



**PARLIAMENT OF THE DEMOCRATIC
SOCIALIST REPUBLIC OF
SRI LANKA**

INLAND REVENUE (AMENDMENT)

ACT, No. 11 OF 1989

[Certified on 15th May, 1989]

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L.D.—O. 13/89

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

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

1. This Act may be cited as the Inland Revenue (Amendment) Act, No. 11 of 1989. Short title.
2. Section 8 of the Inland Revenue Act, No. 28 of 1979, (hereinafter referred to as the "principal enactment") is hereby amended in paragraph (a) of that section as follows:— Amendment of section 8 of Act No. 28 of 1979.
 - (1) by the substitution, in sub-paragraph (xxiii) of that paragraph, for the words "being profits and income from the investment of any moneys of such Fund;", of the words and figures "being profits and income for any year of assessment ending on or before March 31, 1989, from the investment of any moneys of such Fund;" ;
 - (2) by the substitution, in sub-paragraph (xxiv) of that paragraph, for the words "Central Bank of Sri Lanka,", of the words and figures "Central Bank of Sri Lanka, for any year of assessment ending on or before March 31, 1989;" ;
 - (3) by the insertion, immediately after sub-paragraph (xxiv) of that paragraph, of the following new sub-paragraph:—

"(xxiva) the Monetary Board, being the profits and income of the Central Bank of Sri Lanka, other than such part of such profits and income for any year of assessment commencing on or after April 1, 1989, as consists of the interest or discount accruing or arising to it from any treasury bill of the Government of Sri Lanka, held by it;" ;
 - (4) by the substitution, in sub-paragraph (xlii) of that paragraph, for the words and figures "Employees Trust Fund Act, No. 46 of 1980;" , of the words and figures "Employees Trust Fund Act, No. 46 of 1980, for any year of assessment ending on or before March 31, 1989;" ;

(5) by the substitution, in sub-paragraph (Liii) of that paragraph, for the words and figures "Institute of Chemistry (Ceylon) Act, No. 15 of 1972; and "; of the words and figures, "Institute of Chemistry (Ceylon) Act, No. 15 of 1972;";

(6) by the substitution, in sub-paragraph (Liv) of that paragraph, for the words and figures "Sri Lanka Institute of Development Administration Act, No. 9 of 1982.", of the words and figures "Sri Lanka Institute of Development Administration Act, No. 9 of 1982; and"; and

(7) by the addition, immediately after sub-paragraph (Liv) of that paragraph, of the following sub-paragraph:—

"(Lv) the Trust Fund set up with European Economic Community funds for the benefit of the settlers in—

(i) Zones 2 and 3 of System B of the Mahaweli Authority of Sri Lanka, for any period commencing on or after July 19, 1985;

(ii) Zone 2 of System G of the Mahaweli Authority of Sri Lanka, for any period commencing on or after February 20, 1985; and

(iii) System G of the Mahaweli Authority of Sri Lanka, for any period commencing on or after May 26, 1986."

Amendment
of section 11
of the
principal
enactment.

3. Section 11 of the principal enactment is hereby amended in paragraph (d) thereof, by the substitution, for the words and figures "commencing on or after April 1, 1985,", of the words and figures "commencing on or after April 1, 1985, but prior to April 1, 1989,".

Amendment
of section 20
of the
principal
enactment.

4. Section 20 of the principal enactment is hereby amended, in sub-paragraph (iii) of paragraph (b) of subsection (1) of that section, by the substitution, for the words and figures "on or after April 1, 1984, but prior to March 31, 1989, and", of the words and figures "on or after April 1, 1984, and".

5. Section 20A of the principal enactment is hereby amended in subsection (1) of that section, by the substitution, for the words and figures "period commencing on April 1, 1984 and ending on March 31, 1989.", of the words and figures "period commencing on April 1, 1984 and ending on March 31, 1990."

Amendment
of section 20A
of the
principal
enactment.

6. Section 23 of the principal enactment is hereby amended in subsection (1) of that section by the insertion, immediately after paragraph (j) of that subsection of the following new paragraph:—

Amendment
of section 23
of the
principal
enactment.

"(jj) twice the contribution by an employer to the Employees' Provident Fund and to the Employees Trust Fund established by the Employees Trust Fund Act, No. 46 of 1980, in respect of any of his employees employed in an agricultural or an industrial undertaking which—

(i) commences operations on or after April 1, 1989, in an area which is specified as an area of high unemployment by the Minister by Notification published in the *Gazette*;

(ii) employs not less than ten individuals; and

(iii) is approved by the Minister in charge of the implementation of the Janasaviya programme of the Government of Sri Lanka;".

7. Section 30 of the principal enactment is hereby amended in subsection (2) of that section as follows:—

Amendment
of section 30
of the
principal
enactment.

(1) by the substitution, in the second proviso to that subsection, for the words "Provided further that", of the words "Provided that": and

(2) by the addition immediately after the second proviso to that subsection of the following:—

"Provided that the taxable income of the Employees' Trust Fund established by the Employees Trust Fund Act, No. 46 of 1980, and any provident or pension fund shall, for any year of assessment commencing on or after April 1, 1989, be the investment income of such fund for that year of assessment derived from investments made by it, after deducting therefrom any allowance to which it is entitled under section 31:

Provided further that the taxable income of the Central Bank of Sri Lanka shall for any year of assessment commencing on or after April 1, 1989, consist of the interest or discount accruing or arising to it from any treasury bill of the Government of Sri Lanka, held by it."

Amendment of section 31 of the principal enactment.

8. Section 31 of the principal enactment is hereby amended, in paragraph (k) of subsection (2) of that section, by the addition immediately after sub-paragraph (viii) of that paragraph, of the following:—

"(ix) the Arthur C. Clarke Centre for Modern Technologies established by the Arthur C. Clarke Centre for Modern Technologies Act, No. 30 of 1984;".

Amendment of section 32 of the principal enactment.

9. Section 32 of the principal enactment is hereby amended by the substitution, in subsection (5) of that section for the words and figures "on or after April 1, 1987," of the words and figures "on or after April 1, 1987, but ending on or before March 31, 1989;".

Insertion of new section 32b in the principal enactment.

10. The following new section is hereby inserted immediately after section 32c, and shall have effect as section 32b of the principal enactment:—

"Provisions relating to taxation of treasury bills held by the Central Bank.

32b. (1) The provisions of this section shall apply to any interest or discount on any treasury bill of the Government of Sri Lanka held by the Central Bank of Sri Lanka (in this section referred to as the "relevant interest or discount").

(2) Notwithstanding anything to the contrary in any other law—

(a) the relevant interest or discount shall be deemed to be the income of the Central Bank of Sri Lanka arising to it in the year of assessment in which any such bill as is referred to in subsection (1)—

(i) matures, where such bill was purchased by it on or before March 31, 1989; and

(ii) is purchased, where such bill is purchased by it on or after April 1, 1989,

and such interest or discount shall be chargeable with income tax for the year of assessment in which such bill matures or is purchased, as the case may be, at the rates set out hereunder ;

- (b) the Government of Sri Lanka or any institution or authority for or on behalf of the Government, shall on or after April 1, 1989, and at the time when such bill matures or is purchased as the case may be, deduct from the interest, or discount on such treasury bill, income tax at the rates set out hereunder and shall remit the tax so deducted to the Commissioner-General with a statement in writing showing the particulars of the gross amount of the relevant interest or discount payable, the tax deducted, and the net amount paid, and the amount so remitted shall be set off against the tax payable by the Central Bank of Sri Lanka, under paragraph (a).

COLUMN I	COLUMN II
Treasury bill	Rate of tax
Any treasury bill which matures in twelve months after the date of its issue	60 per centum of the interest or discount on that treasury bill or 9 per centum of the face value of that treasury bill, whichever is the lesser amount.
Any treasury bill which matures in six months after the date of its issue.	60 per centum of the interest or discount on that treasury bill or 4.5 per centum of the face value of that treasury bill, whichever is the lesser amount.
Any treasury bill which matures in three months after the date of its issue.	60 per centum of the interest or discount on that treasury bill or 2.25 per centum of the face value of that treasury bill, whichever is the lesser amount."

Amendment
of section
113A of the
principal
enactment.

11. Section 113A of the principal enactment is hereby amended as follows:—

(1) in subsection (1) of that section by the substitution, in paragraph (b) of that subsection, for the words “financial institution not being a government security,” of the words “financial institution not being a government security held by the Central Bank of Sri Lanka.”; and

(2) by the addition, at the end of subsection (1) of that section, of the following proviso:—

“Provided that the deduction under this subsection shall, in respect of any treasury bill (other than any treasury bill held by the Central Bank of Sri Lanka) specified in Column I of the Schedule hereto, be at the rate specified in the corresponding entry in Column II, of that Schedule.

SCHEDULE

COLUMN I	COLUMN II
<i>Treasury bill</i>	<i>Rate of tax</i>
Any treasury bill which matures in twelve months after the date of its issue.	20 per centum of the interest or discount on that treasury bill or 2.5 per centum of the face value of that treasury bill, whichever is the lesser amount.
Any treasury bill which matures in six months after the date of its issue.	20 per centum of the interest or discount on that treasury bill or 1.25 per centum of the face value of that treasury bill, whichever is the lesser amount.
Any treasury bill which matures in three months after the date of its issue.	20 per centum of the interest or discount on that treasury bill or 0.625 per centum of the face value of that treasury bill, whichever is the lesser amount.”

Amendment
of section
113J of the
principal
enactment.

12. Section 113J of the principal enactment is hereby amended, by the substitution, for the words “by way of deposit and the payment of interest thereon.”, of the words “by way of deposit and the payment of interest thereon whether such acceptance is on its own behalf or on behalf of any other person.”.

13. Section 117 of the principal enactment is hereby amended, in subsection (12) of that section as follows:—

Amendment
of section
117 of the
principal
enactment.

(1) by the substitution, for the words “determined by the Commissioner-General within two years”, of the words “determined by the Commissioner-General within three years”; and

(2) by the substitution, for the words, “determination of such appeal depends on the furnishing of any document or the taking of any action by any person other than the appellant, or the Commissioner-General or an Assessor. Where such appeal”, of the words,

“determination of such appeal depends on—

(i) the decision of a competent court on any matter relating to, or connected with, or arising from, such appeal and referred to it by the Commissioner-General or the appellant; or

(ii) the furnishing of any document or the taking of any action—

(a) by the appellant upon being required to do so by an Assessor or the Commissioner-General by notice given in writing to such appellant (such notice being given not later than six months prior to the expiry of three years from the date on which the petition of appeal is received by the Commissioner-General), or

(b) by any other person, other than the Commissioner-General or an Assessor.

Where such appeal”.

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

Insertion
of a new
section 158B
in the
principal
enactment.

“Commis-
sioner-
General
may pay
rewards to
informants.

158B. The Commissioner-General may pay, from sums appropriated for that purpose by Parliament, such sums of money as he considers reasonable in the circumstances of the case to any individual who provides information which results in the assessment of any income or wealth not disclosed by any other person and the collection of tax from such person.”.

Amendment
of the
Second
Schedule
to the
principal
enactment.

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

- (1) by the repeal of Part VIII of that Schedule, and the substitution therefor, of the following part—

"PART VIII

Public Corporations

For any year of assessment ending on or before March 31, 1989.

On the taxable income of the
Public Corporation ... 50 per centum."

- (2) by the addition at the end of that Schedule, of the following Part:—

"PART VIII A

Public Corporations

For any year of assessment commencing on or after April 1, 1989.

Public Corporations (other than
the Central Bank of Sri Lanka) 50 per centum."

Amendment
of the
Third
Schedule
to the
principal
enactment.

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

- (1) by the substitution, for item 2 of that Schedule, of the following item:—

"2. Charitable institutions:

On the taxable income of charitable institutions—

(i) for any years of assessment ending on or before March 31, 1989 .. 20 per centum,

(ii) for any year of assessment commencing on or after April 1, 1989 ... 10 per centum."

(2) by the repeal of item 12 of that Schedule, and the substitution therefor, of the following items:—

“12. Employees Trust Fund and Provident or Pension Funds—

On the taxable income for any year of assessment commencing on or after April 1, 1989

.. 10 per centum

13. Persons (other than those referred to above and in the First and Second Schedules)

.. 20 per centum”.

17. (1) Amendments to section 113A of the principal enactment, made by section 11 of this Act, shall be deemed for all purposes to have come into force on April 1, 1989.

Retrospective effect.

(2) Amendments to section 117 of the principal enactment made by section 13 of this Act, shall be deemed for all purposes to have come into force on April 1, 1987, and accordingly any appeal pending on the day preceding March 16, 1989, shall not be deemed to have been allowed by reason only of the expiration, before the commencement of this Act, of two years from the date of the receipt of such appeal.

18. 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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