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1st Session 1965-66



Inland Revenue (Amendment) Act, No. 18 of 1965

Date of Assent : December 18, 1965

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*Inland Revenue (Amendment) Act,
No. 18 of 1965*

L. D.—O. 31/63.

AN ACT TO AMEND THE INLAND REVENUE ACT, No. 4 OF 1963, AND THE INCOME TAX ORDINANCE, TO AMEND OTHER WRITTEN LAW FOR THE PURPOSE OF EFFECTING CERTAIN CONSEQUENTIAL AMENDMENTS AND FOR REQUIRING THE PAYMENT OF INCOME TAX BY CERTAIN INSTITUTIONS WHICH HAVE HITHERTO BEEN EXEMPT FROM SUCH TAX, TO PROVIDE FOR THE MAKING OF DECLARATIONS WITHIN A SPECIFIED PERIOD OF THE PROFITS AND INCOME OF PERSONS WHO HAVE EVADED PAYMENT OF INCOME TAX OR WHO HAVE FAILED TO DISCLOSE PROFITS AND INCOME AND TO ENABLE THE LEVY OF A TAX ON SUCH PROFITS AND INCOME.

[Date of Assent: December 18, 1965]

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 Inland Revenue (Amendment) Act, No. 18 of 1965.

Short title.

2. (1) Section 3 of the Inland Revenue Act, No. 4 of 1963, hereafter in this Act referred to as the "principal Act", is hereby amended as follows:—

Amendment of
section 3 of
Act No. 4 of
1963.

(A) in sub-section (1) of that section—

(i) in paragraph (h) of that sub-section, by the substitution, for sub-paragraph (ii) of that paragraph, of the following new sub-paragraph:—

" (ii) the surrender or relinquishment of any right in any property (other than the surrender of a life insurance policy and the surrender, transfer or extinction of a life interest)," and

(ii) in paragraph (i) of that sub-section, by the substitution, for the words " lottery; and ", of the following:—

" lottery, other than the value of a prize won on or after May 2, 1963, at any hospitals lottery conducted by the Hospitals Lotteries Board under the Hospitals Lotteries Act, or of a prize won on or after August 16, 1963, at any Industrial Exhibition Sweep conducted by the Government or of a prize won on or after October 1, 1963, at any other sweep or lottery; and ";
and

(B) in sub-section (4) of that section—

(I) in sub-paragraph (v) of paragraph (a) of that sub-section—

(a) by the substitution, for all the words from " any other allowance " to " for travelling:", of the following:—

" for any year of assessment ending prior to April 1, 1965, any other allowance granted in respect of employment whether in money or otherwise, other than an allowance for travelling, and for any year of assessment commencing on or after April 1, 1965, any other allowance granted in respect of employment whether in money or otherwise, other than an allowance for travelling or entertainment granted by the Government of Ceylon:";

(b) in the first proviso to that sub-paragraph, by the substitution, for the words " Commissioner that such allowance ", of the words " Assessor that such portion of that allowance ";

(c) in the second proviso to that sub-paragraph—

(i) by the substitution, for the words “ that in the case of ”, of the following:—

“ that for any year of assessment ending prior to April 1, 1965, in the case of ”, and

(ii) by the substitution, for the semi-colon at the end of that proviso, of a colon; and

(d) by the insertion, immediately after the second proviso to that sub-paragraph, of the following new proviso:—

“ And provided further that for any year of assessment commencing on or after April 1, 1965, any allowance granted for travelling to any person by his employer shall be deemed not to be profits from employment if such allowance—

(a) was for travelling other than travelling from his place of residence to his place of employment and *vice versa*,

(b) was for travelling in connection with any trade, business, profession or vocation carried on or exercised by such employer, and

(c) does not exceed one hundred rupees for a month.”; and

(II) in paragraph (j) of that sub-section—

(a) in sub-paragraph (x) of that paragraph, by the substitution, in clause (a) of that sub-paragraph, for the words “ distributed, and ”, of the words “ distributed on or after that date, and ”; and

(b) in sub-paragraph (xi) of that paragraph—

(i) by the substitution, for the words “at the time of change of ownership shall—”, of the words “at the time of the acquisition by him of the property shall—”; and

(ii) in clause (a) of that sub-paragraph, by the substitution, for the words “at the time of such change of ownership”, of the words “at the time of change of ownership”.

(2) The amendments made in section 3 of the principal Act by sub-paragraph (i) of paragraph (A), and by sub-paragraph (II) of paragraph (B), of sub-section (1) of this section shall be deemed to have come into force on the date of commencement of that Act and the amendment made in the aforesaid section 3 by sub-paragraph (ii) of paragraph (A) of sub-section (1) of this section shall—

(a) in so far as it relates to a prize won at any hospitals lottery, be deemed to have come into force on May 2, 1963;

(b) in so far as it relates to a prize won at any Industrial Exhibition Sweep, be deemed to have come into force on August 16, 1963; and

(c) in so far as it relates to a prize won at any other sweep or lottery, be deemed to have come into force on October 1, 1963.

(3) Where any person has paid any sum as income tax on the value of a prize won by him at a sweep or lottery and such person is in consequence of the amendments made in section 3 of the principal Act by sub-section (1) of this section not liable to such tax, the Commissioner shall cause to be refunded such sum to such person.

3. Section 4 of the principal Act is hereby amended as follows:—

Amendment of
section 4 of
the principal
Act.

- (1) in sub-section (3) of that section, in paragraph (b) of that sub-section, by the substitution, for the words “ that property; and ”, of the following:—

“ that property if no deduction in respect of such expenditure is allowed under section 10 or section 53 or section 53A or section 53B; and ”; and

- (2) by the insertion, immediately after sub-section (8) of that section, of the following new sub-section:—

“ (8A) Sub-section (8) shall for every year of assessment commencing on or after April 1, 1965, have effect as though there were substituted, for the expression “ 45 per centum ”, wherever it occurs in that sub-section, the expression “ 25 per centum ”, and that sub-section as so amended shall, notwithstanding anything to the contrary, apply in relation to any capital gain arising from the change of ownership of any property occurring in the year of assessment commencing on April 1, 1964, either on the death of the owner of such property or on his ceasing to be resident in Ceylon.”.

4. Section 5 of the principal Act is hereby amended, in sub-section (1) of that section, as follows:—

Amendment of
section 5 of
the principal
Act.

- (a) by the insertion, immediately after paragraph (d) of that sub-section, of the following new paragraph:—

“(dd) the profits and income of the Institute of Chartered Accountants of Ceylon;”;

- (b) in paragraph (k) of that sub-section, by the substitution—

(i) for the words “ any such body of persons ”, of the words “ any such company, partnership or other body of persons ”; and

(ii) by the substitution, for the words “ that body ”, of the words “ that company, partnership or other body ”; and

- (c) in paragraph (u) of that sub-section, by the substitution, for the words "to any individual by", of the words "on sums not exceeding fifteen thousand rupees lying to the credit of any individual in".

Amendment of
section 6 of
the principal
Act.

5. (1) Section 6 of the principal Act is hereby amended in sub-section (1) of that section, in paragraph (ii) of that sub-section, by the substitution, for sub-paragraphs (d) and (e) of that paragraph, of the following new sub-paragraphs:—

“(d) that the goods or commodities produced or manufactured by the undertaking are certified to be of satisfactory quality by an authority if and when an authority is prescribed for such purpose; and

(e) that the prices at which such goods or commodities are sold are certified to be reasonable by an authority if and when an authority is prescribed for such purpose;”.

(2) The amendments made in section 6 of the principal Act by sub-section (1) of this section shall be deemed to have come into force on the date of commencement of that Act.

Amendment of
section 10 of
the principal
Act.

6. (1) Section 10 of the principal Act is hereby amended as follows:—

(A) in sub-section (1) of that section—

- (i) in paragraph (h) of that sub-section, by the substitution, for the words “machinery or fixtures concerned;”; of the following:—

“machinery or fixtures concerned:

Provided that no deduction under the preceding provisions of this paragraph shall be allowed to such person in respect of any plant, machinery or fixtures acquired by him if such acquisition was for the purpose of renewing any plant, machinery or fixtures earlier used by him in any trade, business, profession, vocation or employment carried on or exercised by him and if the cost of such renewal is allowed as a deduction under paragraph (j);”;

(ii) in paragraph (i) of that sub-section—

(a) by the substitution, for the words “ any agricultural or industrial undertaking carried on ”, of the following:—

“ any agricultural or industrial undertaking or any approved project within the meaning of sub-section (5) carried on ”,

(b) in sub-paragraphs (b) and (c) of that paragraph, by the substitution, for the word “ undertaking ”, of the words “ undertaking or project ”,

(c) by the substitution for the semi-colon, at the end of that paragraph, of a colon, and

(d) by the insertion, at the end of that paragraph, of the following proviso:—

“ Provided that no deduction under the preceding provisions of this paragraph shall be allowed to such person in respect of any building constructed by him if such construction was to renew any building earlier used by him for any of the purposes specified in the preceding provisions of this paragraph and if the cost of such renewal is allowed as a deduction under paragraph (j);”;

(iii) in paragraph (j) of that sub-section—

(a) by the substitution, for the expression “ under paragraph (a), ”, of the expression “ under paragraph (a) or paragraph (h) of this sub-section or under paragraph (a) of sub-section (1) of section 11 of the Income Tax Ordinance,”, and

(b) by the substitution, for the full stop at the end of that paragraph, of a semi-colon; and

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

“ (k) in respect of any year of assessment commencing on or after April 1, 1965, the actual expenses incurred by such person or any other person in his employ in travelling within Ceylon in connection with the trade, business, profession or vocation of the first-mentioned person:

Provided that no deduction under the preceding provisions of this paragraph shall be allowed to any person—

(i) in respect of expenses incurred in relation to a vehicle belonging to and maintained by him and used partly for the purposes of his trade, business, profession or vocation and partly for the domestic or private purposes of an executive officer in his employ unless such executive officer has reimbursed such person the expenses actually incurred by him in the use of such vehicle for the private or domestic purposes of such executive officer, or

(ii) in respect of any expenses for subsistence or lodging incurred in the course of such travelling by such person or an executive officer in his employ, or

(iii) in respect of any expenses incurred by such person by reason of any travelling done by any other person in his employ between the residence of such other person and his place of employment or *vice versa*.”;

(B) in sub-section (5) of that section—

(i) in paragraph (c) of that sub-section, by the substitution, for the words “constructing any building”, of the words “constructing or renewing any building,”;

(ii) in paragraph (d) of that sub-section—

(a) by the substitution, for the words “constructing any building,” of the words “constructing or renewing any building,”, and

(b) by the substitution, for the words “other than as a dwelling-house.”, of the following:—

“other than as a dwelling-house:

Provided that no person shall be entitled to any deduction under paragraph (c) or paragraph (d) of this sub-section for the renewal of any building if such person has been allowed to deduct the expenditure incurred in such renewal under paragraph (j) of sub-section (1).”; and

(C) by the insertion, immediately after sub-section (7) of that section, of the following new sub-section:—

“(7A) For the purposes of paragraph (k) of sub-section (1), where the actual expenses incurred by any person in respect of a vehicle used by him partly for the purposes of his trade, business, profession or vocation and partly for his domestic or private purposes cannot be ascertained, such sum as the Assessor considers to be the amount of the expenses so incurred shall be deemed to be the actual expenses so incurred by such person in respect of that vehicle.”.

(2) The amendments made in section 10 of the principal Act by sub-section (1) of this section, other than the amendments made in the aforesaid section 10 by sub-paragraph (iv) of paragraph (A), and by paragraph (C), of sub-section (1) of this section, shall be deemed to have come into force on the date of commencement of that Act.

Amendment of
section 11 of
the principal
Act.

7. (1) Section 11 of the principal Act is hereby amended as follows:—

(a) in sub-section (1) of that section—

(i) in paragraph (b) of that sub-section, by the substitution, for the expression “ paragraphs (d), (e) and (g) of sub-section (1) of section 10;”, of the expression “ paragraphs (c), (d), (e), (f) and (g) of sub-section (1) of section 10;”,

(ii) in paragraph (c) of that sub-section, by the substitution, for the words “ incurred in connection with any ”, of the words and figures “ incurred for any year of assessment ending prior to April 1, 1965, in connection with any ”,

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

“ (cc) any expenditure incurred for any year of assessment commencing on or after April 1, 1965, in travelling outside Ceylon in connection with any trade, business, profession or vocation carried on or exercised in Ceylon by such person;”, and

(iv) in paragraph (l) of that sub-section, by the substitution, for all the words and figures from “ by way of United Kingdom income tax,” to “ Commonwealth tax ”, of the following:—

“ by way of income tax, or super tax or surtax or any other tax of a similar character in any country with which an agreement made by the Government of Ceylon for the avoidance of double taxation is in force [other than the excess of any such income tax, or super tax or surtax or any other tax of a similar character over such maximum amount of the credit in respect of

Ceylon income tax as is allowed by paragraph (d) of sub-section (1) of section 70 or by sub-section (4) of section 2 of the Double Taxation (Relief) Act] or Ceylon income tax or Commonwealth tax "; and

(b) in sub-section (3) of that section—

- (i) by the substitution, for the words " for depreciation by wear and tear of ", of the words " for depreciation by wear and tear, or for renewal, of ",
- (ii) by the substitution, for the full stop at the end of that sub-section, of a colon, and
- (iii) by the addition, at the end of that sub-section, of the following:—

" Provided that for each year of assessment commencing on or after April 1, 1965, the preceding provisions of this sub-section shall apply as though there were substituted—

(a) for the words " in the case of a vehicle ", the words " in the case of a motor-cycle or bicycle ", and

(b) for the words " of the last-mentioned vehicle ", the words " of such motor-cycle or bicycle ".

(2) The amendments made in section 11 of the principal Act by sub-section (1) of this section other than the amendments made in the aforesaid section by sub-paragraphs (ii) and (iii) of paragraph (a), and sub-paragraphs (ii) and (iii) of paragraph (b), of sub-section (1) of this section, shall be deemed to have come into force on the date of commencement of that Act.

8. Section 12 of the principal Act is hereby amended in sub-section (2) of that section by the substitution, for the words " in his discretion thinks fit.", of the following:—

" in his discretion thinks fit:

Provided that the Commissioner may at any time revoke a direction given under the preceding provisions of this sub-section:

Amendment of
section 12 of
the principal
Act.

And provided further that where any such direction is revoked by the Commissioner he may order that the statutory income for any year of assessment from the source in respect of which such direction was given be computed as if the accounts were made up to the thirty-first day of March immediately preceding such year of assessment."

Amendment of
section 15 of
the principal
Act.

9. (1) Section 15 of the principal Act is hereby amended as follows:—

(a) in sub-section (1) of that section—

(i) by the substitution, in paragraph (c) of that sub-section, for the words "under this Act", of the words "under this Act or the Income Tax Ordinance",

(ii) in paragraph (d) of that sub-section, by the substitution, for the words and figure from "section 6" to "previous year of assessment", of the word and figure "section 6";

(b) by the insertion, immediately after sub-section (1) of that section, of the following new sub-section:—

"(1A) For the purposes of the computation of the loss for the first year of assessment in respect of which any corporation or undertaking becomes liable to income tax, such loss shall be the amount outstanding at the end of the period of six years during which its profits and income are not liable to tax under section 6 after deduction from the profits and income of any succeeding year of assessment during such period of any loss incurred in the immediately preceding year of assessment or the aggregate of the losses incurred in more than one year of assessment during such period.

Where the entirety or any portion of the amount of the losses of such corporation or undertaking cannot be deducted from the statutory income of the first year of assessment in respect of which such corporation or undertaking becomes liable to income tax, such entirety or portion shall be

deducted from the statutory income of the next succeeding year of assessment, and so far as it cannot be so deducted, then from the statutory income of the next year of assessment, and so on.”;

(c) in sub-section (3) of that section, in the proviso to that sub-section—

(i) in clause (i) of that proviso, for the words “of such loss;”, of the words “of such loss; and ”,

(ii) in clause (ii) of that proviso, for the words “and so on; and ”, of the words “and so on.”; and

(iii) by the omission of clause (iii) of that proviso;

(d) in sub-section (4) of that section, by the substitution, for the expression “of section 10 ”, of the expression “of section 10 of this Act or the provisions of sub-sections (1F) and (1G) of section 11 of the Income Tax Ordinance as amended by Act No. 13 of 1959 (and therein referred to as section 9) ”;

(e) in sub-section (5) of that section, by the substitution, for the expression “sub-section (1) (b) and (c)”, of the expression “sub-section (1) (b), (c) and (d)”; and

(f) by the insertion, immediately after sub-section (8) of that section, of the following new sub-section:—

“(9) Notwithstanding anything in the preceding provisions of this section, in the case of any individual who is a child and who is in receipt of occupational income, any deduction allowed under this section for any year of assessment commencing on or after April 1, 1965, shall—

(a) if such deduction relates to income other than occupational income, be made from such portion of his statutory income as does not consist of occupational income, and

(b) if such deduction is not a deduction referred to in paragraph (a) be made from such portion of his statutory income as consists of his occupational income.”.

(2) The amendments made in section 15 of the principal Act by sub-section (1) of this section other than the amendments made in the aforesaid section 15 by paragraph (f) of sub-section (1) of this section, shall be deemed to have come into force on the date of commencement of that Act.

Amendment of
section 17 of
the principal
Act.

10. (1) Section 17 of the principal Act is hereby amended in sub-section (3) of that section, by the substitution, for the expression "under sections 27, 67, 68, 70 and 71," of the expression "under sections 27, 67, 68, 69, 69A, 70 and 71,".

(2) The amendment made in section 17 of the principal Act by sub-section (1) of this section shall in so far as it relates to section 69 be deemed to have come into force on the date of commencement of this Act.

Amendment of
section 19 of
the principal
Act.

11. Section 19 of the principal Act is hereby amended in sub-section (2), and in sub-section (3), of that section, by the substitution, for the words "any child" occurring in each of those sub-sections, of the following:—

"any child (other than a child who is in receipt of income which is entirely occupational income) ".

Amendment of
section 20 of
the principal
Act.

12. Section 20 of the principal Act is hereby amended as follows:—

(a) in sub-section (1) of that section, by the substitution, for all the words and the figure from "(1) The assessable incomes", to "of such family for such year of assessment.", of the following:—

"(1) (a) For any year of assessment ending prior to April 1, 1965, the assessable incomes of the members of a family other than the assessable income of the head of the family shall be aggregated, and

(b) for any year of assessment commencing on or after April 1, 1965, the assessable incomes of the members of a family (other than the assessable income of the head of the family and such portion of the assessable income of any child as consists of his occupational income) shall be aggregated,

and the assessable incomes so aggregated for any year of assessment shall be deemed to form part of the assessable income of the head of such family for that year of assessment.”; and

(b) by the addition, at the end of that section, of the following new sub-sections:—

“(3) Where in respect of any year of assessment commencing on or after April 1, 1965, a child who is in receipt of occupational income and income other than occupational income for that year of assessment is included in a family, such child shall be assessed separately in respect of his occupational income for that year of assessment, and his occupational income shall be deemed to be his assessable income for that year of assessment and accordingly—

(a) such assessable income less the allowances to which such child, had he been an individual not included in a family, would have been entitled under section 21 shall be his taxable income for such year;

(b) such child shall be liable to pay the tax on his taxable income; and

(c) any such relief or deduction to which such child is entitled under this Act shall be deducted from the income tax payable by such child in respect of such taxable income.

(4) Where in respect of any year of assessment commencing on or after April 1, 1965, the entirety of the assessable incomes of the members of a family are aggregated and such aggregated income is deemed to form part of the assessable income of the head of that family, any such relief or deduction to which any member of that family is entitled under this Act shall be deducted from the income tax payable by the head of that family.”.

Amendment of
section 21 of
the principal
Act.

13. Section 21 of the principal Act, as amended by Act No. 12 of 1964, is hereby further amended as follows:—

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

‘ (4A) Sub-section (4) shall, in its application in respect of each year of assessment commencing on or after April 1, 1965, have effect as though for the words “ not more than five ”, wherever those words occur collectively in that sub-section, there were substituted the words “ not more than four ”.’;

(b) in sub-section (6) of that section (inserted therein by Act No. 12 of 1964), by the substitution, for the words “ whichever is less.”, of the following:—

“ whichever is less, and if such individual is included in a family such allowance shall, subject to the provisions of sub-section (7), be deducted from the assessable income of the head of that family.”; and

(c) by the insertion, at the end of that section, of the following new sub-section:—

“ (7) Where for any year of assessment commencing on or after April 1, 1965, any part of the assessable income of a member of a family who is a child has not been aggregated with the assessable income of the head of the family under paragraph (b) of sub-section (1) of section 20, no deduction under sub-section (2) or sub-section (3) or sub-section (4) or sub-section (6) shall, in respect of that child, be made from the assessable income of the head of such family for that year in arriving at his taxable income for that year.”.

14. Section 23A of the principal Act (inserted therein by Act No. 12 of 1964) is hereby amended as follows:—

Amendment of
section 23A of
the principal
Act.

- (1) in sub-section (1) of that section, by the substitution, for all the words and figures from “applies” to the end of that sub-section, of the following:—

“applies—

(a) income tax for the year of assessment ending on March 31, 1965, shall be computed in accordance with the appropriate provisions of Part II of the Second Schedule to this Act, and

(b) income tax for any year of assessment commencing on or after April 1, 1965, shall be computed in accordance with the appropriate provisions of Part III of the Second Schedule to this Act.”;

- (2) in sub-section (2) of that section, in paragraph (a) and paragraph (b) of that sub-section, by the substitution, for the expression “any year of assessment commencing on or after April 1, 1964,”, occurring in each of those paragraphs, of the expression “the year of assessment ending on March 31, 1965,”; and

- (3) by the insertion, immediately after sub-section (2) of that section, of the following new sub-section:—

“ (3) For the purposes of the computation of the income tax payable for any year of assessment commencing on or after April 1, 1965, on the taxable income of any person who is the head of a family, the first slab of Rs. 3,000 and the second slab of Rs. 3,000 specified in paragraph (A) of Part III of the Second Schedule to this Act shall be increased—

(i) if he has a wife, by Rs. 1,000 in respect of the wife, and

(ii) if he has one or more children who are not in receipt of any occupational income and dependent

relatives, or one or more children who are not in receipt of any occupational income or dependent relatives, by Rs. 500 in respect of each of not more than four of the total number of such children and dependent relatives or such children or dependent relatives, as the case may be.”.

Amendment of
section 24 of
the principal
Act.

15. Section 24 of the principal Act, as amended by Act No. 12 of 1964, is hereby further amended as follows:—

(1) in paragraph (b) of that section, by the substitution, for the words “ in such preceding year, and ”, of the words “ in such preceding year,”;

(2) in paragraph (c) of that section, by the substitution, for the words “ in such preceding year. ”, of the words “ in such preceding year, and ”; and

(3) by the addition, at the end of that section, of the following new paragraph:—

“(d) the provisions of Part III of the Second Schedule to this Act shall, in their application to that individual for any year of assessment commencing on or after April 1, 1965, have effect as if each of the sums mentioned in that Part of that Schedule, or the aggregate of the sums computed in the manner mentioned in sub-section (3) of section 23A, as the case may be, were reduced in the proportion which the number of days during which he is resident bears to the number of days in such preceding year.”.

16. (1) Section 25 of the principal Act is hereby amended as follows:—

Amendment of
section 25 of
the principal
Act.

(a) by the insertion, immediately after sub-section (1) of that section, of the following new sub-section:—

‘ (1A) Sub-section (1) of this section shall for each year of assessment commencing on or after April 1, 1965, have effect subject to the following modifications:—

(a) as though in paragraph (a) of that sub-section, there were substituted, for the expression “ 57 per centum ”, the expression “ 50 per centum ”; and

(b) as though in the proviso to that sub-section, there were substituted, for the expression “ 28½ per centum ”, wherever that expression occurs in that proviso, the expression “ 25 per centum ”; and

(b) by the insertion, immediately after sub-section (2) of that section, of the following new sub-section:—

“ (2A) Where a dividend is paid by any non-resident company to a resident company out of the profits of such non-resident company for any year of assessment and the Commissioner is satisfied that such non-resident company has paid income tax under this Act on more than half of its total profits (whether arising in or derived from Ceylon or elsewhere) for such year of assessment, that dividend shall, notwithstanding anything to the contrary in any other provision of this Act, be deemed not to form part of the assessable income of such resident company.”.

(2) The amendment made in section 25 of the principal Act by paragraph (b) of sub-section (1) of this section shall be deemed to have come into force on the date of commencement of that Act.

Amendment of
section 26 of
the principal
Act.

17. (1) Section 26 of the principal Act is hereby amended as follows:—

(a) by the insertion, immediately after sub-section (1) of that section, of the following new sub-section:—

‘ (1A) Sub-section (1) of this section shall for each year of assessment commencing on or after April 1, 1965, have effect as though there were substituted, for the expression “ 57 per centum ”, wherever that expression occurs in that sub-section, the expression “ 50 per centum ” ’;

(b) in sub-section (2) of that section, in paragraph (c) of that sub-section, by the substitution, for the expression “ section 58 ”, of the expression “ section 59 ”;

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

“ (3) Where a dividend is paid by any resident company to any non-resident company and either—

(a) a deduction has been made under section 27 (1) in respect of that dividend by the first-mentioned company, or

(b) that dividend consists of any part of the amount of a dividend received by the first-mentioned company from another resident company,

that dividend shall, notwithstanding anything to the contrary in any other provision of this Act, be deemed not to form part of the assessable income of the second-mentioned company.”; and

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

“ (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

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, and

- (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 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 Crown 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.”.

(2) The amendments made in section 26 of the principal Act by paragraphs (b), (c) and (d) of sub-section (1) of this section shall be deemed to have come into force on the date of commencement of that Act.

18. (1) Section 27 of the principal Act is hereby amended as follows:—

Amendment of
section 27 of
the principal
Act.

- (a) in sub-section (1) of that section, in the proviso to that sub-section, by the substitution, for the words “resident company,”, of the words and figures “resident company, or from a non-resident company referred to in sub-section (2A) of section 25,”;

- (b) in sub-section (4) of that section,—

- (i) by the substitution, for the words and figure “dividend in respect of which a deduction has been made under sub-section (1) and which”, of the words “dividend which”;

- (ii) by the substitution, for the words “statement in writing showing”, of the words “statement in writing specifying”;

- (iii) in paragraph (c) of that sub-section, by the substitution, for the words “paid; and”, of the word “paid;”;
- (iv) in paragraph (d) of that sub-section, by the substitution, for the words “so received.”, of the words and figures “so received and whether such other resident company is or is not a company whose profits and income are exempt from income tax by virtue of sub-section (2) of section 6; and”;
- (v) by the insertion, immediately after paragraph (d) of that sub-section, of the following new paragraph:—

“ (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 sub-section (2A) of section 25, the part of the amount of the dividend so received.”;

(c) in sub-section (5) of that section—

- (i) by the substitution, for the words “any other resident company,”, of the following:—

“any other resident company or from any non-resident company referred to in sub-section (2A) of section 25,”; and

- (ii) by the substitution, for the words “the said fifty per centum.”, of the following:—

“the said fifty per centum:

Provided, however, that the preceding provisions of this sub-section 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 sub-section (2) of section 6.”; and

(d) in sub-section (7) of that section, by the substitution, for the words "income of a person includes", of the words "income of a person other than a company includes".

(2) The amendments made in section 27 of the principal Act by sub-section (1) of this section shall be deemed to have come into force on the date of commencement of that Act.

19. (1) Section 29 of the principal Act, as amended by Act No. 12 of 1964, is hereby further amended in sub-section (2) of that section, as follows:—

Amendment of
section 29 of
the principal
Act.

(a) in paragraph (a) of that sub-section, by the substitution, for the words "at the rate", of the words "at the appropriate rate"; and

(b) in paragraph (b) of that sub-section, by the substitution, for all the words from "shall be the product" to the end of that paragraph, of the following:—

"shall—

(i) for the year of assessment commencing on April 1, 1964, be the product of the multiplication by ten of such portion of the taxable income of that company for that year of assessment as is attributable to the profits and income derived by that company from its immovable property in Ceylon, and

(ii) for every year of assessment commencing on or after April 1, 1965, be the product of the multiplication by five of such portion of the taxable income of that company for that year of assessment as is attributable to the profits and income derived by that company from its immovable property in Ceylon.

(2) The amendment made in section 29 of the principal Act by paragraph (b) sub-section (1) of this section shall, in so far as it relates to the year of assessment commencing on April 1, 1964, be deemed to have come into force on August 28, 1964, and accordingly any sum paid in excess of the amount of

the tax which a non-resident company would have paid under the principal Act as amended by sub-section (1) of this section shall be refunded to that company.

Amendment of
section 36 of
the principal
Act.

20. (1) Section 36 of the principal Act is hereby amended by the substitution, for the expression "taxable wealth", wherever that expression occurs in that section, of the expression "net wealth".

(2) The amendment made in section 36 of the principal Act by sub-section (1) of this section shall be deemed to have come into force on the date of commencement of that Act.

Amendment of
section 44 of
the principal
Act.

21. (1) Section 44 of the principal Act is hereby amended as follows:—

(a) by the substitution, for the expression "taxable wealth", wherever that expression occurs in that section, of the expression "net wealth";

(b) in sub-section (4) of that section, by the substitution, for all the words from "then for such period" to "she shall be assessed", of the following:—

"then, as the case may be, she shall—

(a) for such period of the preceding year commencing on the first day of April and ending on the date of the marriage, if prior to that date she was an individual not included in a family, or

(b) for such period in that preceding year during which the marriage does not subsist,

be assessed".

(2) The amendments made in section 44 of the principal Act by sub-section (1) of this section shall be deemed to have come into force on the date of commencement of that Act.

Amendment of
sections 45, 47
and 50 of
the principal
Act.

22. (1) Sections 45, 47 and 50 of the principal Act are hereby amended by the substitution, for the expression "taxable wealth", wherever that expression occurs in those sections, of the expression "net wealth".

(2) The amendment made in the principal Act by sub-section (1) of this section shall be deemed to have come into force on the date of commencement of that Act.

23. The following new section is hereby inserted immediately after section 53, and shall have effect as section 53A, of the principal Act:—

Insertion of
new section
53A in the
principal Act.

" Deduction
of certain
expenses in
ascertaining
profits from
agriculture.

53A. (1) For the purpose of ascertaining the profits from any agricultural land, the succeeding provisions of this section shall apply in addition to, and shall be read with, Chapter II.

(2) There shall be deducted for the purposes of ascertaining the profits or income for any year of assessment commencing on or after April 1, 1965, of any land used for purposes of agriculture all expenses incurred—

(a) in opening up that land for cultivation, and

(b) in cultivating that land with palms, trees, bushes or food-stuffs for the purpose of producing coconut, rubber, tea, cocoa or other produce."

24. (1) The following heading is hereby inserted immediately after section 53A of the principal Act:—

" DD—ANIMAL HUSBANDRY."

Insertion of
new heading
and new
section 53B in
the principal
Act.

(2) The following section is hereby inserted in the principal Act immediately after the heading inserted therein by sub-section (1) of this section, and shall have effect as section 53B of that Act:—

" Deduction
of certain
expenses in
ascertaining
profits from
animal
husbandry.

53B. (1) For the purpose of ascertaining the profits and income from animal husbandry, the succeeding provisions shall apply in addition to, and shall be read with, Chapter II.

(2) There shall be deducted for the purpose of ascertaining the profits or income for any year of assessment commencing on or after April 1, 1965, from animal husbandry all expenses incurred—

(a) in opening up any land for that purpose, and

(b) in the purchase of livestock or poultry to be kept on such land.”.

Insertion of
new heading
and new
section 53c in
the principal
Act.

25. (1) The following heading is hereby inserted immediately after section 53B of the principal Act:—

“DDD.—MANUFACTURE FOR EXPORT.”.

(2) The following section is hereby inserted in the principal Act immediately after the heading inserted therein by sub-section (1) of this section, and shall have effect as section 53c of that Act:—

‘Relief from
income tax on
account of
goods manu-
factured in,
and exported
from, Ceylon.

53c. (1) Where a person during the year preceding any year of assessment commencing on or after April 1, 1965, exports from Ceylon any goods manufactured by him in Ceylon, such person shall be entitled to a set-off against the income tax payable by him in respect of that year of assessment of an amount equal to five per centum of the f. o. b. value of the goods so exported, if the Assessor is satisfied that the following conditions are fulfilled:—

(a) that such goods fall within the class or description of goods approved for the purposes of this section by the Minister of Finance after consultation with the Minister in charge of the subject or function of industries and the Minister in charge of the subject or function of commerce and set out in a notification published in the *Gazette*,

(b) that such goods were exported by such person for purposes of trade,

(c) that the net amount of foreign currency obtained by the export of such goods—

(i) is certified by a prescribed authority, and

(ii) is an amount equivalent to at least twenty-five per centum of the f.o.b. value of such goods.

(2) In sub-section (1) of this section—

“ foreign currency ” has the same meaning as in the Exchange Control Act; and

“ net amount of foreign currency ”, in relation to any goods exported, means the f.o.b. value of such goods, less such portion of the foreign currency issued by the appropriate authority to the manufacturer of the goods as has been utilized by him for the purchase of the raw materials used by him in the manufacture of such goods.’.

26. (1) Section 54 of the principal Act is hereby amended, in sub-section (2) of that section, by the substitution, for the words and figure “ the provisions of sub-section (5),”, of the words “ the provisions of the succeeding sub-sections,”.

Amendment of
section 54 of
the principal
Act.

(2) The amendment made in section 54 of the principal Act by sub-section (1) of this section shall be deemed to have come into force on the date of commencement of that Act.

Insertion of
new section
65A in the
principal Act.

27. The following new section is hereby inserted immediately after section 65, and shall have effect as section 65A, of the principal Act:—

‘Ascertainment
of profits of
the Insurance
Corporation of
Ceylon from the
business of
life insurance.

65A. (1) The profits of the Insurance Corporation of Ceylon from the business of life insurance shall be the investment income of the Life Insurance Fund, less the management expenses (including commission) attributable to that business.

(2) For the purposes of this section, “investment income of the Life Insurance Fund” means such part of the income of the Insurance Corporation of Ceylon from investments as appears fairly attributable to the life insurance business of such Corporation.’.

Amendment of
section 67 of
the principal
Act.

28. (1) Section 67 of the principal Act is hereby amended as follows:—

(a) by the insertion, immediately after sub-section (1), of the following new sub-section:—

“ (1A) 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 donation made by such wife or child shall be deemed to be an approved donation made by the head of the family.”;

(b) in sub-section (3) of that section—

(i) by the substitution, for the words “any person or member of a family has in the year preceding any year of assessment made”, of the words “any person has, or is deemed to have, made”; and

(ii) by the substitution, for the words
“person or the head of that family”,
wherever those words occur collectively
in that sub-section, of the word
“person”; and

(c) in sub-section (4) of that section, by the
substitution, for the words “person has in
any year of assessment made”, of the words
“person has, or is deemed to have, made in
any year of assessment”.

(2) The amendments made in section 67 of the
principal Act by sub-section (1) of this section shall
be deemed to have come into force on the date of
commencement of that Act.

29. Section 68 of the principal Act is hereby
amended as follows:—

Amendment of
section 68 of
the principal
Act.

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

‘ (1A) Sub-section (1) of this section
shall, for each year of assessment com-
mencing on or after April 1, 1965, have
effect—

(a) as though, in the first proviso to
that sub-section, there were
substituted—

(i) for the words “fifteen per
centum”, the words
“twenty-five per centum”;

(ii) for the words “one-sixth of
his” the words “one-
fourth of his”; and

(iii) for the words “four thou-
sand rupees”, the words
“ten thousand rupees”;
and

(b) as though, in the second proviso to
that sub-section, there were
substituted, for the words
“further that,”, of the follow-
ing:—

“further that for any year
of assessment ending prior to
April 1, 1965,”; and

- (2) in sub-section (2) of that section, by the substitution, for the words "Where the assessable income", of the words "Where the entirety of the assessable income".

Amendment of
section 69 of
the principal
Act.

30. (1) Section 69 of the principal Act is hereby amended as follows :—

- (a) in sub-section (1) of that section, in the definition of "approved investment", by the substitution, in paragraph (b) of that definition, for the words "Government of Ceylon," of the following:—

"Government of Ceylon made prior to October 1, 1963 ;" ;

- (b) in sub-section (2) of that section, by the substitution, for the words "preceding any year of assessment", of the following:—

"preceding any year of assessment ending prior to April 1, 1965," ;

- (c) by the insertion, immediately after sub-section (2) of that section, of the following new sub-sections :—

"(2A) 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.

(2B) Where an individual 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." ; and

- (d) in sub-section (3) of that section, by the substitution, for the words "who has, in the year preceding any year of assessment, made", of the words "who has, or is deemed to have, made in the year preceding any year of assessment ending prior to April 1, 1965,".

(2) The amendment made in section 69 of the principal Act by paragraph (a) of sub-section (1) of this section shall be deemed to have come into force on October 1, 1963, and the amendments made in the aforesaid section 69 by paragraphs (c) and (d) of sub-section (1) of this section shall be deemed to have come into force on the date of commencement of that Act.

31. (1) The following heading is hereby inserted immediately after section 69 of the principal Act:—

“ LL.—RELIEF IN CASES OF APPROVED SAVINGS.”.

Insertion of
new heading
and new
section 69A in
the principal
Act.

(2) The following section is hereby inserted in the principal Act immediately after the heading inserted therein by sub-section (1) of this section, and shall have effect as section 69A of that Act:—

Deductions
from income
tax for
approved
savings.

69A. (1) In respect of any year of assessment commencing on or after April 1, 1965—

(a) where an individual has made one or more approved savings and where the highest rate of income tax applicable to that individual is eighty per centum, he shall be entitled to a deduction from the income tax payable by him for that year of assessment of an aggregate sum consisting of—

(i) a sum equivalent to fifty per centum of the amount of the net approved saving, or if he has made more than one approved saving, the aggregate amount of such net approved savings, in respect of that year of assessment, or a sum equivalent to fifty per centum of the portion of his taxable income on which income tax is payable at eighty per centum, whichever sum is less;

(ii) if the amount or the aggregate amount of such net approved saving or savings exceeds the portion of his taxable income on which income tax is payable at eighty per centum, a sum equivalent to thirty-three and one-third per centum of such excess or a sum equivalent to thirty-three and one-third per centum of the portion of his taxable income on which income tax is payable at sixty-five per centum, whichever sum is less ; and

(iii) if the amount or the aggregate amount of such net approved saving or savings exceeds the portion of his taxable income on which income tax is payable at eighty per centum and the portion of his taxable income on which income tax is payable at sixty-five per centum, a sum equivalent to twenty-five per centum of such excess or a sum equivalent to two thousand five hundred rupees, whichever sum is less;

(b) where an individual has made one or more approved savings and where the highest rate of income tax applicable to that individual is sixty-five per centum, he shall be entitled to a deduction from the income tax payable by him for that year of assessment of an aggregate sum consisting of—

- (i) a sum equivalent to thirty-three and one-third per centum of the amount or the aggregate amount of such net approved saving or savings or a sum equivalent to thirty-three and one-third per centum of the portion of his taxable income on which income tax is payable at sixty-five per centum, whichever sum is less; and
- (ii) if the amount or the aggregate amount of such net approved saving or savings exceeds the portion of his taxable income on which income tax is payable at sixty-five per centum, a sum equivalent to the tax calculated at the effective rate on the amount of such excess or calculated at twenty-five per centum on the amount of such excess where the effective rate exceeds twenty-five per centum, and the amount of such excess on which the tax is calculated shall not exceed one-fourth of his assessable income for that year of assessment or ten thousand rupees, whichever is less; and
- (c) where an individual has made one or more approved savings and where the highest rate of income tax applicable to that individual does not exceed forty-five per centum, he shall be entitled to a deduction from the income tax payable by him

for that year of assessment of a sum equivalent to the tax calculated at the effective rate on the amount or the aggregate amount of such net approved saving or savings or calculated at twenty-five per centum of such amount or aggregate amount where the effective rate exceeds twenty-five per centum, and the amount or aggregate amount on which the tax is calculated shall not exceed one-fourth of his assessable income for that year of assessment or ten thousand rupees, whichever is less.

(2) "Approved saving" for the purposes of sub-section (1) means—

(a) any payment of any premia on any such life insurance policy, or for the purchase of any such annuity, as is referred to in section 68, the amount of such payment being the excess over the amount of such premia on which the effective rate is calculated for the purposes of section 68,

(b) any money deposited in any special account in the Central Bank of Ceylon or in such other institution as may be approved for the purpose by Order of the ~~Minister made on the recommendation of the Monetary Board of the Central Bank of Ceylon and published in the~~ *Gazette*,

(c) any money invested in any security of the Government of Ceylon, other than money invested in Tax Reserve Certificates within the meaning of the Tax Reserve Certificates Act, No. 22 of 1957,

- (d) any money paid or payable as wealth tax for the year of assessment in respect of which a deduction is to be made under sub-section (1),
- (e) any repayment of a loan taken, or debt incurred, prior to the ninth day of August, 1965, for the purchase of any property, or the repayment of any part of such loan or debt,
- (f) any repayment of a loan which was taken prior to the ninth day of August, 1965, on the hypothecation of any property, or the repayment of any part of such loan, or
- (g) any approved investment within the meaning of section 69.

For the purposes of paragraph (g) of this sub-section, "approved investment" in section 69 means—

- (a) an investment in an approved project other than—
 - (i) an investment for the purpose of purchasing an existing investment, or
 - (ii) an investment for the purpose of purchasing shares in a company, being an investment so made after the expiry of six years commencing from the date of the first issue of shares of that company, or
 - (iii) an investment for the purpose of purchasing shares in a company which are not ordinary shares; or
- (b) an investment in an undertaking as is considered by the Minister of Finance to be essential for the economic progress of Ceylon and is declared by him by notice

published in the *Gazette* to be an approved investment for the purposes of this section; or

- (c) any other class of investment as is considered by the Minister of Finance to be essential for the economic progress of Ceylon and is declared by him by notice published in the *Gazette* to be an approved investment for the purposes of this section.

(3) Where any sum of money in an approved saving specified in paragraph (b) or paragraph (c) or paragraph (g) of sub-section (2) is withdrawn or realized by the individual, who made that saving, before the expiry of a period of one year after the date of the making of that saving, then that sum of money shall not be deemed to be an approved saving for the purposes of sub-section (2) and, accordingly, where any deduction from income tax was granted to that individual under sub-section (1) in respect of that approved saving, then in respect of that year of assessment in which such deduction was granted an additional assessment consisting of the amount of income tax to which that individual, or if that individual is a member of a family, the head of that family, would have been liable if such deduction had not been granted, shall notwithstanding anything in this Act, be made in respect of that individual or the head of that family, and the provisions of this Act relating to notice of assessment, appeal and other proceedings shall apply in relation to such additional assessment.

(4) Where an individual has made one approved saving, "net approved saving" means the amount of such approved saving, or where such individual has made more than one approved saving, "net approved savings" means

the aggregate amount of such savings, after deducting therefrom any or all of the following:—

- (a) the proceeds of the sale of any property held by that individual on the thirty-first day of March, 1964;
- (b) any loan due and repaid to that individual if such loan was outstanding on the thirty-first day of March, 1964;
- (c) the proceeds of the sale of any property or the amount of any loan repaid if such property had been purchased or such loan had been given out of the proceeds of a sale referred to in paragraph (a) or out of any money repaid as a loan and referred to in paragraph (b);
- (d) the amount of any gift in cash received by that individual;
- (e) the amount realized by the sale of any property received by that individual on or after April 1, 1964, by way of gift or inheritance;
- (f) any sum received by that individual on the maturity, or upon the surrender, of a policy of life insurance;
- (g) the amount of any retiring gratuity or any sum in commutation of pension received by that individual or any sum paid from a provident fund to that individual on his retirement, or any sum paid to that individual as compensation for loss of office or employment, after deduction from such amount or sum any income tax payable thereon;
- (h) the amount of any approved saving withdrawn or realized and in respect of which a

deduction had been made from the income tax payable by that individual in any preceding year of assessment, unless it is proved to the satisfaction of the Assessor that such amount had been utilized for the purpose of making any gift; or

- (i) the value of a prize won by that individual at a sweep or lottery or the amount of any other profits of a casual and non-recurring nature received by that individual.

(5) Where it is proved to the satisfaction of the Assessor that the whole or any part of the proceeds of the sale in respect of any year of assessment commencing on or after April 1, 1965, of any property of the description specified in paragraph (a) or paragraph (e) of sub-section (4), or the amount, sum or value or proceeds of the sale, as the case may be, referred to in paragraph (b) or paragraph (c) or paragraph (d) or paragraph (f) or paragraph (g) or paragraph (i) of that sub-section, was used by that individual for the purpose of—

- (a) making a gift; or
- (b) paying any arrears of tax which that individual was liable to pay for any year of assessment prior to the year of assessment commencing on April 1, 1965, or for any period prior to April 1, 1965, under any written law for the time being administered by the Commissioner; or
- (c) purchasing any property other than property referred to in paragraph (c) or paragraph (g) of sub-section (2); or
- (d) investing in the mortgage of any property; or

(e) constructing a residential house, then for that year of assessment, notwithstanding anything in sub-section (4), such part of the proceeds of the sale or amount, sum or value, as the case may be, shall not be deducted for the purpose of determining the amount or the aggregate amount of the net approved saving or savings of that individual for that year of assessment.

(6) Where the deductions for determining the net approved saving or savings of any individual for any year of assessment commencing on or after April 1, 1965, exceed the amount or the aggregate amount of the approved saving or savings for that year of assessment, then such excess shall be deducted from the amount or the aggregate amount of the approved saving or savings of the succeeding year of assessment, and, where it cannot be so deducted, then from the amount or the aggregate amount of the approved saving or savings of the next succeeding year of assessment, and so on.

(7) Where in respect of any year of assessment commencing on or after April 1, 1965, an individual is entitled to a deduction from the income tax payable in respect of that year of assessment under the provisions of section 68 and this section, the deductions from the income tax payable by that individual for that year of assessment for the purposes of that section and of sub-paragraph (iii) of paragraph (a), sub-paragraph (ii) of paragraph (b), or paragraph (c), of sub-section (1) of this section shall, notwithstanding anything in that section and sub-section (1) of this section, be so calculated as to secure that the amount on which the deduction is calculated for the purposes of section 68 and of the

aforesaid sub-paragraphs and paragraph of sub-section (1) of this section shall not in the aggregate exceed one-fourth of the assessable income of that individual for that year of assessment or ten thousand rupees, whichever is less.

(8) Where, in respect of any year of assessment commencing on or after April 1, 1965, an individual has made an approved investment within the meaning of section 69 and either where the amount of such approved investment exceeds the portion of his taxable income on which income tax is payable at eighty per centum or where income tax is not payable at eighty per centum on any portion of his taxable income, then such individual shall be entitled to a further deduction under this section of a sum equivalent to the amount of the relief from income tax to which he would be entitled if section 69 were applicable to him after deducting from such sum such portion of the deduction under this section as is attributable to the amount of that approved investment, the rate applicable for the determination of such portion of the deduction being the highest rate which will be applicable for the calculation of the deduction from income tax under this section in respect of that individual.

(9) In this section—

“ effective rate ” shall have the same meaning as in sub-section (3) of section 17; and

“ property ” includes any interest in any movable or immovable property and does not include any motor vehicle kept for private use or household effects or other article of personal use.’.

82. (1) Section 71 of the principal Act is hereby amended in sub-section (1) of that section, by the substitution, for the words and figures "are made under the provisions of sub-section (1) of section 70.", of the following:—

Amendment of
section 71 of
the principal
Act.

"are or had been made under the provisions of sub-section (1) of section 70 or the provisions of the Double Taxation (Relief) Act."

(2) The amendment made in section 71 of the principal Act by sub-section (1) of this section shall be deemed to have come into force on the date of commencement of that Act.

83. (1) Section 72 of the principal Act is hereby amended in sub-section (1) of that section, by the substitution, for the words "have been made", of the words "have not been made".

Amendment of
section 72 of
the principal
Act.

(2) The amendment made in section 72 of the principal Act by sub-section (1) of this section shall be deemed to have come into force on the date of commencement of the principal Act.

34. (1) Section 73 of the principal Act is hereby amended as follows:—

Amendment of
section 73 of
the principal
Act.

(A) in sub-section (2) of that section—

(i) in paragraph (a) of that sub-section, by the substitution, for the words "residence provided, and", of the words "residence provided, ",

(ii) in paragraph (b) of that sub-section, by the substitution, for the words "allowance paid, ", of the words "allowance paid, and ", and

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

"(c) a sum of three hundred rupees out of the monthly remuneration paid, ";

(B) in sub-section (3) of that section, by the substitution, for the words "entertainment allowance paid", of the words "entertainment allowance, and a sum of three hundred rupees out of the monthly remuneration, paid";

(C) in sub-section (4) of that section—

- (i) in paragraph (a) of that sub-section, by the substitution, for the words “such person; and”, of the words “such person;”;
- (ii) in paragraph (b) of that sub-section in item (iv) of that paragraph, by the substitution, for the word “allowance,”, of the words “allowance; and”; and
- (iii) by the insertion, immediately after paragraph (b) of that sub-section, of the following new paragraph:—

“(c) a sum of three hundred rupees out of the monthly remuneration paid to such person,”;

(D) in sub-section (5) of that section—

- (i) in paragraph (a) of that sub-section, by the substitution, for the words “entertainment allowance, and”, of the words “entertainment allowance,”;
- (ii) in paragraph (b) of that sub-section, by the substitution, for the words “official conveyance,”, of the words “official conveyance, and”; and
- (iii) by the insertion, immediately after paragraph (b) of that sub-section, of the following new paragraph:—

“(c) a sum of three hundred rupees out of the monthly remuneration,”;

(E) in sub-section (6) of that section, by the substitution, for the words “the clerical allowance and the travelling allowance”, of the words “the clerical allowance, the travelling allowance, and a sum of three hundred rupees out of the monthly remuneration,”;

(F) by the insertion, immediately after sub-section (6) of that section, of the following new sub-section:—

“(6A) In the case of a person holding for the time being the office of Parliamentary Secretary, a sum of three hundred rupees

out of the monthly remuneration paid to such person by the Government of Ceylon shall not be taken into consideration in ascertaining the profits and income arising to such person from that office.”; and

(G) in sub-section (7) of that section, by the substitution, for the words “one-half of the travelling allowance”, of the words “the travelling allowance”.

(2) The amendments made in section 73 of the principal Act by sub-section (1) of this section shall be deemed to have come into force on the date of commencement of that Act.

35. Section 82 of the principal Act is hereby amended as follows:—

Amendment of
section 82 of
the principal
Act.

(a) in sub-section (1) of that section as follows:—

(i) by the substitution, for the words “has a wife, child”, of the words “has a wife, child (other than a child who is in receipt of income which is wholly occupational income)”;

(ii) by the substitution, for the words “as may be prescribed.”, of the words “as may be prescribed. Any such particular, if it relates to the amount of income derived from any source, shall—

(a) if regular accounts are maintained in relation to such source of income, be the amount computed on such accounts, and

(b) if no regular accounts are maintained in relation to such source of income, be the amount which the person furnishing the return believes in good faith to be the amount of income derived from that source.”; and

(b) in sub-section (5) of that section, by the substitution, for the expression “under sub-section (3) or under sub-section (4)”, of the expression “under sub-section (4)”.

Amendment of
section 92 of
the principal
Act.

36. Section 92 of the principal Act is hereby amended in sub-section (1) of that section as follows :—

(1) by the substitution, for the words “ has a wife, child ”, of the words “ has a wife, child (other than a child who is in receipt of income which is wholly occupational income) ”; and

(2) by the substitution, for all the words from “ order that person ” to the end of that sub-section, of the following :—

“ order that person—

(a) to pay as a penalty for failure to comply with the requirements of such notice a sum not exceeding two hundred and fifty rupees, and

(b) to furnish such return within a specified period. ”.

Amendment of
section 97 of
the principal
Act.

37. Section 97 of the principal Act is hereby amended by the repeal of sub-section (3) of that section.

Amendment of
section 103 of
the principal
Act.

38. (1) Section 103 of the principal Act is hereby amended by the substitution, for all the words from “ assessed thereby, ” to “ shall be final and conclusive ”, of the following :—

“ assessed thereby, or where agreement is reached under section 97 (6) as to the amount of such assessable income, or taxable wealth, or taxable gifts, or where the amount of such assessable income, or taxable wealth, or taxable gifts has been determined on appeal, the assessment as made or agreed to or determined on appeal, as the case may be, shall be final and conclusive ”.

(2) The amendment made in section 103 of the principal Act by sub-section (1) of this section shall be deemed to have come into force on the date of commencement of that Act.

Amendment of
section 106 of
the principal
Act.

39. (1) Section 106 of the principal Act is hereby amended as follows :—

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

“ (1) Subject to the provisions 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. ” ;

- (b) by the insertion, immediately after sub-section (1) of that section, of the following new sub-sections :—

‘(1A) Where any person liable to pay income tax, wealth tax or gifts tax satisfies the Commissioner, on or before the date specified in the notice given to such person under sub-section (1) for the payment of 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 of Ceylon or from moneys lying to his credit in the Ceylon Savings Bank or the Ceylon Post Office 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.

(1B) 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 specified in the notice given

to him under sub-section (1) for the payment of 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 sub-section, the expression "executor" does not include any person who takes possession of or intermeddles with the property of a deceased person.';

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

" (4A) 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. "; and

- (d) in sub-section (5) of that section as follows :—

(i) by the substitution, for the words " any tax ", of the words " any tax or instalment thereof ";

(ii) by the substitution, for the words " the tax ", wherever those words occur collectively in that sub-section, of the words " the tax or instalment thereof "; and

- (iii) by the substitution, for the words " such interest ", of the words " the sum so added. ".

40. Section 107 of the principal Act is hereby amended as follows :—

Amendment of
section 107 of
the principal
Act.

(1) in sub-section (1) of that section—

- (a) by the substitution, for all the words from " Where the Commissioner " to " such employer receives ", of the following:—

" Where the remuneration of any employee who is liable to tax under the provisions of this Act is paid monthly, the Commissioner may, by notice in writing given to the employer of such employee or the person responsible for the payment of the remuneration of such employee, direct such employer or such person to deduct during the period commencing on the first day of September in a year of assessment and ending on the thirty-first day of August in the succeeding year of assessment the amount of income tax or wealth tax or income tax and wealth tax payable in respect of the first-mentioned year of assessment by such employee in such number of monthly instalments as may be specified in such notice; and thereafter until such employer or such person receives ", and

- (b) by the substitution, for all the words from " set off " to the end of that sub-section, of the following:—

" set off against the income tax or wealth tax or income tax and wealth tax payable by such employee for the succeeding year of assessment. The amount so deducted each month from the remuneration of an employee shall be paid to the Commissioner by the employer or the person responsible for the payment of such remuneration. ";

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

“ (1A) Where under sub-section (1) any tax is deducted from the remuneration of an employee by his employer or by the person responsible for the payment of such remuneration, such employee shall, for the purposes of this Act, be deemed to have paid such tax on the date on which the deduction is made. ”;

- (3) in sub-section (2) of that section—

(a) by the substitution, for the words “ withdraw such direction ”, of the words “ withdraw such direction wholly or partly ”, and

(b) by the substitution, for all the words from “ employer ” to the end of that sub-section, of the following:—

“ employer or the person responsible for the payment of the remuneration of the employee if the employee has made arrangements to the satisfaction of the Commissioner for the payment of his income tax or wealth tax or income tax and wealth tax. ”;

- (4) in sub-section (3) of that section—

(a) by the substitution, for the words “ tax is to be deducted by his employer is ”, of the words “ any tax is to be deducted under the preceding provisions of this section by his employer or the person responsible for the payment of such remuneration is ”, and

(b) by the substitution, for the words “ the employer shall deduct the whole amount of the tax ”, of the words “ the employer or such person shall deduct the whole amount of such tax ”;

- (5) in sub-section (4) of that section—

(a) by the substitution, for all the words and figure from “ Where any

employee ” to “ he shall forthwith ”,
of the following:—

“ Where a direction for the deduction of any tax from the remuneration of an employee is given under sub-section (1) to his employer or to the person responsible for the payment of such remuneration and such employer or person is unable to deduct the whole or any part of such tax for the reason that such employee has left his employment or for any other reason, such employer or person shall forthwith ”, and

(b) by the substitution, for the words “ the employer has ”, of the words “ such employer or person has ”;

(6) in sub-section (5) of that section—

(a) by the substitution, for the words and figure from “ Where any employer ” to “ and has failed ”, of the following:—

“ Where, from the remuneration of an employee, the employer or the person responsible for the payment of such remuneration has failed to deduct any tax which he has been directed to deduct under sub-section (1) and such employer or person has failed ”,

(b) by the substitution, for the words “ where such employer has deducted ”, of the words “ where such employer or person has deducted ”,

(c) by the substitution, for the words “ such employer, if he is an individual, shall be liable, or where such employer is a company ”, of the words “ such employer or person, if he is an individual shall be liable or where such employer or person is a company ”, and

(d) by the substitution, for the words “ which such employer has been

directed to deduct", of the words
" which such employer or such person
has been directed to deduct ";

(7) in sub-section (6) of that section, by the substitution, for the words " Every employer ", of the words " Every employer or other person ";

(8) by the addition, at the end of that section, of the following new sub-section:—

' (7) For the purposes of this section—
" employee "—

(a) includes every person who holds
a paid office as a servant of the
Crown; and

(b) shall be deemed to include the
following:—

(i) the President and Deputy
President of the Senate,

(ii) the Speaker, the Deputy
Speaker, the Deputy
Chairman of Committees and the Leader of
the Opposition, of the
House of Representatives,

(iii) the Clerk to the Senate,
the Clerk to the House
of Representatives, or a
member of the staff of
the Clerk to the Senate
or the Clerk to the
House of Representatives,

(iv) a Minister or a Parlia-
mentary Secretary or the
Chief Government
Whip,

(v) a Senator or a Member of
Parliament by reason
only of the fact that he
receives any remunera-
tion as a Senator or such
Member,

- (vi) a member of the Public Service Commission,
 - (vii) a member of the Judicial Service Commission,
 - (viii) a director of a company or corporation. ' ; and
- (9) in the marginal note to that section, by the substitution, for the words " income tax ", of the words " income tax and wealth tax ".

41. (1) Section 108 of the principal Act is hereby amended by the substitution, for the words " together with ", of the word " and ".

Amendment of section 108 of the principal Act.

(2) The amendment made in section 108 of the principal Act by sub-section (1) of this section shall be deemed to have come into force on the date of commencement of that Act.

42. Section 109 of the principal Act is hereby amended in sub-section (1) of that section, in the proviso to that sub-section, by the substitution, in paragraph (i) of that proviso, for the figures " 110; ", of the words and figures " 110 or the vesting of the same under the provisions of section 111A; ".

Amendment of section 109 of the principal Act.

43. Section 110 of the principal Act is hereby amended in sub-section (2) of that section, in paragraph (b) of that sub-section, by the substitution, for all the words from " and any property so seized " to the end of that paragraph, of the following:—

Amendment of section 110 of the principal Act.

" and where the property so seized is cash in Ceylon currency, such currency shall be applied in satisfaction of the tax in default and where the property seized is not cash in Ceylon currency, such property shall be kept for five days at the costs and charges of the defaulter. If the defaulter does not pay the tax in default together with the costs and charges within the said five days, the Government Agent, Assistant Government Agent, Fiscal, Deputy Fiscal or tax collector shall cause such property to be sold by public auction or, where such property is a negotiable instrument or a share in any corporation or public company, to be sold through a broker at the market rate of the day. "

Amendment of
section 111 of
the principal
Act.

44. Section 111 of the principal Act is hereby amended as follows :—

- (1) in sub-section (1) of that section, by the substitution, for all the words from “ time of imposing such sentence: ” to the end of that sub-section, of the words “ time of imposing such sentence. ” ; and
- (2) by the insertion, immediately after sub-section (1) of that section, of the following new sub-section:—

“ (1A) The correctness of any statement in a certificate issued by the Commissioner for the purposes of sub-section (1) shall not be called in question or examined by the Magistrate in any proceeding under this section and accordingly nothing in that sub-section shall authorize a Magistrate to consider, or decide, the correctness of any statement in such certificate or to postpone or defer such proceeding by reason only of the fact that an appeal is pending against the assessment in respect of which the tax in default is charged. ”.

Insertion of
new section
111A in the
principal Act.

45. The following new section is hereby inserted immediately after section 111, and shall have effect as section 111A, of the principal Act :—

Recovery of
tax by vesting
immovable
property of
defaulter in
the Crown.

111A. (1) Where any tax is in default and the Commissioner is of opinion that the recovery of such tax or any part thereof by the means provided in section 110 or section 111 is impracticable or inexpedient, he may make an application by petition in writing to the District Court having jurisdiction in the district where the defaulter resides or in which any immovable property belonging to the defaulter and specified in such petition is situate for an order by that Court that such property shall vest in the Crown.

Every such petition shall specify—

- (a) the particulars of the tax in default ;
- (b) the name or names and the address or addresses of the person or persons by whom the tax is payable ; and

(c) the particulars of immovable property to be vested in the Crown.

There shall be attached to every such petition a certificate under the hand of the Commissioner that the amount of the tax specified in the petition is due from the defaulter.

(2) Whenever the Commissioner makes an application to a District Court under this section, he shall forthwith issue to the defaulter, whether resident or non-resident, a notification thereof by personal service, registered letter sent through the post or telegraph, but the non-receipt of such notification by the defaulter shall not invalidate proceedings under this section.

(3) Within ten days after the date on which an application is made to a District Court by the Commissioner under sub-section (1), the Commissioner shall cause to be published in the *Gazette* a notice setting out the petition made in respect of such application.

(4) No person shall, on or after the date on which a notification was issued to a defaulter under sub-section (2) of an application made by petition in writing to a District Court for the vesting of any property, alienate to any other person—

(a) any property which is specified in that petition; or

(b) any rights in respect of that property,

and any alienation of that property or those rights to any other person shall be null and void:

Provided that the preceding provisions of this sub-section shall not be deemed to apply to any property or portions of any property which is or are not vested under this section in the Crown by an order of the District Court.

In this sub-section, "alienate", when used with reference to any immovable property or rights in respect of that

property, includes an alienation, or a lease, hypothecation, transfer or disposal in any manner whatsoever of such property or such rights, and "alienation" shall be construed accordingly.

(5) Any person who wishes to prefer a claim to any immovable property in respect of which a notice under sub-section (3) has been published in the *Gazette* may, not later than fourteen days after the date of publication of such notice, apply by petition in writing to the District Court, to which the application was made by the Commissioner under sub-section (1), to have such property declared as not liable to vesting in the Crown. Every such petition shall set out the right, title or interest of the petitioner to or in such property.

(6) The District Court to which the application was made by the Commissioner under sub-section (1) shall, after the expiry of the period of fourteen days referred to in sub-section (5), proceed in a summary manner to investigate and determine such claims as have been made in respect of the immovable property proposed to be vested in the Crown by such application. At the end of the investigation of a claim—

(a) if the District Court is satisfied that the claimant is entitled to the ownership of the immovable property or any portion thereof, the Court shall make order accordingly, and

(b) if the Court is satisfied that the claimant has not established his claim to that property or that he has established his claim only to a portion thereof, the Court shall make order vesting in the Crown that property or that portion thereof in respect of which the claimant has not established ownership,

and the Court shall make such order as to costs as the Court shall deem just.

(7) If at the expiry of fourteen days referred to in sub-section (5), no claim has been made by any person under that sub-section, the Court shall make order that the immovable property specified in the application made by the Commissioner under sub-section (1) shall vest in the Crown.

(8) Where any immovable property is vested in the Crown under this section by an order of the District Court, such property shall vest in the Crown subject to such encumbrances and charges as were existing on the date on which the application was made by the Commissioner.

(9) Nothing in the preceding provisions of this section shall be deemed to empower the District Court to which an application is made by the Commissioner under sub-section (1) to call in question or examine in any investigation under this section the correctness of any statement relating to particulars of the tax in default in such application or in the certificate referred to in that sub-section or to postpone or defer such investigation by reason only of the fact that an appeal is pending against the assessment by which the tax which is in default was charged.

(10) An order under this section vesting in the Crown any immovable property of a defaulter may, upon an application made by the Commissioner, be revoked by the District Court by which such order was made.

(11) No application for the revocation of an order vesting in the Crown any immovable property of a defaulter shall be made to the District Court by the Commissioner except in any of the following cases:—

(a) Where the assessment of the tax in default is annulled upon the final determination of an

appeal made under Chapter XII of this Act against such assessment.

(b) Where the tax which the defaulter is liable to pay after the final determination of any appeal made under Chapter XII of this Act is paid by him within forty days after such final determination or within six months after the date of the order vesting such immovable property in the Crown, whichever is the later.

(c) Where the amount of the tax in default is paid, when no appeal under Chapter XII of this Act is made by him against the assessment of the tax, by the defaulter within six months after the date on which the order vesting in the Crown such immovable property was made.

(12) Where an order under this section vesting in the Crown any immovable property of any person is revoked under sub-section (10), such person shall not be entitled to claim any compensation for any loss or damage which he may have suffered as a result of, or in consequence of, the order vesting such immovable property in the Crown having been made; and no action against the Crown for compensation for any such loss or damage shall be entertained by any court.

(13) At any time after any immovable property is vested in the Crown under the provisions of this section, such time being not less than six months after the date of vesting, the Commissioner shall cause the market value of such property to be determined by the Chief Valuer of the Government or by a Valuer of the Valuation Department who is authorized in that behalf by the Chief Valuer of the Government.

(14) Where the market value of any immovable property vested in the Crown by an order of the District Court under this section is more than the amount of the tax which the defaulter has to pay, the Commissioner, in his discretion, may—

(i) with the approval of the Secretary to the Treasury, refund to the defaulter the amount by which the market value of that property exceeds the tax in default, or

(ii) cause such property to be sold.

(15) Every sale under this section of any immovable property shall be—

(a) on a date not earlier than six months after the date of the order vesting such property in the Crown;

(b) by public auction;

(c) after notice of such sale is given at least fourteen days before the date fixed for such sale by advertisement published in the *Gazette* and in one or more newspapers.

(16) The sum realized by the sale of any immovable property under this section shall be applied in the following order:—

(i) in satisfaction of the amount payable to any person who has a mortgage or charge on such immovable property and whose claim to such mortgage or charge has been proved to the satisfaction of the Commissioner,

(ii) in payment of the costs and charges of maintaining and selling the immovable property, and

(iii) in satisfaction of the tax in default.

and any balance shall be paid to the defaulter.

(17) (a) Where an order is made by the District Court vesting any immovable property in the Crown, the Court may in such order or in any subsequent order direct that any person authorized in that behalf by the Commissioner shall take possession of such property for and on behalf of the Crown.

(b) Where the person directed under this sub-section to take possession of any immovable property is unable or apprehends that he will be unable to take possession of that property because of any obstruction or resistance which has been or is likely to be offered, such person shall, on his making an application in that behalf to the District Court which directed him to take possession of such property, be entitled to an order of that Court directing the Fiscal to deliver possession of that property to him for and on behalf of the Crown.

(c) Where an order under paragraph (b) of this sub-section is issued to the Fiscal by a District Court, he shall forthwith execute that order and shall in writing report to that Court the manner in which that order was executed.

(d) For the purpose of executing an order under paragraph (b) of this sub-section, the Fiscal or any person acting under his direction may use such force as may be necessary to enter the property to which that order relates and to eject any person in occupation of that property and to deliver possession of that property to the person who is authorized to take possession of that property for and on behalf of the Crown.

(18) Where an order under this section vesting in the Crown any immovable property of any person is revoked under sub-section (10), the Crown shall be liable to account to such person for the income derived from such property during the period for which such property was vested in the Crown

and to pay such income to such person less the expenses incurred in maintaining such property during that period.

(19) Where any immovable property is sold under this section, the Commissioner shall in the name and on behalf of Her Majesty be entitled to execute the instrument of transfer of such property to the purchaser.

(20) Any person who is aggrieved by an order of the District Court under sub-section (6) may appeal therefrom to the Supreme Court, and the provisions of the Civil Procedure Code relating to appeals from the District Court to the Supreme Court shall apply in relation to such appeal.

(21) In this section—

“immovable property” means any land (other than a land which is subject to a fideicommissum, life interest or trust) and includes things attached to the earth or permanently fastened to anything attached to the earth; and

“market value” in relation to any immovable property, means the value which such property will fetch in the open market.”.

46. (1) Section 112 of the principal Act is hereby amended, in sub-section (5) of that section, by the substitution, for the words “agent or authorised representative”, of the word “agent”.

*Amendment of
section 112 of
the principal
Act.*

(2) The amendment made in section 112 of the principal Act by sub-section (1) of this section shall be deemed to have come into force on the date of commencement of that Act.

47. Section 118 of the principal Act is hereby amended in sub-section (1) of that section, by the insertion, immediately after paragraph (a) of that sub-section, of the following new paragraph:—

*Amendment of
section 118 of
the principal
Act.*

“ (aa) fails to comply with the provisions of an order given to him by the Commissioner under paragraph (b) of sub-section (1) of section 92; or ”.

Amendment of
section 125 of
the principal
Act.

48. Section 125 of the principal Act is hereby amended, in sub-section (2) of that section, by the omission of paragraph (c) of that sub-section.

Insertion of
new section
125A in the
principal Act.

49. The following new section is hereby inserted immediately after section 125, and shall have effect as section 125A, of the principal Act:—

“ Forms.

125A. The Commissioner may from time to time prescribe the forms to be used for all or any of the purposes of this Act; and any form so prescribed may from time to time be amended or varied by the Commissioner or some other form may be substituted by the Commissioner in place of any form so prescribed. ”.

Amendment of
section 126 of
the principal
Act.

50. Section 126 of the principal Act is hereby amended as follows:—

(1) in sub-section (1) of that section—

(a) in paragraph (ii) of that sub-section, by the substitution, for the word “ seize ”, of the words “ seize and deliver to the Commissioner ”;

(b) by the renumbering of paragraph (iii) of that sub-section as paragraph (v) of that sub-section;

(c) by the insertion, immediately after paragraph (ii) of that sub-section, of the following new paragraphs:—

“ (iii) for the purpose of effecting such delivery, guard or cause to be guarded, on the spot any such articles, books of account or other documents;

(iv) question any person whom he finds in that building or place with respect to any matter under this Act or the ownership of any such articles, books of accounts or other documents ;” ; and

(d) by the omission of all the words from “ In this sub-section ”, to “ Code ”; and

(2) by the addition, at the end of that section, of the following new sub-sections:—

‘ (3) (a) An article shall be seized and delivered to the Commissioner by the officer carrying out the search only if—

(i) any tax payable by the owner of such article under any written law administered by the Commissioner is in default, or

(ii) such officer is satisfied, after such investigation as he may deem necessary, that such article had been purchased by the owner thereof out of, or is, profits and income in respect of which income tax should have been payable by such owner but had not been paid by him.

(b) Where any article is seized under this section by an officer carrying out a search, the owner of such article shall be entitled to a receipt from such officer for the article so seized.

(4) Where any article is seized and delivered to the Commissioner under this section, the Commissioner may—

(a) if such article is cash in Ceylon currency, and if such cash is less than, or is equivalent to, the amount of the tax in default or the tax payable according to the Commissioner in respect of such article, set off such cash in partial or full satisfaction of such tax, or

(b) if such cash is more than the amount of such tax, set off so much of the cash as is equivalent to the amount of such tax in full satisfaction of such tax and return the balance to the owner of such article, or

(c) if such article is not cash in Ceylon currency, retain, subject to the provisions of sub-section (5), such article in his custody until—

(i) the tax in default, or the tax payable according to the Commissioner on the profits and income out of which such article had been purchased, as the case may be, is paid, or

(ii) arrangements are made to the satisfaction of the Commissioner for the payment of such tax.

(5) Where the tax is not paid or where arrangements are not made by the owner of the article as specified in sub-section (4) of this section within six months after the date of the seizure of such article, then the Commissioner shall cause such article to be sold by public auction.

(6) The sum realized by the sale of any article under this section shall be applied—

(i) firstly in payment of the costs and charges of seizing, keeping and selling the article, and

(ii) secondly in satisfaction of the tax payable by the owner of that article,

and the balance, if any, shall be paid to the owner of that article.

(7) In this section—

“ articles ” include cash, whether or not in Ceylon currency, postal orders, money orders, travellers cheques, letters of credit, bills of exchange, promissory notes, gold, jewellery, precious stones, and any stock-in-trade;

“ peace officer ” has the same meaning as in the Criminal Procedure Code.’.

Amendment of
section 129 of
the principal
Act.

51. (1) Section 129 of the principal Act is hereby amended as follows:—

(A) by the renumbering of that section as sub-section (1) of that section;

(B) in the renumbered sub-section (1)—

(a) in the definition of “ agricultural undertaking ” by the substitution, for the words “ or animal produce;”, of the words “ or any animal produce and includes any undertaking for the purpose of rearing livestock or poultry;”;

(b) in the definition of “ Assessor ”, by the substitution, for the words “ Senior Assessor of Inland Revenue;”, of the words “ Senior Assessor of Inland Revenue and an Assistant Assessor of Inland Revenue;”;

(c) in the definition of “ authorised representative ”, in paragraph (a) of that definition, in sub-paragraph (ii) of that paragraph, by the substitution, for the word “ proctor,”, of the words “ proctor or a member of the Institute of Chartered Accountants of Ceylon ”;

(d) in the definition of “ dependent relative ”, by the substitution, for paragraph (a) of that definition, of the following new paragraph:—

“ (a) a parent, brother or sister of that individual and if such individual has a wife, a parent, brother or sister of his wife,”;

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

“ “ occupational income ”, in relation to a child, means any income derived by that child through his personal exertions from any profession, vocation or employment carried on or exercised by him other than—

(a) any income derived by such child from any profession exercised by him in partnership with any person or persons if such person or one of such persons is a parent of such child, and

(b) any income derived by such child from any employment—

(i) in a business carried on by a parent of such child, or

(ii) in a partnership of which a parent of such child is a partner, or

(iii) in a company in which more than half of the total shares issued is held by not more than five persons, their wives or minor children either directly or through nominees and if one of such persons or wives is a parent of such child; and

(f) in the definition of "written-down value", by the substitution, for the expression "is allowed under section 10 (1)", of the expression "was allowed under paragraph (d) (i) or paragraph (e) (i) of section 11 (1) of the Income Tax Ordinance,"; and

(C) by the insertion, immediately after the renumbered sub-section (1), of the following new sub-section:—

' (2) The expression "For the purposes of this Act" or "appointed under this Act", in any context in which that expression occurs relating to the Commissioner of Inland Revenue or any Deputy Commissioner of Inland Revenue or any Assistant Commissioner of Inland Revenue or any Assessor of Inland Revenue or any abbreviation used to denote any such officer, means the person for the time being holding the office of Commissioner of Inland Revenue, Deputy Commissioner of

Inland Revenue, Assistant Commissioner of Inland Revenue or Assessor of Inland Revenue, as the case may be.'.

(2) The amendments made in the principal Act by paragraph (A), by sub-paragraphs (a), (b) and (f) of paragraph (B), and by paragraph (C), of sub-section (1) of this section shall be deemed to have come into force on the date of commencement of that Act and the amendments made in the principal Act by sub-paragraphs (d) and (e) of paragraph (B) of sub-section (1) of this section shall apply in respect of every year of assessment commencing on or after April 1, 1965.

52. Section 130 of the principal Act is hereby amended as follows:—

Amendment of
section 130 of
the principal
Act.

(1) in sub-section (4) of that section—

(A) by the relettering of paragraphs (a), (b), and (c) of that sub-section as paragraphs (g), (h) and (i), respectively;

(B) by the insertion, immediately before the relettered paragraph (g) of that sub-section, of the following new paragraphs:—

' (a) section 2 of that Ordinance is hereby amended in the definition of "authorized representative", in paragraph (a) of that definition, in sub-paragraph (ii) of that paragraph, by the substitution, for the word "proctor," of the words "proctor or a member of the Institute of Chartered Accountants of Ceylon.

(b) section 6A of that Ordinance, inserted therein by Act No. 13 of 1959, is hereby amended, by the insertion, immediately after sub-section (2) of that section, of the following new sub-section:—

" (2A) Where a capital gain or a capital loss arises, in the year of assessment commencing on April 1, 1962, from the change of ownership of any property, occurring either on the death of the owner or on his ceasing to be resident in Ceylon, such capital

gain or capital loss shall, notwithstanding anything to the contrary in the preceding provisions of this section, be deemed to be his capital gain or capital loss, as the case may be, arising in the year preceding that year of assessment.”;

(c) section 11 of that Ordinance, as amended by Act No. 13 of 1959, and therein referred to as section 9, is hereby amended as follows:—

(1) in sub-section (1E) of that section, by the substitution, for the words “repair of any plant,”, of the words “repair or renewal of any plant,”, and

(2) in sub-section (1M) of that section—

(i) in paragraph (c) of that sub-section, by the substitution, for the words “in constructing”, of the words “in constructing or renewing”, and

(ii) in paragraph (d) of that sub-section by the substitution, for all the words and figures from “in constructing any” to “for the purposes of an approved project,”, of the following:—

“in constructing or renewing any such building referred to in subparagraph (ii) or subparagraph (iii) of paragraph (e) of sub-section (1) as is to be used for the purposes of an approved project:

Provided that no person shall be entitled to any deduction under paragraph (c) or paragraph (d) of this sub-section for the renewal of any building if such person has been allowed to deduct the expenditure incurred in such renewal under sub-section (1j).";

(d) section 12 of that Ordinance, as amended by Act No. 10 of 1962, is hereby amended in sub-section (1) of that section, in paragraph (h) of that sub-section, by the substitution for the words "by way of United Kingdom income tax, or super tax or surtax (other than the excess of any such United Kingdom income tax, or super tax or surtax over such maximum amount", of the words "by way of income tax or super tax or surtax or any other tax of a similar character in any country with which arrangements for the avoidance of double taxation have been made by the Government of Ceylon (other than the excess of any such income tax, or super tax or surtax or other tax of a similar character, over such maximum amount";

(e) section 15 of that Ordinance, as amended by Act No. 13 of 1959, and therein referred to as section 13, is hereby further amended as follows:—

(1) in sub-section (1) of that section, in paragraph (d) of that sub-section:—

(i) by the omission of all the words from "and which has" to the end of that paragraph, and

(ii) by the insertion, at the end of that paragraph, of the following:—

“ For the purposes of the computation of the loss for the first year of assessment in respect of which any corporation referred to in section 8 or any undertaking referred to in section 9 becomes liable to income tax, such loss shall be the amount outstanding at the end of the period of six years during which its profits and income are not liable to tax under section 8 or section 9, as the case may be, after deduction from the profits and income of any succeeding year of assessment during such period of any loss incurred in the immediately preceding year of assessment or the aggregate of the losses incurred in more than one year of assessment during such period. Where the entirety or any portion of the amount of the losses of such corporation or undertaking cannot be deducted from the statutory income of

the first year of assessment in respect of which such corporation or undertaking becomes liable to income tax, such entirety or portion shall be deducted from the statutory income of the next succeeding year of assessment, and so far as it cannot be so deducted, then from the statutory income of the next year of assessment, and so on." ;

(2) in sub-section (3) of that section, in the proviso to that sub-section—

(i) in paragraph (i) of that proviso, for the words "amount of such loss;", of the words "amount of such loss ; and "

(ii) in paragraph (ii) of that proviso, for the words "and so on ; and ", of the words "and so on." ; and

(iii) by the omission of paragraph (iii) of that proviso ;

(f) by the insertion, immediately after section 43 of that Ordinance, of the following new section which shall have effect as section 43A of that Ordinance:—

* Ascertainment
of profits of the
Insurance
Corporation of
Ceylon from
the business
of life
insurance.

43A. (1) The profits of the Insurance Corporation of Ceylon from the business of life insurance shall be the investment income of the Life Insurance Fund less the management expenses (including commission) attributable to that business.

(2) For the purposes of this section, "investment income of the Life Insurance Fund" means such part of the income of the Insurance Corporation of Ceylon from investments as appears fairly attributable to the life insurance business of such Corporation.' ;

(C) by the insertion, immediately after the relettered paragraph (i), of the following new paragraphs:—

' (j) section 82 of that Ordinance is hereby amended by the substitution, for the words "together with", of the word "and" ;

(k) section 84 of that Ordinance is hereby amended, in sub-section (2) of that section, by the substitution, in paragraph (b) of that sub-section for all the words from "and any property so seized", to the end of that paragraph, of the following:—

"and where the property so seized is currency, such currency shall be applied in satisfaction of the tax in default and where the property so seized is not currency, such property shall be kept for five days at the costs and charges of the defaulter. If the defaulter does not pay the tax in default together with costs and charges within the said five days, the Government Agent, Assistant Government Agent, Fiscal, Deputy Fiscal or the tax collector shall cause such property to be sold by public auction or, where such property is a negotiable instrument or a share in any corporation or public company, to be sold through a broker at the market rate of the day." ; and

(l) by the insertion, immediately after section 85 of that Ordinance, of the following new section which shall

have effect as section 85A of that Ordinance:—

* Recovery of
tax by vesting
immovable
property of
defaulter in the
Crown.

85A. (1) Where any tax is in default and the Commissioner is of opinion that the recovery of such tax or any part thereof by the means provided in section 84 or section 85 is impracticable or inexpedient, he may make an application by petition in writing to the District Court having jurisdiction in the district where the defaulter resides or in which any immovable property belonging to the defaulter and specified in such petition is situate for an order by that Court that such property shall vest in the Crown.

Every such petition shall specify—

- (a) the particulars of the tax in default;
- (b) the name or names and the address or addresses of the person or persons by whom the tax is payable, and
- (c) the particulars of immovable property to be vested in the Crown.

There shall be attached to every such petition a certificate under the hand of the Commissioner that the amount of the tax specified in the petition is due from the defaulter.

(2) Whenever the Commissioner makes an application to a District Court under this section, he shall forthwith issue to the defaulter, whether resident or non-resident, a notification thereof by personal

service, registered letter sent through the post or telegraph, but the non-receipt of such notification by the defaulter shall not invalidate proceedings under this section.

(3) Within ten days after the date on which an application is made to a District Court by the Commissioner under sub-section (1), the Commissioner shall cause to be published in the *Gazette* a notice setting out the petition made in respect of such application.

(4) No person shall, on or after the date on which a notification was issued to a defaulter under sub-section (2) of an application made by petition in writing to a District Court for the vesting of any property, alienate to any other person—

(a) any property which is specified in that petition ; or

(b) any rights in respect of that property,

and any alienation of that property or those rights to any other person shall be null and void:

Provided that the preceding provisions of this sub-section shall not be deemed to apply to any property or portions of any property which is or are not vested under this section in the Crown by an order of the District Court.

In this sub-section, "alienate", when used with reference to any immovable property or rights in respect of that property, includes an

alienation, or a lease, hypothecation, transfer or disposal in any manner whatsoever of such property or such rights, and "alienation" shall be construed accordingly.

(5) Any person who wishes to prefer a claim to any immovable property in respect of which a notice under sub-section (3) has been published in the *Gazette* may, not later than fourteen days after the date of publication of such notice, apply by petition in writing to the District Court, to which the application was made by the Commissioner under sub-section (1), to have such property declared as not liable to vesting in the Crown. Every such petition shall set out the right, title or interest of the petitioner to or in such property.

(6) The District Court to which the application was made by the Commissioner under sub-section (1) shall, after the expiry of the period of fourteen days referred to in sub-section (5), proceed in a summary manner to investigate and determine such claims as have been made in respect of the immovable property proposed to be vested in the Crown by such application. At the end of the investigation of a claim—

(a) if the District Court is satisfied that the claimant is entitled to the ownership of the immovable property or any portion thereof, the Court shall make order accordingly, and

(b) if the Court is satisfied that the claimant has not established his claim to that property or that he has established his claim only to a portion thereof, the Court shall make order vesting in the Crown that property or that portion thereof in respect of which the claimant has not established ownership,

and the Court shall make such order as to costs as the Court shall deem just.

(7) If at the expiry of fourteen days referred to in sub-section (5), no claim has been made by any person under that sub-section, the Court shall make order that the immovable property specified in the application made by the Commissioner under sub-section (1) shall vest in the Crown.

(8) Where any immovable property is vested in the Crown under this section by an order of the District Court, such property shall vest in the Crown subject to such encumbrances and charges as were existing on the date on which the application was made by the Commissioner.

(9) Nothing in the preceding provisions of this section shall be deemed to empower the District Court to which an application is made by the Commissioner under sub-section (1)

to call in question or examine in any investigation under this section the correctness of any statement relating to particulars of the tax in default in such application or in the certificate referred to in that sub-section or to postpone or defer such investigation by reason only of the fact that an appeal is pending against the assessment by which the tax which is in default was charged.

(10) An order under this section vesting in the Crown any immovable property of a defaulter may, upon an application made by the Commissioner, be revoked by the District Court by which such order was made.

(11) No application for the revocation of an order vesting in the Crown any immovable property of a defaulter shall be made to the District Court by the Commissioner except in any of the following cases:—

(a) Where the assessment of the tax in default is annulled upon the final determination of an appeal made under Chapter XI of this Ordinance against such assessment.

(b) Where the tax which the defaulter is liable to pay after the final determination of any appeal made under Chapter XI of this Ordinance is paid by him within forty days

after such final determination or within six months after the date of the order vesting such immovable property in the Crown, whichever is the later.

(c) Where the amount of tax in default is paid, when no appeal under Chapter XI of this Ordinance is made by him against the assessment of the tax, by the defaulter within six months after the date on which the order vesting in the Crown such immovable property was made.

(12) Where an order under this section vesting in the Crown any immovable property of any person is revoked under sub-section (10), such person shall not be entitled to claim any compensation for any loss or damage which he may have suffered as a result of, or in consequence of, the order vesting such immovable property in the Crown having been made; and no action against the Crown for compensation for any such loss or damage shall be entertained by any court.

(13) At any time after any immovable property is vested in the Crown under the provisions of this section, such time being not less than six months after

the date of vesting, the Commissioner shall cause the market value of such property to be determined by the Chief Valuer of the Government or by a Valuer of the Valuation Department who is authorized in that behalf by the Chief Valuer of the Government.

(14) Where the market value of any immovable property vested in the Crown by an order of the District Court under this section is more than the amount of the tax which the defaulter has to pay, the Commissioner, in his discretion may—

(i) with the approval of the Secretary to the Treasury, refund to the defaulter the amount by which the market value of that property exceeds the tax in default, or

(ii) cause such property to be sold.

(15) Every sale under this section of any immovable property shall be—

(a) on a date not earlier than six months after the date of the order vesting such property in the Crown,

(b) by public auction,

(c) after notice of such sale is given at least fourteen days before the date fixed for such sale by advertisement published in the *Gazette* and in one or more newspapers.

(16) The sum realized by the sale of any immovable property under this section shall be applied in the following order:—

- (i) in satisfaction of the amount payable to any person who has a mortgage or charge on such immovable property and whose claim to such mortgage or charge has been proved to the satisfaction of the Commissioner,
- (ii) in payment of the costs and charges of maintaining and selling the immovable property, and
- (iii) in satisfaction of the tax in default,

and any balance shall be paid to the defaulter.

(17) (a) Where an order is made by the District Court vesting any immovable property in the Crown, the Court may in such order or in any subsequent order direct that any person authorized in that behalf by the Commissioner shall take possession of such property for and on behalf of the Crown.

(b) Where the person directed under this sub-section to take possession of any immovable property is unable or apprehends that he will be unable to take possession of that property because of any obstruction or resistance which has been or is likely to be offered, such person shall, on

his making an application in that behalf to the District Court which directed him to take possession of such property, be entitled to an order of that Court directing the Fiscal to deliver possession of that property to him for and on behalf of the Crown.

(c) Where an order under paragraph (b) of this subsection is issued to the Fiscal by a District Court, he shall forthwith execute that order and shall in writing report to that Court the manner in which that order was executed.

(d) For the purpose of executing an order under paragraph (b) of this subsection, the Fiscal or any person acting under his direction may use such force as may be necessary to enter the property to which that order relates and to eject any person in occupation of that property and to deliver possession of that property to the person who is authorized to take possession of that property for and on behalf of the Crown.

(18) Where an order under this section vesting in the Crown any immovable property of any person is revoked under sub-section (10), the Crown shall be liable to account to such person for the income derived from such property during the period for which such property was vested in the Crown and to pay such income to such person less the expenses incurred in maintaining such property during that period.

(19) Where any immovable property is sold under this section, the Commissioner shall in the name and on behalf of Her Majesty be entitled to execute the instrument of transfer of such property to the purchaser.

(20) Any person who is aggrieved by an order of the District Court under sub-section (6) may appeal therefrom to the Supreme Court, and the provisions of the Civil Procedure Code relating to appeals from the District Court to the Supreme Court shall apply in relation to such appeal.

(21) In this section—

“immovable property”
means any land
(other than a land
which is subject to a
fideicommissum, life
interest or trust) and
includes things
attached to the earth
or permanently
fastened to anything
attached to the earth:
and

“market value”, in rela-
tion to any immovable
property, means the
value which such
property will fetch in
the open market.’ :
and

(2) in sub-section (5) of that section, by the substitution, for all the words, letters and figures from “by paragraphs (a) and (b)” to “April 1, 1959:”, of the following:—

“by paragraph (b) of sub-section (4) shall be deemed to have come into operation on April 1, 1962, the amendments made to that Ordinance

by paragraph (c) of sub-section (4) shall be deemed to have come into operation on April 1, 1957, the amendments made to that Ordinance by sub-paragraph (1) of paragraph (e) of sub-section (4) shall be deemed to have come into force on May 15, 1959, the amendments made to that Ordinance by sub-paragraph (2) of paragraph (e) of sub-section (4) shall be deemed to have come into operation on April 1, 1958, the amendments made to that Ordinance by paragraph (f) of sub-section (4) shall be deemed to have come into operation on April 1, 1962, the amendments made to that Ordinance by paragraphs (g) and (h) of sub-section (4) shall be deemed to have come into operation on April 1, 1958, the amendment made to that Ordinance by sub-paragraph (iv) of paragraph (i) of sub-section (4) shall be deemed to have come into operation on April 1, 1959, and the amendments made to that Ordinance by paragraph (j) of sub-section (4) shall be deemed to have come into operation on February 2, 1956:".

53. The First Schedule to the principal Act, as amended by Act No. 12 of 1964, is hereby further amended as follows:—

Amendment of
the First
Schedule to
the principal
Act.

(1) by the substitution, for the item relating to Non-resident Individuals, of the following new item:—

"Non-resident Individuals Rate of tax

(a) For the year of assessment commencing on April 1, 1963—

On the first Rs. 20,000 of the taxable income	... 25 per centum
On the next Rs. 4,000 of the taxable income	... 30 per centum
On the next Rs. 4,000 of the taxable income	... 35 per centum

On the next Rs. 4,000 of the taxable income ...	40 per centum
On the next Rs. 4,000 of the taxable income ...	45 per centum
On the next Rs. 10,000 of the taxable income ...	50 per centum
On the next Rs. 10,000 of the taxable income ...	60 per centum
On the next Rs. 10,000 of the taxable income ...	70 per centum
On the balance of the taxable income ...	80 per centum

(b) For the year of assessment commencing on April 1, 1964—

On the first Rs. 15,000 of the taxable income ...	25 per centum
On the next Rs. 5,000 of the taxable income ...	30 per centum
On the next Rs. 5,000 of the taxable income ...	40 per centum
On the next Rs. 5,000 of the taxable income ...	45 per centum
On the next Rs. 5,000 of the taxable income ...	50 per centum
On the next Rs. 5,000 of the taxable income ...	55 per centum
On the next Rs. 7,000 of the taxable income ...	60 per centum

On the next Rs. 7,000
of the taxable
income ... 70 per centum
On the balance of the
taxable income ... 80 per centum.

(c) For each year of assess-
ment commencing on
or after April 1,
1965—

On the first Rs. 15,000
of the taxable
income ... 20 per centum

On the next Rs. 5,000
of the taxable
income ... 25 per centum

On the next Rs. 5,000
of the taxable
income ... 35 per centum

On the next Rs. 5,000
of the taxable
income ... 40 per centum

On the next Rs. 10,000
of the taxable
income ... 45 per centum

On the next Rs. 10,000
of the taxable
income ... 65 per centum

On the balance of the
taxable income ... 80 per centum.”;

(2) by the substitution, for the item relating to
“Mutual Life Assurance Companies”, of
the following new item:—

“*Mutual Life Assurance Companies*

Taxable income of Mutual
Life Assurance Companies
which are resident or non-
resident—

(a) for each year of assess-
ment ending prior to
April 1, 1965 ... 28½ per centum

(b) for each year of assessment commencing on or after April 1, 1965 24 per centum.”;

(3) by the substitution, for the item relating to “Governments (other than the Government of Ceylon and the Government of the United Kingdom),”, of the following new item:—

“Governments (other than the Government of Ceylon and the Government of the United Kingdom)—

Taxable income of Governments other than the Government of Ceylon and the Government of the United Kingdom—

(a) for each year of assessment ending prior to April 1, 1965 ... 63 per centum

(b) for each year of assessment commencing on or after April 1, 1965 ... 56 per centum.”;
and

(4) by the insertion, immediately after the item relating to “Governments (other than the Government of Ceylon and the Government of the United Kingdom)”, of the following new item:—

“Public Corporations established with capital wholly or partly provided by the Government of Ceylon—

Taxable income of any public Corporation established with capital wholly or partly provided by the Government of Ceylon—

}

The rate of tax chargeable in respect of resident companies.”.

54. The Second Schedule to the principal Act, as amended by Act No. 12 of 1964, is hereby further amended as follows:—

Amendment of
the Second
Schedule
to the
principal Act.

- (1) in Part II of that Schedule, by the substitution, for the expression “ for any year of assessment commencing on or after ”, of the expression “ for the year of assessment commencing on ”; and
- (2) by the addition, at the end of that Schedule, of the following new Part:—

‘ PART III.

(A) The rates of income tax for any year of assessment commencing on or after April 1, 1965, in the case of an individual whose taxable income exceeds Rs. 2,000 shall be as follows:—

On the first Rs. 3,000 of the taxable in- come	... 10 per centum
On the next Rs. 3,000 of the taxable in- come	... 15 per centum
On the next Rs. 3,000 of the taxable in- come	... 20 per centum
On the next Rs. 3,000 of the taxable in- come	... 25 per centum
On the next Rs. 5,000 of the taxable in- come	... 30 per centum
On the next Rs. 5,000 of the taxable in- come	... 40 per centum
On the next Rs. 10,000 of the taxable in- come	... 45 per centum
On the next Rs. 15,000 of the taxable in- come	... 65 per centum
On the balance of tax- able income	... 80 per centum

(B) The rates of income tax for any year of assessment commencing on or after April 1, 1965, in the case of an individual whose taxable income does not exceed Rs. 2,000 shall be as follows:—

On the first Rs. 1,000
of the taxable in-
come ... 5 per centum

On the balance of the
taxable income ... 10 per centum.

Amendment of
the Third
Schedule to
the principal
Act.

55. The Third Schedule to the principal Act, as amended by Act No. 12 of 1964, is hereby further amended as follows:—

(1) in Part II of that Schedule, in the heading “Rates of Wealth Tax for every year of assessment commencing on or after April 1, 1964”, by the substitution, for the words “every year of assessment commencing on or after”, of the words “the year of assessment commencing on”; and

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

PART III.

Rates of Wealth Tax for any year of assessment
commencing on or after April 1, 1965—

On the first Rs. 200,000
of taxable wealth ... $\frac{1}{2}$ per centum

On the next Rs. 500,000
of taxable wealth ... $\frac{3}{4}$ per centum

On the next Rs. 1,000,000
of taxable wealth ... 1 per centum

On the balance of all tax-
able wealth ... 2 per centum.”

Amendment of
certain enact-
ments.

56. (1) From the date of commencement of the principal Act, the enactments set out in each entry in column I of the First Schedule to this Act shall be deemed to have had, and to have, effect subject to the amendments set out in the corresponding entry in column II of that Schedule.

(2) The Monetary Law Act is hereby amended by the insertion, immediately after section 5, of the following new section:—

" Powers of
the Central
Bank and the
Monetary
Board in
relation to
section 69A
of the
Inland
Revenue Act,
No. 4 of
1963.

5A. (1) For the purposes of section 69A of the Inland Revenue Act, No. 4 of 1963, the Central Bank may open, maintain and manage special deposit accounts.

(2) Where an institution is approved by the Minister of Finance by Order made under paragraph (b) of sub-section (2) of section 69A of the Inland Revenue Act, the Monetary Board may determine the terms and conditions subject to which that institution may open, maintain and manage special deposit accounts for the purposes of that section."

57. (1) The sections of written law specified in Part I of the Second Schedule to this Act are hereby repealed.

Repeal of
certain provi-
sions of written
law specified
in Second
Schedule to
this Act.

(2) Notwithstanding anything in the aforesaid sections in respect of the three years of assessment preceding the year of assessment commencing on April 1, 1965, income tax at the rate chargeable in respect of resident companies shall be deemed to have been payable under the Income Tax Ordinance or the principal Act, as the case may be, by each of the bodies specified in Part II of the Second Schedule to this Act:

Provided however that, where such body was established in the year of assessment commencing on April 1, 1962, the income tax shall be deemed to have been payable by such body for the next succeeding year of assessment.

Provisions relating to the making of declarations of the profits and income of persons who have evaded the payment of income tax or who have failed to disclose profits and income and to the levy of a tax on such profits and income.

58. (1) (a) The succeeding provisions of this section shall apply to any person who under the law for the time being applicable to income tax was liable to pay such tax for any year of assessment commencing on or before April 1, 1965, and who has not made a return of income under the provisions of such law for any such year of assessment or who has failed to disclose any profits or income in any return of income made under the provisions of such law for any such year of assessment:

Provided that such provisions shall have no application to a person in respect of the profits or income liable to income tax for the year of assessment commencing on April 1, 1965, if either the failure to disclose fully his profits or income or the failure to make a return of income was solely in respect of that year of assessment.

(b) Every person referred to in paragraph (a) of this sub-section shall hereafter in this section be referred to as the "person to whom this section applies".

(2) (a) Where any person to whom this section applies has in his possession any profits or income, or where such person has utilized any profits or income in the acquisition of any articles of value or for his personal expenditure, such profits or income being the profits or income of any one year, or the accumulated profits or income of more than one year, in respect of which such person has not made any return of income or which such person has failed to disclose in the return or returns of income made under the law for the time being applicable to income tax—

- (i) such person, or
- (ii) if such person is a company or a body of persons, the secretary, manager or other principal officer of such company or body of persons, or
- (iii) if such person is a partnership, the precedent partner of such partnership,

may, within two months after the commencement of this Act, make a declaration in writing to the Commissioner.

(b) Every declaration under paragraph (a) of this sub-section shall set out—

- (i) the full name and address of the person making the declaration,
- (ii) the amount of the profits and income referred to in paragraph (a) of this sub-section, and
- (iii) if such profits or income or any part thereof have or has been invested in the acquisition of articles of value, the description and value of such articles :

Provided that such declaration shall not include any such profits or income or any articles of value acquired by such profits or income as have or has been found out by the Assessor in the course of his investigations under the law relating to income tax for the time being.

(3) (a) Where any person to whom this section applies makes a declaration under sub-section (2), the Commissioner, if he is satisfied that the profits and income specified in such declaration or the profits or income invested in the acquisition of articles of value were or was profits or income in respect of which such person should have paid income tax but had not done so, may, by notice in writing served personally on such person or sent by registered letter through the post to such person, require, wherever he considers it necessary so to do, such person to surrender to the Commissioner or to any officer authorized in that behalf by the Commissioner all or any part of the property specified in such declaration.

(b) Any person to whom this section applies shall, upon compliance with the requirements of a notice served on or sent to that person by the Commissioner,

be entitled to a receipt for the property surrendered by that person to the Commissioner or officer authorized in that behalf by the Commissioner.

(4) (a) Upon receipt of a declaration made under sub-section (2) by any person to whom this section applies or upon surrender by any such person of all or any part of the property specified in such declaration, the Commissioner shall, by notice in writing served personally on such person or sent by registered letter through the post to such person, require such person to pay as tax to the Commissioner, within such time as may be specified in the notice, an amount equal to one-third the total value of the property specified in such declaration.

(b) In the determination of the amount which a person to whom this section applies is required to pay as tax, the Commissioner is not bound to accept the valuation of the articles of value specified in the declaration made by such person and he may increase or decrease such valuation if he considers it reasonable so to do.

(c) A person to whom this section applies may, in lieu of paying tax as required by the Commissioner, authorize the Commissioner to appropriate such portion of the property (other than a debt due to such person) specified in the declaration made under sub-section (2) by such person or surrendered by such person as is equivalent in value to the amount of the tax, and upon such appropriation tax shall be deemed to have been paid by such person.

(5) Where any person to whom this section applies has surrendered any property in compliance with the provisions of sub-section (3) and where such person pays tax to the Commissioner as required by sub-section (4) or authorizes him to appropriate a portion of such property in lieu of payment of tax, the Commissioner shall—

(a) where such tax is paid, permit such person to resume possession of the property surrendered by such person,

(b) where a portion of the property surrendered by such person is appropriated by him in lieu of tax, permit such person to resume possession of the remaining property surrendered by such person, and

(c) issue to such person a certificate specifying—

- (i) the aggregate value of the property declared by such person or as determined by the Commissioner under paragraph (b) of sub-section (4), as the case may be, and
- (ii) the amount recovered as tax from such person.

(6) Where tax is paid or deemed to have been paid as required by sub-section (4) by any person to whom this section applies, such person shall not be liable—

- (a) to a prosecution for any offence under any of the sections of written law referred to in the Third Schedule to this Act in respect of the profits or income specified in the declaration made by such person under sub-section (2) and the profits or income invested in the acquisition of articles of value specified in such declaration, and
- (b) to pay for any year of assessment commencing on or before April 1, 1965, income tax under the law for the time being applicable to income tax in respect of such profits or income.

(7) Any articles of value appropriated by the Commissioner in lieu of tax under paragraph (c) of sub-section (4) shall be sold by public auction by any person appointed for that purpose by the Commissioner, and the sum realized by the sale shall, after payment of the sale charges, be applied in satisfaction of the tax.

(8) All sums paid or deemed to have been paid to the Commissioner by way of tax under this section shall be credited by the Commissioner to the Consolidated Fund of Ceylon.

(9) Nothing in the preceding provisions of this section shall be construed or be deemed to be construed as authorizing the revision of any assessment made prior to the date of commencement of this Act under the provisions of the Income Tax Ordinance or the principal Act or any other matter which has become final and conclusive.

(10) The provisions of section 124 of the principal Act shall apply as if such provisions were provisions of this section and refer to this section instead of to the principal Act.

(11) In this section, unless the context otherwise requires—

“ articles of value ” mean gold, jewellery, bullion, precious stones and any other movable articles of value, and shall be deemed to include the value of any undisclosed stock-in-trade and the amount of any undisclosed debts;

“ Assessor ” shall have the same meaning as in the principal Act;

“ Commissioner ” means the Commissioner of Inland Revenue and includes a Deputy Commissioner, and an Assistant Commissioner specially authorized by the Commissioner to act on behalf of the Commissioner;

“ precedent partner ” shall have the same meaning as in the principal Act;

“ profits ” and “ income ” shall have the same meanings as in section 3 of the principal Act;

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

FIRST SCHEDULE

<i>Column I Enactment</i>	<i>Column II Amendments</i>
1. The Bribery Act.	In section 85, substitute, for the words "Income Tax Ordinance," the following:— "Income Tax Ordinance or the Inland Revenue Act, No. 4 of 1963,".
2. The Shop and Office Employees (Regulation of Employment and Remuneration) Act.	In section 19, in paragraph (a) of sub-section (1) of that section, in the second proviso to that paragraph, substitute, for the words "Income Tax Ordinance," the following:— "Income Tax Ordinance or the Inland Revenue Act, No. 4 of 1963,".
3. The Companies Ordinance.	In section 253, in sub-section (1) of that section, in paragraph (a) of that sub-section, substitute, for the words "Income Tax Ordinance;" the following:— "the Income Tax Ordinance or of section 109 (2) of the Inland Revenue Act, No. 4 of 1963, as the case may be;".
4. The Estate Duty Ordinance.	(a) In section 2 (as amended by Act No. 15 of 1959), substitute, for the words "Income Tax Ordinance", wherever those words occur collectively in that section, the following:— "Income Tax Ordinance or the Inland Revenue Act, No. 4 of 1963,". (b) In section 6 (as amended by Act No. 15 of 1959 and Act No. 18 of 1962), in the proviso to paragraph (d) of that section, substitute, for paragraph (iv) of that proviso, the following new paragraph:— "(iv) nothing herein contained shall apply to such gifts as are specified— (1) in sub-section (1) of section 21 of the Personal Tax Act, No. 14 of 1959, other than any gift specified in paragraph (b)

*Column I
Enactment*

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paragraph (f), paragraph (h), or paragraph (i) of that sub-section, or

(2) in sub-section (1) of section 41 of the Inland Revenue Act, No. 4 of 1963, other than any gift specified in paragraph (b), paragraph (f), paragraph (h) or paragraph (i) of that sub-section; ”.

(c) In section 17 (as amended by Act No. 15 of 1959, and therein referred to as section 16), substitute, for the words and figures “ Personal Tax Act of 1959: ”, the words and figures “ Personal Tax Act, No. 14 of 1959, or gifts tax has been paid or has to be paid under the Inland Revenue Act, No. 4 of 1963: ”.

(d) In section 16A (inserted by Act No. 15 of 1959)—

(i) substitute, for the words “ upon his death.”, the following:—

“ upon his death and where any gifts tax has been paid or has to be paid under the Inland Revenue Act, No. 4 of 1963, in respect of any property which has been gifted by any person, the amount of such gifts tax shall be set off against the amount of the estate duty payable on his Ceylon estate upon his death, the amount of the gifts tax for the purposes of this section being computed without deducting any stamp duty which was paid in respect of the instrument by which the gift was made.”; and

*Column I
Enactment*

*Column II
Amendments*

- (ii) substitute, for the marginal note to that section, the following new marginal note:—

“ Set-off against estate duty in respect of gifted property of contributions to Personal Tax or of gifts tax. ”.

- (e) In section 21 (as amended by Act No. 15 of 1959, and therein referred to as section 20), in sub-section (7) of that section, substitute, for the words and figures “ section 19 (3) of the Personal Tax Act of 1959. ”, the following:—

“ section 19 (3) of the Personal Tax Act, No. 14 of 1959, and where the property to be valued as property in respect of which gifts tax under the Inland Revenue Act, No. 4 of 1963, has been paid or has to be paid, the value of such property for the purposes of this Ordinance shall be the value of such property for the purpose of the determination of such tax increased by the amount of such tax, the amount of such tax for the purposes of this section being computed without deducting any stamp duty which was paid in respect of the instrument by which the gift was made. ”.

- (f) In section 57 (as amended by Act No. 15 of 1959, and therein referred to as section 54), in sub-section (1) of that section, in the proviso to that sub-section, substitute, for the words and figures “ Personal Tax Act of 1959. ”, the words and figures “ Personal Tax Act, No. 14 of 1959, or in respect of which gifts tax under the Inland Revenue Act, No. 4 of 1963, has been paid or has to be paid. ”.

*Inland Revenue (Amendment) Act,
No. 18 of 1965*

*Column I
Enactment*

*Column II
Amendments*

5. The Compulsory Food
Production (Tax Relief)
Ordinance.

(g) In section 80 (as amended by Act No. 15 of 1959, and therein referred to as section 77), in sub-section (1) of that section, in the definition of "Commissioner", substitute, for the words "of the Income Tax Ordinance", wherever those words occur collectively in that definition, the words and figures "of the Income Tax Ordinance or of the Inland Revenue Act, No. 4 of 1963, ".

(a) In sections 2 (1) and 8, substitute—

(i) for the words "in the Income Tax Ordinance", wherever those words occur collectively in those sections, the words and figures "in the Income Tax Ordinance or the Inland Revenue Act, No. 4 of 1963, ", and

(ii) for the words "each of those Ordinances", substitute the words "each of those enactments ".

(b) In section 4, in sub-section (1) of that section—

(i) substitute, for the words "anything in the Income Tax Ordinance, ", the words and figures "anything in the Income Tax Ordinance or the Inland Revenue Act, No. 4 of 1963, ", and

(ii) in paragraph (c) of that sub-section, substitute, for all the words and figures from "for the purposes of the Income Tax Ordinance" to the end of that paragraph, the following:—

" for the purposes of the Income Tax Ordinance, the Inland Revenue Act, No. 4 of 1963, and the Excess Profits Duty Ordinance, No. 88 of 1941, to be outgoings and expenses incurred in the production of the profits or income of that proprietor from the

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business carried on by that undertaking and shall, accordingly, be deducted from the share of the divisible profit of that proprietor as ascertained under section 30 of the Income Tax Ordinance or under section 52 of the Inland Revenue Act, No. 4 of 1963, or added to the share of the divisible loss of that proprietor as so ascertained."

- (c) In section 5, in sub-section (2) of that section, substitute, for the words and figures "by section 69 of the Income Tax Ordinance, and the provisions of that Ordinance as", the words and figures "by section 69 of the Income Tax Ordinance or of the period of six years prescribed by section 94 of the Inland Revenue Act, No. 4 of 1963, and the provisions of that Ordinance or of that Act, as the case may be, as".

6. The Ceylon Development Loans Act. In section 21, in sub-section (2) of that section, substitute, for the words "Income Tax Ordinance", the words and figures "Income Tax Ordinance or of section 54 of the Inland Revenue Act, No. 4 of 1963, as the case may be".

7. The Public Service Provident Fund Ordinance. For section 22, substitute the following new section:—

Deduction on account of income tax.

22. The Deputy Secretary to the Treasury may, before payment is made of moneys lying to the credit of a contributor's account in the fund, make deductions on account of income tax from such moneys. Any sum so deducted shall be paid to the Commissioner of Inland Revenue."

*Column I
Enactment*

*Column II
Amendments*

8. The Employees' Provident Fund Act, No. 15 of 1958.

In section 43—

(i) in sub-section (1) of that section, substitute, for the words "under the Income Tax Ordinance.", the words "under any written law relating to the imposition of income tax.",

(ii) in sub-section (2) of that section, substitute, for all the words from "income tax chargeable" to the end of that sub-section, the following:—

"income tax chargeable under any written law relating to the imposition of income tax, if such member during the five years immediately preceding his retirement, departure from Ceylon or death, as the case may be, was not liable to pay income tax.", and

(iii) in sub-section (3) of that section, substitute, for the words "Income Tax Ordinance", wherever those words occur in that sub-section, the words "Income Tax Ordinance or the Inland Revenue Act, No. 4 of 1963".

SECOND SCHEDULE

PART I

Section 25 of the Co-operative Wholesale Establishment Act.

Section 27 of the Air Ceylon Act.

Section 24 (b) of the River Valleys Development Board Act.

Section 27 of the Insurance Corporation Act, No. 2 of 1961.

Section 33 (1) of the Ceylon Petroleum Corporation Act, No. 28 of 1961.

Section 41 (a) of the People's Bank Act, No. 29 of 1961.

PART II

The Co-operative Wholesale Establishment.

The Air Ceylon Limited.

The River Valleys Development Board.

The Insurance Corporation of Ceylon.

The Ceylon Petroleum Corporation.

The People's Bank.

THIRD SCHEDULE

1. Section 80 (1) of the Income Tax Ordinance.
2. Section 90 (2) of the Income Tax Ordinance.
3. Section 92 (1) of the Income Tax Ordinance.
4. Section 104 (1) of the Inland Revenue Act, No. 4 of 1963
5. Section 118 (2) of the Inland Revenue Act, No. 4 of 1963.
6. Section 120 (1) of the Inland Revenue Act, No. 4 of 1963.