



PARLIAMENT OF THE DEMOCRATIC
SOCIALIST REPUBLIC OF
SRI LANKA

CONVERSION OF PUBLIC CORPORATIONS
OR GOVERNMENT OWNED BUSINESS
UNDERTAKINGS INTO PUBLIC COMPANIES
ACT, No. 23 OF 1987

[Certified on 15th May, 1987]

Printed on the Orders of Government

Published as a Supplement to Part II of the Gazette of the Democratic
Socialist Republic of Sri Lanka of May 15, 1987

PRINTED AT THE DEPARTMENT OF GOVERNMENT PRINTING, SRI LANKA

TO BE PURCHASED AT THE GOVERNMENT PUBLICATIONS BUREAU, COLOMBO

Price : 60 cents

Postage : 75 cent

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Owned Business Undertakings into Public Companies
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L. D.—O. 44/82.

AN ACT TO MAKE PROVISION FOR THE CONVERSION OF PUBLIC CORPORATIONS OR GOVERNMENT OWNED BUSINESS UNDERTAKINGS ACQUIRED UNDER THE BUSINESS UNDERTAKINGS (ACQUISITION) ACT, No. 35 OF 1971, INTO PUBLIC COMPANIES; AND TO PROVIDE FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

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

1. This Act may be cited as the Conversion of Public Corporations or Government Owned Business Undertakings into Public Companies Act, No. 23 of 1987.

Short title.

2. (1) Where the Cabinet of Ministers considers it necessary that a company should be incorporated for the purpose of taking over the functions of any public corporation or part thereof or taking over and carrying on any business undertaking acquired by, or vested in, the Government under the Business Undertakings (Acquisition) Act, No. 35 of 1971, or any part thereof, the Minister may, in consultation with the Minister in charge of the subject of Finance, forward a memorandum and articles of Association to the Registrar of Companies, together with a direction to such Registrar to register such public corporation or business undertaking, or any part thereof, as a public company under the Companies Act, No. 17 of 1982.

Establishment of a company to carry on a corporation or business undertaking vested in the Government.

(2) Notwithstanding any other provisions of the Companies Act, No. 17 of 1982, on receipt of a direction under subsection (1) the Registrar of Companies shall—

(i) issue a certificate of incorporation under section 15(1) of the Companies Act, No. 17 of 1982, in the name referred to in the direction under subsection (1); and

(ii) publish an Order in the *Gazette* declaring that a public company is incorporated in the name specified in the Order to take over the functions of the public corporation specified in the Order or such part of the corporation as specified therein or to

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take over and carry on the business undertaking specified in such Order or such part of such business undertaking as is specified therein.

(3) Upon the publication of the Order referred to in subsection (2) in the *Gazette*, the Registrar of Companies shall allot all the shares into which the share capital of the company is divided to the Secretary to the Treasury, (in his official capacity) for and on behalf of the State.

(4) No stamp duty shall be payable under the Stamp Duty Act, No. 43 of 1982, on the allotment of shares to the Secretary to the Treasury under subsection (3).

Vesting of
Corporation
or business
undertaking
as the case
may be in
company.

3. (1) With effect from the date of publication of the Order under subsection (2) of section 2, in the *Gazette* (in this section referred to as "the relevant date") the corporation or the business undertaking, or part thereof, as the case may be, to which the Order relates shall vest absolutely in the company referred to in that Order.

For the purposes of this section "corporation" means—

- (a) all property movable or immovable, owned by the corporation and used for the purposes of that corporation on the day immediately preceding the relevant date;
- (b) all rights, powers, privileges and interests arising in or out of such property and all the liabilities of that corporation;
- (c) all books, accounts, and documents relating or appertaining to the corporation or any property of the corporation; and

"business undertaking" means—

- (a) all property movable or immovable, vested in the State and used for the purposes of that undertaking on the day immediately preceding the relevant date;
- (b) all rights, powers, privileges and interests arising in or out of such property or business and all the liabilities of that undertaking;

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(c) all books of accounts and documents relating or appertaining to the business undertaking or any property of that undertaking.

(2) Without prejudice to the generality of subsection (1)—

(a) all property movable or immovable—

(i) owned by the corporation ; or

(ii) vested in the State,

and used for the purposes of the corporation or the business undertaking, as the case may be, on the day immediately preceding the relevant date and specified in the Order made under section 2 (2) shall with effect from the relevant date, vest in the company ;

(b) all liabilities of the corporation or the business undertaking, as the case may be, subsisting on the date immediately preceding the relevant date, and specified in the Order made under section 2 (2) shall be deemed to be liabilities of the company with effect from the relevant date ;

(c) all officers and servants—

(i) of the corporation on the day immediately preceding the relevant date, who are not offered employment with the company shall be entitled to the payment of such compensation as may be determined by the Cabinet of Ministers ; and

(ii) of the business undertakings, on the day immediately preceding the relevant date, who are not offered employment with the company shall be entitled to the payment of such compensation as may be determined by the Caminet of Ministers ;

(d) all contracts and agreements entered into for the purposes of the corporation or the business undertaking, as the case may be, and subsisting on the day immediately preceding the relevant date, and specified in the Order made under section 2 (2)

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shall be deemed to be contracts and agreements entered into by that company ;

(e) all actions and proceedings instituted by or against—

(a) the corporation ; or

(b) the business undertaking or the Attorney-General as representing the business undertaking,

and pending on the day immediately preceding the relevant date, and specified in the Order made under section 2 (2) shall be deemed to be actions and proceedings instituted by or against the company ;

(f) the profit and income, if any arising from the vesting of a corporation or business undertaking in a company under subsection (1) shall be deemed not to be—

(a) a capital gain within the meaning of section 7 of the Inland Revenue Act, No. 28 of 1979 ;

(b) a profit from trading, within the meaning of section 23 (3) (b) of that Act,

of such corporation or undertaking ;

(g) where a public corporation or a business undertaking is vested in a company under subsection (1)—

(i) any loss incurred by such corporation or business undertaking which has not been set off against its statutory income in any year of assessment shall be deemed to be a loss incurred by such company ;

(ii) any capital loss incurred by such corporation or business undertaking in the year of assessment in which such vesting takes place shall be deemed to be a capital loss incurred by such company.