

## PART IV

### MAJOR LEGISLATIVE ENACTMENTS OF 1987 RELATING TO THE FUNCTIONS AND OPERATIONS OF THE CENTRAL BANK AND BANKING INSTITUTIONS IN SRI LANKA

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# INLAND REVENUE (AMENDMENT) ACT, No. 8 OF 1987

(Certified on 6th March, 1987)

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. 8 of 1987.

2. Section 7 of the Inland Revenue Act, No. 28 of 1979 (hereinafter referred to as the "principal enactment" is hereby amended as follows :—

- (1) in subsection (4) of that section by the substitution in paragraph (d) for the words "change of ownership of any property", of the words and figures "change of ownership of any property, prior to November 12, 1986";
- (2) by the insertion immediately after subsection (4) of that section of the following subsection :—

"(5) In respect of a capital gain arising to any person on or after November 12, 1986, every reference, in subsection (3) or subsection (4) to "April 1, 1957" shall be read and construed as a reference to "April 1, 1977".

3. Section 8 of the principal enactment is hereby amended in paragraph (a) of that section as follows :—

- (1) by the substitution, in sub-paragraph (XLIX) of that paragraph, for the words and figures "the President's Fund established by the President's Fund Act, No. 7 of 1978", of the words and figures "the President's Fund established by the President's Fund Act, No. 7 of 1978; and"; and
- (2) by the addition, at the end of that paragraph, of the following sub-paragraph :—

"(i.) the National Defence Fund established by the National Defence Fund Act, No. 9 of 1985."

4. Section 9 of the principal enactment is hereby amended in sub-paragraph (i) of paragraph (l) of subsection (1) of that section—

- (1) by the substitution in item (b) of that sub-paragraph, for the words "in any year", of the words "in the year"; and
- (2) by the addition, at the end of that sub-paragraph, of the following :—

"(c) forty-five thousand rupees, in any year of assessment commencing on or after April 1, 1987; and".

5. Section 10 of the principal enactment is hereby amended by the repeal of paragraph (e) of that section and the substitution therefor of the following paragraph:-

“(e) the interest accruing to any person on moneys lying to his credit, in foreign currency, in any account opened by him, or on his behalf, in any Commercial Bank with the approval of the Central Bank of Sri Lanka;”.

6. Section 14 of the principal enactment is hereby amended in paragraph (a) thereof as follows :—

(1) by the repeal of sub-paragraphs (i) and (ii) and the substitution therefor of the following :—

“(i) the sale by any individual, or the acquisition by the State, of any house constructed by such individual and used solely for residential purposes, such sale being the first sale of that house;

(ii) the sale by any individual, or the acquisition by the State, of any house owned by such individual and used solely for residential purposes, if such individual has not sold or the State has not acquired from that individual on or after April 1, 1978, any house other than a house referred to in sub-paragraph (i);” ;

(2) by the repeal of sub-paragraph (iv) thereof and the substitution of the following sub-paragraph therefor:—

“(iv) (a) the sale of any property prior to April 1, 1987, and used by him for producing income in any trade, business, profession, vocation or employment carried on, or exercised, by him and in respect of which an allowance for depreciation has been allowed under section 23 of this Act or under section 10 of the Inland Revenue Act, No. 4 of 1963 or under section 11 of the Income Tax Ordinance,

(b) the sale of any property by any person, on or after April 1, 1987, being property used by him in producing income in any trade, business, profession, vocation or employment carried on, or exercised, by him and in respect of which an allowance for depreciation has been granted under section 23, if the full proceeds of sale are used within one year of the sale, for the replacement of such property to be used by such person for producing income in any trade, business, profession, vocation or employment, carried on, or exercised, by him;”;

(3) by the substitution in sub-paragraph (xiii) thereof for the words and figures “on or after November 15, 1979; and”, of the words and figures “on or after November 15, 1979, but prior to November 12, 1986;”;

- (4) by the addition at the end of sub-paragraph (xiv) of the following sub-paragraphs :—

“(xv) the transfer—

- (a) on or after April 1, 1987; and
- (b) upon the conversion of a business carried on by an individual, either solely or in partnership with others, into a limited liability company not being a company referred to in paragraph (xiv),

of the capital assets of such business to such company if, but only if, not less than eighty *per centum* of the shares of such limited liability company is held—

- (c) in any case where such business was a sole proprietorship, by the former proprietor, or
- (d) in any case where such business was a partnership, the former partners in the same proportion in which profits of the partnership were shared; and

(xvi) the sale of any property, on or after November 12, 1986, by a person not less than twenty - five years after its acquisition by such person.”.

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

- (1) by the insertion immediately after paragraph (cc) of that section of the following paragraph :—

“(ccc) the emoluments and fees earned, in any year of assessment, in foreign currency by any resident individual or a partnership in Sri Lanka, in respect of service rendered by him, or by the partnership in Sri Lanka for any person or partnership outside Sri Lanka, in the course of any profession or vocation carried on, or exercised, by him, or by the partnership but not in the course of employment under such person or partnership, if such emoluments and fees are remitted to him or to the partnership to Sri Lanka through a bank;”;

(2) by the repeal of paragraph (l) and paragraph (n) of that section;

- (3) by the substitution in paragraph (t) of that section, for the words and figures<sup>s</sup> “President’s Fund Act, No. 7 of 1978.”, of the words and figures “President’s Fund Act, No. 7 of 1978.”; and

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

“(u) any sum received by a person from the National Defence Fund established by the National Defence Fund Act, No. 9 of 1985.”.

8. Section 20 of the principal enactment is hereby amended in paragraph (b) of subsection (1) of that section by the repeal of all the words from “reckoned from” to “payment in foreign exchange,” and the substitution there for of the following :—

“reckoned from the year of assessment in which the company first commenced to make profits in respect of its transactions in that year.”.

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

“ Exemption from income tax of profits and income of persons supplying goods to exporters.

20B. There shall be exempt from income tax, such part of the profits and income within the meaning of paragraph (a) of section 3 (other than any profits and income from the sale of capital assets) of a person or partnership as consists of profits and income from the production or manufacture and supply of goods to any exporter, the profits and income of which or whom are exempt from income tax under subsection (1) of section 20 or 20A, if such supply is covered by a Letter of Credit opened in a bank in Sri Lanka on a back to back basis against an International Letter of Credit for the remittance to Sri Lanka, of the foreign exchange value of the exports related to such supply.”

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

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

(a) by the substitution in paragraph (e) for the words “such person, as arises”, of the words and figures “such person prior to April 1, 1987, as arises”:

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

“(eee) an allowance for depreciation by wear and tear of—

- (i) any plant, machinery or fixtures (other than plant, machinery or fixtures referred to in subparagraph (ii)) acquired by such person on or after April 1, 1987, and arising out of their use, in any trade, business, profession or vocation, carried on, or exercised, by him at the rate of thirty-three and one-third *per centum* per annum, on their cost of acquisition ;

- (ii) any motor vehicle, lorry, bus, tractor, trailer or office furniture, acquired by such person on or after April 1, 1987, and arising out of its use, in any trade, business, profession or vocation, carried on or exercised, by him, at the rate of twenty-five *per centum* per annum on its cost of acquisition;
  - (iii) any qualified building the construction of which was completed on or after April 1, 1987, and arising out of its use, in any trade, business, profession, or vocation, carried on, or exercised by him, at the rate of ten *per centum* per annum on its cost of construction.”;
- (c) by the insertion immediately after paragraph (r) of the following paragraphs :—

“(s) such part of the lump sum payment made on or after April 1, 1986, by such person to any other person in connection with the letting, or lease, to the first-mentioned person of any commercial premises as bears to the total lump sum payment the same proportion as the number of months in the year for which lease rent is payable bears to the total number of months comprised in the lease;

(t) in respect of any year of assessment commencing on or after April 1, 1987, any sum paid, by a public corporation or Government owned business undertaking as a special levy, to the Government.”;

(2) in subsection (3) of that section—

- (a) by the insertion immediately after paragraph (b) of the following paragraphs :—

“(bb) Nothing in the preceding provisions of this subsection shall apply after April 1, 1987, to the disposal by any person of any capital asset used by him in producing the profits and income of any trade, business, profession or vocation carried on or exercised by him.

(bbb) (i) Where any person disposes on or after April 1, 1987, any capital asset used by him in producing the profits and income of any trade, business, profession or vocation carried on, or exercised, by him and an allowance for depreciation equal to the cost of acquisition of such capital asset has been granted under subsection (1) in respect of that capital

asset such part of the proceeds of disposal as is not in excess of the cost of acquisition of such capital asset shall, whether such disposal takes place while such trade, business, profession or vocation continues or after its cessation, be treated as a receipt of such trade, business, profession or vocation, in ascertaining the profits and income, within the meaning of paragraph (a) of section 3, of such trade, business, profession or vocation.

- (ii) Where any person disposes on or after April 1, 1987, any capital asset used by him in producing the profits and income of any trade, business, profession or vocation carried on, or exercised, by him and an allowance for depreciation has been granted in respect of that capital asset but the total amount of such allowance is less than the cost of acquisition of such capital asset, the proceeds of disposal as is not in excess of the cost of acquisition of such capital asset over the difference between the cost of acquisition of such capital asset and the total allowance for depreciation granted in respect of such capital asset shall whether such disposal takes place while such trade, business, profession or vocation continues or after its cessation, be treated as a receipt of such trade, business, profession or vocation, in ascertaining the profits and income of such trade, business, profession or vocation, within the meaning of paragraph (a) of section 3;

Provided that nothing in this paragraph shall apply to—

- (a) the transfer, on or after April 1, 1987, of any such capital asset to a company referred to in section 14 (xv) on the conversion of a business, carried on by an individual, either solely or in partnership, to such company ; or
- (b) the disposal by any person, of any such capital asset, if the full proceeds of disposal are used by such person, within one year of the disposal, for the replacement of such capital asset to be used by him for producing income in any trade, business, profession, vocation or employment carried on, or exercised, by him.”;
- (b) by the substitution in paragraph (c) and in paragraph (d) for the words “under paragraph (a) or paragraph (b) ” wherever those words occur in those paragraphs off the words “under paragraphs (a), (b) or (bbb)”;

(3) in subsection (7) of that section by the insertion, immediately after paragraph (e) of the following paragraph :—

“(f) for the purposes of this section—

(i) where any capital asset in respect of which an allowance has been granted under subsection (1) is sold on or after April 1, 1987, by any person and the full proceeds of sale used, within one year of the sale, for the replacement of such capital asset to be used in any trade, business, profession or vocation carried on or exercised by such person; the cost of acquisition of the replaced capital asset shall be deemed to be the difference between the actual cost of acquisition of the replaced capital asset and such proceeds of sale;

(ii) where any plant, machinery or fixtures are acquired otherwise than by way of purchase, by any person for use in any trade, business, profession or vocation carried on or exercised by him, the cost of acquisition of such plant, machinery or fixtures shall be the market value of such plant, machinery or fixtures, on the date of such acquisition;

(iii) where the capital assets of a business carried on by an individual, either solely or in partnership with others, is transferred, on or after April 1, 1987, to a company referred to in section 14 (xv), the cost of acquisition of such capital asset by such company shall be deemed to be the cost of acquisition of such capital asset by such individual or partnership reduced by the amount of any allowance for depreciation granted under subsection (1) to such individual or partnership and the date of acquisition of such capital asset shall be deemed to be the date of acquisition of such capital asset by such individual or partnership.”.

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

(1) by the substitution in paragraph (p) of subsection (1) of that section for the words and figures “on or after January 1, 1984,” of the words and figures “on or after January 1, 1984, but on or before March 31, 1987,”; and

(2) by the insertion immediately after paragraph (p) of the following paragraph:—

“(pp) such part of the rental paid by him under any agreement entered into by him on or after April 1, 1987, in any year in respect of—



- (a) any plant, machinery, fixtures or equipment other than plant, machinery or fixtures or equipment referred to in paragraph (b), as is in excess of an amount equal to one-third of the total rental payable under such agreement; and
- (b) any motor vehicle, lorry, bus, tractor, trailer and office furniture, as is in excess of an amount equal to one-fourth of the total rental payable under such agreement.”.

12. Section 29 of the principal enactment is hereby amended as follows :—

- (1) in sub-paragraph (iii) of paragraph (b) of subsection (2) of that section by the repeal of all the words from, “no deduction shall be made” to “the loss was incurred.” and the substitution therefor of the following:—

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

- (2) by the addition at the end of paragraph (a) of subsection (6) of that section, of the following :—

“(iii) where in any year of assessment on or after April 1, 1987, the income of any person includes more than one capital gain, such deduction shall be made from the capital gain taxable at the lowest rate specified in subsections (3A) and (3B) of section 32, if applicable, and thereafter from the capital gain taxable at the next highest rate, if applicable, and so on.”.

13. Section 30 of the principal enactment is hereby amended by the addition, at the end of subsection (2) of that section, of the following proviso :—

“Provided further that the taxable income of any thrift, saving or building society or welfare fund to which contributions are made by employees only, for any year of assessment commencing on or after April 1, 1987, shall be the assessable income of that society or fund for that year of assessment after deducting an allowance of twenty-seven thousand rupees.”

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

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

- (a) by the insertion, immediately after paragraph (hhh), of the following paragraph :—

“(hhhh) any amount paid by an individual, in any year of assessment commencing on or after April 1, 1987, as a contribution to a provident fund for self-employed persons, approved by the Commissioner-General for such purposes;”;

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

“(p) any amount spent by an individual, in any year of assessment commencing on or after April 1, 1987, as medical expenses for indoor treatment in a hospital or clinic, in respect of himself, his spouse, child or parent,”;

(2) in subsection (7) of that section by the repeal of the proviso to that subsection and the substitution there for of the following proviso :—

“Provided that no additional assessment shall be made on any person from whose assessable income such allowance was deducted if such person has—

(a) Sold such shares; or

(b) withdrawn, realized or received any sum of money in respect of such shares,

in circumstances which are beyond his control, and used the proceeds of such sale or the sum withdrawn, realized or received—

(i) within three months of the date of sale, withdrawal, realization or receipt, in any case where such sale, withdrawal, realization or receipt was prior to November 12, 1986; or

(ii) within one year of the date of sale, withdrawal, realization or receipt, in any case where such sale, withdrawal, realization or receipt was on or after November 12, 1986,

to purchase other ordinary shares (other than existing shares) in any approved undertaking.”;

(3) by the repeal of subsection (7A) of that section and the substitution therefor of the following new 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, sells such shares or withdraws, realizes or receives any money in respect of such shares, in circumstances beyond his control, and uses the proceeds of such sale or the sum withdrawn, realized or received—

(a) within three months of such sale, withdrawal, realization or receipt, in any case where such sale, withdrawal, realization or receipt was prior to November 12, 1986; or

(b) within one year of such sale, withdrawal, realization or receipt, in any case where such sale, withdrawal, realization or receipt was after November 12, 1986,

to purchase other ordinary shares in respect of which he is entitled to a deduction from his assessable income under that subsection, the deduction 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 deduction from income tax to which he was entitled in consequence of the first-mentioned purchase of shares.”.

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

(1) in subsection (3) of that section by the substitution for the words “taxable income of a person includes any capital gain,”, of the words and figures “the taxable income of a person includes any capital gain not being a capital gain arising on or after November 12, 1986, from the change of ownership of any property”; and

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

‘(3A) Where the taxable income of a person includes any capital gain arising on or after November 12, 1986, from the change of ownership of any property, more than two years but less than five years after the acquisition of such property by such person, and the rate of income tax payable on such part of such income (hereinafter in this subsection referred to as the “relevant part of the income”) exceeds twenty-five *per centum*, then, in regard to the relevant part of the income, the tax shall be computed as follows :—

(a) if the relevant part of the income exceeds the amount of such capital gains—

(i) the tax payable on such part of the relevant part of the income as is equal to the amount of such capital gain shall be at the rate of twenty-five *per centum*; and

(ii) the tax payable on the balance of the relevant part of the income shall be computed according to such of the rates above twenty-five *per centum* as are applicable thereto under this Act; and

- (b) if the relevant part of the income does not exceed the amount of the net capital gain, the tax payable on the entirety of the relevant part of the income shall be twenty-five *per centum* notwithstanding anything to the contrary in this Act.

(3B) Where the taxable income of a person includes any capital gain, arising on or after November 12, 1986, from the change of ownership of any property within such period after the acquisition of that property by that person as is referred to in Column I hereto, the provisions of subsection (3A) shall apply to the computation of income tax on such capital gain, as if for the references to "twenty-five *per centum*" in that subsection, there were substituted the references specified in the corresponding entry in Column II hereto.

<i>Column I</i>	<i>Column II</i>
more than five years but less than fifteen years	... 17½ <i>per centum</i>
more than fifteen years but less than twenty years	... 12½ <i>per centum</i>
more than twenty years but less than twenty-five years	... 6 <i>per centum</i> .

- (3) in subsection (4) of that section by the substitution for the words "Where a body of persons resident in Sri Lanka carries on or operates" of the words and figures "Where a body of persons resident in Sri Lanka carries on or operates, in any year of assessment prior to April 1, 1987"; and

- (4) by the insertion immediately after subsection (4) of that section of the following subsections :—

"(5) There shall be charged, for every year of assesment commencing on or after April 1, 1987, on the investment income of every provident or pension fund, income tax at the rate of twenty per centum of the income derived by that fund, for that year of assessment, from investments made by it, other than in government securities made by an approved provident or pension fund.

(6) There shall be charged, for every year of assessment commencing on or after April 1, 1987, on the investment income of every thrift, savings or building society or welfare fund to which contributions are made by the members, income tax at the rate of ten *per centum* of such part of the income derived by that society, for that year of assessment from investments made by it, as exceeds twenty-seven thousand rupees."

16. Section 32A of the principal enactment is hereby amended in subsection (3) of that section, by the repeal of the definition of "public corporation".

17. Section 33 of the principal enactment is hereby amended as follows :-

(1) (a) in paragraph (a) of subsection (1B) of that section by the substitution for the words and figures "on or after April 1, 1979", of the words and figures "on or after April 1, 1979, but before November 12, 1986,"; and

(b) in paragraph (b) of subsection (1B) of that section by the substitution for the words and figures "on or after April 1, 1979, ", of the words and figures "on or after April 1, 1979, but before November 12, 1986,";

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

"(1C) Where for the period commencing on November 12, 1986, the taxable income of a company includes any capital gain the provisions of subsections (3A) and (3B) of section 32 shall, *mutatis mutandis*, apply to the taxation of that capital gain.";

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

(aa) "quoted public company" in relation to an year of assessment, means a company which is resident in Sri Lanka and in respect of which the assessor is satisfied that it is a company the shares of which are quoted throughout the year of assessment or from the date of incorporation of the company to the end of that year of assessment;.

18. Section 42 of the principal enactment is hereby amended by the insertion, immediately after paragraph (ss) of that section, of the following paragraph :—

"(sss) the National Defence Fund established by the National Defence Fund Act, No. 9 of 1985;"

19. Section 45 of the principal enactment is hereby amended by the repeal of paragraph (v) of that section and the substitution of the following paragraph therefor:-

"(v) the moneys lying to his credit in any such account as is referred to in section 10(e)."

20. Section 54 of the principal enactment is hereby amended in paragraph (e) of subsection (1) of that section, by the substitution for the words and figures "Government or to the President's Fund established by the President's Fund Act, No. 7 of 1978 or to any local authority", of the words and figures "Government or to the President's Fund established by the President's Fund Act, No. 7 of 1978 or the National Defence Fund established by the National Defence Fund Act, No. 9 of 1985 or to any local authority".

21. Section 81 of the principal enactment is hereby amended as follows :—

- (1) by the substitution in subsection (1) for the words “Sixth Schedule to this Act on such sum,”, of the words “Sixth Schedule to this Act or where there is an agreement in force between the Government of Sri Lanka and the Government of any territory in which such person or partnership is resident, for the relief of double taxation, at the appropriate rate specified in such agreement, on such sum,”; and
- (2) by the substitution, in the proviso to that subsection for the words “Sixth Schedule to this Act and”, of the words “Sixth Schedule to this Act or the agreement for the relief of double taxation, as the case may be, and”.

22. Section 85A of the principal enactment is hereby amended as follows :—

- (1) by the substitution, for the words “seventy-five *per centum*”, of the words and figures “seventy-five *per centum* in case of an year of assessment commencing prior to April 1, 1987, or fifty *per centum* in the case of an year of assessment commencing on or after April 1, 1987”; and
- (2) by the substitution, for the words “a period of ten years”, of the words and figures “a period of ten years in the case of an year of assessment commencing prior to April 1, 1987, or a period of five years in the case of an year of assessment commencing on or after April 1, 1987”; and
- (3) by the substitution, for the words “aforementioned ten years”, of the words “aforementioned ten or five years”.

23. Section 96 of the principal enactment is hereby amended in subsection (1) of that section by the substitution for the words “five thousand rupees”, of the words “fifty thousand rupees”.

24. Section 99 of the principal enactment is hereby amended by the repeal of subsection (1) of that section and the substitution there for of the following subsection :—

- (1) Every employer who employs—
  - (a) an individual who receives remuneration in excess of two thousand two hundred and fifty rupees per mensem or twenty-seven thousand rupees per annum, or
  - (b) any non-resident person receiving remuneration for services rendered in Sri Lanka in excess of eighty-five rupees per mensem or one thousand rupees per annum, and

who has not given notice to the Commissioner-General under section 107C (1) of the Inland Revenue Act, No. 4 of 1963 and under this Part of

this Act shall give notice to the Commissioner-General not later than June 15, 1987, that he has in his employ such person (hereafter in this Chapter referred to as a "specified employee").

**25.** Section 113A of the principal enactment is hereby amended in subsection (1) of that section by the repeal of all the words from "For the purposes of a deduction" to "made under section 81." and the substitution there for of the following :-

"For the purposes of a deduction under this section interest means such part of—

- (a) the interest received by a person chargeable with income tax, from a bank or financial institution; and
- (b) the sum of money received by such person, as interest or discount in respect of a bond issued by a bank or financial institution not being a government security,

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."

**26.** Section 117 of the principal enactment is hereby amended by the addition at the end of that section of the following subsections :—

"(12) Every petition of appeal preferred, under this section, on or after April 1, 1987, shall be agreed to, or determined, within two years from the date on which such petition of appeal is received by the Commissioner-General, unless the agreement or determination of such appeal depends on the furnishing of any document or the taking of any action, by any person other than the appellant or the Commissioner-General or an assessor. Where such appeal is not agreed to or determined within such period, the appeal shall be deemed to have been allowed and tax charged accordingly. The receipt of every appeal received under this section shall be acknowledged and the date of the letter of acknowledgement shall for the purposes of this section be deemed to be the date of receipt of such appeal.

(13) For the purposes of this Chapter there shall be a panel of adjudicators appointed by the Minister. The remuneration of the members of the panel of adjudicators shall be determined by the Minister. The Commissioner-General may authorize any such adjudicator to exercise any of the powers vested in him under this Chapter as he may specify in such authorization."

**27.** Section 151 of the principal enactment is hereby amended in subsection (1) thereof, by the substitution for the words "to a fine not exceeding seven thousand five hundred rupees.", of the following :—

"in the case of a failure to comply with section 92 (1) or with the requirement of a notice given under section 92 (2), to a fine not exceeding fifty thousand rupees

and in any other case, to a fine not exceeding seven thousand five hundred rupees.”.

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

(1) by the repeal of paragraph (2) of the definition of “authorized representative”, and the substitution, of the following paragraph therefor :—

“ (2) who is authorized in writing from time to time to act on his behalf for the purposes of this Act in respect of matters relating to such year of assessment as is specified in the authorization and who—

(i) being an individual registered as an auditor under the Companies (Auditors) Regulations is approved by the Commissioner-General; or

(ii) is an individual approved by the Commissioner-General under regulations made in that behalf;” ; and

(2) by the repeal of the definition of “Commissioner-General” and the substitution thereof of the following new definition :—

““Commissioner-General” means the Commissioner-General of Inland Revenue appointed or deemed to be appointed under this Act, and

(a) in relation to any provision of this Act, 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;

(b) in relation to Chapter XVIII, includes an adjudicator appointed by the Minister and authorized by the Commissioner-General, under that Chapter; and

(3) by the insertion, immediately after the definition of “property” of the following definition :—

“public corporation” means any corporation, board or other body which was, or is, established by, or under, any written law, other than the Companies Act, No. 17 of 1982, with capital wholly or partly provided by the Government, by way of grant, loan or other form;”.

29. The Second Schedule to the principal enactment is hereby amended by the addition, at the end thereof, of the following Part: —



“Part VIII

*Public Corporations*

Public Corporations

*50 per centum”.*

30. The Third Schedule to the principal enactment is hereby amended by the repeal of item 10 thereof.

31. The amendments made to the principal enactment by section 3, section 7 (4), section 18 and section 20 of this Act shall be deemed for all purposes to have come into force on March 21, 1985.

## TURNOVER TAX (AMENDMENT) ACT. No. 9 OF 1987

(Certified. on 6th March, 1987)

### 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. 9 of 1987.
2. Section 5 of the Turnover Tax Act, No. 69 of 1981 (hereinafter referred to as "the principal enactment") is hereby amended by the addition at the end of that section, of the following subsection :—

“(4) In ascertaining the turnover of a business for a quarter, there shall be deducted an amount equal to any bad debt incurred by that business which has become a bad debt during that quarter, being an amount which has been included in the turnover of that business for a previous quarter and in respect of which turnover tax has been paid:

Provided that any sum received in any quarter by that business on account of an amount previously deducted under this subsection in respect of a bad debt shall be included in the turnover of that business for the quarter in which that sum is received”.

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

“Different businesses deemed to be one business.

6. In determining the turnover of a business for the purposes of section 3 or section 10—

(a) business of a like nature carried on by a person in the same place or in different places, shall be deemed to be one business; and

(b) different businesses carried on by the same person in one place shall be deemed to be one business”.

4. Section 7 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution, for the words “determined in respect of,” of the words “determined by the Minister, in respect of”.

5. Section 9 of the principal enactment is hereby amended by the addition, at the end of that section of the following subsections :—

“(9) Where any person fails to comply with the requirements of a notice given to him by an Assessor under subsection (2), the Commissioner-General may by a notice in writing—

(a) impose a penalty not exceeding fifty thousand rupees on such person; and

(b) require such person to—

(i) pay such penalty ; and

(ii) furnish the return referred to in the notice given to him by the Assessor, within such time as may be specified in the notice of the Commissioner-General.

(10) The Commissioner-General may reduce or waive any penalty imposed on any person under this section if such person proves to the satisfaction of the Commissioner-General that his failure to furnish a return was due to circumstances beyond his control and that he has, after the imposition of the penalty, furnished such return.

(11) Where a penalty is imposed on a person under subsection (9) he shall not be liable to a prosecution for an offence under section 53 relating to that notice”.

6. Section 12 of the principal enactment is hereby amended by the repeal of subsection (1) of that section and the substitution of the following subsection therefor :—

“(1) Notwithstanding anything in this Act, there shall be charged from every person who imports any article manufactured outside Sri Lanka (not being an excepted article within the meaning of section 8), turnover tax in respect of his turnover, whether his turnover for any quarter is less than the amount specified in section 3 or not, at the rates specified by the Minister under section 7 and shall be collected by the Principal Collector of Customs. The tax imposed under this section shall be in addition to any other tax, duty or levy imposed under the Customs Ordinance.”.

7. Section 13 of the principal enactment is hereby amended in subsection (1) of that section by the repeal of all the words and figures from “Where any person” to “fails to pay tax for that quarter”, and the substitution of the following therefor :—

“Where any person who, in the opinion of an Assessor, is chargeable with turnover tax fails to furnish a return under section 9 for any quarter and to pay tax for that quarter.”

8. Section 17 of the principal enactment is hereby amended as follows :—

(1) in subsection (1) of that section by the substitution, for the words “penalty imposed on him by this Act :”, of the following :—

“penalty imposed on him by this Act, unless the Commissioner-General orders that the payment of the turnover tax or any part thereof be held over pending the determination of such appeal. Upon the making of such order, the amount of turnover tax or part thereof held over, shall not be deemed to be in default :”; and

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

“(12) Where, upon the final determination of an appeal or upon an order made by the Commissioner-General, any turnover tax which has been held over under subsection (1) becomes payable or the turnover tax charged by the original assessment is increased, the Commissioner-General shall give to the appellant a notice in writing fixing a date on or before which any such turnover tax or balance of turnover tax shall be paid. Any turnover tax not so paid shall be deemed to be in default.

(13) Where there is an appeal against an assessment and where the payment of any turnover tax specified in the notice of assessment is held over under subsection (1), the Commissioner-General may, if the appellant agrees during the course of inquiry into, or hearing of that appeal, that a certain sum is due or is likely to be due as turnover tax in respect of that assessment, by notice in writing given to the appellant, direct him to pay such sum on or before the date specified in the notice. Any sum not so paid shall be deemed to be in default.”.

9. Section 20 of the principal enactment is hereby amended by the repeal of all the words from “Where no valid appeal has been lodged” to “the amount of such tax :”, and the substitution, of the following therefor :—

“Where no valid appeal has been lodged within the time specified in this Act against an assessment in respect of the turnover tax or where the amount of such tax is agreed to under section 17 (5) or has been determined on appeal, the assessment as made or as agreed to, or as reduced or increased or confirmed, on appeal, as the case may be, shall be final and conclusive, for all purposes of this Act, as regards the amount of such tax :”.

10. The following section is inserted immediately after section 29, and shall have effect as section 29A of the principal enactment :—

“ Certain transactions and dispositions to be disregarded.

29A. Where the Assessor is of the opinion that any transaction or disposition which reduces, or would have the effect of reducing, the amount of turnover tax payable by any person is artificial or fictitious or that any transaction or disposition is not in fact given effect to, he may disregard any such transaction or disposition and assess the parties to such transaction or disposition accordingly.

In this section, “disposition” includes any trust, grant, covenant, agreement or arrangement.

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

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

(2) If the turnover tax in default is in respect of an assessment made on the defaulter against which the defaulter has not lodged a valid appeal or is in respect of any sum payable according to a return furnished by the defaulter, the defaulter may, within thirty days of such notice, make objection to the tax charged, to the Commissioner-General and the Commissioner-General shall, notwithstanding the provisions of section 20, consider such objections and give his decision thereon, which shall be final.”; and

(2) by the repeal of subsection (3) of that section.

12. Section 36 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution, for the words “assessed upon him,” of the words “payable by him.”.

13. Section 44 of the principal enactment is hereby amended by the substitution, for the words “other than a manufacturer shall”, of the words and figures “other than in respect of a transaction referred to in section 46 (2) shall,”.

14. The principal enactment is hereby amended by the insertion, immediately after section 46 of the following heading :—

#### “CHAPTER XIVA

#### CREDITS AND REFUNDS”.

15. Section 47 of the principal enactment is hereby amended by the substitution, for the words “registered manufacturer for that quarter :” of the words “registered manufacturer for that quarter in respect of the business of manufacture :”.

16. Section 50 of the principal enactment is hereby amended in subsection (4) of that section by the repeal of paragraph (iv) of that subsection and the substitution, of the following paragraph therefore :—

“(iv) any contract for the provision of services including a contract for the provision of services as an entertainer or artiste but not including a contract of employment.”.

17. Section 53 of the principal enactment is hereby amended by the repeal of all the words from “before a Magistrate,” to “fine and imprisonment,” and the substitution of the following therefor:—

“before a Magistrate, be liable in the case of the offence of failing to comply with the requirements of a notice issued under section 9, to a fine not exceeding fifty thousand rupees or to imprisonment of either description for a term not exceeding six months or to both such fine and imprisonment and in any other case,

to a fine not exceeding five thousand rupees or to imprisonment of either description for a term not exceeding six months or to both such fine and imprisonment.' ;

18. Section 59 of the principal enactment is hereby amended as follows :—

- (1) by the repeal of the definition of "Assessor" and the substitution of the following definition therefor :—

"Assessor" means an Assessor of Inland Revenue appointed for the purposes of the Inland Revenue Act, No. 28 of 1979 and includes a Senior Assessor of Inland Revenue appointed for the purposes of that Act;";

- (2) by the repeal of paragraph (2) of the definition of "authorized representative", and the substitution of the following paragraph therefor :—

"(2) who is authorized in writing from time to time by a person to act on his behalf for the purposes of this Act in respect of such matters relating to the authorization and who is an individual approved by the Commissioner-General for the purposes of the Inland Revenue Act, No. 28 of 1979;";

- (3) in the definition of "company", by the substitution, for the words "or elsewhere;"; of the words "or elsewhere and includes a public corporation;"; and
- (4) in the definition of "person" by the substitution, for the words "body of persons;"; of the words "body of persons or any Government department;";

### **NATIONAL SAVINGS BANK (AMENDMENT) ACT, No. 33 OF 1987**

(Certified on 25th June, 1987)

#### **AN ACT TO AMEND THE NATIONAL SAVINGS BANK ACT, NO. 30 OF 1971**

1. This Act may be cited as the National Savings Bank (Amendment) Act, No. 33 of 1987.

2. Section 87 of the National Savings Bank Act, No. 30 of 1971, is hereby amended by the insertion, immediately after the definition of "director" of the following definition :—

"guardian" in relation to a minor means, the father or mother of the minor and where the father and mother are not living, the grandfather or grand-mother of the minor or any person in whose care and legal custody the minor is for the time being;".

SECURITIES COUNCIL ACT, No. 36 OF 1987

(Certified on 27th August, 1987)

AN ACT TO PROVIDE FOR THE ESTABLISHMENT OF THE SECURITIES COUNCIL FOR THE PURPOSE OF REGULATING THE SECURITIES MARKET IN SRI LANKA; TO GRANT LICENCES TO STOCK EXCHANGES, STOCK BROKERS AND STOCK DEALERS WHO ENGAGE IN THE BUSINESS OF TRADING IN SECURITIES; TO SET UP A COMPENSATION FUND, AND FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

1. This Act may be cited as the Securities Council Act, No. 36 of 1987, and shall come into operation on such date (hereinafter referred to as the "appointed date") as may be appointed by the Minister by Order published in the *Gazette*.

PART I

ESTABLISHMENT AND THE CONSTITUTION OF THE  
SECURITIES COUNCIL

2. (1) There shall be established a Council which shall be called the Securities Council (hereinafter referred to as "the Council") consisting of the persons who are members thereof under section 3.

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

3. (1) The Council shall consist of—

(a) The following members to be appointed by the Minister (hereinafter referred to as "appointed members.")

(i) a Deputy Governor of the Central Bank nominated by the Governor of such Bank; and

(ii) six other persons who appear to the Minister to have wide experience and shown capacity in legal, financial, business or administrative matters;

(b) the following *ex officio* members :—

(i) the person for the time being holding the office of Deputy Secretary to the Treasury;

(ii) the person for the time being holding the office of Registrar of Companies; and

(iii) the person for the time being holding the office of President Institute of Chartered Accountants, established by the Chartered Accountants Act, No. 23 of 1959.

(2) The Minister shall nominate, from amongst the members of the Council, one member to be the Chairman of the Council.

4. Every appointed member of the Council shall, unless he vacates office earlier by death, resignation or removal, hold office for a term of three years and shall be eligible for re-appointment.

5. (1) Any appointed member of the Council may at any time resign his office by letter to that effect addressed to the Minister and such resignation shall take effect upon it being accepted by the Minister in writing.

(2) The Minister may, by Order published in the *Gazette*, remove any appointed member from office without assigning any reason therefor and such removal shall not be question in any court.

(3) In the event of the vacation of office by death, resignation or removal of any appointed member, the Minister may appoint another person, having regard to the provisions of paragraph (a) of subsection (1) of section 3, to hold office for the unexpired period of the term of office of the member whom he succeeds.

(4) If any appointed member of the Council is temporarily unable to perform the duties of his office during any period due to ill-health or absence from Sri Lanka or for any other cause, the Minister may appoint some other person to act in his place during such period having regard to the provisions of paragraph (a) of subsection (1) of section 3.

6. The members of the Council may be paid such remuneration out of the fund of the Council as may be determined by the Minister.

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

(2) The quorum for any meeting of the Council shall be five members and the Council may subject to the requirement as to quorum, regulate the procedure in regard to the meetings of the Council and the transaction of business at such meetings.

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

8. (1) If the Chairman of the Council is, by reason of illness or absence from Sri Lanka temporarily unable to perform the duties of his office the Minister shall nominate another member of the Council to act in his place.



(2) The Minister may, without assigning any reason therefor, terminate the appointment of the Chairman.

(3) The Chairman may at any time resign from the office of Chairman by a letter addressed to the Minister. Such resignation shall take effect upon it being accepted by the Minister in writing.

(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 Council.

9. A member who is directly or indirectly interested in any decision that is to be taken on any matter by the Council shall disclose the nature of such interest at the meeting of the Council where such decision is being taken. The disclosure shall be recorded in the minutes of the meetings of the Council and such member shall not take part in any deliberation or decision of the Council with regard to that matter, and shall withdraw from such meeting while such deliberation is in progress or such decision is being made.

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

11. (1) The seal of the Council shall be in the custody of the Council.

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

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

## PART II

### OBJECTS, POWERS AND FUNCTIONS

12. The objects of the Council shall be —

- (a) the creation and maintenance of a market in which securities can be issued and traded in an orderly and fair manner;
- (b) the protection of the financial interest of investors;
- (c) the operation of a Compensation Fund to protect investors from financial loss arising from the failure of a licensed stock broker or licensed stock dealer to meet his contractual obligations; and
- (d) the regulation of the securities market and to ensure that professional standards are maintained in such market.

13. For the purpose of carrying out its objects the Council may exercise, perform and discharge all or any of the following powers, duties and functions :—

- (a) to grant a licence to a body corporate to operate as a stock exchange and ensure the proper conduct of its business;
- (b) to grant a licence to any person to operate as a stock broker or a stock dealer as, the case may be, and ensure the proper conduct of their business;
- (c) to give directions to a licensed stock exchange from time to time.;
- (d) to grant compensation to any investor who suffers pecuniary loss resulting from the failure of a licensed stock broker or a licensed stock dealer to meet his contractual obligations;
- (e) to advise the Government on the development of the securities market;
- (f) to employ such officers and servants as may be necessary for the purpose of carrying out the work of the Council;
- (g) to frame rules on matters in respect of which rules are required to be made under this Act;
- (h) to suspend or cancel the listing of any securities or the trading of any given securities, for the protection of investors;
- (i) to inquire into the business affairs of a licensed stock exchange, stock broker or stock dealer and public companies listed with a licensed stock exchange;
- (j) to publish findings of malfeasance by any licensed stock broker or stock dealer or any public company listed with the licensed stock exchange;
- (k) to implement the policies and programmes of the Government with respect to the market in securities;
- (l) 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; and
- (m) to do all such other acts as may be incidental or conducive to the attainment of the objects of the Council or the exercise of its powers under this Act.

14. The Council shall in addition to the powers specified in section 13 also have the power to—

- (a) conduct regular inspections of the activities of licensed stock exchanges, stock brokers and stock dealers in order to determine whether they are operating in conformity with the rules and regulations made under the provisions of this Act; and

- (b) require licensed stock brokers and stock dealers to file with the Council, annual balance sheet and income statements, certified by a qualified auditor in the form and manner specified by the Council.

### PART III

#### GRANT OF LICENCE TO A STOCK EXCHANGE, A STOCK BROKER OR A STOCK DEALER

15. Subject to the provisions of section 30 from and after the appointed date:—
- (a) any body corporate which is carrying on or intends to carry on the business of operating a stock exchange; or
- (b) any person who is carrying on or who intends to carry on the business of a stock broker or of a stock dealer.

shall make an application in the prescribed form together with the prescribed fee to the Council, for the grant of a licence as a stock exchange or as a stock broker or stock dealer, as the case may be.

16. No licences shall be granted under this Act to any body corporate as a stock exchange which does not comply with the terms and conditions set out in Part I of the Schedule hereto.

17. No licence shall be granted under this Act to any body corporate as a stock dealer or a stock broker as the case may be, which does not comply with the terms and conditions set out in Part II of the Schedule hereto.

18. No licence shall be granted under this Act to any individual who does not comply with the terms and conditions set out in Part II of the Schedule hereto.

19. (1) On receipt of an application made under section 15, the Council having considered the particulars stated therein and, where it deems necessary, having given the applicant an opportunity of being heard, in person or by a representative, shall by written notice to the applicant, inform the applicant whether he is being granted licence or not.

(2) Where the Council grants a licence to —

- (a) a body corporate to carry on the business of a stock exchange, it shall issue a certificate to that effect for a period of five years; or
- (b) any person to carry on the business of a stock broker or stock dealer, it shall issue a certificate to that effect for a period of one year.

20. (1) A licensed stock exchange may apply to the Council for a renewal of its licence within six months prior to the expiry of the licence.

(2) A licensed stock broker or a licensed stock dealer as the case may be, may, within three months prior to the expiry of the licence, make an application to the council in the prescribed form together with a prescribed fee for a renewal of his licence.

(3) In granting a renewal of a licence, the Council shall satisfy itself that the licensed stock exchange, the licensed stock broker or the licensed stock dealer as the case may be, has at no time been guilty of contravening any provisions of this Act or any rules or regulations made under this Act.

21. (1) The Council shall, cancel or suspend the licence granted to a stock broker or a stock dealer, where the Council is satisfied that—

(a) the stock broker or the stock dealer has acted in breach of any provisions of this Act, or any rules or regulations made under this Act; or

(b) the stock broker or the stock dealer has ceased to be of good financial standing; or

(c) the stock broker or the stock dealer has since the grant of the licence, been disqualified for the grant of such licence; or

(d) the stock broker or the stock dealer is guilty of malpractice or irregularity in the management of his affairs.

(2) Before the cancellation of a licence granted to a stock broker or a stock dealer in terms of the preceding subsection such stock broker or stock dealer, as the case may be, shall be given an opportunity to show cause as to why such licence should not be cancelled.

(3) Where the licence granted to a stock broker or stock dealer is cancelled, it shall be the duty of such stock broker or stock dealer to forthwith surrender his licence to the Council.

22. (1) Any person aggrieved by a decision of the Council—

(a) refusing to grant a licence under section 19; or

(b) cancelling or suspending a licence under section 21, may appeal to the Secretary to the Ministry of the Minister against such refusal, cancellation or suspension as the case may be, within three months from the date on which the decision was communicated to such person.

(2) The Secretary to the Ministry of the Minister may require the Council to show cause for its decision to his satisfaction.

(3) An applicant who is aggrieved by the decision of the Secretary to the Ministry of the Minister may appeal against such decision to the Court of Appeal, within fourteen days from the date on which the decision was communicated to the applicant.

Until rules are made under Article 136 of the Constitution pertaining to appeals under this section, the rules made under that Article pertaining to application by way of revision to the Court of Appeal shall apply to every appeal made under subsection (3) of this section.

(5) The Court of appeal may, on an appeal made to it under this section confirm, revise, modify or set aside the decision of the Secretary to the Ministry of the Minister, and may make an order as the interest of justice may require.

23. Where a licensed stock broker or a licensed stock dealer dies, resigns, or is expelled from the membership of a licensed stock exchange, or becomes incapable of carrying on the business as such stock broker or stock dealer by reason of illness or due to any other cause or the licence granted to such stock broker or stock dealer is cancelled, the Council shall direct the licensed stock exchange of which such stock broker or stock dealer was a member to arrange for another licensed stock broker or a licensed stock dealer, as the case may be, to take over the outstanding contracts of a such stock broker or stock dealer.

24. (1) The rules of a licensed stock exchange, in so far as they have been approved by the Council, shall not be amended, varied or rescinded without the prior approval of the Council.

(2) Where the Board of Directors of a licensed stock exchange wish to amend its rules it shall forward by written notice to the Council the amendments, whether by rescission, alternation or addition, to such rules which such licensed stock exchange wish to make.

(3) The Council shall, after hearing the licensed stock exchange, and within twenty-one days of receipt of a notice under subsection (2) give written notice to the stock exchange stating whether such amendments to the rules are allowed or disallowed.

In case such rules are disallowed the Council shall give reasons for such disallowance.

(4) Upon receipt of notice under subsection (3), the stock exchange, shall give immediate effect to such notice.

25. Where a licensed stock exchange, a licensed stock broker or a licensed stock dealer as the case may be, proposes to alter any particulars already furnished or undergoes or intends to undergo a change from its state specified in the application for a licence as a stock exchange, stock broker or stock dealer made under section 15, it

shall be the duty of such stock exchange, stock broker or stock dealer, as the case may be, to inform the Council and obtain its prior consent before such alteration or change is effected.

26. A person who, in connection with an application or appeal made under this Act, wilfully makes a false or misleading statement or wilfully omits or fails to report any matter or thing without which the application is misleading in a material respect, shall be guilty of an offence under this Act, and shall be liable on conviction to a fine not exceeding one million rupees.

27. No licensed stock broker or licensed stock dealer shall lend or arrange for the lending of, any securities carried for the account of any customer without the customer's written consent, or borrow, or arrange to borrow, using the securities, carried for the account of any customer, as collateral, without the customer's written consent.

28. No person holding shares in a public company listed in a licensed stock exchange, shall sell such shares except in compliance with the trading procedure adopted by such licensed stock exchange.

29. No licensed stock broker or licensed stock dealer shall trade in listed securities outside the licensed stock exchange of which he is a member.

30. (1) From and after the appointed date, no body corporate or an individual shall use the words "stock exchange", "stock broker" or "stock dealer" as the case may be unless such body corporate or individual as the case may be, has been licensed as a stock exchange or stock broker or stock dealer, by the Council under this Act.

(2) From and after the appointed date, no body corporate or an individual shall carry on business as a stock exchange, stock broker, stock dealer as the case may be, such body corporate or individual is authorized to do so under a licence granted under the provisions of this Act:

Provided, however, any body corporate or an individual who, immediately before the appointed date was carrying on business as a stock exchange, stock broker or stock dealer as the case may be, shall be entitled to carry on such business without obtaining a licence under this Act—

(a) for a period of three months from the appointed date; and

(b) if prior to the expiration of that period an application is made for a licence under this Act, until the licence is granted or finally refused or the application is withdrawn.

(3) Any body corporate or an individual who contravenes the provisions of subsection (1) or (2), shall be guilty of an offence under this Act and shall on conviction be liable to a fine not exceeding one million rupees.

**31. No body corporate or an individual licensed under the provisions of this Act as a stock broker or stock dealer as the case may be, or, any holding, subsidiary or an associate company of such licensee, or any Director of such licensee shall—**

- (a) where such body corporate or an individual is licensed as a stock broker, be granted a licence as a stock dealer ; and**
- (b) where such body corporate or individual is licensed as a stock dealer, be granted a licence as a stock broker.**

#### **PART IV**

##### **INSIDER DEALING**

**32. (1) Subject to the provision of subsection (8), an individual who is, or at any time during the six months immediately preceeding the appointed date has been, knowingly connected with a company shall not trade in listed securities of that company if he has information which—**

- (a) he holds by virtue of being connected with the company;**
- (b) it would be reasonable to expect a person so connected and in the position by virtue of which he is so connected, not to disclose except for the proper performance of the functions attaching to that position; and**
- (c) he knows is unpublished price sensitive information in relation to those securities.**

**(2) Subject to the provisions of subsections (8) and (9), an individual who is or at any time in the six months immediately preceding the appointed date has been knowingly connected with a company shall not trade in listed securities of any other company if he has information which—**

- (a) he holds by virtue of being connected with the first mentioned company;**
- (b) it would be reasonable to expect a person so connected and in the position by virtue of which he is so connected, to disclose except for the proper performance of the functions attaching to that position;**
- (c) he knows is unpublished price sensitive information in relation to those securities of that other company ; and**
- (d) relates to any transaction whether actual or contemplated, involving both the first mentioned company and that other company or involving one of them and securities of the other or to the fact that any such transaction is no longer contemplated.**

(3) Subject to the provisions of subsections (8) and (9), where ---

- (a) any individual has information which he knowingly obtained, whether directly or indirectly, from another individual who is connected with a particular company, or was at any time in the six months immediately preceding the date of obtaining of the information so connected and who the former individual knows or has reasonable cause to believe, held the information by virtue of being so connected: and
- (b) the former individual knows or has reasonable cause to believe that, because of the latter's connection and position, it would be reasonable to expect him not to disclose the information except for the proper performance of the functions attaching to that position.

then, the former individual—

- (i) shall not himself trade in listed securities of that company if he knows that the information is unpublished price sensitive information in relation to those securities ; and
- (ii) shall not himself trade in listed securities of any other company if he knows that the information is unpublished price sensitive information in relation to those securities, and it relates to any transaction whether actual or contemplated, involving the first-mentioned company and the other company or involving one of them and securities of the other or to the fact that any such transaction is no longer contemplated.

(4) Subject to the provisions of subsections (8) and (9) where an individual is contemplating or has contemplated, making, whether with or without another person, a takeover offer for a company in a particular capacity, that individual shall not trade in listed securities of that company in another capacity if he knows that the information that the offer is contemplated or is no longer contemplated is unpublished price sensitive information in relation to those securities.

(5) Subject to the provisions of subsections (8) and (9) where an individual has knowingly obtained, whether directly or indirectly, from an individual to whom the provisions of subsection (4) apply, information that the offer referred to in subsection (4) is being contemplated or is no longer contemplated the first-mentioned individual shall not himself trade in listed securities of that company if he knows that the information is unpublished price sensitive information in relation to those securities.

(6) Subject to the provisions of subsections (8) and (9) an individual who is for the time being prohibited by any provision of this section from trading in listed securities shall not counsel or procure any other person to deal in those securities, knowing or having reasonable cause to believe that person would trade in such listed securities.

(7) Subject to the provisions of subsections (8) and (9), an individual who is for the time being prohibited as aforesaid from trading in listed securities by reason



of his having any information, shall not communicate that information to any other person if he knows or has reasonable cause to believe that or some other person will make use of the information for the purpose of counselling or procuring any other person to trade in such listed securities.

(8) The provisions of this section shall not prohibit an individual by reason of his having any information from—

- (a) doing any particular thing otherwise than with the view to the making of a profit or the avoidance of a loss, whether for himself or another person by the use of that information ;
- (b) entering into a transaction in the course of the exercise in good faith of his functions as liquidator, receiver, or trustee in bankruptcy; or
- (c) doing any particular thing if the information was—
  - (i) obtain by him in the course of the business of a stock broker or a stock dealer in which he was engaged or employed; and
  - (ii) of a description which it would be reasonable to expect him to obtain in the ordinary course of that business,

and he does that thing in good faith in the course of that business.

(9) An individual shall not, by reason only of having information relating to any particular transaction , be prohibited—

- (a) by the provisions of subsection (2), paragraph (ii) of subsection (3), subsection (4) or subsection (5) from trading in listed securities ; or
- (b) by the provisions of subsection (6) or subsection (7) from doing any other thing in relation to listed securities which he is prohibited from trading in by any of the provisions referred to in paragraph (a),  
if he does that thing in order to facilitate the competition or carrying out of the transaction.

(10) Where a trustee or legal representative, or where a trustee or legal representative is a body corporate, an individual acting on behalf of that trustee or legal representative, who, apart from the provisions of paragraph (a) of subsection (8) would be prohibited by the provisions of this section from counselling or procuring any other person to trade in listed securities, trades in those listed securities, or counsels or procures any other person to trade in them, he shall be presumed to have acted as referred to in that paragraph if he acted on the advice of a person who—

- (a) appeared to him to be an appropriate person from whom to seek such advice; and

(b) did not appear to him to be prohibited by this section from dealing in those securities.

33. (1) The provision of this section shall apply to any information which—

(a) is held by a public servant or former public servant by virtue of his position or former position as a public servant or is knowingly obtained by an individual (directly or indirectly) from a public servant or former public servant who he knows or has reasonable cause to believe, held the information by virtue of any such position:

(b) it would be reasonable to expect an individual in the position of the public servant or former position of the former public servant not to disclose except for the proper performance of the functions attaching to that position: and

(c) the individual holding it knows, is unpublished price sensitive information in relation to listed securities of a particular company (hereafter in this section referred to as "relevant securities").

(2) The provisions of this section shall apply to a public servant or former public servant holding information to which this section applies and to any individual who knowingly obtained any such information (directly or indirectly) from a public servant or former public servant who, that individual knows or has reasonable cause to believe, held the information by virtue of his position or former position as a public servant.

(3) An individual to whom the provisions of this section apply—

(a) shall not trade in any relevant securities ;

(b) shall not counsel or procure any other person to trade in any such relevant securities, knowing or having reasonable cause to believe that other person would trade in them; and

(c) shall not communicate to any other person the information held or, as the case may be, obtained by him as referred to in subsection (2) if he knows or has reasonable cause to believe that that or some other person will make use of that information for the purpose of counselling or procuring any other person to trade in such relevant securities.

(4) An individual shall not, by reason only of having information relating to a particular transaction, be prohibited by any provision of this section from doing anything, if he does that thing in order to facilitate the completion or carrying out of the transaction.

34. (1) For the purposes of this Part of this Act, an individual is connected with a company if, and only if—

- (a) he is a director of that company or a related company; or
- (b) he occupies a position as an officer (other than director) or employee of that company or a related company or a position involving a professional or business relationship between himself (or his employer or a company of which he is a director) and the first company or a related company which in either case may reasonably be expected to give him access to information which, in relation to listed securities of either company, is unpublished price sensitive information and which it would be reasonable to expect (a person in his position not to disclose except) for the proper performance of his function.

(2) Any reference in this Part of this Act to “unpublished price sensitive information” in relation to any listed securities of any company is reference to information which—

- (a) relates to specific matters relating, or of concern, (directly or indirectly) to that company that is to say, is not of a general nature relating or of concern to that company; and
- (b) is not generally known to those persons who are accustomed or would be likely to deal in those listed securities but which would if it were generally known to them be likely to affect materially the price of those securities.

(3) In this Part of this Act except where the context otherwise requires—

“company” means a listed public company within the meaning of this Act;

“related company”, in relation to any company means any body corporate which is that company’s subsidiary associate or holding company, or a subsidiary of that company’s holding company;

“take-over offer for a company” means an offer made to all the holders (or all holders other than the person making the offer and his nominees) of the shares in the company to acquire those shares or a specified proportion of them, or to all the holders, or all the holders other than the person making the offer and his nominees, of a particular class of those shares to acquire the shares of that class or specified proportion of them.

PART V

FINANCE

35. (1) The Council shall have its own Fund—

(2) There shall be paid into the Fund—

(a) all such sums of moneys as may be voted upon from time to time by Parliament for the use of the Council;

(b) all sums of money as may be paid as fees under section 15 and section 20;

(c) all such sums of money as may be received by the Council by way of donations, gifts or grants from any source whatsoever, whether in or outside Sri Lanka.

(3) There shall be paid out of the Fund all such sums of money required to defray the expenditure incurred by the Council in the exercise, discharge and performance of its powers functions and duties.

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

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

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

38. (1) There shall be established a fund called the Compensation Fund, for the purpose of granting compensation to any investor who suffers pecuniary loss resulting from the failure of a licensed stock broker or licensed stock dealer to meet his contractual obligations.

(2) The Compensation Fund shall consist of such sums of moneys as may be voted upon by Parliament for the purpose of the Fund.

(3) Moneys belonging to the Compensation Fund may be invested by the Council in such manner as may be determined by the Council.

39. (1) The Minister shall appoint from among the members of the Council, three members who shall comprise the Compensation Committee (hereinafter referred to as the "Committee") of the Council.

(2) The Committee appointed under subsection (1) shall be responsible for assessing and warding compensation in respect of any application made under section 40 and the decision of such Committee on any such assessment or award shall for all purposes be final and conclusive.

40. (1) Any investor who has suffered pecuniary loss due to the failure of a licensed stock broker or a licensed stock dealer to meet his contractual obligation towards such investor may, within three months of the date on which he suffered such pecuniary loss, make an application to the Committee in the prescribed form claiming compensation from the Compensation Fund.

(2) The Committee may from time to time, require an applicant to produce any document or other evidence in support of his claim for compensation. Where the applicant fails to comply with such request, the Committee may disallow his claim.

(3) If at any time the Committee considers it necessary so to do, it may hold an inquiry into the claim of the applicant and shall by notice in writing, inform the applicant to be present on such date, and at such time and place as may be specified in the notice. Where the applicant fails to appear for such inquiry on the date set out in the notice, the Committee may disallow his claim.

41. (1) The Committee may, after examination of the documents and other evidence produced in support of the claim by an applicant, or in any case where an inquiry was held on the conclusion of such inquiry, allow or disallow such claim for compensation.

(2) Where the Committee allows any claim it shall make an assessment of the amount of compensation payable and shall make an award in relation thereto. Notice of such award shall be given in writing to the applicant.

(3) The Council shall make rules relating to the assessment of compensation payable and the assessment of compensation by the Committee under subsection (2) shall be in accordance with such rules.

## PART VI

### GENERAL

42. (1) The Minister shall, in consultation with the Council, appoint a Director-General of the Council, who shall be its chief executive officer. The conditions of employment including remuneration of the Director-General shall be determined by the Minister.

(2) The Director-General shall, subject to the general direction and control of the Council, be charged with the direction of the affairs and transactions of the Council, the exercise, discharge and performance of its powers, functions and duties, and the administration and control of the employees of the Council.

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

(4) The Minister may remove from office the Director-General appointed under subsection (1) and such removal shall not be called in question in any Court.

43. (1) The Council 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 Council.

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

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

(5) Where any officer in the public service is permanently appointed to the staff of the Council, the provision of subsection (3) of section 13 of the Transport Board Law, No. 19 of 1978, shall, *mutatis, mutandis*, apply to an in relation to him.

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

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

(8) Where any member of the Local Government Service or any officer or servant of any local authority is appointed temporarily under subsection (7) to the staff of the Council, he shall be subject to the same disciplinary control as any other member of such staff.

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

(2) Where any person is appointed whether temporarily or permanently under subsection (1) to the staff of the Council he shall be subject to the same disciplinary control as any other member of the staff.

45. (1) For the purpose of enabling the Council to exercise, perform and discharge any of its powers, functions and duties under section 13 of this Act, the Council or any person authorized in that behalf by the Council may by notice in writing require any person to furnish to the Council or to the person authorized, within such period as shall be specified in the notice, all such returns or information as shall be specified in such notice.

(2) It shall be the duty of any person who is required to furnish any return or information by a notice under subsection (1) to comply with such requirement within the time specified in such notice, except where such person is precluded from making such return or divulging such information under the provisions of any law.

(3) The Council or any member thereof, or any officer or servant of the Council shall not disclose to any person or use any returns or information acquired under subsection (1), except when required to do so by a court of law for the purposes of achieving, the objects of the Council.

46. (1) The Council may establish a Committee consisting of three members of the Council to hear and determine complaints of shareholders of any public company listed in a licensed stock exchange, relating to the professional conduct or activities of such stock exchange, any licensed stock broker, or stock dealer of such exchange.

(2) The Committee may, on receipt of any written complaint made any shareholder, examine the documents and other evidence produced, if any, in support of such complaint, and determine whether such licensed stock exchange or any licensed stock broker or stock dealer of such stock exchange has violated any provisions of this Act or any rule or regulation made under this Act. No such determination shall be made without affording such licensed stock exchange, licensed stock dealer, or stock broker, an opportunity of being heard.

(3) Where the Committee determines that a licensed stock exchange or any licensed stock broker or stock dealer of such exchange has violated any provisions of this Act or any rule or regulation made under this Act, the Committee shall recommend to the Council the nature of action to be taken against such licensed stock exchange, or any licensed stock broker or stock dealer, as the case may be.

(4) The Council shall upon receiving such recommendations made by the Committee under subsection (3), take such action as it may deem expedient, in accordance with the provisions of this Act.

47. All members, officers and servants of the Council shall be deemed to be public servants within the meaning and for the purposes of the Penal Code.

48. The Council shall be deemed to be a Scheduled institution within the meaning of the Bribery Act, and the provisions of that Act shall be construed accordingly.

49. The Minister may, from time to time, direct the Council to furnish to him in such form as he may require returns, accounts and other information with respect to the work of the Council and the Council shall carry out any such direction.

50. (1) No suit or prosecution shall be instituted against any member of the Council or against any of the officers or servants of the Council for any act which in good faith is done or purported to be done by such person under this Act or on the direction of the Council.

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

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

51. (1) Any person who—

- (a) contravenes any provision of this Act or any requirement imposed under the provisions of this Act or of any regulation made thereunder;
- (b) furnishes for the purposes of this Act any information which is or any return the contents of which is, to his knowledge untrue or incorrect; or
- (c) wilfully obstructs any member of the Council or an officer or servant of the Council in the performance of his duties under the provisions of this Act,

shall be guilty of an offence under this Act.

(2) Any person who is found guilty of an offence under this Act for which no penalty is expressly provided for under this Act, shall liable on conviction after summary trial by a Magistrate, to a sentence of imprisonment of either description for a period not exceeding five years or to a fine not exceeding ten million rupees or to both such imprisonment and fine.



52. (1) The Minister may make regulations in respect of matters required to be prescribed by this Act or in respect of which regulations are authorized to be made.

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

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

(4) Notification of the date on which any regulation is deemed to be rescinded shall be published in the *Gazette*.

53. Without prejudice to the generality of the powers conferred upon it by section 13, the Council shall formulate the following rules as may be required from time to time for the purpose of ensuring orderly and fair trading in securities and protection of investors' interest—

- (a) listing of securities in a licensed stock exchange;
- (b) disclosures by dealers about share transactions, by persons who acquired or disposed of securities and by a licensed stock exchange about security transactions;
- (c) Proper maintenance of books, records, accounts and audits by licensed stock dealers and licensed stock brokers and regular reporting by such licensed stock dealers and licensed stock brokers to the council of their affairs.

54. The Companies Act, No. 17 of 1982 is hereby amended by the repeal of sections 220, 221, 222 and 223 of that Act.

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

“investor” means a person who invests in securities purchased or transacted through a licensed stock broker or a licensed stock exchange;

“listed public company” means any public company which has its securities listed or quoted on a licensed stock exchange;

“listed securities” means securities of any listed public company;

“Securities” means debentures, stocks and shares in a public company or corporation, funds or bonds of any government or of any body, corporate or unincorporate; including any right or option in respect thereof or any other certificate or interest bought or sold on a stock exchange;

“stock exchange” means a market, exchange or other place at which securities are regularly offered for sale, purchase or exchange, including any services connected with such business ;

“stock broker” means any individual or body corporate engaged in the business of buying or selling of securities on behalf of investors in return for a Commission ;

“stock dealer” means any individual or body corporate engaged in the business of buying or selling of securities or in the dealing or jobbing or trading of securities, or the underwriting or retailing of securities.

SCHEDULE

(Section 16)

PART I

Requirements and conditions to be satisfied for the purpose of granting a licence as a stock exchange to a body corporate are as follows :--

(a) that the applicant is--

(i) a public limited liability company incorporated under the Companies Act, No. 17 of 1982; or

(ii) an association registered as a company with limited liability under section 21 of the Companies Act, No. 17 of 1982;

(b) that the articles or association of the applicant company referred to in paragraph (a) do not permit any distribution of profits to members ;

(c) that the articles of association of the applicant company restricts the membership of the stock exchange to brokers and dealers only ;

(d) that at least six members of the applicant company will carry on brokering business in securities independently of and in competition with each other and that at least four members have experience in brokering in securities during the last five years;

(e) that the applicant company is engaged solely in the business of operating a stock exchange ;

(f) that the Board of Directors and the chief executive of the applicant company consists of persons of business integrity ;

(g) that the Board of Directors of the applicant company consists of five members who are individual stock brokers or stock dealers or nominees of any company licensed as a stock broker or stock dealer elected by the general membership ;

(h) that the applicant company's location and activities will enable the creation of a more orderly market for securities in Sri Lanka ;

(i) that the applicant company's financial standing is satisfactory ; and

(j) that the rules of applicant company make satisfactory provision--

(i) for admission of members ;

(ii) for exclusion from membership of person who are not of good character and high business integrity ;

(iii) for the expulsion, suspension or disciplining of members for conduct inconsistent with just and equitable principles in the transaction of business or for a contravention of or failure to comply with rules of the stock exchange or the provisions of this Act;

- (iv) for appointment of authorized representatives and clerks;
- (v) with respect to the conditions under which securities may be listed for trading in the market ;
- (vi) with respect to conditions under which listing of a particular security may be revoked ;
- (vii) with respect to the conditions governing dealings in securities by its members;
- (viii) with respect to timely and accurate disclosure of all material information required for investors to make informed investment decisions ;
- (ix) with respect to the protection of investors in securities from misrepresentation, misleading information, fraud, deceit and other adverse practices in the issue and trading of securities and from the abuse of certain persons of privileged information not yet made available to the general public;
- (x) with respect to prohibition of securities market manipulation of any form including false trading, market rigging, &c. ;
- (xi) for investigating into trading in securities and financial transactions of stock brokers and stock dealers for conducting surprise checks on the members ;
- (xii) for suspension of trading of any given security for the protection of investors or for the conduct of orderly and fair trading ;
- (xiii) with respect to the conduct of securities trading of stock brokers and stock dealers and the manner in which information relating to transaction be maintained and
- (xiv) for ensuring that the customers' funds are segregated from other business of the security brokers or dealers.

PART II

(Section 17)

Terms and conditions to be complied with for the purpose of granting a licence as a stock broker or stock dealer to a body corporate are—

- (a) that the applicant company is a member of a stock exchange licensed under this Act;
- (b) that the applicant is a company incorporated under the Companies Act, No 17 of 1982;
- (c) that the Directors of the applicant company—
  - (i) have never been declared bankrupt;
  - (ii) have never been themselves, or been Directors of, a company that has been denied a licence as a stock broker or stock dealer ; or
  - (iii) have never been themselves or been Directors of, a company whose licence as stock broker or stock dealer had been removed by the appropriate authority ;
- (d) that at least one Director and at least one employee who will be the chief employee of the applicant company, is certified by a stock exchange licensed under the provisions of this Act, as sufficiently trained in stock exchange operations ; and
- (e) that the applicant company has lodged security in such sum as may be determined by the Minister, having regard to the value of transactions that are likely to be carried on by such applicant or an equivalent in bank guarantee with a stock exchange licensed under the provisions of this Act.

Terms and conditions to be complied with for the purpose of granting a licence as a stock broker or a sock dealer to an individual are that the applicant—

- (a) is a citizen of Sri Lanka ;
- (b) is a fit and proper person and is of sound financial standing ;
- (c) is a member of a stock exchange licensed under this Act and is certified by such stock exchange as sufficiently trained in stock exchange operations ;
- (d) has lodged security in such sum as may be determined by the Minister, having regard to the value of transactions that are likely to be carried on by such applicant or an equivalent in bank guarantee with a stock exchange licensed under this Act; and
- (e) has not been expelled or debarred from membership of any stock exchange licensed under this Act.

**APPROPRIATION ACT, NO. 51 OF 1987**

(Certified on 30th December, 1987)

AN ACT TO PROVIDE FOR THE SERVICE OF THE FINANCIAL YEAR, 1988, TO AUTHORIZE THE RAISING OF LOANS IN OR OUTSIDE SRI LANKA FOR THE PURPOSE OF SUCH SERVICE, TO MAKE FINANCIAL PROVISIONS 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 PROVISIONS FOR MATTERS CONNECTED WITH, OR INCIDENTAL TO, THE AFORESAID MATTERS.

1. This Act may be cited as the Appropriation Act, No. 51 of 1987.

2. (1) Without prejudice to any other law authorizing any expenditure, the expenditure of the Government, which it is estimated will be rupees sixty-three thousand five hundred and seventy-three million six hundred and thirty-four thousand for the service of the period beginning on January 1, 1988, and ending on December 31, 1988, in this Act referred to as the "financial year 1988", 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 thirty-seven thousand one hundred and twenty million.

The sum of rupees sixty-three thousand five hundred and seventy-three million six hundred and thirty-four 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 1988, 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, 1988.

(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 1988, 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 1988, 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 1988, the receipts of the Government from any activity specified in column I of the Second Schedule to this Act are insufficient to meet the expenditure incurred by the Government on such activity, the Minister may, from time to time, by Order direct that such sums as he may deem necessary to meet such expenditure shall be payable, by way of advances, out of the Consolidated Fund or any other fund or moneys of, or at the disposal of the Government, so however, that the aggregate of the sums so advanced does not exceed the maximum limit of expenditure specified in the corresponding entry in column II of that Schedule. Any sums so advanced in respect of such activity shall be refunded to the Consolidated Fund in such manner as the Minister may by Order direct.

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

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

6. Where the Minister is satisfied—

- (1) that receipts from taxes and other sources will be less than the amounts anticipated to finance authorized expenditure ; or

- (2) that amounts originally appropriated for a particular purpose or purposes are no longer required.

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

7. The Minister with the approval of the Government, may, on or before May 31, 1989, 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.