



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

**TURNOVER TAX
(AMENDMENT)
ACT, No. 27 OF 1993**

[Certified on 16th July, 1993]

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**Turnover Tax (Amendment)
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L.D.—O. 5/93

AN ACT TO AMEND THE TURNOVER TAX ACT NO. 69 OF 1981

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

1. This Act may be cited as the Turnover Tax (Amendment) Act, No. 27 of 1993. Short title.

2. Section 5 of the Turnover Tax Act, No. 69 of 1981 (hereinafter referred to as the "principal enactment") is hereby amended in sub-paragraph (1) of paragraph (d) of subsection (1) of that section, by the substitution, for the words "increased by ten *per centum*", of the words "increased by twenty-five *per centum*". Amendment of section 5 of the Turnover Tax Act No. 69 of 1981.

3. Section 9 of the principal enactment is hereby amended by the repeal of subsections (9), (10) and (11) of that section and the substitution therefor, of the following subsections :— Amendment of section 9 of the principal enactment.

" (9) Where any person fails to furnish within the time specified in subsection (1), a return which he is required to furnish under that subsection, or fails to comply with the requirements of a notice given to him by an Assessor under subsection (2) directing him to furnish, within the time specified in such notice, a return containing such particulars as the Assessor may require, the Commissioner-General may—

(a) impose on such person, a penalty of a sum not exceeding fifty thousand rupees, and give notice in writing, to such person of the imposition of such penalty ;

(b) by notice in writing require such person—

(i) to pay such penalty ; and

(ii) to furnish the return he is required to furnish under subsection (1) when such return has not been furnished or to comply with the requirements of the notice given to him under subsection (2) when such requirements have not been complied with, as the case may be,

within such period as may be specified in such notice.

(10) The Commissioner-General may reduce or waive any penalty imposed on any person under subsection (9) (a) if such person proves to the satisfaction of the Commissioner-General that his failure to furnish such return which he is required to furnish under subsection (1) or to comply with the requirements of the notice given to him under subsection (2), as the case may be, was due to circumstances beyond his control and that he has subsequently furnished such return or has complied with the requirements of such notice, as the case may be.

(11) Where a penalty is imposed on any person under subsection (9) for failure to furnish a return under subsection (1), or to comply with the requirements of a notice given to him under subsection (2), as the case may be, such person shall not be liable to prosecution for any offence under paragraph (a) or (b) of section 53 relating to that return or that notice."

Amendment
of section
17 of the
principal
enactment.

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

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

"(3A) Every person preferring an appeal under subsection (1) against any assessment or additional assessment as the case may be, for any quarter commencing on or after April 1, 1993 (unless such person has done so already), pay to the Commissioner-General, the amount of the turnover tax payable by such person on the basis of the return made by him for that quarter together with any penalty accrued thereon upto the date of the notice of such assessment or additional assessment as the case may be, and shall attach, to the petition of appeal a receipt in proof of such payment :

Provided, that the Commissioner-General upon being satisfied that owing to serious financial hardship suffered by the appellant at or about the time of such notice of assessment or additional assessment, as the case may be, or, owing to other reasonable cause, the appellant was prevented from paying such tax and such penalty, may grant an extension of time for the payment of such tax and the penalty accrued thereon upto the date of payment, and accordingly, a receipt in proof of payment of such tax and penalty accrued thereon upto

the date of payment, furnished within such extended time shall, be deemed to be sufficient compliance with the requirements of this section.”

- (2) in subsection (4) of that section, by the substitution for the words and figures, “provisions of subsections (2) and (3) shall not be vaild.”, of the words and figures, “provisions of subsections, (2) and (3) and (3A) shall not be valid.”

5. Section 48 A of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the words and figures “commencing on or after October 1, 1991 paid—”, of the words and figures “commencing on or after October 1, 1991, but prior to January 1, 1993 paid—”.

Amendment
of section
48A of the
principal
enactment

6. The following new section is hereby inserted immediately after section 48A of the principal enactment, and shall have effect as section 48B of that enactment :—

Insertion
of new
section 48B
in the
principal
enactment

“Deduction
by manufac-
turer of
turnover tax
paid on
machinery or
equipment
for any
quarter
commencing
on or after
January 1,
1993.

48B. (1) Where any registered manufacturer (hereinafter in this section referred to as the “first-mentioned manufacturer”), has during any quarter commencing on or after January 1 1993 paid—”.

(i) to another registered manufacturer (hereinafter in this section referred to as the “second-mentioned manufacturer”) in respect of any transaction entered into during that quarter any sum which includes turnover tax, or

(ii) to the Director-General of Customs under section 12, during that quarter, any turnover tax,

in respect of machinery or equipment used by the first-mentioned manufacturer in his business of manufacture of any article, the turnover tax so included or so paid, as the case may be, shall, notwithstanding the provisions of section 47 or section 48, be deducted, to the extent it can be so deducted, from any turnover tax payable by the first-mentioned manufacturer in respect of his turnover arising from the sale of such article

Provided that—

- (a) the amount of the deduction shall not exceed twelve and one-half per centum of the turnover tax so included or so paid ;
- (b) the deduction shall, subject to the provisions of paragraph (d), be made first from the turnover tax payable in respect of such turnover for the quarter immediately succeeding the quarter in which the use of such machinery or equipment for such manufacture commenced, and then from the turnover tax payable in respect of such turnover for the next succeeding quarter and so on ;
- (c) the deduction of the turnover tax so included or so paid shall not be made—
 - (i) if such turnover tax is in respect of machinery or equipment used in any business of manufacture of excepted articles or in any business which is exempt from turnover tax under section 4 ;
 - (ii) unless the first-mentioned manufacturer has obtained a voucher, as required by section 46 (2), from the second-mentioned manufacturer, or, a voucher from the Director-General of Customs, in respect of the sum so included or of the turnover tax so paid, as the case may be ; and
 - (iii) from the turnover tax payable in respect of such turnover for any quarter if the use of such machinery or equipment in such business ceases in such quarter.

(d) any turnover tax so included or so paid, as the case may be, by any registered manufacturer prior to his registration as a registered manufacturer, shall notwithstanding

anything in paragraph (b) be deducted first from the turnover tax in respect of such turnover payable for the quarter in which he becomes chargeable to turnover tax and then from the turnover tax, in respect of such turnover payable for the next succeeding quarter and so on.

(2) The residue of the turnover tax which is deductible in accordance with the provisions of subsection (1), after its deduction from the turnover tax in respect of the turnover referred to in subsection (1) for each of the eight quarters reckoned from the quarter in which the deduction was first made shall, subject to the provisions of section 49, be refunded :

Provided that no refund shall be made unless the machinery or equipment referred to in subsection (1) has been used in the business of manufacture referred to in subsection (1), in each of the eight quarters referred to in this subsection. '

7. The amendment made to section 5 of the principal enactment by section 2 of this Act, shall be deemed for all purposes to have come into operation on February 1, 1993 and accordingly—

Restrospective effect.

(a) any turnover tax collected during the period commencing on February 1, 1993 and ending on the date of commencement of this Act from an importer on his turnover calculated in accordance with section 5 of the principal enactment as amended by section 2 of this Act shall be deemed to have been and to be, validly levied and collected ;

(b) the turnover tax payable by an importer on his turnover calculated in accordance with section 5 of the principal enactment as amended by section 2 of this Act shall be deemed not to be in default if such turnover tax or the difference between such turnover tax and the turnover tax paid by such importer for the relevant quarter, as the case may be, is paid within one month of the date of commencement of this Act.

Sinhala text
to prevail in
in case of
inconsistency

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