Co-operative Societies Law, No. 5 of 1972, which carries on banking business, if directions in that behalf are given by the Governor.

(2) The provisions of subsections (3), (4) and (5) of section 29 and sections 30, 31 and 32 of this Act shall, *mutatis mutandis* apply, to and in relation to, all or any of the institutions referred to in subsection (1) of this section.”

8. Section 30 of the principal enactment is hereby amended as follows:—

(1) in subsection (3) thereof—

(a) by the substitution for the words “expiration of a period of thirty days”, of the words “expiration of a period of six months”;

(b) in paragraph (b) thereof, by the substitution for the words “of the institution”, of the words “of the institution; or”;

(c) by the addition immediately after paragraph (b) thereof, of the following new paragraph:—

“(c) to cause the Director of Bank supervision to make application to the competent court, to windup the affairs of a branch of an institution, incorporated outside Sri Lanka.”;

(2) by the repeal of subsection (9) thereof, and the substitution therefor, of the following subsection:—

“(9) Where the business of a banking institution has been suspended under subsection (1), the Director of Bank Supervision may—

(a) require such banking institution to forthwith take any action or to do any act or thing which the Monetary Board may consider necessary for carrying on of the business of such bank;

(b) appoint a fit and proper person to advise such banking institution with regard to the proper conduct of the business of such banking institution;

(c) assume control of, and carry on the business of such banking institution or delegate to another person, the carrying on of business of the banking institution;

(d) reorganize, such banking institution by increasing its capital and arranging for new shareholders and by the reconstitution of its board of directors; and

(e) make such arrangements as are necessary for the amalgamation of such banking institution with any other banking institution, that consents to such amalgamation”.

9. Section 32D of the principal enactment is hereby amended in subsection (2) thereof, by the substitution, for the words and figures “section 29, section 30;”, of the words and figures “section 29, paragraph (b) of section 29A, section 30;”.

10. Section 45 of the principal enactment is hereby amended by the repeal of subsection (1) thereof, and the substitution therefor, of the following subsection :—

“(1) Except in the performance of his duties under this Act, every officer and servant of the Central Bank shall preserve and aid in preserving secrecy with regard to all matters relating to the affairs of any banking institution or of any client of any such institution or of any matter relating to the affairs of any department of Government, corporation, company, partnership or person that may come to his knowledge in the performance of his duties under this Act, the Control of Finance Companies Act, No. 27 of 1979, or any other law for the time being in force, and any such officer or servant who communicates any such matter to any person, other than the Monetary Board or an officer of the Central Bank authorized in that behalf by the Governor, or suffers or permits any unauthorized person to have access to any books, papers or other records relating to any banking institution, department of Government, corporation, company, partnership or person, shall be guilty of an offence”.

11. Section 48 of the principal enactment is hereby repealed and the following section substituted therefor :—

‘Definition
of
Currency.

48. For the purpose of this Act unless the context otherwise requires “currency” means all currency notes and coins issued or circulating in accordance with the provisions of this Act’.

12. Section 58 of the principal enactment is hereby amended as follows :—

- (i) in paragraph (b) thereof, by the substitution, for the words “currency note, or” appearing at the end of that paragraph of the words “currency note,”;
- (ii) in paragraph (c) thereof, by the substitution, for the words “form of advertisement” of the words “form of an advertisement, or”; and
- (iii) by the addition, immediately after paragraph (c) thereof, of the following new paragraph :—

“(d) reproduces in any form whatsoever, or makes a facsimile of, any currency note.”.

13. Section 59 of the principal enactment is hereby amended in subsection (3) thereof, by the substitution, for the words “be in the following form :—” of the words “be substantially in the following form :—”.

14. Section 59A of the principal enactment is hereby amended in subsection (3) thereof, by the substitution for the words “be in the following form :—”, of the words “be substantially in the following form :—”,

15. Section 97 of the principal enactment is hereby repealed and the following section substituted therefor :—

'Payment of interest on deficiency in the reserves of commercial banks'

97 (1) Whenever the reserves of any commercial bank are below the required reserves computed in the manner provided, in section 96, the bank shall within such time as may be prescribed by the Monetary Board pay to the Central Bank interest on the amount of the deficiency, at such rate not exceeding one-tenth of one *per centum* per day, as may be prescribed by the Monetary Board :

Provided however, that a commercial bank shall not be required to pay interest in respect of any deficiency in reserves, occurring on one or more days of a week, if the aggregate of the amount lying to the credit of such commercial bank with the Central Bank at the close of business on each of the seven days of that week is not less than the aggregate of the reserves which the commercial bank ought to have maintained on each of the seven days of the same week as a minimum for compliance with the foregoing section. Where the former aggregate is less than the latter aggregate, interest at the rate prescribed by the Monetary Board shall be paid on the deficiency which shall be a sum equal to one-seventh of the difference of such two aggregates (any fraction of a cent not being taken into account) and interest on the deficiency so computed shall be paid on the basis that such deficiency has occurred on each of the seven days of the week and such payment shall be sufficient compliance with the provisions of this subsection.

(2) Where any bank continuously fails to maintain the required reserves, the Monetary Board may make order—

(a) that the proviso to subsection (1) shall not apply to that bank ;

(b) (i) prohibiting or restricting the making of new loans or investments by that bank ; and

(ii) prohibiting the application of the whole or any specified part of the net profits of that bank for the purpose of the payment of a dividend to its shareholders.

(3) For the purposes of this section " week " means, any seven consecutive days, as may be prescribed by the Monetary Board.

ESTATE DUTY (ABOLITION) ACT, No. 53 OF 1985

[Certified on 31st December, 1985]

AN ACT TO ABOLISH THE LEVY AND PAYMENT OF ESTATE DUTY UNDER THE ESTATE DUTY ACT, No. 13 OF 1980, ON THE ESTATES OF PERSONS DYING ON OR AFTER NOVEMBER 13, 1985.

1. This Act may be cited as the Estate Duty (Abolition) Act, No. 53 of 1985.
2. No estate duty shall be levied or paid, under the Estate Duty Act, No. 13 of 1980, on the value of the estate of any person dying on, or after, November 13, 1985.

TURNOVER TAX (AMENDMENT) ACT, No. 54 OF 1985

[Certified on 31st December, 1985]

AN ACT TO AMEND THE TURNOVER TAX ACT, No. 69 OF 1981

1. This Act may be cited as the Turnover Tax (Amendment) Act, No. 54 of 1985.

2. Section 21 of the Turnover Tax Act, No. 69 of 1981 (hereinafter referred to as "the principal enactment") is hereby amended by the repeal of all the words from "wilful neglect" to the end of that section and the substitution, of the following therefor :—

"wilful neglect involved in the disclosure of the turnover made by that person in his return or in the application of the rates of turnover tax to such turnover, in writing, order that person to pay as a penalty for making an incorrect return or for applying an incorrect rate of turnover tax to the turnover set out in his return, a sum not exceeding two thousand rupees and a sum equal to twice the amount of the difference between the total turnover tax claimed in the assessment and the turnover tax paid on the return."

3. Section 57 of the principal enactment is hereby amended by the addition, at the end of that section, of the following subsection :—

"(6) Notwithstanding anything in the preceding provisions of this section, the Commissioner-General or any person authorized in that behalf by the Commissioner-General may, having regard to the need to ensure the equitable administration of this Act, cause to be published in such manner as the Commissioner-General may consider expedient; in respect of any area, a list containing—

- (a) the names and addresses of the turnover tax payers in that area ;
- (b) a description of the businesses carried on by each such tax payer ; and
- (c) the turnover declared by each such tax payer for a quarter."

APPROPRIATION (AMENDMENT) ACT, No. 55 OF 1985

[Certified on 31st December, 1985]

AN ACT TO AMEND THE APPROPRIATION ACT, NO. 46 OF 1984

1. This Act may be cited as the Appropriation (Amendment) Act, No. 55 of 1985.

2. Section 2 of the Appropriation Act, No. 46 of 1984, is hereby amended in paragraph (b) of subsection (1) of that section, by the substitution for the words "rupees twenty-two thousand five hundred and thirty-nine million.", of the words "rupees twenty-eight thousand million."

INLAND REVENUE (AMENDMENT) ACT, No. 56 OF 1985

[Certified on 31st December, 1985]

AN ACT TO AMEND THE INLAND REVENUE ACT, NO. 28 OF 1979.

1. This Act may be cited as the Inland Revenue (Amendment) Act, No. 56 of 1985.

2. Section 9 of the Inland Revenue Act, No. 28 of 1979 (hereinafter referred to as the "principal enactment") is hereby amended in subsection (1) of that section as follows :—

(1) in paragraph (b) of that subsection by the substitution for all the words and figures from "and any such pension" to the end of that paragraph, of the following :—

"(viii) an employee of a Regional Rural Development Bank, established under the Regional Rural Development Banks Act, No. 15 of 1985.

and any such pension, or any such profits from employment referred to in paragraph (c) of section 4, as are received by any person in respect of past services performed by such person or by any other person, whether before or after the commencement of this Act, as an officer or employee referred to in items (i), (ii), (iii), (iv), (v), (vi), or (viii) ;" ; and

(2) by the repeal of sub-paragraph (i) of paragraph (1) of that subsection, and the substitution of the following sub-paragraph therefor :—

"(i) profits and income from employment not exceeding—

(a) thirty thousand rupees, in any year of assessment commencing on or after April 1, 1979 but prior to April 1, 1986, and

(b) forty-two thousand rupees, in any year of assessment commencing on or after April 1, 1986 ; and”.

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

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

“(hh) in respect of any year of assessment commencing on or after April 1, 1985, any sum not exceeding forty *per centum* of its profits and income for that year of assessment, transferred by—

(i) the Development Finance Corporation of Ceylon established by the Development Finance Corporation of Ceylon Act (Chapter 165) ; or

(ii) the National Development Bank established by the National Development Bank of Sri Lanka Act, No. 2 of 1979.

to a special reserve for bad and doubtful debts ;” ;

(2) by the substitution, in paragraph (g) of that subsection, for the words “carried on by such person.”, of the words “carried on by such person ;” and

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

“(r) any annual payment made by such person to any fund, approved for the purposes of this paragraph, by the Commissioner - General and maintained for the purpose of payment, under the Payment of Gratuity Act, No. 12 of 1983, of gratuities to employees on the termination of their services. ”

4. Section 29 of the principal enactment is hereby amended in the proviso to paragraph (b) of subsection (2) of that section, as follows :—

(1) by the substitution, in sub-paragraph (ii) of that proviso, for the words “next year of assessment and so on.” of the words “next year of assessment and so on ;” , and

(2) by the addition, at the end of that proviso, of the following sub-paragraph :—

“(iii) no deduction shall be made under this paragraph or under subsection (3) (b) or subsection (4) (b) in respect of a loss incurred by the company, in which there has been a change of ownership on or after November 15, 1985, except against the statutory income of such trade or business of the company as that in which the loss was incurred.

For the purposes of this paragraph, a change of ownership of a company is deemed to have occurred where more than one-third of the issued share capital of the company is held, at any time in the year of assessment in which the claim for deduction is made, either directly or through nominees, by persons who did not hold such share capital, at any time in the year of assessment in which the losses were incurred."

5. Section 30 of the principal enactment is hereby amended as follows :—

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

(a) by the repeal of paragraph (aaa) of that subsection, and the substitution therefor of the following paragraph :—

"(aaa) an allowance of twenty-four thousand rupees in respect of the year of assessment commencing on April 1, 1985 ;" ; and

(b) by the insertion immediately after paragraph "(aaa) an allowance of twenty-four thousand rupees in respect of the year of assessment commencing on April 1, 1985 ;" ; and

"(aaaa) an allowance of twenty-seven thousand rupees in respect of any year of assessment commencing on or after April 1, 1986, and" ; and

(2) in the proviso to subsection (2) of that section—

(a) by the repeal of paragraph (d) of that proviso and the substitution therefor, of the following paragraph :—

"(d) an allowance of twenty-four thousand rupees in respect of the year of assessment commencing on April 1, 1985 ;" and

(b) by the insertion, immediately after paragraph (d) of that proviso, of the following paragraph :—

"(e) an allowance of twenty-seven thousand rupees in respect of any year of assessment commencing on or after April 1, 1986."

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

(1) in sub-paragraph (i) of paragraph (e) of subsection (2) of that section by the substitution for the words "while he is the owner of that house or site ;", of the words "while he is the owner of that house or site or while the owner of that house or site is the child, under eighteen years of age, of such Individual—

- (a) who has acquired ownership of such house or site, by way of gift from such individual ; and
- (b) whose income has been, for the purposes of this Act, aggregated with that of such individual in that year of assessment ;” ;

(2) in the proviso to subsection (3) of that section—

- (a) by the substitution, in paragraph (b) of that proviso, for the words “site in that year of assessment.”, of the words “site in that year of assessment ; and” ;

(b) by the addition, at the end of that proviso, of the following paragraph :—

“(c) a deduction under subsection (1) shall be made for an year of assessment in respect of such qualifying payment, notwithstanding the fact that such individual is not the owner of such house or site in that year of assessment, if the owner of that house or site in that year of assessment is a child, under eighteen years of age, of such individual—

(i) who has acquired ownership of such house or site, by way of gift from such individual ; and

(ii) whose income has been, for the purposes of this Act, aggregated with that of such individual in that year of assessment.” ;

(3) in subsection (5A) of that section, by the substitution for the words and figures “for any year of assessment commencing on or after April 1, 1985”, of the words and figures “for the year of assessment commencing on April 1, 1985” ; and

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

“(5B) The deduction from the assessable income of any person other than a company, for any year of assessment commencing on or after April 1, 1986—

(i) in respect of all qualifying payments other than those referred to in paragraphs (b), (c), (m) and (n) of subsection (2), made by him or deemed to have been made by him, in that year of assessment, shall not exceed one-third of such assessable income or one hundred and fifty thousand rupees, whichever is less ;

- (ii) in respect of all qualifying payments referred to in paragraphs (c), (m) and (n) of subsection (2), made him or deemed to have been made by him, shall not exceed one hundred and fifty thousand rupees ; and
- (iii) in respect of the aggregate of all qualifying payments referred to in paragraphs (i) and (ii) of this subsection, shall not exceed one hundred and fifty thousand rupees.”.

7. Section 32 of the principal enactment is hereby amended as follows:—

(1) in subsection (1) thereof—

(a) by the repeal of sub-paragraph (iv) of paragraph (a) of that subsection, and the substitution therefor, of the following sub-paragraph :—

“(iv) in respect of the year of assessment commencing on April 1, 1985, at the appropriate rates specified in Part IIB of the First Schedule to this Act ;” ;

(b) by the insertion, immediately after sub-paragraph (iv) of paragraph (a) of that subsection, of the following sub-paragraph :—

“(v) in respect of any year of assessment commencing on or after April 1, 1986, at the appropriate rates specified in Part IIC of the First Schedule to this Act.” ; and

(c) by the repeal of sub-paragraph (iii) of the proviso to that subsection and the substitution therefor, of the following sub-paragraphs :—

“(iii) twenty-four thousand rupees for the year of assessment commencing on April 1, 1985 ; and

(iv) twenty-seven thousand rupees for any year of assessment commencing on or after April 1, 1986.” ; and

(2) in subsection (2) of that section, by the repeal of paragraph (iv) thereto, and the substitution, of the following paragraphs therefor :—

“(iv) Part IIB in respect of the year of assessment commencing on April 1, 1985 ; or

(v) Part IIC in respect of any year of assessment commencing on or after April 1, 1986 :

Provided however, that where the taxable income of an individual for any year of assessment commencing on or after April 1, 1986, includes any sum referred to in paragraph (c) of this subsection, which has been paid to such individual in accordance with a scheme which, in the opinion of the Commissioner - General, is not

uniformly applicable to all individuals employed by the employer of that individual such sum shall be treated as a capital gain, within the meaning of this Act, and such individual shall be taxed for that year of assessment, in accordance with subsection (3) of this section. ”

8. Section 33 of the principal enactment is hereby amended in subsection (1) of that section as follows :—

(1) by the substitution, in the proviso to paragraph (b) of that subsection, for the words “each of the three years of assessment immediately succeeding that year of assessment. , ”, of the words “each of the three years of assessment immediately succeeding that year of assessment ; and” ; and

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

“(c) in the case of a public corporation, for any year of assessment commencing on or after April 1, 1986, an amount equal to twenty-five *per centum* of the balance of its profits, after deduction therefrom of the tax payable under paragraph (a). ”

9. Section 50 of the principal enactment is hereby repealed and the following section substituted therefor :—

“Wealth tax payable not to exceed certain amount.

50. The wealth tax payable by any person—

(a) for the year of assessment commencing on April 1, 1979 or any of the six years of assessment immediately succeeding that year of assessment, shall not exceed eighty *per centum* ;

(b) for any year of assessment commencing on or after April 1, 1986, shall not exceed sixty *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 of any subsidy exempt from income tax under this Act), being profits and income exempt from income tax under this Act or any other enactment, and which, but for this exemption, would have been taken into account in computing the assessable income, of that person for that year of assessment. ”

10. Section 51 of the principal enactment is hereby repealed and the following section substituted therefor :—

“Charge of the gifts tax.

51. Subject to the other provisions of this Chapter, there shall be charged from every individual, other than an individual referred to in section 42, and from every company, for every year of assessment commencing on or after April 1, 1979, but before April 1,

1986, a tax which is hereafter in this Act referred to as the "gifts tax" in respect of taxable gifts made by such individual or company in that year of assessment and in the case of the year of assessment commencing on April 1, 1985, before November 13, 1985, at the appropriate rates specified in the Fifth Schedule to this Act."

11. Section 55 of the principal enactment is hereby amended in subsection (2) of that section, by the substitution, in paragraph (a) of that subsection, for the words "but before the end of that year of assessment," of the words "but before the end of that year of assessment or in the case of the year of assessment commencing on April 1, 1985, before November 13, 1985,"

12. Section 73 of the principal enactment is hereby amended in subsection (1A) of that section, by the repeal of paragraph (iii) of that subsection, and the substitution, of the following paragraphs therefor :—

"(iii) twenty-four thousand rupees for the year of assessment commencing on April 1, 1985 ; and

(iv) twenty-seven thousand rupees for any year of assessment commencing on or after April 1, 1986."

13. Section 86 of the principal enactment is hereby amended as follows :—

(1) by the renumbering of that section as subsection (1) of that section ;

(2) by the substitution, in the renumbered subsection (1) of that section, for the words and figures "commencing on or after April 1, 1979, and", of the words and figures "commencing on or after April 1, 1979, but before April 1, 1986, and"; and

(3) by the insertion, immediately after the renumbered 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, 1986, and

(b) the income tax to which such person is liable for that year of assessment,

exceeds sixty *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."

14. Section 92A of the principal enactment is hereby amended as follows :—

(1) by the renumbering of that section as subsection (1) of that section ; and

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

“ (2) Every company or partnership or body of persons which is chargeable with income tax under this Act, for any year of assessment commencing on or after April 1, 1986, shall, for the purposes of this Act, indicate its registration number under the Business Names Ordinance or the Companies Act, No. 17 of 1982, as the case maybe, in—

(a) its return of income for that year of assessment ; and

(b) all such documents relating to all such transactions as are specified by the Minister under paragraph (b) of subsection (1).”

15. The following new Chapter is inserted immediately after Chapter XV, and shall have effect as Chapter XVA of the principal enactment :—

CHAPTER XVA

DEDUCTION OF INCOME TAX FROM INTEREST PAID BY BANKS AND FINANCIAL INSTITUTIONS

113A. (1) Every bank and financial institution shall, subject to the other provisions of this Chapter, deduct from the interest payable by it in any year of assessment commencing on or after April 1, 1986, on any sum of money deposited with it by a person in his own name or in the name of some other person, being in either case a person chargeable with income tax under this Act, income tax at the rate of twenty *per centum* of the interest so payable.

For the purposes of a deduction under this section, “ interest ” means such part of the interest received by a person chargeable with income tax from a bank or financial institution in any year of assessment as is not exempt from income tax or in respect of which no deduction has been made under section 81.

(2) Every bank or financial institution which deducts income tax in accordance with the provisions of subsection (1) from any interest paid by it in any year of assessment, to a person chargeable with income tax under this Act, shall issue to such person a statement setting out the following particulars :—

(a) the gross amount of the interest due in such year of assessment,

(b) the rate and amount of tax deducted, and the period for which it is deducted and

(c) the net amount of interest actually paid.

113B. Where the assessable income of a person for any year of assessment included a payment referred to in section 113A, then—

(a) if the income tax payable by him for that year of assessment exceeds the total of the deductions made under section 113A, he shall be entitled, on production of a statement relating to such payment made in accordance with that section, to deduct from the income tax payable by him for that year of assessment, the amount of tax set out in such statement ;

(b) if the income tax payable by him for that year of assessment is less than the total of the deductions made under section 113A, he shall be entitled, on production of a statement relating to such payment made in accordance with that section and subject to the provisions of Chapter XXIII, to a refund of the amount of the difference between the income tax payable by him for that year of assessment and the amount set out in such statement.

113C. (1) Any person from whose interest, income tax is deductible by a bank or financial institution, in accordance with the provisions of section 113A, may, if the amount of income tax payable by him for any year of assessment is less than the income tax deductible for that year of assessment under section 113A, make an application to the Commissioner-General in such form, and containing such particulars, as may be specified by the Commissioner-General that a direction be issued to that bank or financial institution to make the necessary adjustments in the deduction of income tax for that year of assessment.

(2) The Commissioner-General or any officer authorized by the Commissioner-General may, on an application, made by any person under subsection (1) issue to the bank or financial institution specified in such application, the necessary directions in writing (a copy of which shall be issued to the applicant) and such bank or financial institution shall deduct income tax from the interest payable to such person in accordance with such direction :

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

(3) Any person who is dissatisfied with a direction issued under this section in respect of any year of assessment may, within a period of thirty days after the date of such direction, appeal to the Commissioner-General in writing setting out precisely the grounds of such appeal. The decision of the Commissioner-General on any such appeal shall be final and conclusive :

Provided that the Commissioner-General shall on a request made in writing by such person, cause an assessment to be made under section 115 on such person for that year of assessment for the purpose of enabling such person to prefer an appeal under section 117 against such assessment.

(4) Every bank and financial institution shall—

- (a) keep a proper record of the interest paid by it, in any year of assessment, to persons chargeable with income tax under this Act, and the date or dates on which such interest is paid, in such manner as may be specified by the Commissioner-General ; and
- (b) permit any officer authorized in writing by the Commissioner-General to inspect any record maintained by it and referred to in paragraph (a).

113D. Every bank or financial institution which is required to deduct income tax from the interest paid by it in any year of assessment to persons chargeable with income tax under this Act, shall deduct such income tax at the time when such interest is paid to such person in accordance with any agreement entered into between it and such person, with respect to such payment, and shall remit the amount so deducted to the Commissioner-General before the fifteenth day of the month following the month in which the deduction was made and at the same time furnish to the Commissioner-General, a declaration in such form and in such manner as may be specified by the Commissioner-General.

113E. (1) Where any bank or financial institution fails to deduct income tax from the interest paid by it in any year of assessment to a person chargeable with income tax under this Act in accordance with section 113D or where the bank or financial institution fails to remit to the Commissioner-General, any amount so deducted, such bank or financial institution shall be liable for the entire amount of the tax it was required to deduct under the provisions of this section but has not so deducted or, as the case may be, for the entire amount or part of the amount of the tax deducted and not remitted, to the Commissioner-General, and the amount not deducted or deducted and not remitted, as the case may be, shall be deemed to be in default from the day following the day on or before which such amount should have been remitted to the Commissioner-General, and such bank or financial institution shall be deemed to be a defaulter, and such amount may be recovered from such bank or financial institution in the manner provided in this Act.

(2) Notwithstanding the provisions of subsection (1), the Commissioner-General may recover from the person from whom such deduction should have been made the amount of the income tax or any part thereof which the bank or financial institution has failed to deduct from the interest paid to such person.

(3) Nothing in this section shall be read and constructed as preventing the Commissioner-General from taking such steps as he thinks fit to recover the amount of income tax referred to in subsection (2) wholly from the bank or financial institution or wholly from the person from whom such deduction should have been made or partly from the bank or financial institution and partly from that person.

113F. Where any bank or financial institution which is required to deduct income tax from the interest paid in any year of assessment to any person chargeable with income tax under this Act—

- (a) fails to deduct the whole or any part of the income tax which it is required to deduct under this Chapter ;
- (b) fails to remit to the Commissioner - General the whole or any part of the income tax so deducted ; or
- (c) fails to furnish any declaration under section 113D, an assessor may at any time within three years from the end of that year of assessment, assess the amount of income tax or the additional amount of income tax which such bank or financial institution should have deducted and paid to the Commissioner-General for such year of assessment, and shall by notice in writing, require such bank or financial institution to pay such amount forthwith together with such amount as may be due under section 113H.

113G. (1) Any bank or financial institution aggrieved by the amount of any assessment made under the provisions of section 113F may appeal in writing against such assessment to the Commissioner-General within a period of thirty days after the date of the notice of such assessment :

Provided that, the Commissioner-General upon being satisfied that owing to absence from Sri Lanka, sickness or other reasonable cause, the appellant was prevented from appealing within such period, shall grant an extension of time for preferring the appeal.

(2) Where the assessment appealed against under subsection (1) has been made in the absence of a declaration required to be furnished under section 113D, the petition of appeal shall be preferred together with such declaration.

(3) The amount of income tax charged by an assessment made under section 113F shall be paid by the bank or financial institution notwithstanding that an appeal against such assessment has been preferred under subsection (1).

(4) The provisions of section 117 (5) to 122 shall, *mutatis mutandis*, apply to any appeal preferred under subsection (1).

(5) Where no valid appeal has been preferred within the period specified in subsection (1) against an assessment made in accordance with the provisions of this Chapter, or where an agreement is reached under section 117 (5) as regards the assessment, or where an assessment has been determined on appeal, the assessment as made or agreed or determined on appeal, as the case may be, shall be final and conclusive for all purposes of this Act.

113H. Where any income tax payable by a bank or financial institution under the provisions of this section is in default, such bank or financial institution shall pay in addition to such tax—

- (a) a penalty of a sum equivalent to ten *per centum* of such tax ; and
- (b) where such tax is not paid before the expiry of six months after tax has begun to be in default, a further penalty of a sum equivalent to fifteen *per centum* of such tax :

Provided that the Commissioner-General may waive or reduce the amount of any such penalty payable by the defaulter if such defaulter proves to the satisfaction of the Commissioner-General that the failure to pay was due to circumstances beyond his control and that he has paid the amount of the tax in default and has furnished the declaration required to be furnished at the time of such payment.

113r. In this Chapter, "financial institution" means any person or body of persons, corporate or unincorporate, whose business or part of whose business consists in the acceptance of money by way of deposit and the payment of interest thereon."

16. Section 115 of the principal enactment is hereby amended in subsection (5) of that section, by the repeal of all the words and figures from "Subject to the provisions of section 62," to "three years from the end of that year of assessment :", and the substitution therefor of the following :—

"(5) Subject to the provisions of section 62, no assessment shall be made—

(a) of—

- (i) income tax or wealth tax, payable under this Act, for any year of assessment commencing before April 1, 1986, by any person, or
- (ii) any gifts tax, payable under this Act, by any person in respect of any gift made by him in any such year of assessment but before November, 13, 1985, and included by such person in a return made by him on or before the thirtieth of November next succeeding that year of assessment,

after the expiry of three years from the end of that year of assessment; and

- (b) of the income tax or wealth tax, as the case may be, payable under this Act for any year of assessment, commencing on or after April 1, 1986, by any person who has made a return of his income or wealth, as the case may be, on or before the thirtieth of November next succeeding the end of that year of assessment,

after the expiry of three years from the end of that year of assessment. :"

17. Section 128 of the principal enactment is hereby amended in subsection (3) of that section, by the substitution, for the words "which shall be final.", of the following :—

" which shall be final :

Provided that where the Commissioner-General is satisfied that owing to illness, absence from Sri Lanka or other reasonable cause, the defaulter was prevented from objecting within thirty days of the notice issued under subsection (1) or subsection (2), he shall grant an extension of time for preferring such objections."

18. Section 129 of the principal enactment is hereby amended in subsection (2) of that section, by the addition, at the end of that subsection, of the following paragraph :—

"(e) in this subsection, the expression "movable property" includes any plant or machinery affixed to the ground of a factory."

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

(1) in Part IIB of that Schedule, by the substitution, for the expression "for any year of assessment commencing on or after April 1, 1985", of the expression "for the year of assessment commencing on April 1, 1985"; and

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

PART IIC

The rate of income tax for any year of assessment commencing on or after April 1, 1986, shall be as follows :—

On the first Rs. 21,000 of the taxable income	.. 10 per centum
On the next Rs. 24,000 of the taxable income	.. 20 per centum
On the next Rs. 24,000 of the taxable income	.. 30 per centum
On the next Rs. 24,000 of the taxable income	.. 40 per centum
On the balance of the taxable income	.. 50 per centum"

20. The Third Schedule to the principal enactment is hereby amended as follows :—

(1) by the repeal of item 1 of that Schedule, and the substitution, of the following item therefor :—

"(1) Hindu Undivided Families—

for the year of assessment commencing on April 1, 1979 and for the six years of assessment immediately succeeding that year of assessment—

	<i>Rate of Tax</i>
On the first Rs. 25,000 of the taxable income	30 per centum
On the next Rs. 25,000 of the taxable income	40 per centum
On the next Rs. 25,000 of the taxable income	50 per centum
On the next Rs. 25,000 of the taxable income	60 per centum
On the balance of the taxable income	70 per centum
For any year of assessment commencing on or after April 1, 1986—	
On the first Rs. 25,000 of the taxable income	30 per centum
On the next Rs. 25,000 of the taxable income	40 per centum
On the balance of the taxable income	50 per centum

(2) by the repeal of item 4 of that Schedule, and the substitution, of the following item therefor :—

“4. Trustees (including trustees under last wills)—

for the year of assessment commencing on April 1, 1979 and for the six years of assessment immediately succeeding that year of assessment—

- (a) Where the trust was created before November 15, 1978 50 per centum
- (b) Where the trust was created on or after November 15, 1978 55 per centum

For any year of assessment commencing on or after April 1, 1986 on all trustees
and

(3) by the repeal of item 11 of that Schedule and the substitution, of the following item therefor :—

“11. Business Undertakings vested in the Government under the Business Undertakings (Acquisition) Act, No. 35 of 1971—

- (a) for any year of assessment commencing on April 1, 1979 and each of the six years immediately succeeding that year of assessment, on the taxable income 50 per centum

(b) for any year of assessment commencing on or after April 1, 1986—

- (i) on the taxable income 50 per centum, and
- (ii) on the balance of the profits after deduction therefrom, of the tax payable under paragraph (i) 25 per centum”.