



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

**INLAND REVENUE (AMENDMENT)
ACT, No. 24 OF 1980**

[Certified on 24th June, 1980]

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Inland Revenue (Amendment)
Act, No. 24 of 1980

[Certified on 24th June, 1980]

L.D.—O. 35/79.

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. 24 of 1980. Short title.

2. Section 7 of the Inland Revenue Act, No. 28 of 1979, (hereinafter referred to as the "principal enactment") is hereby amended as follows:— Amendment
of section
7 of Act
No. 28 of
1979.

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

(a) by the substitution, in paragraph (b) of that subsection for the words "and paragraph (h),", of the words "paragraph (h) and paragraph (l),";

(b) by the substitution in sub-paragraph (ii) of paragraph (j) of that subsection for the words "was received; and", of the words "was received;";

(c) by the substitution in paragraph (k) of that subsection for the words "at that time.", of the words "at that time; and"; and

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

"(l) where the property is immovable property and that property was acquired by way of gift or inheritance, on or after April 1, 1977, by the person to whom the capital gain arises from any person who had acquired such property prior to April 1, 1977, the value of such property at the time it was acquired by the first-mentioned person shall be an amount equal to the market value of such property on April 1, 1977, increased by the cost of any improvements, additions or alterations to that property made by the second-mentioned person after April 1, 1977."; and

(2) by the substitution, in paragraph (b) of subsection (4) of that section, for the words "under section 23 of this Act,", of the words "under section 23 or paragraph (l) of subsection (2) of section 31 of this Act,".

Amendment
of section
8 of the
principal
enactment.

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

(1) in paragraph (a) of that section—

- (a) by the substitution, in sub-paragraph (xviii) of that paragraph for the words “Sri Lanka Broadcasting Corporation Act, No. 37 of 1966,” of the words “Sri Lanka Broadcasting Corporation Act, No. 37 of 1966 for the year of assessment commencing on April 1, 1979;”;
- (b) by the substitution, in sub-paragraph (xxv) of that paragraph for the words “any national lottery;”, of the words “any national lottery for the year of assessment commencing on April 1, 1979;”;
- (c) by the substitution, in sub-paragraph (xxvi) of that paragraph for the words “the first-mentioned society.”, of the words “the first-mentioned society;”;
- (d) by the insertion, immediately after sub-paragraph (xxvi) of that paragraph, of the following sub-paragraphs:—
 - “(xxvii) the Sri Lanka Foundation established by the Sri Lanka Foundation Law, No. 31 of 1973;
 - (xxviii) the Tower Hall Theatre Foundation established by the Tower Hall Theatre Foundation Act, No. 1 of 1978;
 - (xxix) the Sri Lanka Inventors Commission established by the Sri Lanka Inventors Incentives Act, No. 53 of 1979;
 - (xxx) the Ceylon Medical Council established by the Medical Ordinance;
 - (xxxi) the Ayurvedic Medical Council established by the Ayurveda Act, No. 31 of 1961; and
 - (xxxii) the Homoeopathic Council established by the Homoeopathy Act, No. 7 of 1970;”;

(2) in paragraph (c) of that section—

- (a) by the substitution, in sub-paragraph (iii) of that paragraph for the words “of that Corporation;”, of the words “of that Corporation for the year of assessment commencing on April 1, 1979;”;

(b) by the insertion, immediately after sub-paragraph (iii) of that paragraph, of the following sub-paragraph:—

“ (iv) a foreign currency banking unit arising from all off-shore transactions of the unit and from such on-shore foreign currency transactions of the unit as may be approved by the Minister, having regard to the foreign exchange benefits that are likely to accrue to the country from such transactions ; ” ; and

(3) by the substitution, in sub-paragraph (i) of paragraph (d) of that section, for the words “ the work in connection ”, of the words “ either the business is carried on in the course of the actual carrying out of a primary purpose of that institution or the work in connection ”.

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

Amendment
of section
9 of the
principal
enactment.

(a) by the renumbering of that section as subsection (1) of that section ;

(b) in paragraph (f) of subsection (1) of that section—

(i) by the substitution, in sub-paragraph (iii) of that paragraph, for the words “ (including its Technical Assistance Bureau) ”, of the words “ (including its Technical Assistance Bureau) or through the Asia Foundation ” ;

(ii) by the substitution, in sub-paragraph (vi) of that paragraph for the words “ Government of Sri Lanka ; and ”, of the words “ Government of Sri Lanka ; ” ;

(iii) by the substitution, in sub-paragraph (vii) of that paragraph of the expression “ sub-paragraph (vi) : ”, of the expression “ sub-paragraph (vi) ; and ” ; and

(iv) by the insertion, immediately after sub-paragraph (vii) of that paragraph, of the following sub-paragraph:—

“ (viii) any person who is not a citizen of Sri Lanka and who is employed in Sri Lanka by the Asia Foundation : ” ;

(c) by the substitution, in paragraph (k) of subsection (1) of that section, for the words “ to Sri Lanka ; and ”, of the words “ to Sri Lanka ” ;

(d) by the substitution, in paragraph (l) of subsection (1) of that section, for the words "income other than employment.", of the words "income other than employment;" ;

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

“(m) the value of any free transport by motor coach provided by an employer to an employee for travel by such employee, from his residence to his place of work or from his place of work to his residence.” ; and

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

“(2) Nothing in paragraph (b) or paragraph (c) or paragraph (d) or paragraph (e) of subsection (1) shall apply to, or in relation to, any individual who is not a citizen of Sri Lanka and who—

(a) has entered into a contract of employment ; or
(b) is brought to, and employed in, Sri Lanka,

on or after November 15, 1979, with or by any undertaking other than an 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.”.

Amendment
of section
10 of the
principal
enactment.

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

(a) by the substitution, in paragraph (f) of that section, for the words “any Tax Reserve Certificate.”, of the words “any Tax Reserve Certificate ;” ; and

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

“(g) interest accruing to any person on moneys lying to his credit in foreign currency with any foreign currency banking unit.”.

Amendment
of section
11 of the
principal
enactment.

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

(a) in paragraph (b) of that section—

(i) by the substitution, for the words and figures “under sections 16, 17, 18, 19, 20 or 21 of this Act”, of the words and figures “under sections 15, 16, 16A, 16B, 17, 18, 19, 20, 21, 22A, 22B and 22c of this Act” and

- (ii) by the substitution, for the words "within one year thereafter.", of the words "within one year thereafter;"; and
- (b) by the insertion, immediately after paragraph (b) of that section, of the following paragraph:—

" (c) any dividend paid on or after November 15, 1979, to a shareholder of a company, out of any such dividend received by that company as is referred to in paragraph (b), if the first-mentioned dividend is paid during any year of assessment in which the second-mentioned dividend was received by that company or within one year thereafter."

7. Section 14 of the principal enactment is hereby amended in paragraph (a) of that section as follows:—

Amendment
of section
14 of the
principal
enactment.

- (a) in sub-paragraph (xi) of that paragraph, by the substitution, for the words "of that right; and", of the words "of that right;";
- (b) in sub-paragraph (xii) of that paragraph, by the substitution, for the words "of a life interest.", of the words "of a life interest;"; and
- (c) by the insertion, immediately after sub-paragraph (xii) of that paragraph, of the following sub-paragraphs:—
 - " (xiii) the passing of any property, being shares in a quoted public company, on or after November 15, 1979; and
 - (xiv) the transfer—
 - (a) on or after November 15, 1979; and
 - (b) upon the conversion of a business carried on by an individual, either solely or in partnership with others, into a quoted public company,

of any part of the capital assets of such business to such company, if, but only if, such part of those assets as were acquired for that business prior to March 31, 1977, are transferred to that company at a price not exceeding the market value of those assets on March 31, 1977;".

Amendment
of section
15 of the
principal
enactment.

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

- (1) by the substitution, in paragraph (j) of that section for the words "the terms of that agreement.", of the words "the terms of that agreement;"; and
- (2) by the insertion, immediately after paragraph (j) of that section, of the following paragraphs:—

" (k) any management fees calculated as a percentage of the gross profits and paid to a non-resident person by a company referred to in section 16A in respect of any period during which the profits and income of that company are exempt, if such payment to such non-resident person is approved by the Minister on the recommendation of the Ceylon Tourist Board;

(l) the profits and income arising to any person from the sale of gems, on or after November 15, 1979, at any gem auction conducted by the Ceylon Chamber of Commerce;

(m) the profits and income arising to any person from the export of gems on or after November 15, 1979;

(n) any commission received, on or after November 15, 1979, by a broker from the sale of gems at any gem auction conducted by the Ceylon Chamber of Commerce, if such broker has obtained a licence from the Chamber;

(o) such part of the profits and income arising to any person authorized by the Central Bank of Ceylon to accept in foreign currency, from the sale, on or after November 15, 1979, of gems and jewellery as are received by such person in foreign currency;

(p) the profits and income arising in Sri Lanka, to the consigner or consignee, from the export, on or after November 15, 1979, of—

- (i) any precious stones or metals not mined in Sri Lanka,
- (ii) any petroleum products, or

- (iii) such other products as may be approved by the Minister for the purposes of this paragraph having regard to the foreign exchange benefits that are likely to accrue to the country from the export of such products,

being stones, metals or products, as the case may be, brought to Sri Lanka on a consignment basis, and re-exported, without subjecting such stones, metals or products, as the case may be, to any process or manufacture;

- (q) any prize received by a person as an award made by the President of the Republic of Sri Lanka;
- (r) any prize received by a person as an award made by the Government in recognition of an invention created, or any research undertaken, by such person."

9. Section 16 of the principal enactment is hereby amended by the substitution, in paragraph (b) of that section, for the words "approved by the Minister", of the words "approved by the Minister before April 1, 1980,".

Amendment
of section
16 of the
principal
enactment.

10. The following new sections are hereby inserted immediately after section 16, and shall have effect as section 16A and 16B, of the principal enactment:—

Insertion
of new
sections
16A and
16B in the
principal
enactment.

'Exemption
from income
tax of
profits and
income of
certain
undertakings
related to
tourist
hotels
incorporated
after
November
15, 1979.

16A. (1) The profits and income within the meaning of paragraph (a) of section 3 (other than any profits and income from the sale of capital assets) of any undertaking referred to in subsection (2) shall be exempt from income tax for a period of ten years, such period of ten years being calculated from the date on which such undertaking commenced to carry on business.

(2) The provisions of subsection (1) shall apply to any undertaking of operating hotels for tourists—

- (a) which is on the recommendation of the Ceylon Tourist Board approved by the Minister by Order published in the Gazette;

(b) which is carried on by a quoted public company incorporated on or after November 15, 1979; and

(c) the subscribed equity capital of which is not less than one hundred million rupees.

Exemption from income tax of profits and income of certain undertakings related to tourist hotels which construct additional rooms after November 15, 1979.

16B. The relevant profits and income of an undertaking, of operating hotels for tourists, which has been approved by the Minister under section 6 (1) (v) of the Inland Revenue Act, No. 4 of 1963, or under section 16 (a) of this Act and which after November 15, 1979, constructs additional bedrooms for its use, shall be exempt from income tax for a period of five years calculated from the date on which such additional bedrooms are constructed if the construction of such additional bedrooms has been approved by the Minister, on the recommendation of the Ceylon Tourist Board, by Order published in the *Gazette* as being essential to the development of the tourist industry.

In this subsection "relevant profits and income" means the sum which bears to the profits and income within the meaning of paragraph (a) of section 3 (other than profits and income from the sale of capital assets) of that undertaking the same proportion as the number of additional bedrooms constructed after November 15, 1979 bears to the total number of bedrooms of that undertaking.

Insertion of new sections 22A, 22B and 22c in the principal enactment.

11. The following new sections are hereby inserted immediately after section 22, and shall have effect as sections 22A, 22B and 22c, of the principal enactment:—

Exemption from income tax of profits and income arising from the performance of certain contracts.

22A. The profits and income within the meaning of paragraph (a) of section 3 (other than any profits and income from the sale of capital assets) of any quoted public company—

- (a) incorporated on or after November 15, 1979 ; and
- (b) which is engaged solely in the performance of any contract entered into with the Mahaveli Authority of Sri Lanka established by the Mahaveli Authority of Sri Lanka Act, No. 23 of 1979, being a contract which is approved by the Minister on the recommendation of that Authority as being essential for the implementation of any irrigation scheme undertaken by that Authority,

shall be exempt from income tax for a period of five years calculated from the date on which the first of any such contracts was entered into by such company with such Authority.

Exemption
from income
tax of
profits
and income
of under-
takings
engaged in
property
development.

22B. (1) The profits and income within the meaning of paragraph (a) of section 3 (other than any profits and income from the sale of capital assets) of any company referred to in subsection (2) shall be exempt from income tax for a period of ten years calculated from the date on which such company commences to carry on business.

(2) The provisions of subsection (1) shall apply to any company which—

- (a) is incorporated on or after November 15, 1979 ; and
- (b) is either a quoted public company on the date on which it commences to carry on business, or becomes a quoted public company within two years from the date on which it commences to carry on business ; and
- (c) is engaged solely in property development projects which are approved by the Minister on the recommendation of the Urban Development Authority (established by the Urban Development Authority Law, No. 41 of 1978)

as being essential to the implementation of the urban development policy of the Government.

Exemption from income tax of profits and income of undertakings carried on by quoted public companies.

22c. The profits and income within the meaning of paragraph (a) of section 3 (other than any profits and income from the sale of capital assets) of any undertaking—

(a) carried on by a quoted public company ; and

(b) approved by the Minister,

shall be exempt from income tax for a period of five years calculated from the date on which such undertaking commences to carry on business, if such undertaking was not formed by the splitting up, reconstruction or acquisition of any business which was previously in existence.’

Amendment of section 23 of the principal enactment.

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

(a) in paragraph (a) of that subsection, by the substitution, for the words and figures “on or after April 1, 1980 ;”, of the words and figures “on or after April 1, 1981 ;” ;

(b) in paragraph (b) of that subsection, by the substitution, for the words and figures “on or after April 1, 1980 ;”, of the words and figures “on or after April 1, 1981 ;” ;

(c) in paragraph (c) of that subsection, by the substitution, for the words and figures “prior to April 1, 1980,”, of the words and figures “prior to April 1, 1981 ;” ; and

(d) in paragraph (e) of that subsection—

(i) by the substitution, for the words and figures “on or after April 1, 1980,”, of the words and figures “on or after April 1, 1981” ; and

(ii) by the substitution, for the words and figures “prior to April 1, 1980”, wherever those words and figures occur in that paragraph, of the words and figures “prior to April 1, 1981”.

13. Section 24 of the principal enactment is hereby amended in subsection (2) of that section by the substitution, for the words "in the employment of such person.", of the words "in the employment of such person and in respect of a motor-coach used for transporting employees of such person to, and from, their place of work."

Amendment
of section 24
of the
principal
enactment.

14. Section 29 of the principal enactment is hereby amended in paragraph (a) of subsection (2) of that section as follows:—

Amendment
of section
29 of the
principal
enactment.

- (a) by the substitution, in paragraph (iii) of the proviso thereto for the words "that sum; and", of the words "that sum;";
- (b) by the substitution, in paragraph (iv) of the proviso thereto, for the words and figures "of section 149; ", of the words and figures "of section 149; and "; and
- (c) by the addition, at the end of the proviso thereto, of the following:—

"(v) where an annuity is payable by him for a period not exceeding six years, no deduction shall be allowed in respect of any such sum payable by him during that year by way of such annuity unless such annuity was for valuable and sufficient consideration or is for the life of the annuitant;".

15. Section 30 of the principal enactment is hereby amended in subsection (2) of that section, by the substitution, for the proviso thereto, of the following proviso:—

Amendment
of section
30 of the
principal
enactment.

"Provided that the taxable income of a charitable institution for any year of assessment shall be the assessable income of that institution for that year of assessment after deducting therefrom, the aggregate of—

- (a) any allowance to which such institution is entitled to under section 31; and
- (b) an allowance of twelve thousand rupees."

16. Section 31 of the principal enactment is hereby amended as follows:—

Amendment
of section
31 of the
principal
enactment.

- (1) in subsection (2) of that section by the insertion, immediately after paragraph (j) of that subsection, of the following paragraphs:—

'(k) a donation made by any person in money to—

- (i) the Ceylon Institute of Scientific and Industrial Research established by the Ceylon Institute of Scientific and Industrial Research Act;

- (ii) the Sri Lanka Foundation established by the Sri Lanka Foundation Law, No. 31 of 1973 ;
- (iii) the Tower Hall Theatre Foundation established by the Tower Hall Theatre Foundation Act, No. 1 of 1978 ;
- (iv) the Sri Lanka Inventors Commission established by the Sri Lanka Inventors Incentives Act, No. 53 of 1979 ;
- (l) any amount spent by a person in constructing any house or flat for occupation as a dwelling house by any member of the staff employed by such person if—
 - (i) the floor area of such house or flat does not exceed one thousand five hundred square feet ; and
 - (ii) no allowance is deductible under subparagraph (i) of paragraph (b) of subsection (1) of section 23 or paragraph (f) of subsection (1) of section 23 in respect of such house or flat ;
- (m) any sum invested by any person in the purchase of ordinary shares, other than existing shares in a company engaged in a project approved under section 16A or section 22B, and the capital of which exceeds five hundred million rupees ;

For the purposes of this paragraph "capital" shall have the same meaning as in subsection (5) of section 18,' ;

- (2) by the substitution in subsection (5) of that section, for the words "in paragraphs (b) and (c) of subsection (2) ", of the words "in paragraphs (b), (c) and (m) of subsection (2) " ; and
- (3) by the substitution in subsection (6) of that section, for the words "in paragraphs (b) and (c) of subsection (2) ", of the words "in paragraphs (b), (c) and (m) of subsection (2) ".

Amendment
of section
32 of the
principal
enactment.

17. Section 32 of the principal enactment is hereby amended as follows :—

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

“ (1) Subject as hereinafter provided, income tax shall be charged for each year of assessment on the taxable income for that year of assessment of any person—

(a) if he is an individual other than a receiver, trustee, executor or liquidator acting in such capacity—

(i) in respect of the year of assessment commencing on April 1, 1979, at the appropriate rates specified in Part I of the First Schedule to this Act ;

(ii) in respect of any year of assessment commencing on or after April 1, 1980, at the appropriate rates specified in Part II of the First Schedule to this Act ;

(b) if he is an individual who is not a citizen of Sri Lanka and is deemed by subsection (7) of section 67, to be non-resident, at the rate specified in Part III of the First Schedule to this Act ; or

(c) if such person is a person other than a company or an individual to whom paragraph (a) applies, in respect of any year of assessment commencing on or after April 1, 1979, at the appropriate rates specified in the Third Schedule to this Act.” ;

(b) in subsection (2) of that section, by the substitution, for all the words from “shall be chargeable with tax” to the end of that subsection, of the following :—

“shall be chargeable with tax at the appropriate rates specified in Part IV of the First Schedule to this Act, if such aforementioned sum has been paid by the employer of such individual, in accordance with a scheme which, in the opinion of the Commissioner-General, is uniformly applicable to all individuals employed by such employer. If any such aforementioned sum has been paid to such individual in accordance with a scheme which, in the opinion of the Commissioner-General, is not

uniformly applicable to all individuals employed by such employer, his taxable income (inclusive of such excess) shall be chargeable with tax at the appropriate rates specified in—

(i) Part I of the First Schedule to this Act in respect of the year of assessment commencing on April 1, 1979 ; or

(ii) Part II of the First Schedule to this Act in respect of any year of assessment commencing on or after April 1, 1980." ; and

(c) by the repeal of subsection (5) of that section.

Amendment
of section
33 of the
principal
enactment.

18. Section 33 of the principal enactment is hereby amended as follows :—

(1) by the substitution, in subsection (1) of that section for the words "company resident in Sri Lanka in any year of assessment", of the words "company resident in Sri Lanka in the year of assessment commencing on April 1, 1979," ;

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

" (1A) The income tax to which any company resident in Sri Lanka in any year of assessment commencing on or after April 1, 1980, shall be liable for that year of assessment shall consist of—

(a) (i) in the case of a company which was both a quoted public company and a small company, either throughout that year of assessment or, where the company was incorporated in that year of assessment, from the date of its incorporation to the end of that year, an amount calculated on the taxable income of such company for that year of assessment at the appropriate rate of tax specified in Part IV of the Second Schedule to this Act ; or

(ii) in the case of a company which was a quoted public company either throughout that year of assessment or, where the company was incorporated in that year of assessment, from the date of its incorporation to the end of that year, an

amount calculated on the taxable income of such company for that year of assessment at the appropriate rate of tax specified in Part IV of the Second Schedule to this Act; or

(iii) in the case of a company which was both a quoted public company and a people's company either throughout that year of assessment, or where the company was incorporated in that year of assessment, from the date of its incorporation to the end of that year, an amount calculated on the taxable income of such company for that year of assessment at the appropriate rate of tax specified in Part IV of the Second Schedule to this Act; or

(b) (i) an amount calculated on the taxable income of such company for that year of assessment at the appropriate rate or rates of tax specified—

(a) in Part I of the Second Schedule to this Act, in the case of a company other than a company referred to in sub-paragraph (b) or sub-paragraph (c), or

(b) in Part II of the Second Schedule to this Act, in the case of a company which was a small company either throughout that year of assessment or, where the company was incorporated in that year of assessment, from the date of its incorporation to the end of that year, or

(c) in Part III of the Second Schedule to this Act in the case of a company which was a people's company either throughout that year of assessment or, where the company was incorporated in that year of assessment, from the date of its incorporation to the end of that year, and

(ii) a sum equal to twenty *per centum* of the aggregate amount of the gross dividends distributed by the company in that year of assessment out of profits on which the taxable income of such company is computed for any year of assessment." ; and

(3) by the substitution, in subsection (2) of that section, for the words "For the purposes of subsection (1)", of the words "For the purposes of subsections (1) and (1A)".

Amendment
of section
34 of the
principal
enactment.

19. Section 34 of the principal enactment is hereby amended as follows:—

(a) in paragraph (a) of subsection (1) of that section by the substitution, for the words and figures, "specified in Part IV of the Second Schedule", of the words and figures "specified in Part V of the Second Schedule"; and

(b) by the substitution, for paragraph (a) of subsection (2) of that section, of the following paragraph:—

"(a) sums remitted or retained abroad out of the profits of the company, such sums not including any dividends paid by a resident company to such non-resident company ;".

Amendment
of section
35 of the
principal
enactment.

20. Section 35 of the principal enactment is hereby amended as follows:—

(a) by the substitution, in paragraph (c) of that section, for the words "another resident company," of the words "another resident company ; or"; and

(b) by the insertion, immediately after paragraph (c) of that section, of the following paragraph:—

"(d) the first-mentioned resident company is a quoted public company,".

Amendment
of section
37 of the
principal
enactment.

21. Section 37 of the principal enactment is hereby amended as follows:—

(a) by the substitution in paragraph (a) of that section for the words "of the amount of the relevant dividend increased by fifty *per centum* ;", of the words "of the amount of the relevant dividend increased by fifty *per centum* where the dividend is

- payable on or before March 31, 1980, and increased by twenty-five *per centum* where the dividend is payable on or after April 1, 1980;”;
- (b) by the substitution, in paragraph (b) of that section, for the words “relevant dividend; and”, of the words “relevant dividend;”; and
- (c) by the insertion immediately after paragraph (c) of that section of the following new paragraph:—
- “ (d) if the relevant dividend is paid out of the amount of a dividend received by such resident company from a quoted public company, income tax equivalent to five *per centum* of the amount of such relevant dividend.”.

22. Section 38 of the principal enactment is hereby amended as follows;—

Amendment
of section
38 of the
principal
enactment.

- (1) by the substitution in subsection (1) of that section—
- (a) for the words “Every resident company shall”, of the words “Every resident company other than a quoted public company shall”;
- (b) for the words “income tax equal to thirty-three and one-third *per centum* of such amount.”, of the words “income tax equal to thirty-three and one-third *per centum* where the dividend is payable on or before March 31, 1980, and income tax equal to twenty *per centum* where the dividend is payable on or after April 1, 1980.”;
- (2) by the substitution in paragraph (d) of subsection (2) of that section for the words, “is exempt from income tax under this Act.”, of the words, “is exempt from income tax under this Act or is received from a quoted public company.”;
- (3) in subsection (3) of that section—
- (a) by the substitution for all the words from “shareholder, be increased by fifty *per centum*” to “to the said fifty *per centum*.”, of the following:—
- “shareholder,—
- (a) for the year of assessment commencing on April 1, 1979, be increased by fifty *per centum* and he shall be entitled to deduct

from the tax payable by him an amount equal to the said fifty *per centum*; and

(b) for the year of assessment commencing on or after April 1, 1980, be increased by twenty-five *per centum* and he shall be entitled to deduct from the tax payable by him an amount equal to the said twenty-five *per centum*:";

(b) in paragraph (b) of the proviso to that subsection, by the substitution, for the words "under this Act.", of the words "under this Act; or";

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

" (c) the amount of any dividend received from a quoted public company."; and

(4) in the marginal note to that section, by the omission of the words and figures "of 33 1/3 *per centum*".

Amendment
of section
49 of the
principal
enactment.

23. Section 49 of the principal enactment is hereby amended by the repeal of subsection (1) of that section and the substitution therefor of the following subsection:—

(1) The value of any immovable property for any year of assessment shall be its market value on the first day of that year of assessment:

Provided, however, that if such property formed, on April 1, 1977, part of the wealth of the person whose wealth is being assessed (in this subsection referred to as the "assessee") or was acquired, by way of gift or inheritance, by the assessee from another person who had owned or held an interest in such property on April 1, 1977, the market value of such property on the first day of any year of assessment commencing on or after April 1, 1979, shall be deemed to be its market value on April 1, 1977, increased by an amount equal to the cost of any improvements, additions or alterations made to that property on or after April 1, 1977 or its market value on April 1, of that year whichever is less.

Amendment
of section
54 of the
principal
enactment.

24. Section 54 of the principal enactment is hereby amended in paragraph (d) of subsection (1) of that section, by the substitution, for the words "each such gift being over one thousand rupees in value, subject to a maximum of three hundred", of the words "or to any Institute,

Foundation or Commission referred to in paragraph (k) of subsection (2) of section 31 subject to a maximum of five hundred”.

25. Section 56 of the principal enactment is hereby amended by the insertion, immediately after subsection (1) of that section, of the following subsection:—

Amendment
of section
56 of the
principal
enactment.

“(1A) Where the property constituting the gift is immovable property which had been acquired by the donor prior to April 1, 1977, the market value of that property on the date of the gift shall be deemed to be the market value of that property on April 1, 1977, increased by an amount equal to the cost of any improvements, additions or alterations made to that property on or after April 1, 1977, or its market value on April 1, of that year whichever is less.”.

26. Section 67 of the principal enactment is hereby amended, by the addition at the end of that section, of the following subsection:—

Amendment
of section
67 of the
principal
enactment.

“(7) An individual who is not a citizen of Sri Lanka and who is employed in Sri Lanka shall, notwithstanding the provisions of the preceding subsections, be deemed to be non-resident for a period of three years calculated from the date on which he commences employment in Sri Lanka.”.

27. Section 81 of the principal enactment is hereby amended in subsection (1) of that section in paragraph (b) of the proviso thereto by the substitution for the words “or to interest on any loan or advance made by a banker.”, of the words “or to interest on any loan or advance made by a banker or to any interest paid to any person on moneys lying to his credit in foreign currency with any foreign currency banking unit.”.

Amendment
of section 81
of the
principal
enactment.

28. Section 89 of the principal enactment is hereby repealed and the following section substituted therefor:—

Replacement
of section
89 of the
principal
enactment.

“How
certain
receipts of
insurance
are to be
treated.

89. Where any sum paid as insurance premium is allowable as an expense incurred in the production of profits or income from any trade, business, profession or vocation, any sum realized under such contract of insurance shall be deemed to be—

(a) receipts from such trade, business, profession or vocation, if the sum so realized is in respect of stock in

trade or loss of profits or any other sum not referred to in sub-paragraph (b) or (c) of this section ;

(b) an amount realized from the disposal of property, if the sum so realized is in respect of a capital asset on which an allowance for depreciation, within the meaning of subsection (7) of section 23, has been granted, and accordingly, the provisions of subsection (3) of that section shall apply to, and in relation to, that amount ;

(c) an amount realized from the change of ownership of property, if the sum so realized is in respect of a capital asset on which an allowance for depreciation within the meaning of subsection (7) of section 23 has not been granted, and accordingly, the provisions of section 7 shall, apply to, and in relation to, that amount. ”.

Amendment
of section
115 of the
principal
enactment.

29. Section 115 of the principal enactment is hereby amended in subsection (5) of that section by the substitution, for the proviso to that subsection, of the following :—

“Provided, that nothing in this subsection shall apply to the assessment of income tax payable by any person in respect of any year of assessment, consequent to the receipt by such person, of any arrears relating to the profits from employment of that person for that year of assessment :

Provided further that where the non-assessment or under-assessment is due to fraud or wilful evasion, an assessment or additional assessment may be made on such person at any time after the end of that year of assessment.”.

Amendment
of section
125 of the
principal
enactment.

30. Section 125 of the principal enactment is hereby amended in subsection (2) of that section as follows :—

(a) by the substitution, in paragraph (i) of the proviso to that subsection, for the words “shall in no case exceed twenty-five per centum”, of the words “shall in no case exceed fifty per centum” ; and

- (b) by the substitution, in paragraph (ii) of the proviso to that subsection, for the words "preceding provisions of this section;", of the words "preceding provisions of this section until the thirtieth day of November immediately succeeding the end of the year of assessment in respect of which such quarterly instalments of tax became due;".

31. The following new section is hereby inserted immediately after the section 131, and shall have effect as section 131A, of the principal enactment:—

Insertion
of new
section
131A in the
principal
enactment.

"Transfer
of immova-
ble property
to Govern-
ment in lieu
of payment
of tax
in cash.

131A. (1) Any person liable to pay any tax under the provisions of this Act or the Inland Revenue Act, No. 4 of 1963, may apply to the Commissioner-General to transfer any immovable property owned by such person to the Government in lieu of payment of such tax in cash at such value as is placed on such property by agreement between such person and the Commissioner-General and the Commissioner-General may allow such application having regard to the feasibility of managing such property after it is transferred to the Government.

(2) Where the Commissioner-General allows an application made under subsection (1) and the amount agreed to in accordance with the provisions of that subsection, as the value of the property in respect of which the application is made exceeds the amount of the tax payable by the applicant, the excess shall be deemed to be a donation, within the meaning of paragraph (b) of subsection (2) of section 31, made to the Government of Sri Lanka by the applicant."

32. Section 162 of the principal enactment is hereby amended by the substitution, in paragraph (i) of the proviso to subsection (3) of that section for the words, "twenty-five per centum", of the words "fifty per centum".

Amendment
of section
162 of the
principal
enactment.

33. Section 163 of the principal enactment is hereby amended as follows:—

Amendment
of section 163
of the
principal
enactment.

- (a) by the insertion, immediately after the definition of "Ceylon Tourist Board", of the following new definition:—

“Ceylon Chamber of Commerce”, means the Ceylon Chamber of Commerce incorporated by the Chamber of Commerce Ordinance;’;

(b) by the insertion, immediately after the definition of “child”, of the following new definition:—

“commercial bank” has the same meaning as in the Monetary Law Act;’;

(c) in the definition of “executive officer” by the substitution, for the words “one thousand rupees;”, of the words “one thousand and five hundred rupees;”;

(d) by the insertion, immediately after the definition of “foreign currency”, of the following new definition:—

“foreign currency banking unit” means a unit or department of a commercial bank authorized by the Central Bank of Ceylon to operate as a foreign currency banking unit;’;
and

(e) by the insertion, immediately after the definition of “property”, of the following new definition:—

“quoted public company” means a company which is resident in Sri Lanka and in respect of which the Assessor is satisfied that it is a company, the shares of which are quoted in any official list published by—

(i) the Colombo Brokers’ Association, in accordance with the rules of that Association; or

(ii) such other body as may be approved by the Minister, having regard to the fact that such body performs functions similar to the functions performed by the Colombo Brokers Association’.

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

Replacement
of the First
Schedule
to the
principal
enactment.

" FIRST SCHEDULE

(Section 32)

Rates of Income Tax-Individuals other than any Receivers, Trustees Executors or Liquidators—

PART I

The rates of income tax for the year of assessment commencing on April 1, 1979, shall be as follows:—

	Rates of Tax
On the first Rs. 4,800 of the taxable income	7½ per centum
On the next Rs. 4,800 of the taxable income	10 per centum
On the next Rs. 4,800 of the taxable income	15 per centum
On the next Rs. 4,800 of the taxable income	20 per centum
On the next Rs. 4,800 of the taxable income	25 per centum
On the next Rs. 4,800 of the taxable income	30 per centum
On the next Rs. 4,800 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

PART II

The rates of income tax for any year of assessment commencing on or after April 1, 1980, shall be as follows:—

	Rates of Tax
On the first Rs. 4,800 of the taxable income	7½ per centum
On the next Rs. 4,800 of the taxable income	10 per centum
On the next Rs. 4,800 of the taxable income	15 per centum
On the next Rs. 4,800 of the taxable income	20 per centum
On the next Rs. 4,800 of the taxable income	25 per centum
On the next Rs. 4,800 of the taxable income	30 per centum
On the next Rs. 4,800 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 balance of the taxable income	55 per centum

PART III

The rates of income tax applicable for any year of assessment commencing on or after April 1, 1979, to an individual who is not a citizen of Sri Lanka and who is deemed, under subsection (7) of section 67, to be a non-resident
.....25 per centum.

PART IV

The rates of income tax applicable to certain profits from employment specified on subsection (2) of section 32 :—

On the first Rs. 50,000	.. Nil.
On the next Rs. 25,000	.. 5 per centum
On the next Rs. 25,000	.. 10 per centum
On the balance 15 per centum".

Amendment
of the
Second
Schedule
to the
principal
enactment.

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

(a) by the renumbering of Part IV of that Schedule as Part V of that Schedule; and

(b) by the insertion, immediately after Part III of that Schedule, of the following:—

"PART IV

Quoted Public Company—

On the taxable income of a quoted public company .. 40 per centum".

Amendment
of the
Third
Schedule to
the
principal
enactment.

36. The Third Schedule to the principal enactment is hereby amended by the substitution, in paragraph (b) of item 4 of that Schedule, for the figures and words "70 per centum", of the figures and words "55 per centum".