



INLAND REVENUE (AMENDMENT) LAW,
No. 17 OF 1972
OF
THE NATIONAL STATE ASSEMBLY

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*Inland Revenue (Amendment) Law,
No. 17 of 1972*

L. D.—O. 60/72.

A LAW TO AMEND THE INLAND REVENUE ACT, NO. 4 OF
1963

BE it enacted by the National State Assembly of the Republic of Sri Lanka as follows:—

1. This Law may be cited as the Inland Revenue (Amendment) Law, No. 17 of 1972.

Short title.

2. The following new section is hereby inserted immediately after section 5, and shall have effect as section 5A, of the Inland Revenue Act, No. 4 of 1963, hereinafter referred to as the “principal enactment”:—

Insertion of new
section 5A
in Act, No. 4
of 1963.

Exemption of
certain profits
of the gem
trade.

5A. (1) There shall be exempt from income tax with effect from April 1, 1972—

(a) the profits and income of the State Gem Corporation;

(b) the profits and income derived by any person from the sale of gems to the State Gem Corporation;

(c) the profits and income derived by any person from exporting gems, or selling gems to tourists for payment in foreign currency, under the authority of an Order made under section 16 of the State Gem Corporation Act, No. 13 of 1971; and

(d) any dividend paid to shareholders of a company out of such profits and income of that company, as are referred to in paragraph (b) or paragraph (c).

(2) In this section—

“gem” has the same meaning as in the State Gem Corporation Act, No. 13 of 1971; and

“State Gem Corporation” means the State Gem Corporation established under the State Gem Corporation Act, No. 13 of 1971.’

Replacement
of section 7 of
the principal
enactment,

3. Section 7 of the principal enactment is hereby repealed and the following new section substituted therefor:—

“Exemption
for profits and
income from
the export
trade of
approved
industrial
undertakings.

7. (1) The profits and income derived from the export trade of any articles or goods of any industrial undertaking approved by the Minister in charge of the subject of Industries, being such profits and income for the year of assessment succeeding the year in which such articles or goods are exported for the first time and for each of the two subsequent years of assessment, shall be exempt from income tax:

Provided that nothing in this subsection shall apply to any profits and income for any year of assessment commencing on or after April 1, 1965.

(2) Where, for the purposes of subsection (1), the profits and income derived from the export trade of any articles or goods referred to in that subsection cannot be ascertained at the time of assessment, such sum as the Commissioner in his discretion considers reasonable to be such profits and income for the year of assessment in respect of which the assessment is made, shall be exempt from income tax.”

Insertion of
new section 7A
in the principal
enactment.

4. (1) The following new section is hereby inserted immediately after section 7, and shall have effect as section 7A, of the principal enactment:—

“Exemption
for profits
and income
of certain
undertakings.

7A. (1) This section shall apply to any such undertaking as is considered by the appropriate Minister to be capable of making exports of goods or commodities or of providing services for payment in foreign currency and is at the request of that Minister declared by the Minister in charge of the subject of Finance by notice published in the *Gazette* to be an undertaking to which this section shall apply.

(2) (a) Where an undertaking to which this section applies is carried on by a company incorporated on or after

April 1, 1972; then, so much of the profits and income of the company as consists of the export profits and income of that undertaking shall be exempt from income tax for a period of eight years reckoned from the date of the incorporation of that company if the Commissioner is satisfied—

(i) that it is not an undertaking formed by the splitting up or reconstruction of any business previously in existence, and

(ii) that no part of the export turnover of the undertaking arose in consequence of the amalgamation of the whole or a part of the trade or business of any other undertaking with the trade or business of that undertaking.

(b) Where an undertaking to which this section applies commenced to carry on its trade or business on a day prior to April 1, 1972, then, for each of the five years immediately succeeding the relevant date, so much of the profits and income of that undertaking as consists of the excess of the export profits and income of that undertaking for that year over the average of its export profits and income for the three years preceding the relevant date shall be exempt from income tax if the Commissioner is satisfied that no part of the export turnover of the undertaking arose in consequence of the amalgamation of the whole or a part of the trade or business of any other undertaking with the trade or business of that undertaking.

(3) The profits or losses of an undertaking to which this section applies for any period other than a period for which the accounts of that undertaking are made up shall be determined on the basis that the profits or losses of that undertaking for the period for which accounts are made up have accrued evenly.

(4) Subject to the provisions of subsection (5), where at any time during the period by reference to which the statutory income of any company for any year of assessment is computed or would be computed, if that company were liable to income tax, that company declares a dividend, and such dividend is declared during the period the profits and income of which are wholly or partly exempt from income tax under paragraph (a) of subsection (2), such part of the dividend as bears to the gross dividend the same proportion as the export turnover of the accounting year in respect of which the dividend was declared bears to the total turnover of that accounting year shall be exempt from income tax.

(5) The provisions of subsection (4) shall not apply to any return or distribution of capital whether or not such return or distribution of capital is deemed to be a dividend for the purposes of this Act.

(6) A date selected as the relevant date for the purposes of this section shall not subsequently be altered.

(7) Where the assessable income on which an assessment in respect of any person for any year of assessment has been made includes any profits and income exempt from income tax under paragraph (b) of subsection (2), then, notwithstanding the provisions of section 103, an Assessor shall, on application in writing made by that person within five years of the end of that year of assessment and supported by such information as the Assessor may require, make an amended assessment excluding such profits and income; and any sum paid in excess of the tax charged by the amended assessment shall, notwithstanding anything contained in section 117, be refunded to such person.

(8) Notwithstanding anything to the contrary in section 11, there shall be deducted for the purpose of ascertaining the profits and income of any person from an undertaking referred to in subsection (1) of this section—

(a) the cost of advertising outside Sri Lanka incurred solely in connection with the export trade of any articles or goods or for the provision of services for payment in foreign currency ;

(b) the expenses incurred in travelling outside Sri Lanka solely in connection with the promotion of the export trade of any articles or goods or solely in connection with the provision of services for payment in foreign currency, if such expenditure was incurred with the approval of the Controller of Exchange and does not exceed the amount authorized by him for that purpose ; and

(c) the expenditure incurred in carrying on any scientific, industrial or agricultural research in Sri Lanka if an allowance in respect of such expenditure is not granted under section 10.

(9) For the purposes of this section—

“ export profits and income ”, when used in relation to a company or an undertaking, means the sum which bears to the profits and income (within the meaning of paragraph (a) of subsection (1) of section 3) of that company or undertaking, computed in accordance with the provisions of this Act, the same proportion as the export turnover of that company or undertaking bears to the total turnover of that company or undertaking ;

“ export turnover ” means the total amount received or receivable by any company or undertaking from the export of goods or commodities or from the provision of services for payment in foreign currency but does not include any amount received or receivable by the sale of capital assets or any profits and income other than profits and income within the meaning of paragraph (a) of subsection (1) of section 3 ;

“ relevant date ”, when used in relation to any company or undertaking, means such date not earlier than April 1, 1965, as is selected by that company or the person carrying on that undertaking or, in the case of a partnership, by the precedent partner of that partnership and as is notified to the Commissioner in writing;

“ total turnover ” means the total amount received or receivable by any company or undertaking from any trade or business carried on or exercised by that company or undertaking but does not include any amount received or receivable by the sale of capital assets or any profits and income other than profits and income within the meaning of paragraph (a) of subsection (1) of section 3 .

(2) The provisions of subsection (1) of this section shall be deemed to have come into operation with effect from April 1, 1965, and accordingly—

(a) in any notice under subsection (1) of section 7A of the principal enactment a day earlier than the date of publication of such notice in the *Gazette* may be specified as the day with effect from which an undertaking is declared to be an undertaking to which the aforesaid section 7A applies ; and

- (b) any application under subsection (7) of section 7A of the principal enactment in relation to the profits and income for any year of assessment ending not later than March 31, 1967, may be made on or before March 31, 1973.

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

Amendment
of section 12 of
the principal
enactment.

“(1) Save as provided in this section, the statutory income of every person—

(a) for each year of assessment ending on or before March 31, 1971, from every source of his profits and income in respect of which tax is charged shall be the full amount of the profits or income which was derived by him or arose or accrued to his benefit from such source during the year preceding the year of assessment, notwithstanding that he may have ceased to possess such source or that such source may have ceased to produce income, and

(b) for each year of assessment commencing on or after April 1, 1971, from every source of his profits and income in respect of which tax is charged shall—

(i) if such source is employment, be the full amount of the profits or income which was derived by him or arose or accrued to his benefit from such source during that year of assessment, and

(ii) if such source is a source other than employment, be the full amount of the profits or income which was derived by him or arose or accrued to his benefit from such source during the year preceding that year of assessment,

notwithstanding that he may have ceased to possess such source or that such source may have ceased to produce income.”

Amendment of
section 16c of
the principal
enactment.

6. Section 16c of the principal enactment, inserted therein by Act No. 6 of 1969, is hereby amended as follows:—

(1) by the repeal of subsection (3) of that section and the substitution therefor of the following new subsection:—

“(3) Where in the year preceding any year of assessment commencing on or after April 1, 1969, but not later than April 1, 1973, an individual has made or is deemed to have made an approved investment, then—

(a) an amount equal to one-half of the actual amount of that investment, or

(b) an amount representing one-tenth of the assessable income of that individual, or

(c) twenty-five thousand rupees,

whichever amount is the least, shall be the allowance in relation to that approved investment and such allowance shall be deducted from the assessable income of that individual for that year of assessment in arriving at his taxable income for that year of assessment:

Provided, however, that the preceding provisions of this subsection shall not apply—

(a) to an approved investment made or deemed to have been made by an individual with any money withdrawn or realized by that individual on or after August 2, 1968, and before April 1, 1970, from an approved saving specified in paragraph (b) or paragraph (c) or paragraph (g) of subsection (2) of section 69A and accordingly no deduction under this subsection shall be made from the assessable income of that individual in relation to that approved investment, or

- (b) to an approved investment made by an individual in the year preceding the year of assessment commencing on April 1, 1973, if in respect of that investment an allowance has been granted under section 16cc.”; and
- (2) by the substitution, for the marginal note to that section, of the following new marginal note:—

“ Allowances in respect of approved investments to be deducted from assessable income for any year of assessment commencing not later than April 1, 1973, in arriving at taxable income.”.

7. The following new section is hereby inserted immediately after section 16c, and shall have effect as section 16cc, of the principal enactment:—

Insertion of new section 16cc in the principal enactment.

“ Allowances in respect of approved investments to be deducted from assessable income for any year of assessment commencing on or after April 1, 1973, in arriving at taxable income for that year.

16cc. (1) In this section—

“ approved investment ” means—

(a) an approved investment within the meaning of section 68A made by a company or a body of persons;

(b) an investment in an approved undertaking, but does not include—

(i) an investment for the purpose of purchasing an existing investment; or

(ii) an investment for the purpose of purchasing shares in a company which are not ordinary shares ;

“ approved undertaking ” means an undertaking which is carried on by a company and which is considered by the appropriate Minister to be capable of exporting goods or commodities or of providing services for payment in foreign currency and is at the request of such Minister declared by the

Minister in charge of the subject of Finance to be an approved undertaking for the purposes of this section.

(2) Where the entirety of the assessable income of a wife or child for any year of assessment is aggregated with the assessable income of the head of the family of which such wife or child is a member, any approved investment made by such wife or child shall be deemed to be an approved investment made by the head of the family.

(3) Where a person has, or is deemed to have, made in any year of assessment two or more approved investments, the aggregate amount of such investments shall be treated as one approved investment for the purposes of this section.

(4) Where in the year preceding any year of assessment commencing on or after April 1, 1973, any person has made or is deemed to have made an approved investment, then—

(a) the actual amount of that investment, or

(b) an amount representing one-fifth of the assessable income of that person,

whichever amount is lower, shall be the allowance in relation to that approved investment and such allowance shall be deducted from the assessable income of that person for that year of assessment in arriving at the taxable income of that person for that year:

Provided that, where an approved investment consists wholly or partly of an approved investment referred to in paragraph (a) of the definition of approved investment in this section, the allowances in respect of that investment or that part of that investment, as the case may be, shall not exceed the permitted allowance computed in accordance with the provisions of subsection (2) of section 68A:

Provided further that no allowance under this subsection shall be granted in respect of any approved investment made in the year preceding the year of assessment commencing on April 1, 1973; if in respect of that investment, an allowance under section 16c has been granted.

(5) Where an allowance has been granted to a person under subsection (4) in respect of an approved investment and where, within a period of five years after the date of such investment, the ownership of that investment changes otherwise than by the death of the individual who made that investment or by the dissolution of, or the cessation of the business carried on by, the company or body of persons which made that investment, then, in respect of the year of assessment in which such allowance was granted an additional assessment consisting of the difference between the income tax to which the person who has been granted the allowance would have been liable if such allowance had not been granted and the amount of tax charged for that year of assessment shall, notwithstanding anything in this Act, be made in respect of that person and the provisions of this Act relating to notice of assessment, appeal and other proceedings shall apply in relation to such additional assessment.

8. Section 25 of the principal enactment, as last amended by Act No. 33 of 1971, is hereby further amended by the repeal of subsections (1A) and (1B) of that section and the substitution therefor of the following new subsection:—

Amendment of
section 25 of
the principal
enactment.

(1A) Subsection (1) of this section shall have effect and shall be deemed to have had effect in its application—

(a) in respect of the year of assessment commencing on April 1, 1965, and the four years of assessment immediately following as though—

(i) in paragraph (a) of that subsection, there were substituted, for the expression "57 per

- centum* ", the expression " 50 per centum ", and
- (ii) in the proviso to that subsection, there were substituted, for the expression " 28½ per centum ", wherever that expression occurs in that proviso, the expression " 25 per centum "; and
- (b) in respect of each year of assessment commencing on or after April 1, 1970, as though—
- (i) in paragraph (a) of that subsection, there were substituted, for the expression " 57 per centum ", the expression " 60 per centum ", and
- (ii) in the proviso to that subsection, there were substituted, for the expression " 28½ per centum ", wherever that expression occurs in that proviso, the expression " 35 per centum ".

Amendment of
section 26 of
the principal
enactment.

9. Section 26 of the principal enactment, as last amended by Act No. 33 of 1971, is hereby further amended as follows:—

(1) by the repeal of subsections (1A) and (1B) of that section and the substitution therefor of the following new subsection:—

" (1A) The provisions of subsection (1) shall have effect and shall be deemed to have had effect in its application—

(a) in respect of the year of assessment commencing on April 1, 1965, and the four years of assessment immediately following as though there were substituted, for the expression " 57 per centum "; wherever that expression occurs in that subsection, the expression " 50 per centum "; and

(b) in respect of each year of assessment commencing on or after April 1, 1970, as though there were substituted, for the expression " 57 per centum ", wherever that expression occurs in that subsection, the expression " 60 per centum "; and

- (2) by the repeal of subsection (4) of that section and the substitution therefor of the following new subsection:—

“(4) Every resident company shall deduct from the amount of any dividend which becomes payable to any non-resident company during any year of assessment—

(a) if such dividend consists of any part of the amount of a dividend, other than any part of the amount of a dividend exempt from income tax under subsection (1) of section 5A or subsection (3) of section 6, or subsection (4) of section 7A, received by such resident company from another resident company income tax equivalent to six *per centum* of the amount of the first-mentioned dividend increased by fifty *per centum*,

(b) if the first-mentioned dividend does not consist of any part of the amount of a dividend received by such resident company from another resident company, income tax equivalent to six *per centum* of the amount of such first-mentioned dividend, and

(c) if the first-mentioned dividend is paid out of the amount of a dividend exempt from income tax under subsection (1) of section 5A or subsection (3) of section 6 or subsection (4) of section 7A and received by such resident company, income tax equivalent to six *per centum* of the amount of such first-mentioned dividend,

and the amount of the income tax which a resident company is, under this section, required to deduct shall be a debt due from such resident company to the Republic and shall be recoverable forthwith as such, or may be assessed and charged upon such company in addition to any income tax otherwise payable by it.”

10. Section 27 of the principal enactment, as amended by Act No. 18 of 1965, is hereby further amended by the repeal of subsections (4) and (5) of

Amendment of
section 27 of
the principal
enactment.

that section and the substitution therefor of the following new subsections:—

“(4) Every person who issues a warrant, cheque or other order drawn or made in payment of any dividend which becomes payable by a resident company during any year of assessment shall annex thereto a statement in writing specifying—

(a) the gross amount which after deduction of income tax thereon corresponds to the net amount actually paid;

(b) the sum deducted as income tax;

(c) the net amount actually paid;

(d) where any such dividend includes the amount of a dividend received by that company from any other resident company the part of the amount of the dividend so received and whether—

(i) such dividend is exempt from income tax under the provisions of subsection (3) of section 6; or

(ii) the whole or any part of such dividend is exempt from income tax under the provisions of subsection (1) of section 5A or subsection (4) of section 7A; and

(e) where any such dividend includes any part of the amount of a dividend received by that company from any non-resident company referred to in subsection (2A) of section 25, the part of the amount of the dividend so received.

(5) Where the statement referred to in subsection (4) discloses that a shareholder of a resident company received a dividend which included the amount of any dividend received from any other resident company or from any non-resident company referred to in subsection (2A) of section 25, then that amount shall, for the purposes of determining the statutory income of such shareholder, be increased by fifty *per centum* and he shall be entitled to a set-off against the tax payable by him of an amount equal to the said fifty *per centum* :

Provided, however, that the preceding provisions of this subsection shall not apply to or in respect of—

(a) a shareholder if such shareholder is a company,
or

- (b) the amount of any dividend received from any other company if such dividend is exempt from income tax by virtue of subsection (3) of section 6 or if the whole or such part of such dividend is exempt from income tax by virtue of subsection (1) of section 5A or subsection (4) of section 7A."

11. Section 38 of the principal enactment is hereby repealed and the following new section substituted therefor:—

Replacement of
section 38 of
the principal
enactment.

"Wealth tax for
any year of
assessment
commencing
not later than
April 1, 1972,
not to exceed
eighty per
centum of
assessable
income.

38. The wealth tax payable by any person for any year of assessment commencing not later than April 1, 1972, shall not exceed eighty *per centum* of his assessable income for that year of assessment."

12. Section 45 of the principal enactment is hereby repealed and the following new section substituted therefor:—

Replacement of
section 45 of
the principal
enactment.

"Separate
assessment of
husband and
wife.

45. (1) Notwithstanding anything in the preceding provisions of this Act, any husband or wife may, in respect of any year of assessment commencing not later than April 1, 1971, give notice in writing to the Commissioner before the first day of June in that year of assessment or at any time before an assessment is made in respect of any such year of assessment, requiring that the income tax and wealth tax for that year shall be assessed, charged and recovered separately on the income or net wealth of the husband and on the income and net wealth of the wife as if they were not married; and all the provisions of this Act shall thereupon apply to each of them accordingly:

Provided that, in the case of a person who is not resident in Sri Lanka immediately prior to his arrival therein, a notice given within the period of twelve months next succeeding his arrival in Sri Lanka shall be effective for the purposes of this subsection.

(2) Notwithstanding anything in the preceding provisions of this Act, any husband or wife may give notice in writing to the Commissioner, at the time he or she pays his or her first quarterly instalment for any year of assessment commencing on or after April 1, 1972, that he or she, as the case may be, desires to pay the income tax and wealth tax for that year of assessment separately on his or her income or net wealth as though he or she was not married and where such notice is given all the provisions of this Act shall apply to each of them accordingly.

(3) Where a notice is given under subsection (2) in respect of any year of assessment—

(a) the husband shall make in respect of that year of assessment the returns he would have made if such notice had not been given, and

(b) the wife shall make in respect of that year of assessment the returns she would have made if she had been the head of a family and her husband and any child or dependent relative of either of them were a member of that family.

(4) Where income tax is assessed separately on the income of the husband and on the income of the wife as a result of a notice under subsection (1) or under subsection (2), the incomes of the husband and the wife and of any person who, according to the returns of income furnished by the husband and the wife, is a child or dependent relative of either or both of those spouses shall be aggregated and the income tax that would be payable by the husband if such notice had not been given shall be ascertained in accordance with the provisions of this Act. The amount of the income tax so ascertained shall be apportioned among

the husband and wife in the proportion which the assessable income of each of them bears to the aggregate assessable income of both of them.

(5) Where the wealth tax is assessed separately on the net wealth of the husband and on the net wealth of the wife as a result of a notice under subsection (1) or under subsection (2), the value of the net wealth of the husband and the value of the net wealth of the wife and the value of the net wealth of any individual who, according to the returns of net wealth furnished by the husband and the wife, is a child or dependent relative of either or both of those spouses shall be aggregated and the wealth tax that would be payable by the husband if such notice had not been given shall be ascertained in accordance with the provisions of this Act. The amount of the wealth tax so ascertained shall be apportioned among the husband and the wife in the proportion which the value of the net wealth of each of them bears to the value of the aggregate net wealth of both of them.

(6) Where wealth tax and income tax in respect of a husband and a wife are assessed separately in consequence of a notice under subsection (1) and where the aggregate amount of the income tax and the wealth tax payable by the husband or wife is more than eighty *per centum* of the assessable income of such husband or wife, then the amount of set-off against the wealth tax under section 105 shall not exceed such amount as would have been set off against the wealth tax that the husband would have paid if such notice had not been given.

(7) Where income tax and wealth tax are assessed separately in respect of a husband and a wife as a result of a notice under subsection (1) and where the aggregate amount of the income tax

or wealth tax payable by the husband and wife will be less than the amount of the income tax or wealth tax or income tax and wealth tax that would have been payable by the husband if such notice had not been given, then the amount of such deficit shall be apportioned among such husband and wife in the proportion which the assessable income or net wealth of each such person bears to the aggregate assessable income or net wealth of both of them.

(8) Where one spouse is resident and the other is non-resident and a notice under subsection (1) or under subsection (2) is given by the resident spouse, the resident spouse may in such notice elect that the provisions of subsection (4) or subsection (5) be not applied, and in that event, the income from Sri Lanka or the value of the net wealth, as the case may be, of the non-resident spouse and any individual who is a child or dependent relative of either or both of those spouses and who is a non-resident shall, notwithstanding the provisions of subsection (4) or subsection (5), be deemed to be the income or value of the taxable wealth of the resident spouse and shall be assessed accordingly, and in the computation of the income tax payable by the resident spouse, the non-resident spouse and any such individual shall not be regarded as a member of the family of the resident spouse.

(9) Where one spouse is resident and the other is non-resident, the resident spouse may be deemed to be the agent of the non-resident spouse for all the purposes of this Act and shall be liable to pay the whole of the tax chargeable in respect of the profits and income or net wealth of both, whether assessed jointly or severally."

13. Section 47 of the principal enactment is hereby repealed and the following new section substituted therefor:—

Replacement of
section 47 of
the principal
enactment.

Returns to be
furnished by
receivers and
trustees and
their
chargeability
with tax.

47. (1) An Assessor may give notice in writing to a receiver or trustee requiring him to furnish within the period specified in the notice—

(a) in the case of a receiver—

(i) a return of the income from the properties under his control, for the purposes of income tax, or

(ii) a return of such properties and, where any properties are distributed by him among any persons, a description of those properties and the names and addresses of those persons, for the purposes of wealth tax;

(b) in the case of a trustee—

(i) a return of the income from the properties subject to the trust for the purposes of income tax, or

(ii) a return of such properties and the names and addresses of the beneficiaries under the trust and the benefits to which they are entitled under the trust,

and a receiver or trustee shall be chargeable with income tax or wealth tax—

(i) if he is a receiver, on the income or wealth of the properties subject to his control, and

(ii) if he is a trustee, on the income or wealth of the properties of the trust subject to the provisions of subsection (2) of this section and subsection (1) of section 30.

(2) Where there are any beneficiaries to a trust the income of which is liable to income tax under subsection (1), then the share of the income to which such beneficiaries are entitled shall be deducted from the amount of the income which is liable to tax under subsection (1) and shall be considered for the purposes of this Act as the income of such beneficiaries and accordingly each such beneficiary shall be chargeable with income tax in respect of his share of such income.

(3) Where, for any year of assessment commencing on or after April 1, 1972, the entirety or any part of the income of a trust is considered under subsection (2) to be the income of a beneficiary or the entirety or any part of a property subject to a trust is, under the provisions of paragraph (b) or paragraph (c) of subsection (1) of section 30, included in the wealth of a beneficiary under the trust, the trustee shall—

(a) in the case of the year of assessment commencing on April 1, 1972, on or before December 20, 1972; and

(b) in the case of any other year of assessment, on or before the fifteenth day of June, September, December and March of that year of assessment,

give to that beneficiary in such form as may be prescribed by the Commissioner a notice stating the amount of such income or wealth.

(4) The income tax or wealth tax or any part thereof with which a beneficiary to a trust is chargeable in respect of his

income or net wealth to which he is entitled from the trust may be recovered from the trustee of the trust, notwithstanding that no assessment has been made upon such trustee, and the provisions of this Act relating to collection and recovery of tax shall apply to such trustee. Such trustee shall be entitled to deduct the amount of such tax or part thereof from the income which will be payable to such beneficiary from the trust.

(5) The income tax and wealth tax with which a receiver or a trustee is chargeable under this Act for any year of assessment commencing on or after April 1, 1972, shall be paid by him in accordance with the provisions of section 96B, notwithstanding that no assessment has been made on him."

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

Amendment of
section 50 of
the principal
enactment.

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

"(2A) Where, for any year of assessment commencing on or after April 1, 1972, a beneficiary is chargeable with income tax or wealth tax under subsection (2) in respect of his share of the income or of the net wealth to which he is entitled from the estate of a deceased person, the executor of that estate shall—

(a) in the case of the year of assessment commencing on April 1, 1972, on or before December 20, 1972, and

(b) in the case of any other year of assessment, on or before the fifteenth day of June, September, December and March of that year of assessment,

give to the beneficiary in such form as may be prescribed by the Commissioner a notice stating the amount of such income or net wealth and such notice shall contain the particulars required to be set out in such form.";

- (2) by the repeal of subsection (3) of that section and the substitution therefor of the following new subsection:—

“(3) Where the income or the net wealth to which a beneficiary is entitled from the estate of a deceased person cannot be ascertained, the executor shall be chargeable with income tax or wealth tax in respect of such income or net wealth.”; and

- (3) by the insertion, immediately after subsection (4) of that section, of the following new subsection:—

“(5) The income tax and wealth tax with which an executor is chargeable under this Act for any year of assessment commencing on or after April 1, 1972, shall be paid by him in accordance with the provisions of section 96B notwithstanding that no assessment has been made on him.”.

Insertion of new section 52A in the principal enactment.

15. The following new section is hereby inserted immediately after section 52, and shall have effect as section 52A, of the principal enactment:—

“Precedent partner to inform partners of their shares of the partnership income for any year of assessment commencing on or after April 1, 1972.

52A. (1) For the purposes of enabling a partner to ascertain his statutory income for any year of assessment commencing on or after April 1, 1972, the precedent partner of the partnership, or where no active partner is resident in Sri Lanka, the agent of the partnership in Sri Lanka, shall—

(a) in the case of the year of assessment commencing on April 1, 1972, on or before December 20, 1972, and

(b) in the case of any other year of assessment, on or before the fifteenth day of June, September, December and March of that year of assessment,

give to each partner a notice in such form as may be prescribed by the Commissioner specifying his share of the divisible profit or loss and of the other income of the partnership for the period of twelve months immediately preceding that year of assessment or

during any other period in respect of which the statutory income may be computed under section 12.

(2) The divisible profit or loss of a partnership for any year of assessment commencing on or after April 1, 1972, shall be the profits or losses of the partnership from any trade, business, profession, vocation or employment during the period of twelve months immediately preceding the year of assessment or during any other period in respect of which the statutory income for that year of assessment may be computed under section 12, ascertained in accordance with the provisions of this Act relating to the ascertainment of profits and income of a person, after deducting from the total of such profits or adding to the total of such losses, as the case may be, the amount of any interest, annuity, ground rent or royalty (except where it is payable by a person out of Sri Lanka to another person out of Sri Lanka) payable by the partnership."

16. (1) The heading "DDD—Manufacture for Export" appearing after section 53B of the principal enactment is hereby omitted.

(2) Section 53c of the principal enactment is hereby repealed.

17. Section 68A of the principal enactment, inserted therein by Act No. 26 of 1968, is hereby amended by the repeal of subsection (4) of that section and the substitution therefor of the following new subsection:—

"(4) Where a company or body of persons, in the year preceding any year of assessment commencing on or after April 1, 1967, but not later than April 1, 1972, makes an approved investment, such company or body of persons shall be entitled, on account of that investment, to such relief from income tax as will secure that the tax payable by such company or body of persons is reduced to the amount which would be payable as the tax if the

Omission of heading appearing after section 53B of the principal enactment and repeal of section 53c of that enactment.

Amendment of section 68A of the principal enactment.

permitted allowance in relation to that investment were deducted from the statutory income of such company or body of persons:

Provided, however, that the relief from tax on account of that investment shall not exceed one-half of such permitted allowance."

Amendment of
section 81 of
the principal
enactment.

18. Section 81 of the principal enactment, as amended by Act No. 31 of 1971, is hereby further amended as follows:—

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

" (1) It shall be the duty of every person chargeable, either singly or as a head of a family, with income tax, wealth tax or gifts tax for any year of assessment, commencing on or before April 1, 1971, if he has not been required by the Assessor under section 82 to make a return of income, wealth or gifts for that year, to give notice in writing to the Commissioner within a period of three months after the date of commencement of such year that he is so chargeable:

Provided that for the year of assessment commencing on April 1, 1971, such notice shall be given within a period of nine months after the commencement of that year of assessment."; and

(2) by the repeal of subsection (4) of that section.

Insertion of new
section 82A in
the principal
enactment.

19. The following section is hereby inserted immediately after section 82 of the principal enactment and shall have effect as section 82A of that enactment:—

Provisions
relating to
statements of
accounts and
audit
certificates.

82A. (1) An Assessor may give notice in writing to a partner of a partnership, or to any other person, who carries on any trade, business, profession or vocation, to furnish for any year of assessment—

(a) a statement of accounts, audited by an approved accountant, of such trade, business, profession or vocation, for the year preceding that year of assessment or for such other period

in respect of which the statutory income for that year of assessment is computed, and

(b) an audit report prepared by such approved accountant in such form as the Commissioner may prescribe.

(2) The Commissioner may, from time to time, by notice published in the *Gazette*, require a partner of a partnership, or any other person, who carries on any trade or business of such class or description as may be specified in the notice—

(a) to maintain books of accounts in such form as the Commissioner may prescribe,

(b) to furnish statements of accounts in relation to that trade or business in the manner specified in that notice, and

(c) to furnish, for any year of assessment, a statement of the profits and income and the assets and liabilities of that trade or business, audited by an approved accountant, together with an audit report prepared by such approved accountant in the form specified in such notice.

(3) Where a statement of accounts in support of a return of income furnished by any person for the purposes of this Act is prepared by an approved accountant, such statement shall be accompanied by a certificate of such approved accountant. The certificate shall be in the form prescribed by the Commissioner.

(4) For the purposes of this section, "approved accountant" means—

(a) an accountant who is a member of of the Institute of Chartered Accountants of Ceylon;

(b) an accountant who is approved by the Commissioner as an "authorized representative" for the purposes of this Act, and

(c) any individual who is registered as an auditor under the Companies' (Auditors) Regulations and approved by the Commissioner as an authorized representative for the purposes of this Act.'

Amendment of
section 93 of
the principal
enactment.

20. Section 93 of the principal enactment is hereby amended as follows:—

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

"(1) Every person who is, in the opinion of an Assessor, chargeable for any year of assessment commencing on or before April 1, 1971, with income tax, wealth tax or gifts tax shall be assessed by him as soon as may be after the expiration of the time specified in the notice requiring him to furnish a return of income, wealth or gifts under section 82."; and

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

"(1A) For any year of assessment commencing on or after April 1, 1972, an Assessor may, notwithstanding anything to the contrary in subsection (1), assess any person at any time, whether or not such time is before the commencement of the year of assessment to which the assessment relates, if he is of the opinion that such person is about to leave Sri Lanka, or that for any other reason it is expedient to do so."

21. The following Chapter is hereby inserted immediately after Chapter XI of the principal enactment and shall have effect as Chapter XI A of the principal enactment:—

Insertion of
Chapter XI A
in the principal
enactment.

CHAPTER XI A

**SELF-ASSESSMENT OF PROFITS AND
INCOME, NET WEALTH AND TAXABLE
GIFTS AND THE PAYMENT OF TAX
CHARGEABLE THEREON**

Meaning of
tax.

96A. In this Chapter, "tax" means the income tax, wealth tax or gifts tax chargeable in respect of the profits and income or taxable wealth or taxable gifts of any person.

Payment of
tax.

96B. (1) Any tax with which any person is chargeable under this Act for any year of assessment commencing on or after April 1, 1972, shall, notwithstanding anything to the contrary in this Act, be paid by such person to the Commissioner in four instalments notwithstanding that no assessment has been made on him. Each such instalment is hereinafter referred to as a "quarterly instalment".

(2) The first two quarterly instalments for the year of assessment commencing on April 1, 1972, shall be paid on or before the fifteenth day of January, 1973, and the next two quarterly instalments on or before the fifteenth day of February and the thirtieth day of April, 1973, respectively and the quarterly instalments for any subsequent year of assessment shall be paid on or before the fifteenth day of July, October and January of that year of assessment and the thirtieth day of April of the next succeeding year of assessment respectively.

(3) The quarterly instalments of a tax payable by any person in respect of a year of assessment shall be as follows:—

(a) the first quarterly instalment shall be an amount equal to one-fourth of the tax chargeable for that year of assessment;

(b) the second quarterly instalment shall be an amount equal to the difference between one-half of the tax chargeable for that year of assessment and the amount of his first quarterly instalment for that year of assessment;

(c) the third quarterly instalment shall be an amount equal to the difference between three-fourths of the tax chargeable for that year of assessment and the amount of his first and second quarterly instalments for that year of assessment; and

(d) the fourth quarterly instalment shall be the difference between the amount of the tax chargeable for that year of assessment and the amount of his first, second and third quarterly instalments for that year of assessment.

(4) Every person who pays a quarterly instalment of any tax for a year of assessment shall, according as such tax is income tax, wealth tax or gifts tax, furnish to the Commissioner at the time of payment of such instalment a return, in such form as may be prescribed by the Commissioner, of his income, wealth or gifts for that year of assessment and he shall set out in that form all particulars relating to such matters specified in that form as are applicable to him.

(5) Where a quarterly instalment of a tax or a portion of such instalment is not paid on or before the date specified in subsection (2), such instalment or portion thereof shall be deemed to be in default and the person by whom it is payable or, where it is payable by more than one person, then each of such persons shall be deemed to be a defaulter

for the purposes of this Act and the provisions of this Act as to recovery of the tax shall apply accordingly.

(6) Where a quarterly instalment of tax or a portion of such instalment is in default, the defaulter shall, in addition to the amount of tax in default, pay as a penalty—

(a) a sum equivalent to five *per centum* of the amount in default; and

(b) where the amount in default is not paid before the expiry of thirty days after it has begun to be in default, in respect of each further period of thirty days or part of such period during which it is in default, a further sum equivalent to one *per centum* of the amount in default.

Assessments by
Assessors.

96c. (1) Where any person who, in the opinion of the Assessor, is chargeable with any tax for any year of assessment fails to pay a quarterly instalment of that tax for that year of assessment, the Assessor may, within that year of assessment or within six years after the expiration of that year of assessment, assess the amount which such person ought to have paid as such instalment and shall by notice in writing require such person to pay the amount of tax so assessed forthwith.

(2) An assessment made under subsection (1) of the amount of the quarterly instalment of any tax payable by a person shall not affect the liability of such person to the penalty specified in section 96B and for the purposes of that section the amount so assessed shall be deemed to be the quarterly instalment which such person ought to have paid in accordance with the provisions of that section.

(3) Where, in the opinion of the Assessor, any person chargeable with any tax for any year of assessment has

paid as the quarterly instalment of the tax for that year of assessment an amount less than the proper amount which he ought to have paid as such instalment, the Assessor may, within that year of assessment or within six years after the expiration of that year of assessment, assess the amount which in the judgment of the Assessor ought to have been paid by such person and shall by notice in writing require such person to pay forthwith the difference between the amount so assessed and the amount paid by that person:

Provided that nothing in the preceding provisions of this subsection shall preclude an Assessor from making an additional assessment in respect of any person on whom an assessment under this subsection has been made.

(4) Where, in consequence of an assessment made under subsection (3) in respect of any person, such person is required by a notice under that subsection to pay a sum of money specified in that notice, such person shall, in respect of such sum, be liable to pay the penalty specified in section 96B and for the purposes of that section such sum shall be deemed to be the quarterly instalment which such person ought to have paid in accordance with the provisions of that section but has not so paid.

(5) The provisions of this Act as to the notice of assessment, appeal and other proceedings shall apply to any assessment made under this section and to any tax charged by such assessment.

Replacement of
section 105 of
the principal
enactment.

22. Section 105 of the principal enactment is hereby repealed and the following new section substituted therefor:—

"Reduction of
the tax in
certain
circumstances.

105. Where the aggregate of—

(a) wealth tax to which a person is liable for any year of assessment ending on or before March 31, 1972, and

(b) the income tax to which such person is liable for that year of assessment,

exceeds eighty *per centum* of the assessable income of that person for that year of assessment, such excess shall be set off against the wealth tax to which he is liable."

, 23. Section 106 of the principal enactment is hereby repealed and the following new section substituted therefor:—

Replacement of section 106 of the principal enactment.

Provisions regarding payment of tax.

106. (1) Subject to the provisions of section 96B and of section 107, the income tax, wealth tax or gifts tax charged by any assessment shall be paid by the person liable to pay the tax in a lump sum on or before such date as may be specified in the notice of assessment or in any other notice given to that person, or in such number of instalments, not exceeding four, as may be specified in such notice. Save as otherwise provided hereafter in this section, any tax or any instalment of such tax not so paid shall be deemed to be in default and the person by whom the tax or instalment thereof, as the case may be, is payable or, where such tax or instalment thereof is payable by more than one person or by a partnership, then each of such persons or each partner in the partnership shall be deemed to be a defaulter for the purposes of this Act.

(2) Where any person liable to pay income tax, wealth tax or gifts tax satisfies the Commissioner, on or before the date he is required to pay such tax or any instalment thereof, that he has made arrangements for the payment of such tax or instalment from any ascertained sum to be paid to him by the Government or from moneys lying to his credit in the Ceylon Savings Bank or the Ceylon Post Office Savings Bank or the National Savings Bank or from moneys to be paid to him from any pension or provident fund approved by the Commissioner and the Commissioner

grants such person an extension of time for the payment of such tax or instalment, then such tax or instalment thereof shall not be deemed to be in default until the expiration of such extended time.

(3) Where, in respect of any income tax, wealth tax or gifts tax which is due from the estate of a deceased person, an executor of such deceased person, on or before the date he is required to pay such tax or any instalment thereof, satisfies the Commissioner that such tax or instalment cannot be paid on or before such date owing to probate or letters of administration not being granted to him, such sum or instalment shall not be deemed to be in default if it is paid within a period of two months after the date of the grant of probate or letters of administration.

In this subsection, the expression "executor" does not include any person who takes possession of or intermeddles with the property of a deceased person.

(4) Where, for any year of assessment commencing on or after April 1, 1972, the profits or income of any person includes—

(a) profits or income from any trade, business, profession or vocation which he ceased to carry on or exercise in the year preceding that year of assessment and profits from employment which he commenced to exercise in that year of assessment, or

(b) profits or income from any trade, business, profession or vocation which he ceased to carry on or exercise in that year of assessment and profits from employment which he commenced to exercise in that year of assessment,

then, such sum out of the income tax payable for that year of assessment as in the opinion of the Assessor is attributable to the profits or income from such trade, business, profession or vacation or to the profits from such employment, whichever is less, may notwithstanding anything to the contrary in any other provision of this Act, be paid before the expiry of three years from the end of that year of assessment.

(5) Tax shall be paid notwithstanding any appeal against the assessment, unless the Commissioner orders that payment of the tax or any part thereof be held over pending the result of such appeal, and the amount of the tax or part thereof so held over shall be deemed not to be in default.

(6) Where the Commissioner is of opinion either that the tax or any part thereof held over under subsection (5) is likely to become irrecoverable, or that the appellant is unreasonably delaying the prosecution of his appeal, he may revoke any order made under that subsection and make such fresh order as the case may appear to him to require and the amount of any tax not paid on or before such date as may be specified in the fresh order shall be deemed to be in default.

(7) Where, upon the final determination of an appeal under Chapter XII, or upon any order made by the Commissioner, any tax which has been held over under subsection (5) becomes payable or the tax charged by the original assessment is increased, the Commissioner shall give to the appellant a notice in writing fixing a date on or before which any tax or balance of tax shall be paid. Any tax not so paid shall be deemed to be in default.

(8) Notwithstanding anything in this section, where there is an appeal against an assessment and where the payment of

the tax is held over on the order of the Commissioner, the Commissioner, if the appellant agrees during the course of that appeal that a certain sum is due or is likely to be due as tax in respect of that assessment, may by notice in writing given to the appellant direct the appellant to pay such sum on or before such date as is specified in the notice.

Any sum not so paid shall be deemed to be in default and for the purposes of this Act the person by whom such sum is payable or, where such sum is payable by more than one person or by a partnership, then each of such persons and each partner in the partnership shall be deemed to be a defaulter.

(9) Where any tax or instalment thereof is in default, a sum equivalent to five *per centum* of the amount in default shall be added to the tax or instalment thereof and the Commissioner shall give notice in writing to the person by whom the tax or instalment thereof is payable requiring him to pay the tax or instalment thereof together with the sum so added on or before a date specified in the notice, and if payment is not so made, the Commissioner may add a further sum or further sums not exceeding fifteen *per centum* of the tax or instalment thereof in default until the tax or instalment thereof is recovered:

Provided that no sum or sums shall be added under the preceding provisions of this section if any sum or sums under Chapter XIA have been added to such tax in default.

(10) Where, upon the final determination of an appeal under Chapter XII, any tax in default to which any sum or sums under subsection (9) has or have been added is reduced, then such sum or sums shall be calculated on the tax as so reduced.

24. Section 118 of the principal enactment is hereby amended by the repeal of subsection (1) of that section and the substitution therefor of the following new subsection:—

Amendment of
section 118 of
the principal
enactment.

“(1) Every person who—

(a) fails to comply with the requirements of a notice given to him under any of the following sections or subsections:—

27 (2), 47 (1), 50 (1), 52 (2), 66 (1), 82 (1), (2), (3) and (4), 82A (1), 83 (1) and (2), 84, 85, 86 or 115; or

(b) fails to comply with the provisions of an order given to him by the Commissioner under paragraph (b) of subsection (1) of section 92; or

(c) fails to attend in answer to a notice issued under sections 82 (3) and (4), 97 (11) or 101 (6) or having attended fails without sufficient cause to answer any questions lawfully put to him; or

(d) fails to comply with the requirements of sections 27 (4), 47 (3), 50 (2A), 52A (1), 81 (1), 82A (2), 88 (1), 107 (6) or 109 (2).

shall be guilty of an offence and shall for each such offence be liable, on conviction after summary trial before a Magistrate, to a fine not exceeding five hundred rupees.”.