

PARLIAMENT OF CEYLON

2nd Session 1961-62



Finance Act, No. 65 of 1961

Date of Assent: October 12, 1961

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AN ACT TO ENACT THE PROVISIONS OF LAW NECESSARY
TO GIVE LEGAL FORCE TO CERTAIN FINANCIAL PRO-
POSALS FOR THE FINANCIAL YEAR COMMENCING ON
OCTOBER 1, 1961, AND ENDING ON SEPTEMBER 30.
1962.

[Date of Assent: 12th October, 1961]

BE it enacted by the Queen's Most Excellent Majesty, by and with the advice and consent of the Senate and the House of Representatives of Ceylon in this present Parliament assembled, and by the authority of the same, as follows:—

1. This Act may be cited as the Finance Act, No. 65 of 1961.

Short title.

PART I

NATIONALISATION OF THE BANK OF CEYLON.

2. All the ordinary shares of the Bank of Ceylon (in this Part of this Act referred to as "the Bank") shall be deemed to have vested in the Government on the relevant date, and accordingly the Government shall be deemed as from that date to have been, and to be, the holder of such shares.

Vesting of
ordinary
shares of the
Bank in the
Government.

3. (1) Compensation in respect of each ordinary share of the Bank which is deemed to have vested in the Government shall be paid by the Government to the person who was the holder of that share on the day immediately prior to the date of such vesting on the basis of the price paid by that person for such share or, if that person became such holder not by acquisition for valuable consideration but by operation of law, or by a voluntary transfer, without such consideration, on the basis of the price paid for such share by the person who last was the holder of such share by virtue of acquisition for such consideration.

Compensation
to be payable
in respect of
the ordinary
shares of the
Bank vested in
the
Government.

(2) Compensation in respect of the ordinary shares of the Bank which are deemed to have vested in the Government shall be payable in cash, or in five per centum negotiable Government stock, or both in such cash and such stock in such proportion as may be determined by the Minister. Such stock shall be deemed to have been issued under the Registered Stock and Securities Ordinance. The date of redemption of any such stock shall be ten years.

(3) No person to whom any stock has been issued by way of compensation under sub-section (2) shall be entitled to alienate the whole or any part of such stock except by way of gift or will.

(4) Any dispute between the Bank and any other person as to the amount of compensation payable to that person under this Part of this Act shall be referred by the Bank to the Minister whose decision thereon shall be final and conclusive.

**Compensation
in respect of
shares vested
in the
Government to
be charged on
the Consolidated
Fund.**

**Limitation of
the power of
the Bank to
carry on certain
kinds of
business.**

4. The compensation payable in respect of the shares which are deemed to have vested in the Government shall be charged on the Consolidated Fund of Ceylon.

5. The Bank shall be deemed not to have been authorised to carry on the several kinds of business hereafter specified during the period which commenced on the relevant date and ended on the day immediately prior to the date of commencement of this Act except under and in accordance with any general or special directions issued in that behalf by the Secretary to the Treasury, and accordingly any such business so transacted by such Bank in contravention of the preceding provisions of this section shall be deemed to have been, and to be, null and void:—

- (a) to negotiate loans and advances;
- (b) to borrow or raise money;
- (c) to acquire any other business;
- (d) to enter into any arrangement for sharing profits, union of interest, co-operation, joint adventure, reciprocal concession, or otherwise with any other person; and
- (e) to sell or dispose of the entire undertaking of the Bank or any part thereof.

**Certain acts
not to be done
without the
prior authority
of the Secretary
to the Treasury.**

6. All transactions of any kind whatsoever in the ordinary shares of the Bank whether by way of sale, transfer or otherwise, the declaration and payment of dividends on such shares, the issue of debentures, and any other transactions relating to any sale or other disposal of the investments of the Bank during the period which commenced on the relevant date and ended on the day immediately prior to the date of commencement of this Act, shall be deemed to have required the prior approval of the Secretary to the

Treasury, and accordingly any such transactions, declarations, payments and issues made, entered into or effected in contravention of the preceding provisions of this section shall be deemed to have been, and to be, null and void.

7. The Directors of the Bank during the period which commenced on the relevant date and ended on the day immediately prior to the date of commencement of this Act, shall be deemed to have, during that period, carried on the business of the Bank for and on behalf of the Government, and accordingly any act or thing done by them under the Bank of Ceylon Ordinance during that period shall, save as otherwise expressly provided in this Part of this Act, be deemed not to have been, and not to be, null and void by reason only of the fact that the Government was the sole shareholder of the Bank.

Former
Directors of
the Bank
deemed to
have admi-
nistered the
affairs of the
Bank for
and on behalf
of the
Government.

8. The following provisions shall have effect in respect of the Bank:—

Special
provisions in
respect of
certain matters
relating to the
Bank.

- (a) The Directors of the Bank on the day immediately prior to the date of commencement of this Act shall cease to hold office as such Directors on that day.
- (b) The management and administration of the business and affairs of the Bank shall be vested in a Board of Directors constituted as provided in this section.
- (c) The Board of Directors so constituted may exercise, discharge or perform the powers, functions or duties of the Bank for the purpose of carrying on the business, and administering the affairs, of the Bank.
- (d) The Board of Directors of the Bank shall consist of six Directors, five of whom shall be appointed by the Minister and the other shall be the person for the time being holding the office of Secretary to the Treasury. Each Director so appointed is in this section referred to as an "appointed Director", and the Secretary to the Treasury is in this section referred to as the "ex-officio Director".
- (e) A Senator or a Member of Parliament shall not be qualified to be a Director.

- (f) The Minister shall appoint one of the appointed Directors as the Chairman of the Board of Directors.
- (g) Every appointed Director shall hold office for a period of three years, unless he is earlier removed from office or vacates his office.
- (h) If any appointed Director is temporarily unable to discharge the duties of his office on account of ill-health, or absence from Ceylon, or any other cause, the Minister may appoint some other person to act as a Director in his place.
- (i) If the ex-officio Director is unable to attend any meeting of the Board of Directors, he may authorise any other officer to be present on his behalf at such meeting; and the officer so authorised shall be deemed for the purpose of such meeting to be a member of the Board of Directors.
- (j) An appointed Director may resign his office by letter addressed to the Minister.
- (k) The Minister may, if he thinks it expedient to do so, remove an appointed Director from office.
- (l) A Director who vacates office by resignation or effluxion of time shall be eligible for reappointment.
- (m) A Director may be remunerated out of the funds of the Bank in such manner and at such rates as the Minister may determine.
- (n) The ex-officio Director shall have all the same rights and privileges as the appointed Directors.

Government
Director
deemed to have
had the right
to vote at
meetings of
the Directors.

9. The Government Director within the meaning of the Bank of Ceylon Ordinance shall be deemed, during the period which commenced on the relevant date and ended on the day immediately prior to the date of commencement of this Act, to have been entitled to vote at meetings of the Directors of the Bank.

10. Regulations may be made under this Act for the purpose of making all such provisions as may be necessary to enable the Bank to continue to function as a Corporation under the Bank of Ceylon Ordinance with the Government as the sole shareholder of the Bank, and in particular, but without prejudice to the generality of the foregoing provisions of this section, such regulations may make all such amendments in, or modifications to, the Bank of Ceylon Ordinance as may be necessary for achieving that purpose and for giving effect to or carrying out the principles or provisions embodied in the preceding provisions of this Part of this Act.

Power to make regulations to give effect to certain matters arising out of this Part of this Act.

11. The provisions of this Part of this Act or any regulations made thereunder shall have effect notwithstanding anything to the contrary in the Bank of Ceylon Ordinance or any regulations made thereunder or any other written law, and accordingly the Bank shall be deemed not to have ceased to be a Corporation under that Ordinance by reason of the fact that the Government is the sole shareholder of the Bank.

Provisions of this Part of this Act to prevail over the Bank of Ceylon Ordinance.

12. In this Part of this Act, the expression "Bank of Ceylon Ordinance" means the Bank of Ceylon Ordinance, No. 53 of 1938, as subsequently amended.

Interpretation.

PART II

SURCHARGE ON INCOME TAX, AMENDMENTS TO THE INCOME TAX ORDINANCE, LAND TAX ACT AND PERSONAL TAX ACT, THE IMPOSITION AND LEVY OF A SURTAX, AND THE DISPOSAL OF SURPLUS INCOME.

13. (1) Every person who is chargeable with income tax for the year of assessment commencing on April 1, 1961, shall, notwithstanding anything contained in any other written law or in any convention, grant or agreement, be liable to pay a surcharge equivalent to fifteen per centum of the amount of the income tax payable by him for that year of assessment.

Every person chargeable with income tax for the year of assessment commencing on April 1, 1961, liable to pay a surcharge equivalent to fifteen per centum of the income tax payable by him for that year.

(2) The surcharge referred to in sub-section (1) shall, in the case of a non-resident company, be reckoned on the amount of income tax that would

have been payable by such company for the year of assessment commencing on April 1, 1961, if the sum equal to six per centum of the taxable income of such company for that year of assessment, which should have formed part of the amount of income tax in accordance with the provisions of section 53C of the Income Tax Ordinance, had not been included in the amount of income tax.

(3) The surcharge referred to in sub-section (1) shall, in the case of any person who is entitled to a set off under sub-section (3) of section 44, or under sub-section (6) or sub-section (7) or sub-section (8) of section 53D, of the Income Tax Ordinance, be reckoned on the amount of income tax that would have been payable by such person for the year of assessment commencing on April 1, 1961, if such set off had not been made.

(4) For the purposes of the assessment, payment and recovery of the surcharge referred to in sub-section (1), the provisions of Chapter X, Chapter XI, Chapter XII, and Chapter XIII of the Income Tax Ordinance shall apply in all respects as though the surcharge were income tax payable for the year of assessment commencing on April 1, 1961.

(5) Where any person is under section 84 of the Income Tax Ordinance entitled to have refunded any amount paid by him as income tax in excess of the amount which he was properly chargeable for the year of assessment commencing on April 1, 1961, such person shall, if he has paid the surcharge referred to in sub-section (1), be in addition entitled to have refunded an amount representing fifteen per centum of the amount refunded under the said section 84.

**Amendment of
section 20F of
the Income Tax
Ordinance.**

14. In respect of each year of assessment commencing on or after April 1, 1961, section 20F of the Income Tax Ordinance (as amended by Act No. 13 of 1959) shall have effect as if, for the expression "one thousand rupees" occurring in each of the sub-sections (2) and (4) of that section, there were substituted the expression "five hundred rupees" and for the expression "two thousand rupees" occurring in sub-section (4) of that section, there were substituted the expression "three thousand rupees".

15. Sections 3 and 4 of the Land Tax Act, No. 27 of 1961, shall not apply for any year of assessment commencing on or after April 1, 1961, but save as hereinbefore provided the other sections of that Act shall continue to apply to any such year of assessment.

Non-applicability of sections 3 and 4 of the Land Tax Act for any year of assessment commencing on or after April 1, 1961.

16. There shall be charged for each year of assessment commencing on or after April 1, 1961, from every person who is the owner of any land in Ceylon the total extent of which on the last date of the year preceding that year of assessment is not less than twenty acres (such total extent including the extent of any share of any land owned by such person in common with any other person) land tax under the Land Tax Act, No. 27 of 1961, at the following rates:—

Imposition of land tax for each year of assessment commencing on or after April 1, 1961.

Where the total extent of land is Rs. 5 for each acre of the not less than twenty acres and not more than fifty acres total extent of such land.

Where the total extent of land is Rs. 10 for each acre of the more than fifty acres and less than one hundred acres total extent of such land.

Where the total extent of land is Rs. 15 for each acre of the one hundred acres and more total extent of such land.

17. In respect of each year of assessment commencing on or after April 1, 1961,—

Application of sections 7 and 8 of the Personal Tax Act in respect of any year of assessment commencing on or after April 1, 1961.

(a) section 7 of the Personal Tax Act, No. 14 of 1959, shall have effect as if for all the words from "Such part" to "rupees in value", there were substituted the words "Where the net wealth of the head of that family for that year of assessment amounts to or exceeds two hundred thousand rupees, such net wealth", and

(b) section 8 of that Act shall have effect as if for all the words from "Such part" to "rupees in value", there were substituted the words "Where the net wealth for any year of assessment of a person who is not included in a family amounts to or exceeds two hundred thousand rupees, such net wealth".

Imposition and levy of surtax and payment of balance surplus income to Commissioner.

18. (1) There shall be charged and levied for each year of assessment commencing on or after April 1, 1962, from every individual specified in column I of the Second Schedule to this Act (hereinafter referred to as an individual to whom this Part applies) a tax (hereinafter referred to as the "surtax") at the rate of fifty per centum of such amount as is in excess of his net income as specified in the corresponding entry in column II of that Schedule.

(2) Every individual to whom this Part applies shall pay the balance of such amount as is referred to in sub-section (1), after payment of the surtax, to the Commissioner within thirty days after the date of a notice sent by the Commissioner demanding payment of such balance. The sum so paid as such balance to the Commissioner shall be credited by him to the National Development Fund established for the purpose:

Provided, however, that where it is proved to the satisfaction of the Commissioner that any individual has utilised the balance referred to in the preceding provisions of this sub-section, or any part thereof, for any of the items of expenditure which are deemed under the succeeding provisions of this Part to be an investment in an undertaking approved by the Minister, such individual shall not be required to pay such balance, or part thereof, as the case may be, to the Commissioner.

Issue of National Development Bonds to persons who have paid moneys under section 18 (2).

19. (1) The Commissioner shall upon receipt of the amount paid by any individual under sub-section (2) of section 18 notify the Secretary to the Treasury of the fact of such payment and the Secretary to the Treasury shall cause National Development Bonds carrying interest at five per centum to be issued to such individual. Such bonds shall not be negotiable by the holder thereof except for the purpose of investment in an undertaking approved by the Minister and notified in the *Gazette*:

Provided, however, that any such bonds which are held by a person who is not a citizen of Ceylon shall be negotiable by him if he satisfies the Minister that he is entitled to remit their value abroad in accordance with the Exchange Control requirements for the time being in force.

All interest received by any individual in respect of bonds issued under this section shall be exempt from income tax.

(2) For the purposes of sub-section (1), each of the following items of expenditure shall be deemed to be an investment in an undertaking approved by the Minister:—

- (a) any of the following items of expenditure to which an individual to whom this Part applies was committed on any date prior to the relevant date:—
 - (i) cost of acquisition or construction of, or improvements to, immovable property;
 - (ii) all investment expenditure;
 - (iii) life, accident and health insurance premia and premia for the purchase of an annuity;
 - (iv) expenditure incurred in repaying any money borrowed where such money has been invested;
- (b) an investment in one residential house or immovable property; or
- (c) any premia paid in respect of life insurance policies.

20. Regulations may be made providing for the payment and recovery of any sum due as surtax, or due for payment on demand by the Commissioner under sub-section (2) of section 18, and any regulations so made may provide for the recovery of such sums in a summary manner.

Regulations.

21. In this Part of this Act—

Interpretation.

“individual”—

- (a) in relation to section 18 of this Act means an individual who is not exempt from income tax under the Income Tax Ordinance; and
- (b) in relation to any family within the meaning of section 20D of the Income Tax Ordinance, means the head of the family;

“income tax” means the tax charged and levied under the Income Tax Ordinance;

“net income”, in relation to any individual, means the balance of his assessable income

in respect of any year of assessment commencing on or after April 1, 1962, after the deduction of the following items:—

Income tax computed in respect of that year of assessment in accordance with the provisions of the Income Tax Ordinance (including the surcharge).

Personal tax (not including the contribution to the personal tax in respect of his taxable expenditure) in respect of the preceding year of assessment.

Land tax in respect of the preceding year of assessment.

Retiring gratuities.

Benefits received from any Provident Fund.

Commututed pensions.

Refunds under section 38 (1) or section 39 of the Widows' and Orphans' Pension Fund Ordinance or under any regulation relating to any Widows' and Orphans' Pension Fund or Scheme established for the Local Government Service.

Income arising abroad to non-national residents.

In cases where the provisions of section 11A of the Income Tax Ordinance are applicable to grant relief, the amount of tax that would have been payable if those provisions had not applied:

Provided that for the purpose of determining the net income, the tax payer may at his option be allowed, as a deduction in lieu of lump sum depreciation, an annual instalment of the capital outlay in respect of which such lump sum depreciation has been determined, such annual instalment being computed at the discretion of the Commissioner:

And provided further that the following items shall not be allowed as deductions for the purpose of determining net income:—

Arrears of tax of any of the descriptions referred to herein.

Rates.

Unreduced pension in cases where a commuted pension has already been allowed as a deduction;

“ non-resident company ” shall have the same meaning as in that Ordinance;

“ year of assessment ” shall have the same meaning as in that Ordinance.

PART III

OPENING OF ACCOUNTS IN BANKS.

22. (1) On and after the relevant date—

- (a) no person who is a citizen of Ceylon,
- (b) no body corporate of which any director is a citizen of Ceylon,
- (c) no firm of which any partner is a citizen of Ceylon, or
- (d) no other body of persons, by whatever name called, the affairs of which are managed by one or more persons who is a citizen of Ceylon or who are citizens of Ceylon,

Opening of
accounts in
Banks on or
after the
relevant date.

shall open any account whatsoever in any bank other than in the People's Bank, the Bank of Ceylon, the Ceylon Savings Bank, the Ceylon Post Office Savings Bank or any bank registered as a society under the Co-operative Societies Ordinance:

Provided that any person who is referred to in paragraph (a) or paragraph (b) or paragraph (c) or paragraph (d) shall be deemed not to have contravened the preceding provision of this sub-section by reason only of the fact that,—

- (a) having had a current account on the relevant date in any bank other than the People's Bank or the Bank of Ceylon (in this and the succeeding Proviso referred to as a “ foreign bank ”), he opens a loan or over-draft account in such foreign bank; or

- (b) on the maturity of a fixed deposit held by him on the relevant date in any foreign bank, he renews such deposit after the relevant date; or
- (c) at any time on or after the relevant date, he places on fixed deposit with a foreign bank a sum which together with all other sums, if any, at the date of such deposit held by that bank on fixed deposit in his name does not exceed the sum, or the aggregate of all sums, which he had on fixed deposit with the same foreign bank on the relevant date:

And provided further that a citizen of Ceylon who is an employee of any foreign bank shall be deemed not to have contravened the preceding provisions of this section by reason only of the fact that he, while so employed, opens an account, whether current or savings or fixed, with that bank.

(2) Nothing in the provisions of sub-section (1) shall be deemed or construed to permit any person referred to in paragraph (a) or paragraph (b) or paragraph (c) or paragraph (d) of that sub-section who has already an account in the People's Bank or the Bank of Ceylon on the relevant date to increase the amount in any savings account, or deposit account from which withdrawals cannot be made on demand (other than a fixed deposit account), held in any commercial bank other than the People's Bank or the Bank of Ceylon. In this sub-section the expression "commercial bank" shall have the same meaning as in section 126 of the Monetary Law Act, No. 58 of 1949.

Managers of
banks required
to furnish
information for
the purposes of
this Part.

23. The competent authority may by notice in writing direct the manager of any bank to furnish within such time as may be specified in the notice such information as he may require for the purposes of this Part of this Act and the manager shall comply with such notice.

PART IV

SALES TAX.

Imposition of
Sales tax.

24. (1) Subject to such exemptions as may be prescribed, there shall be imposed and levied a tax (in this Part of this Act referred to as "Sales tax") at such rate as the Minister may fix by Order published in the *Gazette* on the value of every article (not being an article set out in the First Schedule to this Act)

which is sold by any person who is required by any regulation to be registered for the purposes of that Part to any other person who is not so required to be registered or which is imported into Ceylon by any person who is not so required to be registered. Different rates may be fixed by the Minister in respect of different articles.

(2) The rate of the Sales tax on any article subject to Sales tax may, from time to time, be varied by the Minister by Order published in the *Gazette*.

(3) Every Order under sub-section (1) or sub-section (2) or sub-section (5) shall come into force on the date of its publication in the *Gazette* or on such later date as may be specified in the Order, and shall be brought before the House of Representatives within a period of one month from the date of the publication of such Order in the *Gazette*, or, if no meeting of the House of Representatives is held within such period, at the first meeting of the House of Representatives held after the expiry of such period, by a motion that such Order shall be approved. There shall be set out in a schedule to every such motion the text of the Order to which the motion refers.

(4) Any Order under sub-sections (1), (2) or (5) which the House of Representatives refuses to approve shall, with effect from the date of such refusal, be deemed to be revoked but without prejudice to the validity of anything done thereunder. Notification of the date on which any such Order is deemed to be revoked shall be published in the *Gazette*.

(5) The Minister may by Order published in the *Gazette* amend the First Schedule to this Act by the addition thereto of any article other than those enumerated therein, or by the omission of any article enumerated therein or otherwise.

25. For the purposes of this Part of this Act, any article—

Presumptions.

(a) which is imported into Ceylon by any person who is registered under this Act in respect of any business; or

(b) which is manufactured or produced or stored in Ceylon by such person,

shall be deemed until the contrary is proved to have been so imported, or so manufactured or produced or stored, as the case may be, for the purpose of sale.

**Responsibility of
registrant to pay
Sales tax.**

26. Subject to such exceptions as may be prescribed, the Sales tax chargeable in respect of any article shall become due, as the case may be, on the delivery of the article under a sale by a person who is required by any regulation to be registered for the purposes of this Part of this Act to any other person who is not required to be so registered or on the importation of the article by any person who is not required by any regulation to be registered for the purposes of that Part.

Regulations.

27. Regulations may be made in respect of all or any of the following matters:—

- (a) all matters stated or required under this Part of this Act to be prescribed;
- (b) the registration of persons who sell articles imported into, or produced or manufactured in, Ceylon or who import articles into Ceylon;
- (c) the collection of information necessary for the purposes of that Part;
- (d) the returns to be made, and the books, registers and other records to be maintained by persons registered for the purposes of that Part, and the forms of such returns, books, registers and other records;
- (e) the inspection of books, registers and records maintained for the purposes of that Part and of any other document relating to sales of articles;
- (f) the production of, and the taking of copies of, registers and records maintained for the purposes of that Part and of other documents relating to sales of articles;
- (g) the powers of each competent authority administering the provisions of that Part and of the subordinate officers of each such authority;
- (h) the levy and payment of Sales tax, the imposition of penalties on defaulters, and the recovery of Sales tax and penalties from defaulters in a summary manner;
- (i) the right of appeal to the appropriate competent authority from any decision made by a subordinate officer of that authority;

- (j) the service of notices for the purposes of that Part;
- (k) the refund of excess Sales tax paid by any person under that Part.

28. The value of any article for the purposes of computing the Sales tax thereon shall—

- (a) in the case of an article imported by any person for his own use, be the price that article would fetch on a sale in the open market in Ceylon if no Sales tax were chargeable in respect of the sale; and
- (b) in the case of any other article subject to Sales tax, be the price which such article would fetch on a sale made at the time when the tax in respect of such article becomes due, by a person selling in the open market in Ceylon to a retail dealer carrying on business in Ceylon, if no Sales tax were chargeable in respect of the sale.

Determination
of value of
any article
subject to the
Sales tax.

29. In this Part of this Act,—

Interpretation.

- (a) "sale" means any transfer of title in any article for cash or deferred payment or other valuable consideration and includes the transfer of any article on hire-purchase or other instalment system but does not include the mortgage, hypothecation or pledge of any article; and
- (b) "retail dealer" means any person who carries on the business of selling articles by retail.

PART V

WITHDRAWAL OF RICE SUBSIDY FROM INDIVIDUALS LIABLE TO INCOME TAX.

30. The Commissioner is hereby authorised to levy and recover from every individual who is liable to income tax under the Income Tax Ordinance for any year of assessment commencing on or after April 1, 1961, in addition to the income tax payable by such individual for that year, an amount equivalent to the Government rice subsidy as may be determined by the Commissioner in respect of the ration book or books not exceeding six in number to which such individual

Power of
Commissioner
to levy and
recover from
individuals
liable to
income tax of
the Government
rice subsidy.

and the individuals who for the purposes of the Income Tax Ordinance are deemed to be the family of which he is head is or are entitled under the Food Control Regulations made under the Food Control Act, No. 25 of 1950:

Provided, however, that the amount so recoverable from any individual shall not exceed fifty per centum of the income tax (excluding the surcharge) payable by that individual for that year.

Regulations.

31. Regulations may be made to provide for the manner of payment, and the method of recovery, of the amount equivalent to the Government subsidy which may be due from any individual, and in particular for the surrender of a ration book or books being deemed to be the payment of the amount equivalent to the Government rice subsidy as determined by the Commissioner in respect of such ration book or books.

PART VI

LEVY OF THE NATIONAL DEVELOPMENT TAX.

Non-application of this Part to certain persons.

Levy of the National Development Tax.

32. The succeeding provisions of this Part shall not apply to any person exempt from income tax under the Income Tax Ordinance.

33. (1) Subject to the provisions of section 34, on and after October 1, 1961, there shall be levied and paid each month a tax (hereinafter referred to as the "National Development Tax") of four per centum in respect of the monthly emoluments of every employee (hereinafter referred to as an "employee subject to the National Development Tax") who is in receipt of emoluments exceeding three hundred rupees per month, and the proceeds of such tax shall only be utilised for specific national development projects.

(2) Where the emoluments of any employee are not paid monthly, the employer of such employee shall, having regard to the emoluments so paid to such employee, determine what such employee would have received as monthly emoluments if such emoluments were in fact paid to such employee monthly, and the amount so determined shall be the monthly emoluments of such employee for the purposes of this section, subject however to the power of the Commissioner to review and alter such determination.

34. Where in consequence of the levy of the National Development Tax for any month the emoluments of any employee subject to the National Development Tax fall below three hundred rupees for that month, then the amount leviable as National Development Tax for that month in respect of that employee shall be the difference between the amount of his emoluments and three hundred rupees.

Limits for the
levy of the
National
Development
Tax.

35. Before an employee subject to the National Development Tax is paid his monthly emoluments, the amount of the tax due from such employee shall be deducted from his emoluments by his employer.

Deduction of
National
Development
Tax by
employer.

36. The amount of any National Development Tax collected by an employer for any month from any employee subject to the National Development Tax shall, within a period of fourteen days after the last date of that month, be paid by such employer to the Commissioner in the prescribed manner.

Payment of
National
Development
Tax collected
by employers.

37. Where the amount of the National Development Tax due in respect of any employee subject to the National Development Tax is not paid by his employer to the Commissioner in the prescribed manner, such amount may be recovered in like manner as income tax would be recoverable under the Income Tax Ordinance and for that purpose the provisions of sections 79 to 83 of that Ordinance shall *mutatis mutandis* apply to the recovery of National Development Tax.

Recovery of the
National
Development
Tax.

38. Where any employee subject to the National Development Tax is liable to income tax under the Income Tax Ordinance for any year of assessment commencing on or after April 1, 1962, the amount of the National Development Tax levied from that employee during the year preceding that year of assessment shall be allowed as a deduction for the purpose of ascertaining the profits or income of that employee under that Ordinance for that year of assessment.

Amount of the
National
Development
Tax paid
by any
employee
subject to the
National
Development
Tax shall be
allowed as a
deduction for
the purposes of
the Income Tax
Ordinance.

39. In this Part of this Act—

(a) "employee" includes a person employed by a person residing outside Ceylon but does not include a person residing outside Ceylon employed by a person carrying on or exercising any trade, business, profession or vocation in Ceylon;

Interpretation.

- (b) "employer", in relation to any person employed in any Government Department, means the Head of that Department; and
- (c) "emoluments" means the salary, wages or allowances (other than allowances given in reimbursement of expenses incurred in the performance of his duties) received by an employee in the course of his employment.

PART VII

REGISTRATION OF PROFESSIONS AND BUSINESSES.

**Persons
practising
professions
must be
registered.**

40. No person shall on and after the appointed date practise any profession unless he is for the time being registered in the appropriate register kept and maintained by the appropriate competent authority for that purpose:

Provided, however, that the preceding provisions of this section shall not apply to any such person who is in the exclusive employment of any other person:

And provided further that the preceding provisions of this section shall in the case of a firm apply not to the firm but to each partner of that firm.

**Conditions for
registration.**

41. (1) No person shall be registered in the register for any profession by the appropriate competent authority unless—

(a) he has paid the appropriate fee for such registration, and

(b) he has furnished such authority with a declaration of his income as computed for the purposes of the Income Tax Ordinance from his profession and his net wealth as computed for the purposes of the Personal Tax Act, No. 14 of 1959, for the year preceding the year in which he seeks registration:

Provided, however, that where the appropriate competent authority is satisfied that any person has practised his profession for less than two years, such person shall not be liable to pay the fee for such registration.

(2) Upon the registration of any person in the register for any profession, the appropriate competent authority shall issue to that person a certificate of registration in the prescribed form.

Duration of
registration.

42. The registration of any person in the register for any profession shall be effective for a period of twelve months commencing on the date on which his name has been so registered. Such registration may, from time to time, be renewed by that authority for further periods of twelve months upon payment in respect of each such renewal of the appropriate fee and the furnishing of the declaration referred to in paragraph (b) of sub-section (1) of section 41. Where such registration is so renewed that authority shall issue a certificate of renewal in the prescribed form to that person.

43. Where the declaration of income furnished by any person to the appropriate competent authority discloses that the income from his profession was over three thousand six hundred rupees per year, such person shall be liable to pay that authority as National Development Tax an amount equivalent to four per centum of that income either in a lump sum or in such number of instalments as may be determined by that authority:

Persons getting
an income of
over three
thousand six
hundred rupees
to pay National
Development
Tax on such
income.

Provided, however, that where in consequence of the levy of the National Development Tax such income falls below three thousand six hundred rupees, such person shall be liable to pay the difference between the amount of such income and three thousand six hundred rupees.

44. Before issuing a certificate of registration or a renewal certificate of registration to any person, the appropriate competent authority shall, if the declaration furnished by such person discloses an income of over three thousand six hundred rupees, specify in such certificate that such person has either paid the National Development Tax or undertaken to pay that tax in instalments.

Duty of
competent
authority to
specify in
certificate
issued to any
person that such
person has
paid the
National
Development
Tax.

45. Where a person to whom a certificate of registration or a certificate of renewal of registration has been issued under this Part in respect of any profession fails to pay the amount of the National Development Tax or any instalment of that amount within the period specified in such certificate, such person shall be deemed to be in default of that amount or that instalment and so long as he is in such default his registration shall be deemed to be suspended and not to be in force.

Consequence of
default in
payment by any
person
practising a
profession of
the National
Development
Tax or any
instalment
thereof.

Appropriate fee.

46. The appropriate fee for the registration, or the renewal of the registration, of a person in the register of professions shall be determined in accordance with the rates set out in the Third Schedule to this Act.

Registration of businesses.

47. No business shall on and after the appointed date be carried on in Ceylon unless that business has been registered as a business in the appropriate register of businesses kept and maintained by the appropriate competent authority for that purpose and the person carrying on that business is for the time being registered in such register as the proprietor thereof:

Provided, however, that the preceding provisions of this section shall not apply to a business carried on—

- (a) by a person with a turn-over of less than eighteen thousand rupees per annum, or,
- (b) by a person who by himself carries out contracts or piece-jobs, the gross fees for which do not exceed three thousand six hundred rupees per annum.

Conditions for registration of businesses.

48. (1) No business shall be registered in the register for that business by the appropriate competent authority—

- (a) except upon the payment of the appropriate fee; and
- (b) unless the proprietor thereof has furnished to that authority a written declaration of his income as computed for the purposes of the Income Tax Ordinance from that business and his net wealth as computed for the purposes of the Personal Tax Act, No. 14 of 1959, for the year preceding the year in which the registration of that business is sought:

Provided, however, that no fee for registration of a business shall be payable by a person—

- (a) carrying on business with a turn-over of less than eighteen thousand rupees per annum, or
- (b) who by himself carries out contracts or piece-jobs the gross fees for which do not exceed three thousand six hundred rupees per annum.

(2) Upon the registration of any business by the appropriate competent authority, that authority shall issue to the registered proprietor of that business a certificate of registration in the prescribed form.

49. (1) The registration of any business in the register for that business by the appropriate competent authority shall be effective for a period of twelve months commencing on the date on which that business has been so registered. Such registration may from time to time be renewed by that authority for further periods of twelve months upon payment in respect of each such renewal of the appropriate fee and the furnishing of the declaration referred to in paragraph (b) of sub-section (1) of section 48. Where such registration is so renewed that authority shall issue a certificate of renewal in the prescribed form to the registered proprietor of that business.

Duration of registration of business.

(2) It shall be the duty of the person for the time being registered as the proprietor of a registered business to cause the certificate of registration or the certificate of renewal issued in respect of that business to be kept or fixed in a conspicuous place in the premises at which that business is carried on.

50. Where the declaration of income furnished by any person in respect of his business to the appropriate competent authority discloses that the income from his business was over three thousand six hundred rupees, such person shall be liable to pay that authority as National Development Tax an amount equivalent to four per centum of that income either in a lump sum or in such number of instalments as may be determined by that authority:

Persons getting an income of over three thousand six hundred rupees from any business to pay National Development Tax on such income.

Provided, however, that where in consequence of the levy of the National Development Tax such income falls below three thousand six hundred rupees, such person shall be liable to pay the difference between the amount of such income and three thousand six hundred rupees.

51. Before issuing a certificate of registration or a renewal certificate of registration in respect of any business to the proprietor thereof, the appropriate competent authority shall, if the declaration of income furnished by such proprietor discloses an income of over three thousand six hundred rupees from that business, specify in such certificate that such person

Duty of competent authority to specify in the certificate that the proprietor has paid or undertaken to pay the National Development Tax.

has either paid the National Development Tax referred to in the preceding section or undertaken to pay that tax in instalments.

Consequence of default in payment by any person carrying on a business of the National Development Tax or any instalment thereof.

Appropriate fee for registration of a business.

Issue of receipts by competent authority.

Amount of the National Development Tax paid by any person under this Part shall be allowed as a deduction for the purposes of the Income Tax Ordinance.

Power to make regulations.

52. Where a person to whom a certificate of registration or a certificate of renewal of registration has been issued under this Part in respect of any business fails to pay the amount of the National Development Tax or any instalment of the amount of that tax within the period specified in such certificate, the provisions of section 45 shall, *mutatis mutandis*, apply to the registration of that business and of that person as proprietor thereof in like manner and to the same extent as they apply to the person and the certificate referred to in that section.

53. The appropriate fee for the registration, or the renewal of the registration, of a business and of a person as the proprietor thereof in the register for that business shall be determined by the appropriate competent authority in accordance with the table set out in the Third Schedule to this Act.

54. Upon the payment by any person under this Part of the amount of the National Development Tax or any instalment of that amount to the appropriate competent authority, it shall be the duty of that authority to issue a receipt to such person certifying that such payment has been made. Any certificate so issued to the registered proprietor of any registered business shall be made available for inspection by that proprietor at all reasonable hours to any officer authorised in that behalf by that authority.

55. Where any person liable to income tax under the Income Tax Ordinance for any year of assessment has paid any amount as National Development Tax under this Part of this Act during that year, the amount so paid shall be allowed as a deduction for the purpose of ascertaining the profits or income of that person under that Ordinance.

56. Regulations may be made under this Part in respect of all or any of the following matters:—

(a) prescribing the form of the registers to be kept and maintained under this Part and the particulars to be entered therein;

(b) prescribing the form of the certificate to be issued under this Part and the particulars to be entered therein;

- (c) providing for the issue of different certificates in respect of registered businesses the form of which shall be determined by reference to the income received from those businesses by the proprietors thereof; and
- (d) providing for the exemption from this Part of any person or businesses.

PART VIII

GENERAL.

57. There may be appointed such number of persons, by name or by office, to be or to act as competent authorities as may be necessary for the purposes of this Act. A person may be so appointed for the whole of Ceylon or any particular area thereof or in respect of the whole of this Act or any particular Part thereof, and the expression "appropriate competent authority", wherever it occurs in this Act, shall be construed accordingly.

Appointment
of competent
authorities.

58. Any competent authority or any person authorised in that behalf by such authority may direct any applicant for registration under this Act to furnish to him such information as may be required for the purposes of such registration; and that applicant shall comply with that direction.

Power to
require
information.

59. Notwithstanding anything in the preceding provisions of this Act, any individual whose monthly emoluments and income from his employment, profession and business, or employment and profession, or employment and business, or profession and business, amount to or exceed three hundred rupees in the aggregate, shall be liable to pay to the Commissioner as National Development Tax an amount equivalent to four per centum of such monthly emoluments and income. No such individual shall, however, be liable to pay National Development Tax under any other provisions of this Act. Regulations may be made modifying the relevant provisions of this Act relating to the payment and recovery of such Tax.

Special
provisions
in respect
of the
National
Development
Tax.

60. (1) The Minister may make regulations for the purposes of carrying out and giving effect to the principles and provisions of this Act.

Regulations.

(2) In particular and without prejudice to the generality of the powers conferred by sub-section (1) the Minister may make regulations—

- (a) in respect of any matter required to be prescribed or in respect of which regulations are authorised by this Act to be made;
- (b) for the furnishing of returns in respect of the surtax and the National Development Tax;
- (c) providing for the manner of assessment and recovery of the surtax and the National Development Tax;
- (d) for appeals from the levy of the surtax and the National Development Tax, and the procedure for such appeals and the conditions subject to which such appeals may be made;
- (e) for determining the manner in which the National Development Tax may be recovered in cases where such recovery cannot be made either wholly or partly from employers and other persons liable to such tax;
- (f) for making additional assessments in regard to the surtax and the National Development Tax;
- (g) for refunds of any amount of the surtax or the National Development Tax overpaid by any person or individual;
- (h) for the maintenance of official secrecy in respect of any matter relating to the levy and recovery of the surtax or the National Development Tax.

(3) Every regulation made by the Minister shall be published in the *Gazette* and shall come into operation on the date of such publication or on such later date as may be specified in the regulation.

(4) Every regulation made by the Minister shall, as soon as convenient after its publication in the *Gazette*, be brought before the Senate and the House of Representatives for approval. Any regulation which is not so approved shall be deemed to be rescinded as from the date of disapproval, but without prejudice to anything previously done thereunder.

Offences.

61. Any person who contravenes or fails to comply with any provision of this Act or any regulation made thereunder shall be guilty of an offence and shall, on conviction after summary trial before a Magistrate, be liable to a fine not exceeding one thousand rupees or to imprisonment of either description for a period not exceeding one year or to both such fine and imprisonment.

62. No suit or prosecution shall lie against the Commissioner or any competent authority or any officer acting under the direction of such Commissioner or that authority for any act which in good faith is done or purported to be done by him under this Act.

Protection for
action taken
under this Act.

63. In this Act, unless the context otherwise requires,—

Interpretation.

“ appointed date ”, in relation to any provision of this Act in which that expression occurs, means such date as may be appointed by the Minister for the purposes of that provision;

“ business ” includes a trade but does not include a profession or any agricultural undertaking and the manufacture of any articles, goods or material from the produce of that agricultural undertaking;

“ Commissioner ” means the Commissioner of Inland Revenue and includes a Deputy Commissioner of Inland Revenue or an Assistant Commissioner of Inland Revenue specially authorised by the Commissioner either generally or for some specific purpose to act on behalf of the Commissioner;

“ relevant date ” means the 27th day of July, 1961;

“ Secretary to the Treasury ” includes the Deputy Secretary to the Treasury;

“ year of assessment ” shall have the same meaning as in the Income Tax Ordinance.

First Schedule

[Section 24 (1)]

Agricultural produce including agricultural produce purchased for export.

Arecanuts.

Arrack.

Betel.

Cereals, namely, amu, barley, gingelly, kurakkan, maize, meneri, millet, paddy, rice, sorghum, thana, ulundu.

Coconuts.

Coconut Oil.

Condiments, namely, cardamom, chillies, cinnamon, coriander, cummin seed, fennel seed, garlic, ginger, maldive fish, mathe seed, mustard, nutmeg, pepper, salt, tamarind, turmeric, vinegar.

Cooked food.

Crabs.

Dried fish.

Eggs.

Fertilizers.

Fish excluding imported tinned fish and live fish.

Firewood.

Flour.

Fruits which are the produce of Ceylon.

Gas oil, diesel oil, furnace oil and other fuel oils.

Gingelly oil.

Jaggery.

Kerosene oil.

Lubricating oils and greases.

Meat excluding imported meat.

Milk excluding condensed milk, dried milk powder.

Onions.

Pappadam.

Petrol including aviation spirit.

Potatoes.

Pulses, namely, dhal, gram, ground-nuts, kollu, peas.

Salted fish.

Sugar candy.

Sugar.

Toddy.

Vegetables which are the produce of Ceylon.

Yams.

Second Schedule

[Section 18 (1)]

Column I	Column II
<i>Individuals</i>	<i>Net Income</i>
Single Individual	... Rs. 36,000
Married Couple	... Rs. 40,000
Husband and wife and 1 child/dependant	... Rs. 43,000
Husband and wife and 2 children/dependants	... Rs. 47,000
Husband and wife and 3 children/dependants	... Rs. 50,000
Husband and wife and 4 or more children/dependants	... Rs. 53,000
Individual with 1 child/dependant	... Rs. 40,000
Individual with 2 children/dependants	... Rs. 43,000
Individual with 3 children/dependants	... Rs. 47,000
Individual with 4 children/dependants	... Rs. 50,000
Individual with 5 or more children/dependants	... Rs. 53,000

Third Schedule

[Sections 46 and 53]

1. The rates of fee for registration of Ceylonese to practise a profession or carry on a business shall be as follows:—

	<i>Rs. c.</i>
(a) if his income from his profession or business is not less than Rs. 3,600 per annum but is less than Rs. 4,800 per annum or his net wealth is less than Rs. 10,000	... 200 0
(b) if his income from his profession or business is not less than Rs. 4,800 per annum but is less than Rs. 6,000 per annum or his net wealth is less than Rs. 15,000	... 250 0
(c) if his income from his profession or business is not less than Rs. 6,000 per annum but is less than Rs. 7,200 per annum or his net wealth is less than Rs. 20,000	... 300 0
(d) if his income from his profession or business amounts to or exceeds Rs. 7,200 per annum or his net wealth amounts to or exceeds Rs. 20,000	... 350 0.

2. The rates of fee for registration of non-Ceylonese to practise a profession shall be twice the amount of the fee specified for registration of Ceylonese to practise a profession of a corresponding category in paragraph 1.

3. The rate of fee for registration of a non-Ceylonese to carry on a business shall be Rs. 1,000.

4. In this Schedule, "Ceylonese", in the case of—

- (a) an individual, means a citizen of Ceylon;
- (b) a firm, means a firm the majority of the partners of which are citizens of Ceylon;

(c) a body corporate, means a body corporate the majority of the shares in which are held by, or the majority of the shareholders of which are, citizens of Ceylon or, if such body corporate has no shareholders, the majority of the Directors of which are such citizens.