



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

TURNOVER TAX (AMENDMENT)

ACT, No. 9 OF 1987

[Certified on 6 th March, 1987]

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AN ACT TO AMEND THE TURNOVER TAX ACT, No. 69 OF 1981

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

1. This Act may be cited as the Turnover Tax (Amendment) Act, No. 9 of 1987.

Short title.

2. Section 5 of the Turnover Tax Act, No. 69 of 1981 (hereinafter referred to as "the principal enactment") is hereby amended by the addition at the end of that section, of the following subsection:—

Amendment of section 5 of Act No. 69 of 1981.

(4) In ascertaining the turnover of a business for a quarter, there shall be deducted an amount equal to any bad debt incurred by that business which has become a bad debt during that quarter, being an amount which has been included in the turnover of that business for a previous quarter and in respect of which turnover tax has been paid:

Provided that any sum received in any quarter by that business on account of an amount previously deducted under this subsection in respect of a bad debt shall be included in the turnover of that business for the quarter in which that sum is received."

3. Section 6 of the principal enactment is hereby repealed and the following section substituted therefor:—

Replacement of section 6 of the principal enactment.

6. In determining the turnover of a business for the purposes of section 3 or section 10—

"Different businesses deemed to be one business.

(a) businesses of a like nature carried on by a person in the same place or in different places, shall be deemed to be one business; and

(b) different businesses carried on by the same person in one place shall be deemed to be one business."

4. Section 7 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution, for the words "determined in respect of", of the words "determined by the Minister, in respect of".

Amendment of section 7 of the principal enactment.

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**Amendment
of section
9 of the
principal
enactment.**

5. Section 9 of the principal enactment is hereby amended by the addition, at the end of that section of the following subsections:—

“(9) Where any person fails to comply with the requirements of a notice given to him by an Assessor under subsection (2), the Commissioner-General may by a notice in writing—

(a) impose a penalty not exceeding fifty thousand rupees on such person; and

(b) require such person to—

(i) pay such penalty; and

(ii) furnish the return referred to in the notice given to him by the Assessor, within such time as may be specified in the notice of the Commissioner-General.

(10) The Commissioner-General may reduce or waive any penalty imposed on any person under this section if such person proves to the satisfaction of the Commissioner-General that his failure to furnish a return was due to circumstances beyond his control and that he has, after the imposition of the penalty, furnished such return.

(11) Where a penalty is imposed on a person under subsection (9) he shall not be liable to a prosecution for an offence under section 53 relating to that notice.”

**Amendment
of section
12 of the
principal
enactment.**

6. Section 12 of the principal enactment is hereby amended by the repeal of subsection (1) of that section and the substitution of the following subsection therefor:—

“(1) Notwithstanding anything in this Act, there shall be charged from every person who imports any article manufactured outside Sri Lanka (not being an excepted article within the meaning of section 8), turnover tax in respect of his turnover, whether his turnover for any quarter is less than the amount specified in section 3 or not, at the rates specified by the Minister under section 7 and shall be collected by the Principal Collector of Customs. The tax imposed under this section shall be in addition to any other tax, duty or levy imposed under the Customs Ordinance.”

7. Section 13 of the principal enactment is hereby amended in subsection (1) of that section by the repeal of all the words and figures from "Where any person" to "fails to pay tax for that quarter", and the substitution of the following therefor:—

Amendment
of section
13 of the
principal
enactment.

"Where any person who, in the opinion of an Assessor, is chargeable with turnover tax fails to furnish a return under section 9 for any quarter and to pay tax for that quarter".

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

Amendment
of section
17 of the
principal
enactment.

(1) in subsection (1) of that section by the substitution, for the words "penalty imposed on him by this Act:", of the following:—

"penalty imposed on him by this Act, unless the Commissioner-General orders that the payment of the turnover tax or any part thereof be held over pending the determination of such appeal. Upon the making of such order, the amount of turnover tax or part thereof held over, shall not be deemed to be in default: "; and

(2) by the addition at the end of that section, of the following subsections:—

"(12) Where, upon the final determination of an appeal or upon an order made by the Commissioner-General, any turnover tax which has been held over under subsection (1) becomes payable or the turnover tax charged by the original assessment is increased, the Commissioner-General shall give to the appellant a notice in writing fixing a date on or before which any such turnover tax or balance of turnover tax shall be paid. Any turnover tax not so paid shall be deemed to be in default.

(13) Where there is an appeal against an assessment and where the payment of any turnover tax specified in the notice of assessment is held over under subsection (1), the Commissioner-General may, if the appellant agrees during the course of inquiry into, or hearing of that appeal, that a certain sum is due or is likely to be due as turnover tax in respect of that assessment, by notice in

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Amendment
of section
20 of the
principal
enactment.

Amendment
of section
20 of the
principal
enactment.

Insertion
of new
section 29A
in the
principal
enactment.

Amendment
of section
32 of the
principal
enactment.

writing given to the appellant, direct him to pay such sum on or before the date specified in the notice. Any sum not so paid shall be deemed to be in default."

9. Section 20 of the principal enactment is hereby amended by the repeal of all the words from "Where no valid appeal has been lodged" to "the amount of such tax:", and the substitution, of the following therefor:—

"Where no valid appeal has been lodged within the time specified in this Act against an assessment in respect of the turnover tax or where the amount of such tax is agreed to under section 17(5) or has been determined on appeal, the assessment as made or as agreed to, or as reduced or increased or confirmed, on appeal, as the case may be, shall be final and conclusive, for all purposes of this Act, as regards the amount of such tax:—"

10. The following section is inserted immediately after section 29, and shall have effect as section 29A of the principal enactment:—

'Certain transactions and dispositions to be disregarded.

29A. Where the Assessor is of the opinion that any transaction or disposition which reduces, or would have the effect of reducing, the amount of turnover tax payable by any person is artificial or fictitious or that any transaction or disposition is not in fact given effect to, he may disregard any such transaction or disposition and assess the parties to such transaction or disposition accordingly.

In this section, "disposition" includes any trust, grant, covenant, agreement, or arrangement.'

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

(1) by the repeal of subsection (2) of that section, and the substitution of the following subsection therefor:—

"(2) If the turnover tax in default is in respect of an assessment made on the defaulter against which the defaulter has not lodged a valid appeal or is in respect of any sum payable according to a

return furnished by the defaulter, the defaulter may, within thirty days of such notice, make objection to the tax charged, to the Commissioner-General and the Commissioner-General shall, notwithstanding the provisions of section 20, consider such objections and give his decision thereon, which shall be final.”; and

(2) by the repeal of subsection (3) of that section.

12. Section 36 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution, for the words “assessed upon him,” of the words “payable by him,”.

Amendment of section 36 of the principal enactment.

13. Section 44 of the principal enactment is hereby amended by the substitution, for the words “other than a manufacturer shall”, of the words and figures “other than in respect of a transaction referred to in section 46 (2) shall,”.

Amendment of section 44 of the principal enactment.

14. The principal enactment is hereby amended by the insertion, immediately after section 46 of the following heading:—

Insertion of new heading in the principal enactment.

“CHAPTER XIVA

CREDITS AND REFUNDS”.

15. Section 47 of the principal enactment is hereby amended by the substitution, for the words “registered manufacturer for that quarter:” of the words “registered manufacturer for that quarter in respect of the business of manufacture:”.

Amendment of section 47 of the principal enactment.

16. Section 50 of the principal enactment is hereby amended in subsection (4) of that section by the repeal of paragraph (iv) of that subsection and the substitution, of the following paragraph therefor:—

Amendment of section 50 of the principal enactment.

“ (iv) any contract for the provision of services including a contract for the provision of services as an entertainer or artiste but not including a contract of employment.”.

Amendment
of section
53 of the
principal
enactment.

17. Section 53 of the principal enactment is hereby amended by the repeal of all the words from "before a Magistrate," to "fine and imprisonment." and the substitution of the following therefor :—

"before a Magistrate, be liable in the case of the offence of failing to comply with the requirements of a notice issued under section 9, to a fine not exceeding fifty thousand rupees or to imprisonment of either description for a term not exceeding six months or to both such fine and imprisonment and in any other case, to a fine not exceeding five thousand rupees or to imprisonment of either description for a term not exceeding six months or to both such fine and imprisonment.' ;

Amendment
of section
59 of the
principal
enactment.

18. Section 59 of the principal enactment is hereby amended as follows :—

(1) by the repeal of the definition of "Assessor" and the substitution of the following definition therefor :—

"Assessor" means an Assessor of Inland Revenue appointed for the purposes of the Inland Revenue Act, No. 28 of 1979 and includes a Senior Assessor of Inland Revenue appointed for the purposes of that Act ;";

(2) by the repeal of paragraph (2) of the definition of "authorized representative", and the substitution of the following paragraph therefor :—

"(2) who is authorized in writing from time to time by a person to act on his behalf for the purposes of this Act in respect of such matters relating to the authorization and who is an individual approved by the Commissioner-General for the purposes of the Inland Revenue Act, No. 28 of 1979 ;";

(3) in the definition of "company", by the substitution, for the words "or elsewhere ;", of the words "or elsewhere and includes a public corporation ;"; and

(4) in the definition of "person" by the substitution, for the words "body of persons ;", of the words "body of persons or any Government department ;".