



INLAND REVENUE (AMENDMENT) LAW,
No. 30 OF 1978
OF
THE NATIONAL STATE ASSEMBLY

[Certified on 21st July, 1978]

Printed on the Orders of Government

PRINTED AT THE DEPARTMENT OF GOVERNMENT PRINTING, SRI LANKA (CEYLON)

TO BE PURCHASED AT THE GOVT. PUBLICATIONS BUREAU, P.O. BOX 500,
Price : Rs. 2.45 Postage : 50 cents

*Inland Revenue (Amendment) Law,
No. 30 of 1978*

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L. D.—O. 4/78.

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. 30 of 1978.

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, as follows:—

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

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

"(v) the passing of any property to any person on or after April 1, 1977, on the death of the owner of that property;

(vi) the passing of any property occurring on the gift of that property on or after April 1, 1977, by its owner to any other person, and

(vii) the passing of any property, being shares in any company incorporated in Sri Lanka with which an agreement has been entered into by the Greater Colombo Economic Commission under section 17 of the Greater Colombo Economic Commission Law, No. 4 of 1978, from the owner of that property to any other person by way of sale, gift or otherwise;"

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

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

(vi) (a) where the acquisition of the property by such person is by the transfer of the property by a trustee under a trust to such

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

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

(i) the market value on April 1, 1957, of that property, if that property was acquired by the donor before April 1, 1957, or

(ii) the cost of purchase of the property by the donor, if that property was purchased by the donor on or after April 1, 1957,
or

(iii) the market value of the property at the time when such donor acquired that property, if that property was acquired by the donor otherwise than by purchase on or after April 1, 1957, and

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

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

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

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

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

(c) other shares in that company on the basis of which the shares referred to in sub-paragraph (a) or sub-paragraph (b) were issued to him,

the value of the property at the time when it was acquired by such person shall, subject to the provisions of sub-paragraph (x), be an amount equal to the aggregate of—

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

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

3. Section 4 of the principal enactment is hereby amended by the repeal of subsection (3) of that section and the substitution therefor of the following new subsection:—

Amendment of
section 4 of
the principal
enactment.

“(3) The amount of a capital gain shall be computed after making the following deductions:—

(a) any expenditure (other than the purchase price if any) incurred on or after April 1, 1957, solely in connection with the acquisition of the property by the person who is the owner of that property immediately before the occurrence of the transaction which resulted in such gain;

(b) the expenditure incurred on or after April 1, 1957, by the aforesaid owner in making any improvements, additions or alterations to that property if no deduction in respect of such expenditure is allowed under section 10 or section 53 or section 53A or section 53B;

(c) the expenditure incurred by the aforesaid owner solely in connection with the transaction which resulted in such gain; and

(d) in the case of a change of ownership of any immovable property occurring on or after April 1, 1977—

(i) where the change of ownership occurs not less than five years but not exceeding fifteen years after the acquisition of that property by the person to whom the capital gain arises, a sum equal to twenty-five *per centum*, and

(ii) where the change of ownership occurs over fifteen years after the acquisition of that property by the person to whom the capital gain arises, a sum equal to fifty *per centum*,

of the difference between—

(a) the value, within the meaning of section 3, of that property at the time of its acquisition by that person; and

(b) the value of that property at the time of such change of ownership after deducting therefrom any expenditure referred to in paragraph (a) or paragraph (b) or paragraph (c).”

Amendment of
section 5
of the
principal
enactment.

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

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

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

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

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

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

(ag) the income of the World Tourism Organization;

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

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

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

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

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

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

technician, expert or adviser in such approved undertaking or on the date on which such undertaking ceases to be an approved undertaking, whichever date is earlier;”;

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

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

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

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

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

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

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

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

Insertion of section 6B, 6C, 6D and 6E in the principal enactment.

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

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

- (a) an undertaking for off-shore or deep-sea fishing,
- (b) an undertaking for off-shore or deep-sea fishing and the processing of the product of any such activity,
- (c) an undertaking for animal husbandry, or
- (d) an undertaking for cultivating land with plants, palms, trees, bushes or foodstuffs, other than tea, rubber, coconut or paddy and processing the product of such cultivation;
- (e) an undertaking for cultivating land with plants, palms, trees, bushes or foodstuffs, other than tea, rubber, coconut or paddy:

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

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

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

Exemption for profits and income of certain undertakings for the production or manufacture of commodities.

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

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

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

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

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

(i) one hundred thousand rupees where that undertaking was in existence throughout such preceding year, and

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

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

(a) the cost of any land, building, plant, machinery and fixtures of that undertaking, and

(b) the value of the other assets of that undertaking after deducting therefrom any profits of that undertaking retained for use in that undertaking.

Exemption for
profits from
the first
sale of
certain
houses.

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

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

Provided that—

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

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

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

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

- (i) such sale shall be deemed to have taken place on the date on which the agreement for the sale on such terms was entered into, and

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

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

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

Exemption for profits and income of certain undertakings for the milling of paddy.

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

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

ending on March 31, 1983, if the Assessor is satisfied that it was not an undertaking which was formed by the splitting up, reconstruction, or acquisition of any business which was previously in existence.

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

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

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

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

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

Amendment of
section 10
of the
principal
enactment.

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

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

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

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

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

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

“(gg) any sum expended on or after April 1, 1978, by such person being a person who is professionally qualified, in payment

of subscription to any professional association of which he is a member or in the purchase of professional books, journals and reports;”;

(c) in paragraph (h) of that subsection by the substitution, for the proviso to that paragraph, of the following new proviso:—

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

(a) if such acquisition was for the purpose of renewing any plant, machinery or fixtures earlier used by him in any trade, business, profession, vocation or employment carried on or exercised by him and if the cost of such renewal is allowed as a deduction under paragraph (j), or

(b) if the sum expended in the purchase and installation of such plant, machinery or fixtures is allowed as a deduction under paragraph (l) or paragraph (m), or

(c) if such plant, machinery or fixtures were acquired on or after April 1, 1977, or acquired before April 1, 1977, and used by him for the first time on or after that date ;” ;

(d) in paragraph (i) of that subsection, by the substitution, for the proviso to that paragraph, of the following new proviso :—

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

(a) if such construction was to renew any building earlier used by him for any of the purposes specified in the preceding provisions of this paragraph and if the cost of such renewal is allowed as a deduction under paragraph (j), or

(b) if such construction took place on or after April 1, 1977 ;” ;

(e) by the substitution, for paragraph (j) of that subsection, of the following paragraph :—

“(j) any sum expended by such person for the repair (not renewal) of plant, machinery or fixtures employed for producing the income, or the cost of renewal of any plant, machinery or fixtures, if no deduction for depreciation thereof or allowance thereof has been allowed under paragraph (a) or paragraph (h) or paragraph (l) or paragraph (m) or paragraph (n) of this subsection, or under paragraph (a) of subsection (1) of section 11 of the Income Tax Ordinance, or any sum expended for the renewal of any building, implement, utensil or articles so employed, if no deduction for depreciation thereof or allowance therefor has been granted under paragraph (i) or paragraph (l) or paragraph (m) or paragraph (o) or paragraph (p) of this subsection, or any sum expended for the repair of any building, implement, utensil or articles so employed;” ;

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

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

(a) the full cost of advertising outside Sri Lanka incurred solely in connection with the export

trade of any articles or goods or the provision of any services for payment in foreign currency ;

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

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

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

if such expenditure was incurred with the approval of the Controller of Exchange and does not exceed the amount authorized by him for that purpose;”;

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

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

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

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

Provided that where such person has, during the period for which the profits are being ascertained, sold, discarded,

otherwise disposed of, or otherwise ceased to be the owner of, any such plant, machinery, fixtures, furniture, utensils, articles, implements or equipment or ceased to use any such plant, machinery, fixtures, furniture, utensils, articles, implements or equipment in an undertaking, in ascertaining the profits and income of which a deduction could have been made under this paragraph or under paragraph (n), then—

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

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

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

“(n) an allowance in respect of any plant, machinery or fixtures acquired by him in the year preceding the year of assessment and used by him in any trade, business, profession, vocation or employment carried on or exercised by him, such allowance being an amount equal to—

- (i) the sum expended by him in the purchase and installation of such plant, machinery or

fixtures, where the acquisition of such plant, machinery or fixtures was by purchase, or

- (ii) the aggregate of the market value of such plant, machinery and fixtures on the date of acquisition by him and any sum expended by him in the installation thereof, where the acquisition of such plant, machinery or fixtures was otherwise than by purchase :

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

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

Provided further that where such person has, during the period for which profits are being ascertained, sold, discarded, otherwise disposed of, or otherwise ceased to be the owner of, any such plant, machinery or fixtures, or ceased to use any such plant, machinery or fixtures in an undertaking, in ascertaining the profits and income of

which a deduction could have been made under this paragraph, then—

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

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

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

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

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

Provided further that where such person has, during the period for which profits are being ascertained,

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

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

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

(p) an allowance equal to fifty *per centum* of any sum expended by him in the construction, in the year preceding the year of assessment, of any building—

- (i) for the purpose of any agricultural or industrial undertaking or any approved project within the meaning of subsection (5) carried on by such person—

- (a) for use as a staff welfare building ; or

- (b) for occupation for the purpose of such undertaking or project otherwise than as a dwelling house, or

- (ii) for use solely as a warehouse for the purpose of a trade or business carried on by such person :

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

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

(a) the sum realized by the sale of that building, or, as the case may be,

(b) the market value of that building on the date of discard, other disposal, other cessation of ownership or cessation of use in such undertaking of that building,

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

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

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

(a) a sum equal to twenty *per centum* of the expenditure actually incurred by him in the purchase and installation of any new plant, machinery or fixtures to be used by him in the commencement by him of a trade or business (other than an agricultural project) which is not an approved project;

(b) a sum equal to forty *per centum* of the expenditure actually incurred by him in the purchase and installation of any new plant, machinery or fixtures to be used by him in an agricultural undertaking or in the commencement by him of a trade or business which is an approved project;

(c) a sum equal to twenty *per centum* of the expenditure actually incurred by him in constructing or renewing any building, for the purposes of any industrial undertaking other than an approved project, to be used as a staff welfare building or as a dwelling house by any member of the subordinate staff employed by him in, or for the purposes of, or in connection with, such undertaking or as a building to be occupied for the purposes of such undertaking other than as a dwelling house;

(d) a sum equal to forty *per centum* of the expenditure actually incurred by him in constructing or renewing any building, for the purposes of any approved project or agricultural undertaking, to be used as a staff welfare building, or as a dwelling house by any member of the subordinate staff employed by him in, or for the purposes of, or in

connection with, such project or undertaking, or as a building to be occupied for the purposes of such project or undertaking other than as a dwelling house;

Provided that no person shall be entitled to any deduction—

(i) under paragraph (a) or paragraph (b) of this subsection for the purchase and installation of any plant, machinery or fixtures if—

(a) the sum expended in the purchase or installation of such plant, machinery or fixtures has been allowed as a deduction under paragraph (l) or paragraph (m) of subsection (1), or

(b) the expenditure in the purchase or installation of such plant, machinery or fixtures was incurred by him on or after April 1, 1977, or if such plant, machinery or fixtures was purchased by him before April 1, 1977 and used by him for the first time after that date;

(ii) under paragraph (c) or paragraph (d) of this subsection for the expenditure actually incurred in constructing or renewing any building if—

(a) the expenditure incurred in the renewal of such building has been allowed as a deduction under paragraph (j) of subsection (1), or

(b) the expenditure in constructing or renewing such building was incurred on or after April 1, 1977.

For the purposes of this subsection "approved project" means—

(i) any project declared by the Minister to be an approved project for the purposes of section 47A of the Income Tax Ordinance, or

(ii) any such project for the establishment of a new undertaking as is considered by the Minister for the time being in charge of the subject of Industries to be essential for the economic progress of Sri Lanka and is at the request of such Minister, declared by the Minister in charge of the subject of Finance to be an approved project for the purposes of this subsection and published in the *Gazette*, and includes any undertaking referred to in paragraph (v) or paragraph (vi) of subsection (1) of section 6; and

(3) in subsection (9) of that section—

(a) by the substitution, for all the words and figures commencing from "No deduction" to "acquired by him if—", of the following:—

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

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

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

Amendment of
section 11 of
the principal
enactment.

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

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

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

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

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

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

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

(3) No person carrying on any trade or business or exercising any profession or vocation shall be entitled to any sum for depreciation by wear and tear, or for renewal, or to any allowance under section 10 (1) (l) or 10 (1) (m) or 10 (1) (n), in respect of any

vehicle used for travelling for the purpose of his trade, business, profession or vocation except in the case of a vehicle, used for such purpose by an officer, who is not an executive officer, in the employment of such person, and in respect of the last-mentioned vehicle such person shall be entitled to such sum as the Commissioner-General may consider reasonable for such depreciation:

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

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

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

Amendment of
section 15A
of the
principal
enactment.

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

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

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

"(1C) (a) Notwithstanding anything to the contrary in this section any loss incurred in any undertaking referred to in section 6C by any person carrying on that undertaking in any year of assessment from the date of commencement of that undertaking up to

March 31, 1983, shall be deductible only from such part of the total statutory income of that person for any year of assessment commencing prior to April 1, 1984, as constitutes the statutory income of that person from that undertaking:

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

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

(i) any part of such losses incurred in that undertaking as has been deducted under paragraph (a) from the statutory income of such person for any year of assessment commencing prior to April 1, 1984, and

(ii) any profits of that undertaking which have been exempt from income tax for any year of assessment subsequent to the year of assessment in which such loss in that undertaking was incurred.

(c) Where the loss referred to in paragraph (b) or part thereof cannot be deducted from the total statutory income for the year of assessment commencing on April 1, 1984, such loss or such part of such loss shall be deducted from the total statutory income of the next year of assessment and so on."

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

Amendment
of section
16 of the
principal
enactment.

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

(1) In this section "approved donation" means a donation not less in amount than one thousand rupees—

(a) made in money or otherwise to the Government of Sri Lanka prior to April 1, 1978, or

(b) made in money to any approved charity within the meaning of section 67 or to any such public charitable trust or institution as is declared by the Minister by notice published in the *Gazette* to be an approved charity for the purposes of this section.

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

(i) be the actual cost to the donor of the property donated, or

(ii) where the actual cost cannot be ascertained be the market value of the property donated; and

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

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

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

Amendment of
section 16CC
of the
principal
enactment.

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

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

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

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

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

Insertion of new section 16F in the principal enactment.

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

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

(a) a donation made in money or otherwise to the Government of Sri Lanka, to a local authority, to a fund established by the Government of Sri Lanka or to a fund established by a local authority and approved by the Minister, and

(b) expenditure incurred by any person on any project included in a development plan of the Government of Sri Lanka if such expenditure was incurred—

(i) with the prior written approval of the Minister, and

(ii) in accordance with such terms and conditions as may have been specified by the Minister at the time of granting such written approval.

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

(i) be the actual cost to the donor of the property donated, or

(ii) where the actual cost cannot be ascertained, be the market value of the property donated.

(3) Where the entirety of the assessable income of a wife or a child for any year of assessment is aggregated with the assessable income of the head of the family of which such wife or child is a member, any approved expenditure made

by such wife or child shall, for the purposes of this section, be deemed to be an approved expenditure made by the head of the family.

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

Amendment
of section 21
of the
principal
enactment.

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

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

“(1A) Where for any year of assessment commencing on or after April 1, 1969, but not after April 1, 1977, a family consists of a husband and wife and no child or dependent relative, an allowance of three thousand six hundred rupees in respect of such husband and wife shall be deducted from the assessable income of the head of such family for that year in arriving at his taxable income for that year.” ;

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

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

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

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

(a) if there is one child or dependent relative, an allowance of six hundred rupees in respect of such child or dependent relative,

(b) if there are two children or two dependent relatives or one child and one dependent relative, an allowance of six hundred rupees in respect of such children or such dependent relatives or such child and such dependent relative,

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

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

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

“(2B) Where for any year of assessment commencing on or after April 1, 1978, a family consists of a husband and wife and one or more children, or dependent relatives

or one or more children and dependent relatives, an allowance of five thousand rupees in respect of the husband and wife, and—

(a) if there is one child or dependent relative, an allowance of one thousand rupees in respect of such child or dependent relative,

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

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

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

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

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

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

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

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

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

(a) if there is one child or dependent relative, an allowance of one thousand rupees in respect of such child or dependent relative,

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

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

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

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

Amendment of
section 23A
of the
principal
enactment.

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

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

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

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

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

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

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

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

Amendment of
section 24 of
the principal
enactment.

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

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

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

“(z) the provisions of Part VIII of the Second Schedule to this Act shall, in their application to that individual for any year of assessment commencing on or after April 1, 1978, have effect as if each of the sums mentioned in that Part of that Schedule, or the aggregate of the sums computed in the manner mentioned in subsection (4) of section 23A, as the case may be, were reduced in the proportion which the number of days during which he is resident bears to the number of days in such preceding year.”.

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

Amendment of
section 25 of
the principal
enactment.

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

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

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

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

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

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

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

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

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

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

- (i) it is not a private company within the meaning of the Companies Ordinance;
- (ii) the number of shareholders of the company exceeds fifty in the case of any period ending on or before March 31, 1979, and exceeds one hundred in the case of any period commencing on or after that date, and in either case, the nominal value of each share does not exceed ten rupees;
- (iii) any person may invest in one or more shares in the company at any allotment of shares by the company or in the open market;
- (iv) it is a company in which no person either individually or together with his wife or minor children, holds either directly or through nominees—
 - (a) in the case of any period ending on or before March 31, 1979, more than ten per centum, and
 - (b) in the case of any period commencing on or after April 1, 1979, more than five per centum, of the issued share capital;
- (v) it is a company in which there are three or more directors each owning one or more shares;

- (vi) none of the directors of the company holds office as director of any other people's company; and
- (vii) it is a company in which no other company holds, either directly or through nominees, any share on or after April 1, 1979.

Amendment
of section
28 of the
principal
enactment.

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

“ (att) the World Tourism Organization;”.

Amendment
of section
31 of the
principal
enactment.

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

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

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

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

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

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

Amendment
of section
32 of the
principal
enactment.

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

(a) for the year of assessment ending on March 31, 1964, the aggregated net wealth of the head of that family amounts to or exceeds one hundred thousand rupees, such net wealth,

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

(c) for any year of assessment commencing on or after April 1, 1978, the aggregated net wealth of the head of that family exceeds two hundred thousand rupees, such part of his net wealth as exceeds two hundred thousand rupees,

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

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

Amendment
of section
33 of the
principal
enactment.

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

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

(b) two hundred thousand rupees, for any year of assessment commencing on or after April 1, 1978,

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

Replacement
of section
34 of the
principal
enactment.

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

" Taxable
wealth
of a
charitable
institution.

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

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

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

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

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

Replacement
of section
38 of the
principal
enactment.

“ Reduction
of wealth
tax in
certain
circumstances.

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

(2) The wealth tax payable by any person for any year of assessment commencing on or after April 1, 1978, shall not exceed eighty *per centum* of the aggregate of the assessable income of that person for that year of assessment and of any profits and income (other than the net annual value of a residence and any subsidy exempt from income tax under this Act), being profits and income exempt from income tax under this Act or under any other enactment, and which, but for that exemption, would have been taken into account in computing the assessable income of that person for that year of assessment.”

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

Amendment
of section
38B of the
principal
enactment.

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

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

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

Amendment
of section
39 of the
principal
enactment.

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

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

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

Amendment
of section
41 of the
principal
enactment.

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

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

Amendment
of section
46 of the
principal
enactment.

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

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

Amendment
of section
54 of the
principal
enactment.

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

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

Lanka and ending on the date on which he returns to Sri Lanka and becomes resident in Sri Lanka shall be exempt from income tax."

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

Amendment of section 69c of the principal enactment.

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

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

Amendment of section 73 of the principal enactment.

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

(a) the rental value of the place of residence provided to such person,

(b) the allowance for the maintenance of the official conveyance paid to such person, and

(c) a sum of seven hundred rupees out of the monthly remuneration paid to such person,

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

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

Amendment of section 73B of the principal enactment.

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

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

Amendment of section 73c of the Principal enactment.

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

Amendment
of section
73D of the
principal
enactment.

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

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

Amendment
of section
73F of the
principal
enactment.

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

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

Amendment
of section
92 of the
principal
enactment.

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

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

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

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

Amendment
of section
93 of the
principal
enactment.

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

(a) either accept the return and make an assessment accordingly ; or

(b) if he does not accept the return, estimate the amount of the assessable income, taxable wealth or taxable gifts of such person and assess him accordingly and communicate to such person in writing the reasons for not accepting the return.”

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

Replacement
of section
94 of the
principal
enactment.

“ Additional
assessments.

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

Provided that—

(a) no assessment shall be made of income tax or wealth tax, as the case may be, payable under this Act or of gifts tax payable under this Act in respect of any gift made in the year preceding any year of assessment and included by the donor in a return made by him on or before the fifteenth of May next succeeding that year of assessment—

- (i) in respect of any year of assessment commencing prior to April 1, 1972, after six years from the end of that year of assessment;
- (ii) in respect of the years of assessment commencing respectively, on April 1, 1972, April 1, 1973 and April 1, 1974, after March 31, 1979, and
- (iii) in respect of any year of assessment commencing on or after April 1, 1975, after three years from the end of that year of assessment ;

(b) where the non-assessment or under assessment of any person for any year of assessment is due to fraud or wilful evasion an assessment or additional assessment may, notwithstanding anything in the preceding provisions of this section, be made at any time after the end of that year of assessment ; and

(c) where an Assessor does not accept a return made by any person for any year of assessment and makes an assessment on that person for that year of assessment, he shall communicate to such person in writing his reasons for not accepting the return. ”.

Amendment
of section
96B of the
principal
enactment.

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

- “(4) Every person who is chargeable with income tax, wealth tax or gifts tax for any year of assessment commencing on or after April 1, 1972, shall, according as such tax is income tax, wealth tax, or gifts tax, furnish to the Commissioner-General, a return, in such form as may be prescribed by the Commissioner-General, of his income, wealth or gifts and if he has a wife, child (other than a child who is in receipt of income which is wholly occupational income) or dependent relative, the income or wealth of such wife, child or dependent relative—
- (a) where that year of assessment commences prior to April 1, 1978, at the time of payment of the quarterly instalment of such tax; and
 - (b) where that year of assessment commences on or after April 1, 1978, on or before the fifteenth day of May in the year of assessment immediately preceding that year of assessment.”.

37. Section 96c of the principal enactment is hereby amended by the repeal of subsection (3) of that section and the substitution therefor of the following new subsection:—

Amendment
of section
96C of the
principal
enactment.

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

Provided that—

- (a) no assessment shall be made of income tax or wealth tax payable under this Act or gifts tax payable under this Act in respect of any gift made in the year preceding any year of assessment and included by the donor in a return of gifts made by him on or before the fifteenth of May next succeeding that year of assessment—

- (i) in respect of the years of assessment commencing respectively, on April 1, 1972, April 1, 1973 and April 1, 1974, after March 31, 1979, and
 - (ii) in respect of any year of assessment commencing on or after April 1, 1975, after three years from the end of that year of assessment;
- (b) nothing in the preceding provisions of this subsection shall preclude an Assessor from making, in accordance with those provisions, an additional assessment in respect of any individual on whom an assessment under this subsection has been made;
- (c) where the non-assessment or under-assessment of any person for any year of assessment is due to fraud or wilful evasion an assessment or additional assessment may, notwithstanding anything in the preceding provisions of this subsection, be made at any time after the end of that year of assessment;
- (d) where an Assessor does not accept a return made by any person for any year of assessment and makes an assessment on that person for that year of assessment, he shall communicate to such person in writing his reasons for not accepting the return."

Amendment
of section
97 of the
principal
enactment.

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

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

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

Amendment
of section
101 of the
principal
enactment.

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

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

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

Amendment
of section
105 of the
principal
enactment.

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

“(2) Where the aggregate of—

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

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

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

Amendment
of section
118 of the
principal
enactment.

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

Amendment
of section
129 of the
principal
enactment.

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

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

" " industrial undertaking " for the purposes of section 10 means—

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

(b) an undertaking for transporting persons or goods, or

(c) an undertaking for off-shore or deep-sea fishing; and

(b) by the substitution, for the definition of " written-down value " of the following new definition:—

" " written-down value " with reference to any plant, machinery or fixtures purchased before April 1, 1957, or, where the statutory income is directed by the Commissioner-General under section 12(2) to be computed up to any such day other than the thirty-first day of March as is specified in the direction, before such specified day in the

year preceding the year of assessment commencing on April 1, 1957, means the residue of the cost thereof to the owner thereof after deducting the aggregate of a sum representing the total depreciation which has occurred in such plant, machinery or fixtures since the date of purchase by him but before March 31, 1977, and any sum deducted under the proviso to paragraph (a) of subsection (1) of section 10, such cost where any deduction in respect of such plant, machinery or fixtures was allowed under paragraph (d)(1) or paragraph (e)(1) of section 11(1) of the Income Tax Ordinance being deemed to be the amount of the difference between the actual amount of such cost and the amount of that deduction;'

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

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

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

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

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

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

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

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

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

Amendment
of the
First
Schedule
to the
principal
enactment.

- On the next Rs. 6,000 of the taxable income 30 per centum
- On the next Rs. 6,000 of the taxable income 40 per centum
- On the next Rs. 6,000 of the taxable income 50 per centum
- On the next Rs. 6,000 of the taxable income 60 per centum
- On the balance of the taxable income 70 per centum"; and

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

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

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

(a) for each year of assessment commencing prior to April 1, 1965—63 per centum

(b) for each year of assessment commencing on or after April 1, 1965 but prior to April 1, 1978—56 per centum

(c) for each year of assessment commencing on or after April 1, 1978—66 per centum."

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

Amendment
of the
Second
Schedule
to the
principal
enactment.

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

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

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

“ PART VIII

The rates of income tax for any year of assessment commencing on or after April 1, 1978, shall be as follows:—

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

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

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

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

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

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

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

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

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

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

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

On the next Rs. 7,200 of the taxable income 55
per centum.

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

On the next Rs. 7,200 of the taxable income 65
per centum.

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

Replacement
of Sixth
Schedule
to the
principal
enactment.

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

“ Sixth Schedule

Part I

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

Part II

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

On the first Rs. 50,000 of the value of the all taxable gifts	Nil
On the next Rs. 30,000 of the value of the all taxable gifts	5%
On the next Rs. 30,000 of the value of the all taxable gifts	7½%
On the next Rs. 30,000 of the value of the all taxable gifts	10%
On the next Rs. 40,000 of the value of the all taxable gifts	13%

On the next Rs. 50,000 of the value of the all taxable gifts ...	14%
On the next Rs. 100,000 of the value of the all taxable gifts ...	16%
On the next Rs. 100,000 of the value of the all taxable gifts ...	18%
On the next Rs. 100,000 of the value of the all taxable gifts ...	24%
On the next Rs. 100,000 of the value of the all taxable gifts ...	30%
On the next Rs. 125,000 of the value of the all taxable gifts ...	32%
On the next Rs. 125,000 of the value of the all taxable gifts ...	36%
On the next Rs. 200,000 of the value of the all taxable gifts ...	42%
On the next Rs. 350,000 of the value of the all taxable gifts ...	48%
On the next Rs. 500,000 of the value of the all taxable gifts ...	55%
On the next Rs. 600,000 of the value of the all taxable gifts ...	60%
On the balance of the value of all taxable gifts ...	70% "