



PARLIAMENT OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

TURNOVER TAX (AMENDMENT) ACT, No. 8 OF 1997

[Certified on 18th June, 1997]

Printed on the Order of Government

Published as a Supplement to Part II of the Gazette of the Democratic Socialist
Republic of Sri Lanka of June 19, 1997

PRINTED AT THE DEPARTMENT OF GOVERNMENT PRINTING, SRI LANKA

TO BE PURCHASED AT THE GOVERNMENT PUBLICATIONS BUREAU, COLOMBO 1

Price : Rs. 5.60

Postage : Rs. 4.10

Turnover Tax (Amendment) Act, No. 8 of 1997

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L.D.—O. 74/96.

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 ~~Short title~~ (Amendment) Act, No. 8 of 1997.

2. Section 2 of the Turnover Tax Act, No. 69 of 1981 (hereinafter referred to as the "principal enactment"), is hereby amended by the substitution for all the words from, "shall be charged for the period" to 'a tax (hereinafter referred to as the "turnover tax")', of the following words and figures :—

Amendment
of section 2 of
Turnover Tax
Act, No. 69 of
1981.

'shall be charged—

(a) for the period November 13, 1981 to December 31, 1981 and for every quarter commencing on or after January 1, 1982 but prior to the date on which the Goods and Services Tax Act, No. 34 of 1996 comes into operation, from every person who—

- (i) carries on any business in Sri Lanka ; or
- (ii) renders services outside Sri Lanka for which payment is made from Sri Lanka ; and

(b) for every quarter commencing on or after the date on which the Goods and Services Tax Act, No. 34 of 1996 comes into operation, from every person who carries on the business of—

- (i) a financier, money lender or pawn-broker ; or
 - (ii) a bank licensed under the Banking Act, No. 30 of 1988 ; or
 - (iii) owner of a ship or a charterer of a ship ; or
 - (iv) buying and selling any article, in any area where there is no statute in force imposing turnover tax on such sales,
- a tax (hereinafter referred to as the "turnover tax"),'

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Amendment
of section 5 of
the principal
enactment.

3. Section 5 of the principal enactment is hereby amended by the repeal of subsection (2) of that section and the substitution, of the following subsection therefor :—

“(2) For the purposes of subsection (1), the turnover—

- (i) in relation to any business shall, not include any amount received or receivable by the sale of capital assets ;
- (ii) arising, in the case of a financier or bank which functions as a primary dealer in treasury bills, treasury bonds or government securities, pursuant to such financier or bank being appointed as such by the Monetary Board of the Central Bank of Sri Lanka, under the Local Treasury Bills Ordinance or the Registered Stock and Securities Ordinance, from dealing in any such bill, bond or security, shall be the interest or discount received or receivable in respect of such bill, bond or security, after deducting therefrom the interest paid or the discount allowed in relation to any repurchase transaction in respect of such bill, bond or security .”.

Amendment
of section 48A
of the
principal
enactment.

4. Section 48A of the principal enactment is hereby amended, by the addition, at the end of that section, of the following subsections :—

‘(3) Notwithstanding the preceding provisions of this section, where there remains any residue of the turnover tax which is deductible in accordance with the provisions of subsection (1), after its deduction from the turnover tax payable by any person in respect of the turnover referred to in subsection (1), for each of the quarters preceding the last quarter, such residue shall be deducted, to the extent it can be so deducted, from the turnover tax payable by that person, in respect of the turnover referred to in subsection (1) for the last quarter, and any balance of the residue after such deduction shall, subject to the provisions of section 49, be refunded after the expiry of six months reckoned from the date on which the Goods and Services Tax Act, No. 34 of 1996 comes into operation.

For the purposes of this subsection, "last quarter" means the quarter ending on the day immediately preceding the date on which the Goods and Services Tax Act, No. 34 of 1996 comes into operation.

(4) The provisions of subsection (3) shall not apply to any business referred to in paragraph (b) of section 2.'

5. Section 48B of the principal enactment is hereby amended by the addition, at the end of that section, of the following subsections :—

'(3) Notwithstanding the preceding provisions of this section, where there remains any residue of the turnover tax which is deductible in accordance with the provisions of subsection (1), after its deduction from the turnover tax payable by any person in respect of the turnover referred to in subsection (1), for each of the quarters preceding the last quarter, such residue shall be deducted, to the extent it can be so deducted, from the turnover tax payable by that person, in respect of the turnover referred to in subsection (1) for the last quarter, and any balance of the residue after such deduction shall, subject to the provisions of section 49, be refunded after the expiry of six months reckoned from the date on which the Goods and Services Tax Act, No. 34 of 1996 comes into operation.

Amendment
of section 48B
of the
principal
enactment.

For the purposes of this subsection, "last quarter" means the quarter ending on the day immediately preceding the date on which the Goods and Services Tax Act, No. 34 of 1996 comes into operation.

(4) The provisions of subsection (3) shall not apply to any business referred to in paragraph (b) of section 2.'

6. Section 49 of the principal enactment is hereby amended in the proviso to subsection (4A) of that section, by the substitution, for all the words from, "by the Commissioner General if—", to the end of that proviso, of the

Amendment
of section 49
of the
principal
enactment.

words, "by the Commissioner General, if such supply is covered by a letter of credit opened in a bank in Sri Lanka, or such other documentary evidence, as is required by the Commissioner-General to satisfy himself that the exports relating to such supply were in fact made, is adduced.".

Amendment
of section 50
of the
principal
enactment.

7. Section 50 of the principal enactment is hereby amended as follows :—

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

- (a) by the substitution, for the words, "Every person who makes any payment in pursuance of a contract", of the words and figures, "Every person who, on or before the date on which the Goods and Services Tax Act, No. 34 of 1996 comes into operation, makes any payment in pursuance of a contract" ;
- (b) by the repeal of the proviso to that subsection and the substitution therefor, of the following proviso :—

'Provided that—

- (i) where the total consideration payable for the performance of such contract, not being any contract referred to in paragraph (vi) of the definition of "contract" in subsection (4), or
- (ii) where the amount resulting from the division of the gross rent (inclusive of premium) payable to a company in pursuance of a contract referred to in paragraph (vi) of subsection (4), by the number of completed quarters comprised in the period of tenancy covered by such contract,
does not exceed one hundred thousand rupees,
no such deduction shall be made.' ;

(2) in subsection (4) of that section—

- (i) by the substitution, in paragraph (iv), for the words “not including a contract of employment ; or”, of the words “not including a contract of employment ;” ;
- (ii) by the substitution, in paragraph (v), for the words “any contract for the supply of cinematograph films by a producer”, of the words “any contract for the supply of cinematograph films by a producer ;or”; and
- (iii) by the addition, at the end of that subsection, of the following paragraph :—
 - “(vi) any contract in respect of the letting, by any company, of any commercial premises.”.

8. Every article—

- (a) imported into Sri Lanka on or after May 14, 1992 but prior to November 9, 1995 by a company with which the Board of Investment of Sri Lanka has entered into an agreement, under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1978 ; and
- (b) which is not exempt from the payment of turnover tax by virtue of the Orders made under section 8 of the principal enactment and published in Gazette No. 714/13 of May 14, 1992 and Gazette No. 751/20 of January 29, 1993,

Special provision relating to certain articles imported by companies with which the Board of Investment of Sri Lanka has entered into agreements.

shall be deemed to have been, and to be, exempt from any turnover tax payable under the principal enactment with effect from May 14, 1992.

9. Every person other than any unit trust or any investment company engaged in the business of buying and selling shares shall, so far as his turnover relates to the sale of shares, be exempt from turnover tax, notwithstanding anything to the contrary in the Order made under section 7 of the principal enactment and published in Gazette Extraordinary No. 751/20 of January 29, 1993.

Special provision relating to share trading.

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**Retrospective
effect.**

10. The provisions of section 9 shall, for all purposes, be deemed to have come into force on January 29, 1993.

**Sinhala text to
prevail in case
of
inconsistency.**

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

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