



PARLIAMENT OF THE DEMOCRATIC  
SOCIALIST REPUBLIC OF  
SRI LANKA

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INLAND REVENUE  
(AMENDMENT)  
ACT, No. 8 OF 1987

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[ Certified on 6th March, 1987 ]

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*Inland Revenue (Amendment)  
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**L.D.—O 53/86**

**AN ACT TO AMEND THE INLAND REVENUE ACT, No. 28 OF 1979**

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

**1.** This Act may be cited as the Inland Revenue (Amendment) Act, No. 8 of 1987.

**Short title.**

**2.** Section 7 of the Inland Revenue Act, No. 28 of 1979 (hereinafter referred to as the “principal enactment”) is hereby amended as follows:—

**Amendment  
of section 7  
of Act  
No. 28 of 1979**

(1) in subsection (4) of that section by the substitution in paragraph (d) for the words “change of ownership of any property”, of the words and figures “change of ownership of any property, prior to November 12, 1986”;

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

“ (5) In respect of a capital gain arising to any person on or after November 12, 1986, every reference, in subsection (3) or subsection (4) to “April 1, 1957” shall be read and construed as a reference to “April 1, 1977”.

**3.** Section 8 of the principal enactment is hereby amended in paragraph (a) of that section as follows:—

**Amendment  
of section 8  
of the  
principal  
enactment.**

(1) by the substitution, in sub-paragraph (xlix) of that paragraph, for the words and figures “the President’s Fund established by the President’s Fund Act, No. 7 of 1978”, of the words and figures “the President’s Fund established by the President’s Fund Act, No. 7 of 1978; and”; and

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

“(L) the National Defence Fund established by the National Defence Fund Act, No. 9 of 1985.”.

**4.** Section 9 of the principal enactment is hereby amended in sub-paragraph (i) of paragraph (l) of subsection (1) of that section—

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

(1) by the substitution in item (b) of that sub-paragraph, for the words “in any year”, of the words “in the year”; and

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

“ (c) forty-five thousand rupees, in any year of assessment commencing on or after April 1, 1987; and ”.

**Amendment  
of section 10  
of the  
principal  
enactment.**

5. Section 10 of the principal enactment is hereby amended by the repeal of paragraph (e) of that section and the substitution therefor of the following paragraph:—

“ (e) the interest accruing to any person on moneys lying to his credit, in foreign currency, in any account opened by him, or on his behalf, in any Commercial Bank with the approval of the Central Bank of Sri Lanka ; ”.

**Amendment  
of section 14  
of the  
principal  
enactment.**

6. Section 14 of the principal enactment is hereby amended in paragraph (a) thereof as follows:—

(1) by the repeal of sub-paragraphs (i) and (ii) and the substitution therefor of the following:—

“ (i) the sale by any individual, or the acquisition by the State, of any house constructed by such individual and used solely for residential purposes, such sale being the first sale of that house ;

(ii) the sale by any individual, or the acquisition by the State, of any house owned by such individual and used solely for residential purposes, if such individual has not sold or the State has not acquired from that individual on or after April 1, 1978, any house other than a house referred to in sub-paragraph (i) ; ” ;

(2) by the repeal of sub-paragraph (iv) thereof and the substitution of the following sub-paragraph therefor:—

“ (iv) (a) the sale of any property prior to April 1, 1987, and used by him for producing income in any trade, business, profession, vocation or employment carried on, or exercised, by him and in respect of which an allowance for depreciation has been allowed under section 23 of this Act or under section 10 of the Inland Revenue Act, No. 4 of 1963 or under section 11 of the Income Tax Ordinance,

(b) the sale of any property by any person, on or after April 1, 1987, being property used by him in producing income in any trade, business, profession, vocation or employment carried on, or exercised, by him and in respect of which an allowance for depreciation has been granted under section 23, if the full proceeds of sale are used within one year of the sale, for the replacement of such property to be used by such person for producing income in any trade, business, profession, vocation or employment, carried on, or exercised, by him ;” ;

(3) by the substitution in sub-paragraph (xiii) thereof for the words and figures “ on or after November 15, 1979 ; and ”, of the words and figures “ on or after November 15, 1979, but prior to November 12, 1986 ;” ; and

(4) by the addition at the end of sub-paragraph (xiv) of the following sub-paragraphs :—

“ (xv) the transfer—

(a) on or after April 1, 1987 ; and

(b) upon the conversion of a business carried on by an individual, either solely or in partnership with others, into a limited liability company not being a company referred to in paragraph (xiv),

of the capital assets of such business to such company if, but only if, not less than eighty per centum of the shares of such limited liability company is held—

(c) in any case where such business was a sole proprietorship, by the former proprietor, or

(d) in any case where such business was a partnership, the former partners in the same proportion in which profits of the partnership were shared ; and



(xvi) the sale of any property, on or after November 12, 1986, by a person not less than twenty-five years after its acquisition by such person."

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

7. Section 15 of the principal enactment is hereby amended as follows:—

(1) by the insertion immediately after paragraph (cc) of that section of the following paragraph:—

"(ccc) the emoluments and fees earned, in any year of assessment, in foreign currency by any resident individual or a partnership in Sri Lanka, in respect of services rendered by him, or by the partnership in Sri Lanka for any person or partnership outside Sri Lanka, in the course of any profession or vocation carried on, or exercised, by him, or by the partnership but not in the course of employment under such person or partnership, if such emoluments and fees are remitted to him or to the partnership to Sri Lanka through a bank;" ;

(2) by the repeal of paragraph (l) and paragraph (n) of that section ;

(3) by the substitution in paragraph (t) of that section, for the words and figures "President's Fund Act, No. 7 of 1978.", of the words and figures "President's Fund Act, No. 7 of 1978 ;" ; and

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

"(u) any sum received by a person from the National Defence Fund established by the National Defence Fund Act, No. 9 of 1985. "

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

8. Section 20 of the principal enactment is hereby amended in paragraph (b) of subsection (1) of that section by the repeal of all the words from "reckoned from" to "payment in foreign exchange," and the substitution therefor of the following:—

"reckoned from the year of assessment in which the company first commenced to make profits in respect of its transactions in that year, "

9. The following new section is hereby inserted immediately after section 20A and shall have effect as section 20B of the principal enactment:—

Insertion of  
new  
section 20B  
in the  
principal  
enactment.

“Exemption  
from income  
tax of  
profits and  
income of  
persons  
supplying  
goods to  
exporters.

20B. There shall be exempt from income tax, such part of the profits and income within the meaning of paragraph (a) of section 3 (other than any profits and income from the sale of capital assets) of a person or partnership as consists of profits and income from the production or manufacture and supply of goods to any exporter, the profits and income of which or whom are exempt from income tax under subsection (1) of section 20 or 20A, if such supply is covered by a Letter of Credit opened in a bank in Sri Lanka on a back to back basis against an International Letter of Credit for the remittance to Sri Lanka, of the foreign exchange value of the exports related to such supply.”

10. Section 23 of the principal enactment is hereby amended as follows:—

Amendment  
of section  
23 of the  
principal  
enactment.

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

(a) by the substitution in paragraph (e) for the words “such person, as arises”, of the words and figures “such person prior to April 1, 1987, as arises”;

(b) by the insertion immediately after paragraph (ee) of the following paragraph:—

“(eee) an allowance for depreciation by wear and tear of—

(i) any plant, machinery or fixtures (other than plant, machinery or fixtures referred to in subparagraph (ii)) acquired by such person on or after April 1, 1987, and arising out of their use, in any trade, business, profession or vocation, carried on, or exercised, by him at the rate of thirty-three and one-third per centum per annum, on their cost of acquisition;

- (ii) any motor vehicle, lorry, bus, tractor, trailer or office furniture, acquired by such person on or after April 1, 1987, and arising out of its use, in any trade, business, profession or vocation, carried on or exercised, by him, at the rate of twenty-five per centum per annum on its cost of acquisition ;
- (iii) any qualified building the construction of which was completed on or after April 1, 1987, and arising out of its use, in any trade, business, profession, or vocation, carried on, or exercised by him, at the rate of ten per centum per annum on its cost of construction. ” ;

(c) by the insertion immediately after paragraph (r) of the following paragraphs :—

“ (s) such part of the lump sum payment made on or after April 1, 1986, by such person to any other person in connection with the letting, or lease, to the first-mentioned person of any commercial premises as bears to the total lump sum payment the same proportion as the number of months in the year for which lease rent is payable bears to the total number of months comprised in the lease ;

(t) in respect of any year of assessment commencing on or after April 1, 1987, any sum paid, by a public corporation or Government owned business undertaking as a special levy, to the Government. ” ;

(2) in subsection (3) of that section—

(a) by the insertion immediately after paragraph

(b) of the following paragraphs :—

“ (bb) Nothing in the preceding provisions of this subsection shall apply after April 1, 1987, to the dis-

posal by any person of any capital asset used by him in producing the profits and income of any trade, business, profession or vocation carried on or exercised by him.

(bbb) (i) Where any person disposes on or after April 1, 1987, any capital asset used by him in producing the profits and income of any trade, business, profession or vocation carried on, or exercised, by him and an allowance for depreciation equal to the cost of acquisition of such capital asset has been granted under subsection (1) in respect of that capital asset such part of the proceeds of disposal as is not in excess of the cost of acquisition of such capital asset shall, whether such disposal takes place while such trade, business, profession or vocation continues or after its cessation, be treated as a receipt of such trade, business, profession or vocation, in ascertaining the profits and income, within the meaning of paragraph (a) of section 3, of such trade, business, profession or vocation.

(ii) Where any person disposes on or after April 1, 1987, any capital asset used by him in producing the profits and income of any trade, business, profession or vocation carried on, or exercised, by him and an allowance for depreciation has been granted in respect of that capital asset but the total amount of such allowance is less than the cost of acquisition of such capital asset, the proceeds of disposal as is not in excess of the cost of acquisition of such capital asset over the difference between the cost of acquisition of such capital

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asset and the total allowance for depreciation granted in respect of such capital asset shall whether such disposal takes place while such trade, business, profession or vocation continues or after its cessation, be treated as a receipt of such trade, business, profession or vocation, in ascertaining the profits and income of such trade, business, profession or vocation, within the meaning of paragraph (a) of section 3:

Provided that nothing in this paragraph shall apply to—

(a) the transfer, on or after April 1, 1987, of any such capital asset to a company referred to in section 14 (xv) on the conversion of a business, carried on by an individual, either solely or in partnership, to such company; or

(b) the disposal by any person, of any such capital asset, if the full proceeds of disposal are used by such person, within one year of the disposal, for the replacement of such capital asset to be used by him for producing income in any trade, business, profession, vocation or employment carried on, or exercised, by him.”;

(b) by the substitution in paragraph (c) and in paragraph (d) for the words “under paragraph (a) or paragraph (b)” wherever those words occur in those paragraphs of the words “under paragraphs (a), (b) or (bbb)”;

(3) in subsection (7) of that section by the insertion, immediately after paragraph (e) of the following paragraph:—

“ (f) for the purposes of this section—

(i) where any capital asset in respect of which an allowance has been granted under subsection (1) is sold on or after April 1, 1987, by any person and the full proceeds of sale used, within one year of the sale, for the replacement of such capital asset to be used in any trade, business, profession or vocation carried on or exercised by such person, the cost of acquisition of the replaced capital asset shall be deemed to be the difference between the actual cost of acquisition of the replaced capital asset and such proceeds of sale ;

(ii) where any plant, machinery or fixtures are acquired otherwise than by way of purchase, by any person for use in any trade, business, profession or vocation carried on or exercised by him, the cost of acquisition of such plant, machinery or fixtures shall be the market value of such plant, machinery or fixtures, on the date of such acquisition ;

(iii) where the capital assets of a business carried on by an individual, either solely or in partnership with others, is transferred, on or after April 1, 1987, to a company referred to in section 14 (xv), the cost of acquisition of such capital asset by such company shall be deemed to be the cost of acquisition of such capital asset by such individual or partnership reduced by the amount of any allowance for depreciation granted under subsection (1) to such individual or partnership and the date of acquisition of such capital asset shall be deemed to be the date of acquisition of such capital asset by such individual or partnership.”



Amendment  
of section  
24 of the  
principal  
enactment.

11. Section 24 of the principal enactment is hereby amended as follows:—

(1) by the substitution in paragraph (p) of subsection (1) of that section for the words and figures “on or after January 1, 1984,” of the words and figures “on or after January 1, 1984, but on or before March 31, 1987,”; and

(2) by the insertion immediately after paragraph (p) of the following paragraph:—

“(pp) such part of the rental paid by him under any agreement entered into by him on or after April 1, 1987, in any year in respect of—

(a) any plant, machinery, fixtures or equipment other than plant, machinery or fixtures or equipment referred to in paragraph (b), as is in excess of an amount equal to one-third of the total rental payable under such agreement; and

(b) any motor vehicle, lorry, bus, tractor, trailer and office furniture, as is in excess of an amount equal to one-fourth of the total rental payable under such agreement.”.

Amendment  
of section  
29 of the  
principal  
enactment.

12. Section 29 of the principal enactment is hereby amended as follows:—

(1) in sub-paragraph (iii) of paragraph (b) of subsection (2) of that section by the repeal of all the words from, “no deduction shall be made” to “the loss was incurred.” and the substitution therefor of the following:—

“no deduction shall be made under this paragraph or under subsection (3) (b) or subsection (4) (b) or subsection (4) (c), in respect of a loss incurred by a company in which there has been a change of ownership on or after November 15, 1985, otherwise than by way of testate or intestate succession, except against the statutory income of such trade or business of the company as that in which the loss was incurred.”;

(2) by the addition at the end of paragraph (a) of subsection (6) of that section, of the following:—

“(iii) where in any year of assessment on or after April 1, 1987, the income of any person

includes more than one capital gain, such deduction shall be made from the capital gain taxable at the lowest rate specified in subsections (3A) and (3B) of section 32, if applicable, and thereafter from the capital gain taxable at the next highest rate, if applicable, and so on.”.

13. Section 30 of the principal enactment is hereby amended by the addition, at the end of subsection (2) of that section, of the following proviso :—

Amendment  
of section  
30 of the  
principal  
enactment.

“ Provided further that the taxable income of any thrift, saving or building society or welfare fund to which contributions are made by employees only, for any year of assessment commencing on or after April 1, 1987, shall be the assessable income of that society or fund for that year of assessment after deducting an allowance of twenty-seven thousand rupees.”.

14. Section 31 of the principal enactment is hereby amended as follows :—

Amendment  
of section  
31 of the  
principal  
enactment.

(1) in subsection (2) of that section—

(a) by the insertion, immediately after paragraph (hhh), of the following paragraph :—

“ (hhhh) any amount paid by an individual, in any year of assessment commencing on or after April 1, 1987, as a contribution to a provident fund for self-employed persons, approved by the Commissioner-General for such purposes;” ;

(b) by the insertion, immediately after paragraph (o), of the following paragraph :—

“ (p) any amount spent by an individual, in any year of assessment commencing on or after April 1, 1987, as medical expenses for indoor treatment in a hospital or clinic, in respect of himself, his spouse, child or parent,” ;

(2) in subsection (7) of that section by the repeal of the proviso to that subsection and the substitution therefor of the following proviso :—

“Provided that no additional assessment shall be made on any person from whose assessable income such allowance was deducted if such person has—

(a) sold such shares ; or

(b) withdrawn, realized or received any sum of money in respect of such shares,

in circumstances which are beyond his control, and used the proceeds of such sale or the sum withdrawn, realized or received—

(i) within three months of the date of sale, withdrawal, realization or receipt, in any case where such sale, withdrawal, realization or receipt was prior to November 12, 1986 ; or

(ii) within one year of the date of sale, withdrawal, realization or receipt, in any case where such sale, withdrawal, realization or receipt was on or after November 12, 1986,

to purchase other ordinary shares (other than existing shares) in any approved undertaking.” ;

(3) by the repeal of subsection (7A) of that section and the substitution therefor of the following new subsection :—

“(7A) Where any person who is entitled to a deduction from his assessable income of an allowance under subsection (1) in respect of the purchase of any shares in any company, sells such shares or withdraws, realizes or receives any money in respect of such shares, in circumstances beyond his control, and uses the proceeds of such sale or the sum withdrawn, realized or received—

(a) within three months of such sale, withdrawal, realization or receipt, in any case where such sale, withdrawal, realization or receipt was prior to November 12, 1986 ; or

- (b) within one year of such sale, withdrawal, realization or receipt, in any case where such sale, withdrawal, realization or receipt was after November 12, 1986,

to purchase other ordinary shares in respect of which he is entitled to a deduction from his assessable income under that subsection, the deduction from income tax to which he is entitled to in consequence of the second-mentioned purchase of shares shall be reduced by the amount of the deduction from income tax to which he was entitled in consequence of the first-mentioned purchase of shares."

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

Amendment  
of section  
32 of the  
principal  
enactment.

- (1) in subsection (3) of that section by the substitution for the words "taxable income of a person includes any capital gain," of the words and figures "the taxable income of a person includes any capital gain not being a capital gain arising on or after November 12, 1986, from the change of ownership of any property"; and

- (2) by the insertion immediately after subsection (3) of that section of the following subsections:—

(3A) Where the taxable income of a person includes any capital gain arising on or after November 12, 1986, from the change of ownership of any property, more than two years but less than five years after the acquisition of such property by such person, and the rate of income tax payable on such part of such income (hereinafter in this subsection referred to as the "relevant part of the income") exceeds twenty-five *per centum*, then, in regard to the relevant part of the income, the tax shall be computed as follows:—

- (a) if the relevant part of the income exceeds the amount of such capital gains—

- (i) the tax payable on such part of the relevant part of the income as is equal to the amount of such capital gain shall be at the rate of twenty-five *per centum*; and

- (ii) the tax payable on the balance of the relevant part of the income shall be computed according to such of the rates above twenty-five *per centum* as are applicable thereto under this Act; and
- (b) if the relevant part of the income does not exceed the amount of the net capital gain, the tax payable on the entirety of the relevant part of the income shall be twenty-five *per centum* notwithstanding anything to the contrary in this Act.

(3B) Where the taxable income of a person includes any capital gain, arising on or after November 12, 1986, from the change of ownership of any property within such period after the acquisition of that property by that person as is referred to in Column I hereto, the provisions of subsection (3A) shall apply to the computation of income tax on such capital gain, as if for the references to "twenty-five *per centum*" in that subsection, there were substituted the references specified in the corresponding entry in Column II hereto.

Column I	Column II
more than five years but less than fifteen years ..	.. 17½ <i>per centum</i>
more than fifteen years but less than twenty years ..	.. 12½ <i>per centum</i>
more than twenty years but less than twenty-five years ..	6 <i>per centum</i> ;

(3) in subsection (4) of that section by the substitution for the words "Where a body of persons resident in Sri Lanka carries on or operates" of the words and figures "Where a body of persons resident in Sri Lanka carries on or operates, in any year of assessment prior to April 1, 1987"; and

(4) by the insertion immediately after subsection (4) of that section of the following subsections:—

"(5) There shall be charged, for every year of assessment commencing on or after April 1, 1987, on the investment income of every provident or pension fund, income tax at the

rate of twenty per centum of the income derived by that fund, for that year of assessment, from investments made by it, other than in government securities made by an approved provident or pension fund.

(6) There shall be charged, for every year of assessment commencing on or after April 1, 1987, on the investment income of every thrift, savings or building society or welfare fund to which contributions are made by the members, income tax at the rate of ten per centum of such part of the income derived by that society, for that year of assessment from investments made by it, as exceeds twenty-seven thousand rupees.”.

16. Section 32A of the principal enactment is hereby amended in subsection (3) of that section, by the repeal of the definition of “public corporation”.

Amendment  
of section  
32A of the  
principal  
enactment.

17. Section 33 of the principal enactment is hereby amended as follows:—

Amendment  
of section  
33 of the  
principal  
enactment.

(1) (a) in paragraph (a) of subsection (1B) of that section by the substitution for the words and figures “on or after April 1, 1979”, of the words and figures “on or after April 1, 1979, but before November 12, 1986,”; and

(b) in paragraph (b) of subsection (1B) of that section by the substitution for the words and figures “on or after April 1, 1979,”, of the words and figures “on or after April 1, 1979, but before November 12, 1986,”;

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

“ (1c) Where for the period commencing on November 12, 1986, the taxable income of a company includes any capital gain the provisions of subsections (3A) and (3B) of section 32 shall, *mutatis mutandis*, apply to the taxation of that capital gain. ” ;



(3) by the insertion immediately after paragraph (a) of subsection (2) of that section of the following paragraph :—

‘ (aa) “quoted public company” in relation to an year of assessment, means a company which is resident in Sri Lanka and in respect of which the assessor is satisfied that it is a company the shares of which are quoted throughout the year of assessment or from the date of incorporation of the company to the end of that year of assessment ;’.

Amendment  
of section  
42 of the  
principal  
enactment.

18. Section 42 of the principal enactment is hereby amended by the insertion, immediately after paragraph (ss) of that section, of the following paragraph :—

“ (sss) the National Defence Fund established by the National Defence Fund Act, No. 9 of 1985 ;”.

Amendment  
of section  
45 of the  
principal  
enactment.

19. Section 45 of the principal enactment is hereby amended by the repeal of paragraph (v) of that section and the substitution of the following paragraph therefor :—

“ (v) the moneys lying to his credit in any such account as is referred to in section 10 (e).”.

Amendment  
of section  
54 of the  
principal  
enactment.

20. Section 54 of the principal enactment is hereby amended in paragraph (e) of subsection (1) of that section, by the substitution for the words and figures “Government or to the President’s Fund established by the President’s Fund Act, No. 7 of 1978 or to any local authority”, of the words and figures “Government or to the President’s Fund established by the President’s Fund Act, No. 7 of 1978 or the National Defence Fund established by the National Defence Fund Act, No. 9 of 1985 or to any local authority”.

Amendment  
of section  
81 of the  
principal  
enactment.

21. Section 81 of the principal enactment is hereby amended as follows :—

(1) by the substitution in subsection (1) for the words “Sixth Schedule to this Act on such sum,”, of the words “Sixth Schedule to this Act or where there is

an agreement in force between the Government of Sri Lanka and the Government of any territory in which such person or partnership is resident, for the relief of double taxation, at the appropriate rate specified in such agreement, on such sum,"; and

- (2) by the substitution, in the proviso to that subsection for the words "Sixth Schedule to this Act and", of the words "Sixth Schedule to this Act or the agreement for the relief of double taxation, as the case may be, and".

22. Section 85A of the principal enactment is hereby amended as follows:—

Amendment  
of section  
85A of the  
principal  
enactment.

- (1) by the substitution, for the words "seventy-five per centum", of the words and figures "seventy-five per centum in the case of an year of assessment commencing prior to April 1, 1987, or fifty per centum in the case of an year of assessment commencing on or after April 1, 1987";
- (2) by the substitution, for the words "a period of ten years", of the words and figures "a period of ten years in the case of an year of assessment commencing prior to April 1, 1987, or a period of five years in the case of an year of assessment commencing on or after April 1, 1987"; and
- (3) by the substitution, for the words "aforementioned ten years", of the words "aforementioned ten or five years".

23. Section 96 of the principal enactment is hereby amended in subsection (1) of that section by the substitution for the words "five thousand rupees", of the words "fifty thousand rupees".

Amendment  
of section 96  
of the  
principal  
enactment.

24. Section 99 of the principal enactment is hereby amended by the repeal of subsection (1) of that section and the substitution therefor of the following subsection:—

Amendment  
of section 99  
of the  
principal  
enactment.

(1) Every employer who employs—

- (a) an individual who receives remuneration in excess of two thousand two hundred and fifty rupees per mensem or twenty-seven thousand rupees per annum, or

- (b) any non-resident person receiving remuneration for services rendered in Sri Lanka in excess of eighty-five rupees per mensem or one thousand rupees per annum, and

who has not given notice to the Commissioner-General under section 107c (1) of the Inland Revenue Act, No. 4 of 1963 and under this Part of this Act shall give notice to the Commissioner-General not later than June 15, 1987, that he has in his employ such person (hereafter in this Chapter referred to as a "specified employee")'.

Amendment  
of section  
113A  
of the  
principal  
enactment.

25. Section 113A of the principal enactment is hereby amended in subsection (1) of that section by the repeal of all the words from "For the purposes of a deduction" to "made under section 81." and the substitution therefor of the following:—

"For the purposes of a deduction under this section interest means such part of—

- (a) the interest received by a person chargeable with income tax, from a bank or financial institution; and
- (b) the sum of money received by such person, as interest or discount in respect of a bond issued by a bank or financial institution not being a government security,

in any year of assessment, as is not exempt from income tax or in respect of which no deduction has been made under section 81."

Amendment  
of section 117  
of the  
principal  
enactment.

26. Section 117 of the principal enactment is hereby amended by the addition at the end of that section of the following subsections:—

- "(12) Every petition of appeal preferred, under this section, on or after April 1, 1987, shall be agreed to, or determined, within two years from the date on which such petition of appeal is received by the Commissioner-General, unless the agreement or determination of such appeal depends on the furnishing of any document or the taking of any action, by any person other than the appel-

lant or the Commissioner-General or an assessor. Where such appeal is not agreed to or determined within such period, the appeal shall be deemed to have been allowed and tax charged accordingly. The receipt of every appeal received under this section shall be acknowledged and the date of the letter of acknowledgement shall for the purposes of this section be deemed to be the date of receipt of such appeal.

(13) For the purposes of this Chapter there shall be a panel of adjudicators appointed by the Minister. The remuneration of the members of the panel of adjudicators shall be determined by the Minister. The Commissioner-General may authorize any such adjudicator to exercise any of the powers vested in him under this Chapter as he may specify in such authorization.”

27. Section 151 of the principal enactment is hereby amended in subsection (1) thereof, by the substitution for the words “to a fine not exceeding seven thousand five hundred rupees.”, of the following:—

Amendment  
of section 151  
of the  
principal  
enactment.

“ in the case of a failure to comply with section 92(1) or with the requirement of a notice given under section 92(2), to a fine not exceeding fifty thousand rupees and in any other case, to a fine not exceeding seven thousand five hundred rupees.”

28. Section 163 of the principal enactment is hereby amended as follows:—

Amendment  
of section 163  
of the  
principal  
enactment.

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

“ (2) who is authorized in writing from time to time to act on his behalf for the purposes of this Act in respect of matters relating to such year of assessment as is specified in the authorization and who—

(i) being an individual registered as an auditor under the Companies (Auditors) Regulations is approved by the Commissioner-General; or

(ii) is an individual approved by the Commissioner-General under regulations made in that behalf;” ; and

(2) by the repeal of the definition of "Commissioner-General" and the substitution therefor of the following new definition:—

"Commissioner-General" means the Commissioner-General of Inland Revenue appointed or deemed to be appointed under this Act, and

(a) in relation to any provision of this Act, includes a Commissioner and a Deputy Commissioner who is specially authorized by the Commissioner-General either generally or for some specific purpose to act on behalf of the Commissioner-General;

(b) in relation to Chapter XVIII, includes an adjudicator appointed by the Minister and authorized by the Commissioner-General, under that Chapter'; and

(3) by the insertion, immediately after the definition of "property" of the following definition:—

"public corporation" means any corporation, board or other body which was, or is, established by, or under, any written law, other than the Companies Act, No. 17 of 1982, with capital wholly or partly provided by the Government, by way of grant, loan or other form;'

Amendment  
of the  
Second  
Schedule  
to the  
principal  
enactment.

29. The Second Schedule to the principal enactment is hereby amended by the addition, at the end thereof, of the following Part:—

"PART VIII  
*Public Corporations*

Public Corporations                      50 per centum".

Amendment  
of Third  
Schedule  
to the  
principal  
enactment.

30. The Third Schedule to the principal enactment is hereby amended by the repeal of item 10 thereof.

Retrospective  
effect.

31. The amendments made to the principal enactment by section 3, section 7(4), section 18 and section 20 of this Act shall be deemed for all purposes to have come into force on March 21, 1985.