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Income Tax (Amendment) Act, No. 44 of 1958

Date of Assent : December 5, 1958

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L. D.—O. 54/57.

AN ACT TO AMEND THE INCOME TAX ORDINANCE.

[Date of Assent : December 5, 1958]

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 Income Tax (Amendment) Act, No. 44 of 1958, and shall come into operation on April 1, 1959.

Short title
and date of
operation.

2. Section 2 of the Income Tax Ordinance (hereinafter referred to as the "principal enactment") is hereby amended as follows :—

Amendment of
section 2 of
Chapter 188.

(1) by the insertion, immediately after the definition of "business", of the following definition :—

“charitable institution” means the trustee or trustees of a trust, or a corporation or an unincorporate body of persons, established for a charitable purpose only or engaged solely in carrying out a charitable purpose;’; and

(2) by the substitution, for the definition of “charitable purpose”, of the following definition :—

“charitable purpose” means a purpose for the benefit of the public or any section of the public in or outside Ceylon of any of the following categories :—

(a) the relief of poverty ;

(b) the advancement of education or knowledge ;

(c) the advancement of religion or the maintenance of religious rites and practices or the administration of a place of public worship ;

(d) any other purpose beneficial or of interest to mankind not falling within any of the preceding categories ;’.

Amendment of
section 6 of the
principal
enactment.

3. Section 6 of the principal enactment is hereby amended by the insertion, immediately after sub-section (1) of that section, of the following new sub-sections :—

“(1A) Any offertory, subscription or other donation to a charitable institution shall be deemed to be such income as is referred to in paragraph (h) of sub-section (1).

(1B) Where no period of exemption from the tax is allowed to the charitable institution referred to in sub-section (2) of section 7C by the Commissioner to follow immediately the period of exemption from the tax consisting of the three years of assessment specified in paragraph (a) of that sub-section, any such part of the donated sum or sums mentioned in that sub-section as remains, at the expiry of those three years of assessment, unspent on the charitable purpose referred to in that sub-section shall be deemed, for the purposes of this Ordinance, to be income of that institution for the third of those three years of assessment.

(1C) Where no period of exemption from the tax is allowed to the charitable institution referred to in sub-section (2) of section 7C by the Commissioner to follow immediately a period of exemption from the tax already allowed by the Commissioner to that institution, any such part of the donated sum or sums mentioned in that sub-section as remains, at the expiry of the period of exemption already allowed, unspent on the charitable purpose referred to in that sub-section shall be deemed, for the purposes of this Ordinance, to be income of that institution for the year of assessment constituting the period of exemption already allowed or the last of the years of assessment included in the period of exemption already allowed.”.

Amendment of
section 7 of the
principal
enactment.

4. Section 7 of the principal enactment, as amended by Act No. 30 of 1950, is hereby further amended, in sub-section (1) of that section, by the omission of paragraphs (c), (d) and (e) of that sub-section.

5. The following new section is hereby inserted immediately after section 7B, and shall have effect as section 7C, of the principal enactment :—

Insertion of new section 7c in the principal enactment.

“Exemptions from the tax in respect of charitable institutions.

7C. (1) Any sum of money which consists of—

(i) any offertory, subscription or other donation to a charitable institution, or

(ii) the proceeds of the sale of any movable property donated to a charitable institution for conversion into money by the sale thereof,

shall, if such sum is spent on a charitable purpose of that institution, be exempt from the tax.

(2) Where in any year any sum of not less than one thousand rupees is donated, or any sums the aggregate of which is not less than ten thousand rupees are donated, to a charitable institution in order that such sum or sums may be spent on such charitable purpose of that institution as is within the meaning of this Ordinance and is specified by the donor or donors, then—

(a) the donated sum or sums shall be exempt from the tax in the year of assessment in which the donation or donations is or are made and in the next two succeeding years of assessment ;

(b) if the whole or a part of the donated sum or sums is invested in any securities of the Government of Ceylon within the three aforesaid years of assessment (the amount so invested being hereafter in this sub-section referred to as the “originally invested amount”) and if, before the expiry of those three years of assessment, the aforesaid

charitable institution applies in writing to the Commissioner for a period of exemption from the tax in respect of a sum which represents the whole or a part of the originally invested amount on the ground that due to circumstances beyond the control of that institution such sum will not be spent on the aforesaid charitable purpose before the expiry of those three years of assessment and if the Commissioner allows in respect of such sum a period of exemption from the tax, such sum shall be exempt from the tax in such period ;

- (c) if thereafter from time to time, before the expiry of any period of exemption from the tax already allowed by the Commissioner to the aforesaid charitable institution, that institution applies in writing to the Commissioner for a period of exemption from the tax in respect of a sum which represents the whole or a part of the originally invested amount on the ground that due to circumstances beyond the control of that institution such sum will not be spent on the aforesaid charitable purpose before the end of the period of exemption from the tax already allowed by the Commissioner and if the Commissioner allows in respect of such sum a period of exemption from the tax, such sum shall be exempt from the tax in the period allowed by the Commissioner in respect of such sum.

(3) If the profits of a business carried on by a charitable institution are applied solely to a charitable purpose of that institution and 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 with the business is mainly performed by beneficiaries of that institution, such profits shall be exempt from the tax.

(4) The net annual value of any place of public worship and its premises administered by a charitable institution shall be exempt from the tax.

(5) The net annual value of any place or premises owned and occupied by a charitable institution solely for any of the purposes of that institution shall be exempt from the tax.

(6) The profits and income from any property donated by royal or other grant before March 2, 1815, to any place of public worship administered by a charitable institution shall, in so far as such profits and income are applied to the purposes for which such grant was made, be exempt from the tax.

(7) Any sum of money spent on the repairs of a building used solely for a charitable purpose of a charitable institution shall be exempt from the tax.

(8) Where any such sum of money as is referred to in sub-section (1) is applied by a charitable institution to the settlement of the whole or any part of a debt which has been or is incurred by that institution for carrying out a charitable purpose of that institution, the sum so applied shall be deemed to be spent on a charitable purpose of that institution.”.