



PARLIAMENT OF THE DEMOCRATIC  
SOCIALIST REPUBLIC OF  
SRI LANKA

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TURNOVER (AMENDMENT)  
ACT, No. 43 OF 1990

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[Certified on 29th November, 1990]

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L.D.—O. 69/89

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

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

1. This Act may be cited as the Turnover Tax (Amendment) Act, No. 43 of 1990.

Short  
title.

2. Section 5 of the Turnover Tax Act, No. 69 of 1981 (hereinafter referred to as the “principal enactment”), is hereby amended as follows:—

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

(1) in subsection (1) of that section—

(a) by the substitution, in paragraph (c) of that subsection, for the words, “the total amount excluding premia received or receivable in respect of life insurance;”, of the words, “the total amount excluding premia received or receivable in respect of—

(i) life insurance; and

(ii) insurance against damage or destruction by strike, riot, civil commotion or acts of terrorism and paid into the Government Fund for Strike, Riot and Civil Commotion and Terrorism;”;  
and

(b) by the substitution, in paragraph (f) of that subsection, for the words, “but shall not include receipts attributable to the operation of the foreign currency banking unit of such bank;”, of the words and figures “but shall not include receipts attributable to—

(i) the operation of the foreign currency banking unit of such bank; and

(ii) any transaction which such bank enters into, on or after April 1, 1989, with any other bank;”; and

(2) by the addition, immediately after subsection (4) of that section, of the following subsection:—

“ (5) In ascertaining the turnover, for any quarter, of any business of manufacture of articles there shall be deducted an amount equal to

any excise duty under the Excise (Special Provisions) Act, No. 13 of 1989, paid in respect of such article by the person who carries on such business :

Provided that where the amount so deductible for any quarter, exceeds the amount received or receivable, for that quarter, from the sale of any article in the course of carrying on such business of manufacture, the excess shall be carried forward to the quarter immediately succeeding that quarter and shall be deductible in ascertaining the turnover of that business for that succeeding quarter and so on.”.

Replacement of section 47 of the principal enactment.

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

“Deduction by registered manufacturer.

47. Where any registered manufacturer has paid to another registered manufacturer in respect of any transaction entered into during any quarter, any sum which includes turnover tax in respect of articles used by the first-mentioned registered manufacturer in his business of manufacture of articles, the turnover tax so included shall be deducted from any turnover tax payable for that quarter by the first-mentioned registered manufacturer in respect of the turnover arising from the sale of articles manufactured by the first-mentioned registered manufacturer :

Provided that—

(a) no deduction shall be made for turnover tax included in any sum so paid—

(i) in respect of any plant, machinery, fixtures, vehicle, building, or other capital asset used in that business ; -

(ii) for any quarter commencing prior to April 1, 1989, in respect of any article used in any business of manufacture of excepted articles ;

(iii) in respect of any article used in any business which is exempt from turnover tax under section 4;

iv), unless the first-mentioned registered manufacturer has obtained from the second-mentioned registered manufacturer to whom such sum is paid, a voucher as required by subsection (2) of section 46;

(b) any turnover tax included in any sum so paid by any person prior to his registration as a registered manufacturer, shall be allowed as a deduction from the turnover tax, in respect of the turnover arising from the sale of articles manufactured by him, payable for the quarter in which such registered manufacturer becomes chargeable to turnover tax; and

(c) (i) where the amount of the deduction for any quarter ending on or before March 31, 1989, exceeds the amount of the turnover tax payable, by the first-mentioned registered manufacturer for that quarter in respect of such turnover, such excess shall not be refunded but shall be deducted, to the extent it can be so deducted from the turnover tax, in respect of such turnover, payable by him for the quarter immediately succeeding that quarter and any balance of such excess, from the turnover tax, in respect of such turnover, payable by him for the next succeeding quarter and so on; and

(ii) where the amount of the deduction for any quarter commencing on or after April 1, 1989, exceeds

the amount of the turnover tax payable by the first-mentioned registered manufacturer for that quarter in respect of such turnover, such excess shall be deducted, to the extent it can be so deducted, from the turnover tax, in respect of such turnover, payable by him for the quarter immediately succeeding that quarter and any balance of such excess, from the turnover tax, in respect of such turnover, payable by him for the next succeeding quarter and so on. Any residue of such excess which cannot be deducted from the turnover tax, in respect of such turnover, payable by him for the fourth quarter reckoned from the quarter in which such excess arose shall, subject to the provisions of section 49, be refunded.”.

Replacement of section 48 of the principal enactment.

4. Section 48 of the principal enactment is hereby repealed, and the following section substituted therefor:—

“Deduction of turnover tax paid to Director-General of Customs.

48. Where any registered manufacturer has paid to the Director-General of Customs, under section 12 during any quarter any turnover tax in respect of articles used by such manufacturer in his business of manufacture of articles, such turnover tax shall be deducted from any turnover tax payable by him, for that quarter in respect of the turnover arising from the sale of articles manufactured by him :

Provided that—

(a) no deduction shall be made for any turnover tax so paid—

(i) in respect of any plant, machinery, fixture, vehicle, building or other capital asset used in that business ;

- (ii) in any quarter commencing prior to April 1, 1989, in respect of any article used in any business of manufacture of excepted articles ;
  - (iii) in respect of any article used in any business which is exempt from turnover tax under section 4 ;
  - (iv) unless such registered manufacturer has obtained from the Director-General of Customs, a voucher in respect of turnover tax so paid ; and
- (b) (i) where the amount of the deduction for any quarter ending on or before March 31, 1989, exceeds the amount of the turnover tax payable for that quarter in respect of such turnover, such excess shall not be refunded but shall be deducted to the extent it can be so deducted from the turnover tax, in respect of such turnover, payable for the quarter immediately succeeding that quarter and any balance of such excess from the turnover tax, in respect of such turnover, payable for the next succeeding quarter and so on ; and
- (ii) where the amount of the deduction for any quarter commencing on or after April 1, 1989, exceeds the amount of the turnover tax, payable for that quarter in respect of such turnover, such excess shall be deducted, to the extent it can be so deducted from the turnover tax in respect of such turnover, payable for the quarter immediately succeeding that quarter, and any

balance of such excess from the turnover tax, in respect of such turnover, payable for the next succeeding quarter and so on. Any residue of such excess which cannot be deducted from the turnover tax, in respect of such turnover, payable for the fourth quarter reckoned from the quarter in which such excess arose, shall subject to the provisions of section 49 be refunded."

Amendment  
of section  
49 of the  
principal  
enactment.

5. Section 49 of the principal enactment is hereby amended in subsection (4A) of that section as follows:—

(1) by the substitution, for the words, "shall be paid to such supplier by the Commissioner-General", of the words, "shall be paid to such supplier by the Commissioner-General: "; and

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

"Provided that where it is proved to the satisfaction of the Commissioner-General that it is inexpedient or impracticable to cover such supply by a letter of credit in the aforesaid manner, such amount of the turnover tax paid by the supplier as is attributable to the raw materials used in the manufacture or production of such articles shall be paid to such supplier by the Commissioner-General if—

(a) such supply is covered by a letter of credit opened in a bank in Sri Lanka or such other documentary evidence, as is required by the Commissioner-General to satisfy himself that the exports relating to such supply were in fact made, is adduced; and

(b) the receipt of payment in foreign exchange for the value of the exports relating to such supply is certified by the bank to which such foreign exchange was remitted."

6. Section 50 of the principal enactment is hereby amended in subsection (1) of that section as follows:—

Amendment  
of section  
50 of the  
principal  
enactment.

(1) by the substitution, in paragraph (iii), for the words and figures, “in paragraph (i) or (ii) ; or”, of the words and figures “in paragraph (i) or (ii) ;” ;

(2) by the substitution, in paragraph (iv), for the words, “contract of employment”, of the words “contract of employment ; or” ; and

(3) by the addition immediately after paragraph (iv), of the following new paragraph :—

“(v) any contract for the supply of cinematograph films by a producer.”.

7. Section 59 of the principal enactment is hereby amended by the insertion, immediately after the definition of “authorized representative”, of the following definition :—

Amendment  
of section  
59 of the  
principal  
enactment.

““bank” means a licensed commercial bank within the meaning of the Banking Act, No. 30 of 1988 ;”.

8. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

Sinhala  
text to  
prevail in  
case of  
inconsistency.