



INLANDⁿ REVENUE
(AMENDMENT) LAW,
No. 16 OF 1976

OF

THE NATIONAL STATE ASSEMBLY

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*Inland Revenue (Amendment) Law,
No. 16 of 1976*

L. D.—O. 81/75

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

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

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

Short title.

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

Amendment of
section 3 of Act
No. 4 of 1963.

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

Provided that—

(a) in the case of an entertainment allowance granted to any person by his employer in respect of any period ending on or before March 31, 1975, such portion of the allowance as is equivalent to, or less than, ten *per centum* of the salary (excluding all allowances) payable to such person shall be deemed not to be profits from employment if it is proved to the satisfaction of the Assessor that such portion of that allowance had been utilized by such person in the course of his dutie;

(b) in the case of any person who is employed as an executive officer, any sum granted as an allowance for travelling which is in excess of the amount determined in accordance with section 11 (2) as expenditure for travelling of such officer shall be deemed, for any year of assessment ending on or before March 31, 1965, to be profits from employment;

(c) in the case of any allowance granted by an employer to an employee for travelling in connection with any trade, business, profession or vocation carried on or exercised by such employer other than travelling from the place of residence of the employee to his place of employment and *vice versa*—

(i) such allowance, if it does not exceed one hundred rupees for a month, shall be deemed for the year of assessment commencing on April 1, 1965, and for each of the three years of assessment next succeeding, not to be profits from employment, and

(ii) such allowance, if it does not exceed one thousand two hundred rupees for an year, or if it exceeds that amount, such portion of that allowance as is not in excess of that amount, shall be deemed, for each year.

of assessment commencing on or after April 1, 1969, but not after April 1, 1974, not to be profits from employment;

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

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

Amendment of section 5 of the principal enactment.

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

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

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

accordance with such regulations as may be prescribed on that behalf by the Controller of Exchange;"; and

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

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

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

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

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

(a) the business of a printer, publisher, transporter or distiller, or

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

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

Amendment of
section 5A of the
principal enact-
ment.

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

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

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

(i) any dividend declared by a company incorporated on or after November 6, 1974;

(ii) any dividend declared on or after April 1, 1974, in respect of any share in the capital of a company which is not an ordinary share;

(iii) any dividend declared out of such profits and income of a company as are referred to in paragraph (c) and as arose or were derived on or after April 1, 1975, and

(iv) such part of the total of any dividends declared on or after April 1, 1974, in respect of an ordinary share in the capital of a company out of the profits of any accounting period of that company as is in excess of—

(a) ten *per centum* of the amount paid up on that share before November, 6, 1974, where such accounting period is not less than twelve months,

(b) such percentage of the sum paid up on that share before November 6, 1974, as bears to ten *per centum* the same proportion as the number of

days in the accounting period bears to the number of days in an year where such accounting period is less than twelve months.”; and

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

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

Amendment of section 6 of the principal enactment.

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

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

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

- (a) any dividend declared by a company carrying on any such undertaking referred to in paragraph (v) or paragraph (vi) of subsection (1) as has been approved by the Minister on or after November 6, 1974,
- (b) any dividend declared on or after April 1, 1974, in respect of any share in the capital of a company which is not an ordinary share, and
- (c) such part of the total of any dividends declared on or after April 1, 1974, in respect of an ordinary share in the capital of a company out of the profits of any accounting period of that company as is in excess of—

- (i) ten *per centum* of the amount paid up on that share before November 6, 1974, where such accounting period is not less than twelve months, and
- (ii) such percentage of the sum paid up on that share before November 6, 1974, as bears to ten *per centum* the same proportion as the number of days in the accounting period bears to the number of days in an year where such accounting period is less than twelve months."

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

Amendment of
section 7A of the
principal enact-
ment.

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

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

Amendment of
section 12A of
the principal
enactment.

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

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

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

“for each successive period of twelve months;”;

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

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

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

“for each successive period of twelve months. ”;

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

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

“for each successive period of twelve months;”;

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

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

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

"for each successive period of twelve months"; and

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

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

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

Amendment of section 15 of the principal enactment.

"(b) the amount of a loss incurred by him during the year of assessment in any trade, business, profession or vocation, which if it had been a profit, would have been assessable under this Act:

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

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

Amendment of section 15A of the principal enactment.

(1) by the substitution for all the words and figures from "grant that person" to "such relief", of the words and figures "grant that person for any year of assessment commencing on or after April 1, 1974, such relief"; and

(2) by the substitution for the marginal note to the section, of the following new marginal note:—

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

Amendment of
section 16B of
the principal
enactment.

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

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

Amendment of
section 16cc of
the principal
enactment.

11. Section 16cc of the principal enactment is hereby amended by the repeal of subsection (1) of that section and the substitution therefor of the following new subsection:—

“(1) In this section “approved investment” means—

(a) an approved investment within the meaning of section 68A made by a company or a body of persons;

(b) any sum invested in the purchase of ordinary shares, other than existing shares, in a company engaged solely in carrying on an undertaking which is considered by the appropriate Minister to be capable of exporting goods or commodities or of providing services for payment in foreign currency and is, at the request of such Minister; declared by the Minister in charge of the subject of Finance to be an approved undertaking for the purposes of this section; or

(c) any sum invested on or after April 1, 1975, in the purchase of ordinary shares, other than existing shares, in a company approved for the purposes of this section by the Minister and engaged solely—

(i) in the construction and sale of houses; or

(ii) in the development and sale of land for building purposes under any scheme approved by the Minister in charge of the subject of Housing; or

(iii) in the construction and sale of houses and in the development and sale of land for building purposes under any scheme approved by the Minister in charge of the subject of Housing; or

- (iv) in carrying on an undertaking which is considered by the Minister to be essential for the economic progress of Sri Lanka; or
- (d) any amount paid on or after April 1, 1974, by an individual to the Government or to any banking institution within the meaning of the Monetary Law Act, or to any local authority or to any other institution approved for the purpose by the Minister in charge of the subject of Housing—
- (i) in the repayment of capital of any loan granted on or after April 1, 1973, for the construction of a house or for the purchase either of the first house or of the first site for the construction of a house purchased on or after that date; or
- (ii) as monthly payments in respect of any house let on or after April 1, 1973, on rent purchase terms; or
- (e) any amount certified by the Commissioner of National Housing to have been spent by an individual on the construction of the first house which he commenced to construct on or after April 1, 1974, such amount not being an amount obtained on any loan from the Government or any institution or authority referred to in paragraph (d); or
- (f) any amount spent by an individual on or after April 1, 1974, for the purchase of either the first house or the first site for the construction of a house purchased on or after that date, such amount not being an amount obtained on any loan from the Government or any institution or authority referred to in paragraph (d).'

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

'Allowance in respect of premia for the purchase of a deferred annuity paid by an individual carrying on or exercising any profession or vocation.

16E. (1) Where the assessable income of any individual for any year of assessment commencing on or after April 1, 1977, is computed taking into account income immediately derived by him through his personal exertions from any profession or vocation carried on or

Insertion of new section 16E in the principal enactment.

exercised by him and such individual has paid during the year preceding that year of assessment premia for the purchase from the Insurance Corporation of Ceylon of a deferred annuity then—

- (i) a sum equal to the amount of such premia; or
- (ii) an amount representing fifteen *per centum* of the profits and income of that individual for that year of assessment immediately derived by him through his personal exertions from such profession or vocation, or

(iii) six thousand rupees,
whichever amount is the least, shall be the allowance in relation to such premia and such allowances shall be deducted from the assessable income of that individual for that year of assessment in arriving at his taxable income for that year of assessment.

(2) Where the entirety of the assessable income of an individual who is entitled to the allowance referred to in subsection (1) is aggregated with the assessable income of the head of the family of which that individual is a member, the head of the family shall be entitled to deduct from his assessable income any allowance to which that individual is entitled under that subsection.

(3) In this section “deferred annuity” in relation to an individual means an annuity payable to that individual either upon his reaching an age of not less than fifty-five years or in such circumstances as the Minister may approve on the recommendation of the Insurance Corporation of Ceylon.’.

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

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

(a) a sum received in commutation of a pension, or
(b) a sum received in commutation of an annuity referred to in section 16E, or

(c) a sum refunded under section 46 (1) or section 49 of the Widows' and Orphans' Pension Fund Ordinance or under any regulation relating to any Widows' and Orphans' Pension Fund or Scheme established for the Local Government Service which corresponds to the said section 46 (1) or section 49, or

(d) a sum received as a retiring gratuity, or

(e) any sum received on or after April 1, 1968, as compensation for loss of office or employment, or

(f) a sum paid to him, at the time of his retirement from any employment, from a provident fund approved by the Commissioner-General other than such part of that sum as represents his contributions to that provident fund made after April 1, 1954, or

(g) any sum paid on or after April 1, 1967, from a regulated provident fund to an employee (other than such part of that sum as represents his contributions to that fund, and such part of that sum as represents the contributions made by the employer to that fund prior to April 1, 1968, and the interest which accrued on such contributions made by the employer if, but only if, in respect of such contributions made by the employer and the interest which accrued on such contributions made by the employer, tax at the rate of fifteen *per centum* has been paid by the employer),

his taxable income for any year of assessment exceeds that which would be his taxable income if no such afore-mentioned sum were included in his statutory income, the excess, notwithstanding anything contained in any other subsection, shall, if he was liable to income tax in the three immediately

preceding years of assessment, be chargeable with tax at the average of the effective rates at which he was liable to tax in those three years, or if he was liable to tax for only two of those three years, be chargeable with tax at the average of the effective rates at which he was liable to tax in those two years, or, if he was liable to tax for only one of those three years, be chargeable with tax at the effective rate at which he was liable to tax in that year :

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

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

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

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

- (i) the amount of any tax already paid in respect of that sum or any part thereof, and
- (ii) an amount equal to the tax calculated at the effective rate at which he was liable to tax for the year of assessment commencing on April 1, 1967, or at fifteen *per centum*,

whichever is less on the contributions made by him to the regulated provident fund prior to April 1, 1966,

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

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

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

Amendment of section 21 of the principal enactment.

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

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

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

(2) in subsection (6A) of that section, by the substitution in paragraph (b) of that subsection for the expression "each year of assessment commencing on or after April 1, 1974", of the expression "the year of assessment commencing on April 1, 1974";

(3) by the insertion, immediately after subsection (6A), of the following new subsection:—

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

(a) if his earned income for that year of assessment is less than six thousand rupees, an allowance of an amount equal to—

(i) one thousand two hundred rupees,
or

(ii) his earned income,

whichever is less; and

(b) if his earned income for that year of assessment is not less than six thousand rupees, an allowance of an amount equal to—

(i) twenty *per centum* of his earned income, or

(ii) three thousand rupees,

whichever is less.

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

For the purposes of this subsection "earned income"—

(i) in relation to the years of assessment commencing on April 1, 1975, and April 1, 1976, respectively shall have the same meaning as in subsection (6); and

(ii) in relation to any year of assessment commencing on or after April 1, 1977, means profits from any employment.;

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

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

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

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

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

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

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

For the purposes of this subsection—

- (a) a person in receipt of a pension, shall be deemed to be carrying on or exercising an employment; and
- (b) the following persons shall not be deemed to be in receipt of profits from any employment:—
 - (i) a member of a family who is employed in a business carried on by his parent or by any other member of that family or in a partnership of which his parent or any other member of that family is a partner;
 - (ii) a member of a family who is employed in a company in which more than one-half of the total shares issued is held by not more than five persons, their wives or minor children either directly or through nominees and if one of such persons or wives is his parent or if one of such persons or wives or minor children is that member or any other member of that family; and
 - (iii) an employee in a company in which more than one-half of the total shares issued is held by not more than five persons, their wives or minor children either directly or through nominees and if that employee is one of such persons.”.

Amendment of
section 23A of
the principal
enactment.

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

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

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

“(d) income tax for any year of assessment commencing on or after April 1, 1971, but not later than April 1, 1974, shall

be computed in accordance with the provisions of Part V of the Second Schedule to this Act;"; and

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

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

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

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

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

(a) if such family consists of—

(i) a husband and wife, or

(ii) an individual and not more than two children who are not in receipt of any occupational income, or

(iii) an individual and not more than two dependent relatives, or

(iv) an individual and one child who is not in receipt of any occupational income and one dependent relative,

be increased by Rs. 600;

(b) if such family consists of—

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

be increased by Rs. 1,200 ; and

(c) if such family consists of—

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

be increased by Rs. 1,800.”.

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

Amendment of section 24 of the principal enactment.

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

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

“(g) the provisions of Part VI of the Second Schedule to this Act shall, in their application to that individual for the year of assessment commencing on April 1, 1975, have effect as if each of the sums mentioned in that Part of that Schedule, or the aggregate of the sums computed in the manner mentioned in subsection (4) of section 23A, as the case may be, were reduced in the proportion which the number of days during which he is resident bears to the number of days in such preceding year,

(h) the provisions of Part VII of the Second Schedule to this Act shall, in their application to that individual for any year of assessment commencing on or after April 1, 1976, have effect as if each of the sums mentioned in that Part of that Schedule, or the aggregate of the sums computed in the manner mentioned in subsection (4) of section 23A, as the case may be, were reduced in the proportion which the number of days during which he is resident bears to the number of days in such preceding year.”.

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

Insertion of new section 24A in the principal enactment.

“Special provisions applicable to certain resident individuals

24A (1) The provisions of this section shall apply to any resident individual (not being an individual referred to in subsection (4)) whose taxable income for any year of assessment commencing on

or after April 1, 1976, is computed taking into account profits and income which consist—

(a) only of profits from an employment carried on or exercised by him and which do not exceed thirty thousand rupees; or

(b) only of profits from an employment carried on or exercised by his spouse and which do not exceed thirty thousand rupees; or

(c) only of profits from an employment carried on or exercised by him and from an employment carried on or exercised by his spouse and the aggregate of which does not exceed thirty thousand rupees; or

(d) of such profits from employment not exceeding thirty thousand rupees as are referred to in paragraphs (a), (b) or (c) and of profits and income not exceeding in the aggregate one thousand two hundred rupees from all sources other than employment.

(2) In the case of an individual referred to in subsection (1) and in relation to any year of assessment commencing on or after April 1, 1976—

(a) the assessable income of his spouse shall not be deemed to form part of his assessable income and such spouse shall not be deemed to be a member of his family;

(b) the profits and income not exceeding in the aggregate one thousand two hundred rupees from all sources other than employment shall be exempt from income tax;

- (c) no assessment of income tax shall be made in respect of that individual for that year of assessment if income tax has been deducted from his remuneration in accordance with the income tax tables prescribed by the Commissioner-General under section 107E and applicable to that year of assessment;
- (d) the provisions of section 107G shall have no application except where tax was deducted in excess due to an error in the application of the income tax tables prescribed under section 107E by the Commissioner-General;
- (e) he shall not be entitled to any refund of any tax deducted under the provisions of Chapter XIII A, notwithstanding the provisions of section 117, unless he proves to the satisfaction of the Assessor that such tax was paid in excess due to an error in the application of the income tax tables prescribed under section 107E by the Commissioner-General and applicable to that year of assessment;
- (f) he and any member of his family shall not be entitled to any deduction under paragraph (d) or paragraph (e) of subsection (1) of section 10 or subsection (1) of section 15 or section 16A or section 16B or section 16CC or section 16D or section 16E or under any of the provisions of section 21 (other than under subsection (8) of that section); and
- (g) the provisions of Chapter XI A shall have no application to him in relation to the income tax payable by him for that year of assessment if income

tax has been deducted from his remuneration in accordance with the income tax tables prescribed by the Commissioner-General under section 107E and applicable to that year of assessment.

(3) Where in respect of any year of assessment commencing on or after April 1, 1976, the assessable income of the wife of an individual is not deemed to form part of his assessable income for that year of assessment under subsection (2) such wife shall be assessed separately in respect of her assessable income for that year of assessment, and—

(a) the assessable income of the wife less the allowance to which such wife, had she been an individual not included in a family, would have been entitled under subsection (8) of section 21 shall be her taxable income for that year of assessment;

(b) such wife shall be liable to pay tax on her taxable income; and

(c) the provisions of paragraphs (b), (c), (d), (e), (f) and (g) of subsection (2) shall apply to such wife.

(4) The provisions of subsections (1), (2) and (3) shall have no application to—

(a) an individual who is—

(i) a member of a family employed in a business carried on by his parent or by any other member of that family or in a partnership of which his parent or any other member of that family is a partner;

(ii) a member of a family employed in a company in which more than one-

half of the total shares issued is held by not more than five persons, their wives or minor children either directly or through nominees and if one of such persons or wives is his parent or if one of such persons or wives, or minor children is that member or any other member of that family; or

(iii) an employee in a company in which more than one-half of the total shares issued is held by not more than five persons, their wives or minor children either directly or through nominees and if he is one of such persons; or

(b) an individual who has given notice in writing to the Commissioner-General within twelve months of the end of an year of assessment that the provisions of this section be not applied to him; or

(c) the wife of an individual referred to in paragraph (b).”

18. Section 25 of the principal enactment is hereby amended by the insertion, immediately after subsection (1A) of that section, of the following new subsection:—

Amendment of section 25 of the principal enactment.

“ (1B) Notwithstanding the preceding provisions of this section, the income tax to which a company shall be liable for any year of assessment commencing on or after April 1, 1976, shall, if it was a people's company throughout the year preceding such year of assessment or, in the case of a company incorporated in the year preceding such year of assessment, from the date of its incorporation, consist of—

(a) a sum equal to forty *per centum* of the taxable income of such company for such year of assessment, and

- (b) a sum equal to $33\frac{1}{2}$ per centum of the aggregate amount of the gross dividends distributed by such company out of the profits on which the taxable income of such company is computed for such year of assessment.

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

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

Insertion of new section 27A in the principal enactment.

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

"Resident company to deduct from certain dividends tax of $33\frac{1}{2}$ per centum.

27A. (1) Every resident company shall deduct from the amount of any dividend payable to any shareholder in the form of money or an order to pay money out of profits which are exempt from income tax under this Act or under any other enactment, income tax equal to $33\frac{1}{2}$ per centum of that part of the dividend which is not exempt from income tax under subsection (1) of section 5A, subsection (3) of section 6 or subsection (4) of section 7A of this Act, or under section 3 of the Housing Developers (Special Provisions) Law, No. 49 of 1973.

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

(3) Where a dividend is payable by any resident company to another company and a deduction has been made under subsection (1) in respect of that dividend, that dividend shall, notwithstanding any other provisions of this Act, be deemed not to form part of the assessable income of the second-mentioned company."

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

Amendment of section 30 of the principal enactment.

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

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

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

Amendment of section 31 of the principal enactment.

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

" (dd) one motor car kept for his private use of which he is the owner or the possessor within the meaning of section 30 (1) (aa), so however that where more than one member of a family is

entitled to exclude from his wealth one motor car under this paragraph the exclusion shall apply only in respect of one member of that family;”;

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

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

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

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

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

Insertion of
Chapter VIIA
in the principal
enactment.

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

CHAPTER VIIA

IMPOSITION OF THE EXPENDITURE TAX

Individuals to whom this Chapter shall not apply.

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

Charge of the expenditure tax.

38B. (1) Subject to the other provisions of this Chapter, there shall be charged for every year of assessment commencing on or after April 1, 1976, a tax (hereafter in this Act referred to as the “ expenditure tax ”) at the appropriate rates specified in the Seventh Schedule to this Act, in respect of the taxable expenditure of every individual who is the head of a family

and who is resident in Sri Lanka in the year preceding that year of assessment, and of every individual not included in a family who is resident in Sri Lanka in such preceding year, other than an individual who is deemed under subsection (6) of section 54 of this Act to be resident in Sri Lanka.

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

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

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

Amounts deemed to be included in expenditure.

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

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

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

Amounts deemed not to be included in expenditure.

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

- (a) any such expenditure incurred by him in the production of profits or income from any trade, business, profession, or vocation carried on or exercised by him as is allowed by this Act to be deducted for the purpose of ascertaining his profits or income, and any capital expenditure incurred by him in the production of such profits or income;
- (b) expenditure incurred in travelling outside Sri Lanka in connection with any trade, business, profession or vocation carried on or exercised by him if such expenditure was incurred with

the approval of the Controller of Exchange and does not exceed the amount authorized by him for that purpose ;

- (c) any expenditure incurred by him wholly and exclusively for advertising in connection with any trade, business, profession, vocation or employment carried on or exercised by him;
- (d) any expenditure incurred by him by way of the acquisition of any immovable property or the construction, repair or improvement of any immovable property, other than the repair of a house owned and occupied by him;
- (e) any expenditure incurred by him by way of investment in deposits, loans, shares or securities or by way of purchase of a business or by way of contribution as capital in a business;
- (f) any expenditure incurred by him by way of paying premia in respect of any policy of insurance, or of paying premia for the purchase of an annuity ;
- (g) any expenditure incurred by him by way of the acquisition of any bullion, precious stones or jewellery ;
- (h) any expenditure incurred by him by way of repayment of any debt or by way of payment of interest thereon;
- (i) any gift made by him;
- (j) any ground rent paid by him;
- (k) any annuity or other sum which he is legally bound to pay;
- (l) any expenditure incurred by him by way of payment of any tax, duty or levy administered by

the Commissioner-General or any rates or tax levied on immovable property other than any rates paid in respect of a house owned and occupied by him;

- (m) any expenditure incurred by him by way of the payment of any sum under an order of any court;
- (n) lawyers' fees paid and other expenses incurred in connection with any proceedings in any court or before any tribunal or before any arbitrator whose award is enforced by a judgment of any court;
- (o) any expenditure not exceeding five thousand rupees, incurred in connection with the funeral of any member of his family;
- (p) any expenditure, not exceeding ten thousand rupees incurred in connection with his marriage or the marriage of any child of his whether such child is or is not under twenty-one years;
- (q) any expenditure, in excess of three thousand rupees, incurred by him in obtaining for himself, or in providing to any member of his family, medical treatment, such expenditure being in respect of hospital or nursing home charges, doctors' fees, cost of drugs, and nurses' and attendants' charges;
- (r) any expenditure incurred by him in making good any loss of his or of any member of his family arising from theft or from fire, flood or other elemental cause;
- (s) where he is not a citizen of Sri Lanka, any expenditure incurred by him in educating his children abroad;

- (t) where he is not a citizen of Sri Lanka, the cost of his passage and the passage of any member of his family in proceeding to and back from his home abroad;
- (u) where he is a candidate at an election of a Member of the National State Assembly, any expenditure incurred by him which is authorized by any written law to be incurred by him as such candidate;
- (v) any contribution made to any pension or provident fund;
- (w) any expenditure incurred by a child who is in receipt of occupational income to the extent of his occupational income; and
- (x) any expenditure incurred wholly and necessarily in connection with the discharge of any duties assigned to him by the State.

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

Assessable expenditure.

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

Certain non-recurrent expenditure to be spread over not more than three years of assessment.

38F. Where an individual has, during the period commencing on April 1, 1975, and ending on November 5, 1975, incurred any non-recurrent expenditure in excess of ten thousand rupees, the Commissioner-General may, in his discretion, for the purpose of ascertaining his assessable expenditure, permit such non-recurrent expenditure to be spread

over a period not exceeding three years of assessment, if a written application is made on or before March 31, 1977.

Deductions to be made from assessable expenditure in arriving at taxable expenditure.

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

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

Taxable expenditure of the head of family.

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

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

Taxable expenditure of an individual who is not included in a family.

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

Collection of expenditure tax from other members of a family.

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

Reference to income, assessable income and income tax to be construed as including a reference to expenditure, assessable expenditure and expenditure tax respectively.

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

Reference to wealth tax to be construed as including a reference to expenditure tax.

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

Amendment of section 61 of the principal enactment.

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

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

Amendment of section 64 of the principal enactment.

24. Section 64 of the principal enactment is hereby amended by the repeal of subsection (1) of that section and the substitution therefor of the following new subsection:—

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

Insertion of new heading and new section 72A in the principal enactment.

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

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

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

‘Relief in respect of certain dividends received by non-resident persons from investments in shares of resident companies.

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

- (a) if any agreement has been entered into between the Government of Sri Lanka and the Government of the territory in which such person is resident, be reduced to such extent as may be specified in that agreement; and
 - (b) if no agreement has been entered into between the Government of Sri Lanka and the Government of the territory in which such person is resident, be reduced in the case of such investment as may be approved by the Minister, in such manner and to such extent as may be specified by Order made by the Minister, approved by the National State Assembly, and published in the *Gazette*.
- (2) For the purposes of this section, "tax in respect of a dividend" means—
- (i) the tax to which a company resident in Sri Lanka is liable under subsection (1) of section 25 in respect of that dividend,
 - (ii) the tax which every resident company shall deduct under subsection (4) of section 26 from the amount of any dividend which becomes payable to any non-resident company,
 - (iii) the tax which every resident company shall be entitled to deduct under subsection (1) of section 27 from the amount of any dividend payable to any shareholder, or
 - (iv) the tax payable by a non-resident person other than a non-resident company, under this Act in respect of that dividend.

Insertion of new sections 73B, 73c, 73D, 73E, 73F and 73G in the principal enactment.

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

Relief in respect of approved investment plans.

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

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

whichever amount is the lower :

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

Relief for obtaining foreign exchange.

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

- (i) the amount of the foreign exchange, or

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

whichever is lower.

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

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

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

- (a) in the case of a resident company, other than a people's company, be a sum which bears to the income tax payable by that company for that year of assessment under paragraph (a) of subsection (1) of section 25 the same proportion as the profits and income of that undertaking bears to the total statutory income of that company for that year of assessment, and
- (b) in the case of a non-resident company, be a sum which bears to the income tax payable by that company for that year of assessment under section 26 (excluding such part of that tax as is computed under that section at the additional rate of 6 *per centum* or at the rate of 33 1/3 *per centum*), the same proportion as the profits and income of that undertaking bears to the total statutory income of that company for that year of assessment, and

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

Relief in respect
of investment in
housing and
land develop-
ment projects.

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

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

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

Relief in respect
of increase in
employment.

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

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

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

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

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

(4) Where, in the year commencing on January 1, 1976, an undertaking has been commenced and the number of

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

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

Relief in respect
of increase in
production and
in export.

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

excess of the goods or articles produced or exported bears to the total quantity produced or exported in the year preceding the year of assessment.

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

Aggregate of the deductions under sections 73C, 73D, 73E and 73F not to exceed certain limits.

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

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

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

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

Insertion of new section 107SSS in the principal enactment.

Special provisions in respect of any year of assessment commencing on or after April 1, 1976.

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

(1) "specified employee" means—

(a) any individual who receives remuneration in excess of seven hundred and fifty rupees per mensem or nine thousand rupees per annum, or

(b) any non-resident individual receiving remuneration for services rendered in Sri Lanka in excess of eighty-five rupees per mensem or one thousand rupees per annum;

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

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

Amendment of section 129 of the principal enactment.

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

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

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

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

(2) with reference to the year preceding any year of assessment

commencing on or after April 1, 1975, a child under twenty-one years of age in such preceding year,

and includes—

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

but does not include—

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

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

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

- (1) a parent, brother or sister of that individual and if such individual has a wife, a parent, brother or sister of his wife,

(2) a child or a step-child of that individual or of his wife (other than an adopted child who is not an adopted child referred to in sub-paragraph (b) in the definition of "child", or an illegitimate child) who—

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

(b) with reference to the year preceding any year of assessment commencing on or after April 1, 1975, is over twenty-one years in that preceding years, and

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

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

“ expenditure ” means any sum in money or money's worth spent or disbursed in Sri Lanka or for the spending or disbursing in Sri Lanka of which a liability has been incurred by an individual, and includes any amount which under this Act is required to be included in expenditure, but does

not include any amount which under this Act is deemed not to be included in expenditure;'

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

Amendment of the First Schedule to the principal enactment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On the balance of the taxable income 50 *per centum*”;
and

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

Taxable income of Co-operative Societies registered under the Co-operative Societies Ordinance 45 *per centum*”,

of the following new item:—

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

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

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

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

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

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

“ Part V

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

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

Amendment of
the Second
Schedule to the
principal enact-
ment.

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

On the next Rs. 2,400 of the taxable income 12½ *per centum*

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

On the next Rs. 2,400 of the taxable income 17½ *per centum*

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

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

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

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

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

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

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

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

“ PART VI

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

On the first Rs. 1,800 of the taxable income 7½ *per centum*.

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

On the next Rs. 2,400 of the taxable income 12½ *per centum*.

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

On the next Rs. 2,400 of the taxable income 17½ *per centum*.

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

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

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

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

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

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

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

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

PART VII

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

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

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

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

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

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

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

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

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

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

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

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

Insertion of new Schedule to the principal enactment.

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

“ Seventh Schedule

Rates of Expenditure Tax

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

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

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

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