



PARLIAMENT OF THE DEMOCRATIC
SOCIALIST REPUBLIC OF
SRI LANKA

INLAND TRUST RECEIPTS
ACT, No. 14 OF 1990

[Certified on 6th March, 1990]

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L. D.—O 6/89.

AN ACT TO PROVIDE FOR THE EXECUTION OF INLAND TRUST RECEIPTS IN CONFORMITY WITH SPECIFIED REQUIREMENTS ; AND FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

BE it enacted by the the Parliament of the Democratic Socialist Republic of Sri Lanka as follows :—

1. This Act may be cited as the Inland Trust Receipts Act, No. 14 of 1990. Short title.

2. (1) Where upon a statement made to any approved credit agency by any person, that he proposes to purchase goods for the purpose of transportation and sale within the territory of Sri Lanka, such person, for the purpose of making payment for the goods and of meeting expenditure in connection with the transportation and sale and preparation for transportation and sale thereof, obtains from such agency, advances by way of loan, overdraft or otherwise, upon the execution in favour of such agency of a document which complies with the provisions of subsection (2) (which document is hereinafter referred to as "an inland trust receipt"), the provisions of section 3 shall be applicable in relation to that trust receipt and the goods to which it relates.

Inland trust receipt for transportation and sale of goods within the territory of Sri Lanka.

(2) In order to comply with the provisions of this subsection, a document which is executed by any person in the circumstances mentioned in subsection (1), shall contain the following undertakings on the part of that person in respect of the goods to which the documents relates—

(a) an undertakings to hold the goods in trust for the agency in favour of which it is executed, to mark the goods or the packages or cases containing them in a specified manner, and to keep the goods in specified premises until the transportation and sale thereof ;

(b) an undertaking to hold in trust and to pay to the agency from time to time as received, the proceeds of the sale of those goods or a specified proportion of such proceeds ;

- (c) an undertaking to insure the goods against all insurable risks to their full insurable value on a reinstatement basis in the name of the agency and in the case of loss, to pay the insurance moneys to the agency in the same manner as the proceeds of the sale ;
- (d) an undertaking not to sell those goods or any of those goods except for cash ;
- (e) an undertakings to deliver such of those goods as may for the time being be untransported or, unsold, to or to the order of, the agency upon demand made in writing in that behalf ;
- (f) an undertaking to permit the agency without prior notice, from time to time, to enter and inspect the premises in which those goods are kept and to take stock of such of those goods as may be in the premises ;
- (g) an undertaking upon the transportation and sale of those goods to deliver to the agency the documents of title and other transportation documents relating to such goods, if called upon to do so by the agency ;
- (h) an undertaking to store those goods in a specified premises, or warehouse in the name of the agency ; and
- (i) and undertaking to keep the transportation documents, goods and proceeds relating to the inland trust receipt separate and distinct from any and all other transportation, documents, goods and proceeds of the person by whom the inland trust receipt is executed.

(3) Nothing contained in subsection (2) shall be deemed to prevent the inclusion in the document of any undertaking conditions or stipulations in addition to the undertakings specified in that subsection.

Legal effect
of inland
trust
receipts to
which this
Act applies.

3. (1) Where an inland trust receipt has been executed by any person in conformity with the provisions of section 2 and the inland trust receipt is registered under the Registration of Documents Ordinance as a bill of sale affecting the goods to which it relates, the following provisions shall apply during such time as any money stated in the inland trust receipt to be due or to become payable thereunder to the agency remain due and unpaid—

- (a) the agency shall, in the event of the seizure of the goods by any other person in execution of any decree of any court, be entitled, upon application made to that court in the action in the course of which the seizure was effected, to an order directing that the goods shall be sold, either by public auction by an auctioneer, selected by the agency and approved by the court, or in such manner as the court may direct, and in accordance with such direction as may be issued by the court. Upon the sale of such goods the agency shall be entitled to retain out of the proceeds of sale the amount due under the inland trust receipt, and the balance, if any, of the proceeds of sale shall be paid into court and be deemed to be proceed of the sale of the goods in execution of the decree under which they were seized;
- (b) the agency shall, in the event of the insolvency of the person by whom the inland trust receipt is executed, be entitled to obtain from the court in which the proceedings upon such insolvency are pending, an order directing that the goods to which the inland trust receipt relates shall be delivered to the agency and shall be sold either by public auction by an auctioneer selected by the agency and approved by the court, or in such other manner as the court may direct, and in accordance with such directions as may be issued by the court. Upon the sale of such goods, the agency shall be entitled to retain out of the proceeds of sale the amount due under the inland trust receipt and the balance if any, of the proceeds of sale shall be paid into court to the credit of the assigner of the estate of the insolvent;
- (c) where any goods are delivered to the agency in compliance with any undertaking referred to in paragraph (e) of subsection (2) of section 2, the agency may sell the goods so delivered, whether after removal thereof, or at the premises in which the goods are kept if the person executing the inland trust receipt consents to a sale at such premises. The agency shall be entitled to retain, out of the proceeds of sale of the goods, the amount due to it under the inland trust receipt, and the balance, if any, shall be paid to the person by whom the inland trust receipt was executed; and

- (d) the person by whom the inland trust receipt was executed shall, if he commits a breach or fails to comply with any undertaking referred to in subsection (2) of section 2, being an undertaking contained in the inland trust receipt, be guilty of an offence and shall on conviction after summary trial by a Magistrate be liable to imprisonment of either description for a term not exceeding three years or to a fine of an amount not less than the amount of the money stated in the inland trust receipt to be due or to become payable thereunder to the agency, and not exceeding three times that amount.

(2) The provisions of this act relating to the payment to, or the recovery by, an approved credit agency, of the amount due under an inland trust receipt shall be in addition, to, and not in substitution or derogation of, the provisions of any written or other law under which any right or remedy is available to the agency for the purpose of the recovery of that amount, or where any part of that amount has already been paid or recovered, of the balance remaining due.

Offences
by bodies
of persons.

4. Where an offence under this Act is committed by a body of persons, then—

- (a) if that body of persons is a body corporate, every director and manager or secretary of that body corporate ;
- (b) if that body of persons is a firm, every partner of that firm, and
- (c) if that body of persons is an unincorporate body, every individual who is a member of such body,

shall be deemed to be guilty of that offence :

Provided that a director or an officer of such body corporate or a partner of such firm shall not be deemed to be guilty of such offence if he proves that such offence was committed without his knowledge or that he exercised all due diligence to prevent the commission of such offence.

Approved
credit
Agency.

5. (1) In this Act "approved credit agency" means—

- (a) a licensed commercial bank within the meaning of the Banking Act, No. 30 of 1988 ;

- (b) the National Development Bank of Sri Lanka established by the National Development Bank of Sri Lanka Act, No. 2 of 1979 ;
- (c) the State Mortgage and Investment Bank established by the State Mortgage and Investment Bank Law, No. 13 of 1975 ;
- (d) the Development Finance Corporation of Ceylon established by the Development Finance Corporation of Ceylon Act (Chapter 165) ;
- (e) and company, or any Co-operative society in respect of whom an Order has been made under section 6.

(2) Nothing in this Act shall be deemed or construed to authorise any institution mentioned in paragraphs (b), (c), and (d) of subsection (1) to make loans or afford any credit facilities in consideration of the execution of inland trust receipts, if the power to make such loans or to afford such facilities is not conferred on such institution by the Act providing for the establishment, powers and functions of such institution.

6. The Director of Commerce may, where he considers it appropriate to do so in the interest of national economy, by Order published in the *Gazette*, declare that the provisions of this Act shall apply to any company registered under the companies Act, No. 17 of 1982, or any co-operative society registered under the Co-operative Societies Law, No. 5 of 1972, which in his opinion is of sufficient financial stability and standing for the purpose of this Act, and not referred to in paragraph (a) or paragraph (b) or paragraph (c) or paragraph (d) of subsection (i) of section 5.

Powers of
the Director
of Commerce.

7. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

Sinhala text
to prevail
in case of
inconsistency.

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