



**PARLIAMENT OF THE DEMOCRATIC
SOCIALIST REPUBLIC OF
SRI LANKA**

**INLAND REVENUE (AMENDMENT)
ACT, No. 8 OF 1988**

[Certified on 25th March, 1988]

(Printed on the Orders of Government)

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L.D.—O 56/87

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 1988.

Short title.

2. Section 7 of the Inland Revenue Act, No. 28 of 1979 (hereinafter referred to as the “principal enactment”) is hereby amended in subsection (3) of that section as follows :—

Amendment of Section 7 of Act No. 28 of 1979.

(1) by the substitution in paragraph (b) of that subsection for the words “paragraph (h) and paragraph (l),”, of the words “paragraph (h), paragraph (l) and paragraph (m),”;

(2) by the substitution in paragraph (k) of that subsection for the words “of that property at that time ; and”, of the words “of that property at that time ;”;

(3) by the substitution in paragraph (l) of that subsection for the words and figures “after April 1, 1977.” of the words and figures “after April 1, 1977 ; and” ; and

(4) by the addition immediately after paragraph (l) of that subsection of the following paragraph :—

“ (m) where the property is immovable property and that property was acquired by way of gift or inheritance on or after April 1, 1977, by the person to whom such gain arises from any person who had acquired such property on or after April 1, 1977, the value of such property at the time when it was acquired by the first mentioned person shall—

(i) if the second-mentioned person had acquired that property by purchase, be an amount equal to the cost of such purchase ; and

(ii) if the second-mentioned person had acquired that property otherwise than by purchase, be an amount equal to the market value of the property at the time of such acquisition,

increased by the cost of any improvements, additions or alterations to that property made by the second-mentioned person after it was acquired by him.”.

Amendment
of section 8
of the
principal
enactment.

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

(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; and” of the words and figures “the President’s Fund established by the President’s Fund Act, No. 7 of 1978;”;

(2) by the substitution, in sub-paragraph (L) of that paragraph, for the words and figures “National Defence Fund Act, No. 9 of 1985;”, of the words and figures “National Defence Fund Act, No. 9 of 1985; and”;

(3) by the addition immediately after sub-paragraph (L) of that paragraph, of the following sub-paragraphs:—

“ (Li) the Sri Lanka Institute of Architects incorporated by the Sri Lanka Institute of Architects Law, No. 1 of 1976;

(Lii) the Surveyors’ Institute of Sri Lanka incorporated by the Surveyors’ Institute of Sri Lanka Act, No. 22 of 1982; and

(Liii) the Institute of Chemistry, Ceylon incorporated by the Institute of Chemistry (Ceylon) Act, No. 15 of 1972.”.

Amendment
of section 9
of the
principal
enactment.

4. Section 9 of the principal enactment is hereby amended in subsection (1) of that section as follows:—

(1) by the substitution in paragraph (m) of that subsection, for the words “to his residence.”, of the words “to his residence; and”;

(2) by the addition immediately after paragraph (m) of that subsection of the following paragraph:—

“(n) such part of any sum paid to an employee at the time of his retirement, from any provident or pension fund, as represents income derived by that fund for any period commencing on or after April 1, 1987, from investments made by it.”.

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

Amendment
of section
11 of the
principal
enactment.

(1) in paragraph (b) of that section by the substitution, for the figures “20, 20A, 21,” of the figures “20, 20A, 20B, 20C, 21”;

(2) in paragraph (c) of that section by the substitution, for the words “within one year thereafter; and” of the words “within one year thereafter;”; and

(3) by the insertion immediately after paragraph (c) of that section, of the following paragraph:—

“(cc) any dividend paid on or after April 1, 1988, to a shareholder of a company out of any such dividend as is referred to in paragraph (a) or (b) received by that company through two or more intermediary companies during the period for which the dividends referred to in paragraph (a) or (b) are exempt from income tax or within two years thereafter; and”.

6. Section 12 of the principal enactment is hereby amended in subsection (1) of that section as follows:—

Amendment
of section
12 of the
principal
enactment.

(1) in paragraph (b), by the substitution for the words “year of assessment if such house is used”, of the words and figures “year of assessment if the construction of such house was or is completed on or before March 31, 1989, and is used”; and

(2) by the insertion immediately after paragraph (b) of that subsection of the following new paragraph:—

“(bb) the income accruing to the owner of a house for the year of assessment in which the construction of that house was completed and for the six years of assessment immediately succeeding that year of assessment.

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if the construction of such house is completed on or after April 1, 1989, and is used solely for residential purposes and—

- (i) is occupied by the owner thereof ; or
- (ii) has a floor area (inclusive of the thickness of the walls) not exceeding two thousand square feet :

Provided that where the floor area of the house is one thousand and five hundred square feet or less, the income accruing to the owner shall be exempt from income tax for the year of assessment in which the construction of that house was completed and for the nine years of assessment immediately succeeding that year of assessment ;”.

Amendment of section 14 of the principal enactment.

7. Section 14 of the principal enactment is hereby amended by the repeal of sub-paragraph (xvi) of paragraph (a) thereof and the substitution therefor of the following sub-paragraph :—

(xvi) the change of ownership of any property, on or after November 12, 1986, occurring not less than twenty-five years after its acquisition by the person to whom such gain arises.”.

Insertion of new section 20c in the principal enactment.

8. The following section is hereby inserted immediately after section 20B, and shall have effect as section 20c of the principal enactment :—

‘Exemption from income tax of profits from supplies to certain enterprises.

20c. (1) 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 any undertaking as consists of the export profits and income of that undertaking shall be exempt from income tax for any year of assessment commencing on or after April 1, 1988.

(2) In this section—

(a) “export profits and income” and “total turnover” have the respective meanings assigned to them in sub-section (2) of section 20 ;

(b) "export turnover" when used in relation to an undertaking to which this section applies means the total amount received or receivable by that undertaking from the sale, of goods to any enterprise with which an agreement has been entered into by the Greater Colombo Economic Commission under section 17 of the Greater Colombo Economic Commission Law, No. 4 of 1978, during the period for which the profits and income of that enterprise are exempt from income tax under the terms of that agreement, for which payment is made out of funds drawn from any account maintained by such enterprise in a foreign currency banking unit of any commercial bank in Sri Lanka, excluding—

(i) any amount received or receivable by the sale of capital assets ;

(ii) any amount received or receivable from the sale of gems ;

(iii) any amount received or receivable from the sale or export of black tea in bulk, crepe rubber, sheet rubber, scrap rubber, coconut oil, desiccated coconut, copra, fresh coconuts or coconut fibre ;

(iv) any profits and income not being profits and income within the meaning of paragraph (a) of section 3. '

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

Amendment
of section
21 of the
principal
enactment.

(1) by the renumbering of that section as subsection (1) of that section ;

(2) by the substitution, in the renumbered subsection (1) of that section, for the words "sells any house or flat," of the words and figures "sells, on or before March 31, 1989, any house or flat," ; and

(3) by the addition immediately after the renumbered subsection (1) of that section of the following subsection:—

“(2) Where any person who carries on an undertaking for the construction and sale of houses or flats, being an undertaking approved by the Commissioner for National Housing having regard to the housing policy of the Government, sells on or after April 1, 1989, any house or flat, the floor area of which does not exceed two thousand square feet and the construction of which was commenced by such person on or after January 1, 1977, such sale being the first sale of that house or flat, seventy five *per centum* of the profits and income arising from such sale shall be exempt from income tax.”.

Amendment
of section
23 of the
principal
enactment.

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

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

(a) in paragraph (eee) of that subsection by the substitution for the words “on its cost of construction.” of the words, “on its cost of construction”:

“Provided that no deduction under the preceding provisions of this paragraph shall be allowed to a person in respect of any capital asset referred to in sub-paragraph (i), or sub-paragraph (ii) or sub-paragraph (iii) of this paragraph, in respect of which the total of the allowances granted for depreciation in the preceding years of assessment is equal to the cost of acquisition or the cost of construction, as the case may be, of such capital asset.”;

(b) by the substitution, in paragraph (hh), of that subsection, for the words “to a special reserve for bad and doubtful debts;”, of the words “to a general reserve to meet expenditure of a revenue nature;”;

(c) by the substitution, in paragraph (t), of that subsection for the words and figures “on or after April 1, 1987,”, of the words and figures “on or after April 1, 1986,”;

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

(a) by the substitution, in paragraph (bbb) of that subsection, for the words “cost of acquisition”, wherever those words occur in that paragraph of the words “cost of acquisition or the cost of construction, as the case may be”;

(b) by the substitution for the proviso to paragraph (bbb) of that subsection, of the following proviso :—

“Provided that, where such difference exceeds the proceeds of such disposal, the excess shall be treated for the purposes of subsection (1) as an expense incurred in the production of income :

Provided further 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 (a) (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.” ;

(3) in subsection (5) of that section by the substitution for the word and figures “ (1) (ee), or (1) (f) ”, of the word and figures “ (1) (ee), (1) (eee) or (1) (f) ” ; and

(4) in subsection (7) of that section—

(a) by the substitution in sub-paragraph (i) of paragraph (a) of that subsection for the words and figure “or paragraph (ee) of subsection (1)”, of the words and figure “or paragraph (ee) or paragraph (eee) of subsection (1)”; and

(b) by the substitution in sub-paragraph (i) of paragraph (f) of that subsection, for the words “such proceeds of sale;” of the words “the profits on the sale of the asset sold;”; and

(c) by the insertion immediately after sub-paragraph (i) of paragraph (f) of that subsection of the following:—

“For the purposes of this sub-paragraph the profit on the sale of an asset sold shall be the excess of the proceeds of sale of such asset over the difference between—

(i) the cost of acquisition or the cost of construction, as the case may be, of such asset; and

(ii) the total allowance for depreciation granted in respect of such capital asset;”.

Amendment of section 24 of the principal enactment.

11. Section 24 of the principal enactment is hereby amended in subsection (2) of that section. by the substitution for the words and figures “23 (1) (a) or 23 (1) (e) or 23 (1) (f)—”, of the words and figures “23 (1) (a) or 23 (1) (e) or 23 (1) (eee) or 23 (1) (f)—”.

Amendment of section 25 of the principal enactment.

12. Section 25 of the principal enactment is hereby amended by the insertion immediately after subsection (1) of that section of the following subsection:—

“(1A) Where the Commissioner-General directs under the provisions of subsection (3) of this section, that the accounts in respect of any trade, business, profession or vocation be made up for such periods as may be specified in that direction, he may further direct that the statutory income from that source for any year

of assessment commencing on or after April 1, 1988, be computed on the amount of the profits of the period ending in that year of assessment. Where, however the statutory income of any person from a trade, business, profession or vocation has been computed by reference to an account made up for a certain period and such person fails to make up an account for the corresponding period in the year following, the statutory income from that source both of the year of assessment for which such failure occurs and of the two years of assessment following shall be computed on such basis as the Commissioner-General shall consider just and equitable in the circumstances of the case :

Provided that the Commissioner-General may at any time vary or revoke a direction given under the preceding provisions of this subsection :

And provided further that where any such direction is varied or revoked by the Commissioner-General 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 upto the thirty-first day of March in that year of assessment.”.

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

Amendment
of section
29 of the
principal
enactment.

(1) in subsection (4A) of that section by the substitution for the words and figures “section 20, or section 20A”, wherever those words and figures occur in that subsection, of the words and figures “section 20, or section 20A, or section 20B, or section 20c”; and

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

“(iv) no deduction shall be made in respect of any capital loss arising from the disposal of any capital asset used by such person for producing profits and income of any trade, business, profession or vocation carried on or exercised by him, if a deduction for depreciation in respect of such asset 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.”.

Amendment
of section
31 of the
principal
enactment.

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

(1) in subsection (1) of that section by the substitution for the words and figures, "Subject to the provisions of subsection (5) and subsection (5A)," of the words and figures "Subject to the provisions of subsection (5), subsection (5A), subsection (5B), and subsection (5c),";

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

(a) in paragraph (e) of that subsection—

(i) by the substitution in sub-paragraph (i) of that paragraph for all the words and figures from "in the repayment of capital" to "of a house purchased on or after that date," of the following words and figures:—

"in the repayment of capital of any loan granted on or after April 1, 1973, but on or before March 31, 1989 for the construction of a house or for the purchase either of the first house or of the first site for the construction of a house purchased on or after April 1, 1973,"; and

(ii) by the substitution in sub-paragraph (ii) of that paragraph for the words and figures "on or after April 1, 1973," of the words and figures "on or after April 1, 1973, but on or before March 31, 1989,";

(b) by the insertion, immediately after paragraph (e) of that subsection of the following new paragraph:—

"(ee) any amount paid by an individual to the Government of Sri Lanka or to any banking institution within the meaning of the Monetary Law Act or to any local authority or to any other institution approved by the Minister in charge of the subject of Housing having regard to the housing policy of the Government—

(i) in the repayment of capital of any loan, granted on or after April 1, 1989, for the construction at a cost not exceeding one mil-

lion rupees of a house, being the first house constructed by such individual, on or after April 1 1978 or, for the purchase either of a house or of a site for the construction of a house purchased at a cost not exceeding one million rupees, being the first house or the first site purchased by such individual on or after April 1, 1978, such repayment being made by that individual while he is the owner of that house or site or while the owner of that house or site is the child, under eighteen years of age, of such individual—

(a) who has acquired ownership of such house or site, by way of gift from such individual; and

(b) whose income has been, for the purposes of this Act, aggregated with that of such individual in that year of assessment;

(ii) as monthly payments in terms of any rent purchase agreement the consideration of which does not exceed one million rupees entered into, on or after April 1, 1989, in respect of the first house purchased on or after April 1, 1978 on rent purchase terms;”;

(c) in paragraph (f) of that subsection by the substitution for the words “on the construction of a house,”, of the words and figures “on the construction of a house on or before March 31, 1989,”;

(d) by the insertion, immediately after paragraph (f) thereof, of the following new paragraph :—

“(ff) any amount spent by an individual on the construction, at a cost not exceeding one million rupees, on or after April 1, 1989, of the first house constructed by him on or

after April 1, 1978, such amount not being an amount obtained on any loan from the Government of Sri Lanka or any institution or authority referred to in paragraph (e) ;” ;

(e) in paragraph (g) of that subsection by the substitution for all the words and figures from “any amount spent” to “on or after that date,” , of the words and figures “any amount spent by an individual for the purchase on or after April 1, 1978, but on or before March 31, 1989, of either the first house or of the first site for the construction of a house purchased by him on or after April 1, 1978,” ;

(f) by the insertion immediately after paragraph (g) of that subsection of the following new paragraph :—

“(gg) any amount spent by an individual for the purchase at a cost not exceeding one million rupees on or after April 1, 1989, of either the first house or of the first site for the construction of a house, being the first house or the first site purchased by him on or after April 1, 1978, such amount not being an amount obtained on a loan from the Government of Sri Lanka or any institution or authority referred to in paragraph (e) ;” ;

(g) in paragraph (l) of that subsection—

(i) by the substitution, for the words “spent by a person in constructing any house or flat or the cost of purchase of any unit”, of the words and figures “spent by a person in constructing, on or before March 31, 1989, any house or flat or, the cost of purchase, on or before March 31, 1989, of any unit” ; and

(ii) by the substitution, in sub-paragraph (iii) of that paragraph, for the words and figures “sub-paragraph (i) of paragraph (b) of subsection (1) of section 23 or paragraph (f) of subsection (1) of section 23”, of the words and figures

“ sub-paragraph (i) of paragraph (b) of subsection (1) of section 23 or sub-paragraph (iii) of paragraph (eee) of subsection (1) of section 23 or paragraph (f) of subsection (1) of section 23 ”;

(h) by the insertion immediately after paragraph (l) of that subsection, of the following paragraph :—

“ (ll) any amount spent by a person in constructing any house or flat at a cost not exceeding one million rupees, on or after April 1, 1989, or in the purchase at a cost not exceeding one million rupees on or after April 1, 1989, of any unit of residential accommodation constructed with the approval of the Urban Development Authority (established by the Urban Development Authority Law, No. 41 of 1978) and comprised in a registered condominium property within the meaning of the Apartment Ownership Law, No. 11 of 1973, if—

(i) such house, flat or unit is for occupation as a dwelling house by any member of the staff employed by such person,

(ii) the floor area of such house, flat or unit does not exceed two thousand square feet, and

(iii) no allowance is deductible under sub-paragraph (i) of paragraph (b) of subsection (1) of section 23, or sub-paragraph (iii) of paragraph (eee) of subsection (1) of section 23, or paragraph (f) of subsection (1) of section 23 in respect of such house, flat or unit.”;

(i) by the substitution, in the paragraph immediately succeeding paragraph (o) of that subsection, for the words “In paragraphs (e) and (g) of this subsection”, of the words “In paragraphs (e), (ee), (g) and (gg) of this subsection”;

- (3) in subsection (3) of that section, by the substitution, for the words "in paragraph (f) or paragraph (g), such", of the words "in paragraph (f) or paragraph (ff) or paragraph (g) or paragraph (gg), such";
- (4) in subsection (5B) of that section, by the substitution for the words and figures "for any year of assessment commencing on or after April 1, 1986—", of the words and figures "for the year of assessment commencing on April 1, 1986, and the year of assessment immediately succeeding that year of assessment—";
- (5) by the insertion, immediately after subsection (5B), of that section, of the following subsection:—
- "(5c) The deduction from the assessable income of any person other than a company for any year of assessment commencing on or after April 1, 1988—
- (i) in respect of all qualifying payments other than those referred to in paragraphs (b), (c), (m) and (n) of subsection (2), made by him, or deemed to have been made by him, in that year of assessment, shall not exceed one-third of such assessable income or fifty thousand rupees, whichever is less;
- (ii) in respect of all qualifying payments, referred to in paragraphs (c), (m) and (n) of subsection (2), made by him or deemed to have been made by him, shall not exceed fifty thousand rupees; and
- (iii) in respect of the aggregate of all qualifying payments referred to in paragraphs (i) and (ii) of this subsection, shall not exceed fifty thousand rupees." ; and
- (6) in subsection (7) of that section, by the addition at the end of the proviso to that subsection, of the following proviso:—

"Provided further that where an additional assessment arises in consequence of any sum of money in respect of those shares being withdrawn

or realised by, or paid to, the person who purchased those shares, such additional assessment consisting of the difference between—

(i) the income tax to which the person who has been granted the allowance would have been liable if such part of such allowance as is attributable to the total sum withdrawn or realised by, or paid to, such person had not been granted, and

(ii) the amount of tax charged for that year of assessment,

shall, notwithstanding anything in this Act, be made in respect of that person and accordingly the provisions of this Act relating to notice of assessment, appeal and other proceedings shall apply to such additional assessment.”

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

Amendment
of section
32 of the
principal
enactment.

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

(a) by the substitution in sub-paragraph (v), of that paragraph, for the words and figures “in respect of any year of assessment commencing on or after April 1, 1986,” of the words and figures, “in respect of the year of assessment commencing on April 1, 1986, and in respect of the year of assessment immediately succeeding that year of assessment,”;

(b) by the insertion immediately after sub-paragraph (v) of that paragraph of the following sub-paragraph.—

“ (vi) in respect of any year of assessment commencing on or after April 1, 1988, at the appropriate rates specified in Part IID of the First Schedule to this Act ;” ;

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

(a) by the substitution in paragraph (e) of that subsection, for the words “has been paid by the employer”, of the words “has been paid by the employer, or”;

(b) by the insertion, immediately after paragraph (e) of that subsection of the following paragraph:—

“ (f) any sum paid to him at the time of his retirement from any employment, from the Employees' Trust Fund, established by the Employees' Trust Fund Act, No. 46 of 1980, ”; and

(c) by the substitution, for the words “if such aforementioned sum has been paid by the employer of such individual,” of the words “if any one or more of the aforementioned sum or sums has been or have been paid to such individual by his employer, or if such employer has contributed to such fund or funds, ”;

(3) in subsection (3A) of that section, by the substitution for the words “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”, of the words “more than two years but not more than five years after the date of acquisition of such property by such person, and the rate of income tax payable on a part of such income ”;

(4) in subsection (3B) of that section—

(a) by the substitution, for the words “within such period after the acquisition of that property”, of the words “within such period after the date of acquisition of that property ”;

(b) by the substitution in Column I of that subsection—

(i) for the words “more than five years but less than fifteen years”, of the words “more than five years but not more than fifteen years ”; and

(ii) for the words “more than fifteen years but less than twenty years”, of the words “more than fifteen years but not more than twenty years ”; and

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

“ (3c) Where for the purposes of paragraph (l) or (m) of subsection (3) of section 7, the value of any property is determined by reference to a date earlier than the actual date of acquisition of such property by any person, the date of acquisition of such property by such person, shall for the purposes of this section, be deemed to be the date on which the person second-mentioned in such paragraph acquired such property.”.

16. Section 33 of the principal enactment is hereby amended by the repeal of subsection (1c) of that section and the substitution therefor, of the following subsection :—

Amendment of section 33 of the principal enactment.

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

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

Amendment of section 50 of the principal enactment.

- (1) by the repeal of paragraph (b) of that section, and the substitution, of the following paragraph therefor :—

“ (b) for the year of assessment commencing on April 1, 1986, and the year of assessment immediately succeeding that year of assessment, shall not exceed sixty *per centum* ;” ;
and

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

“ (c) for any year of assessment commencing on or after April 1, 1988, shall not exceed fifty *per centum*.”.

Amendment
of section
67 of the
principal
enactment.

18. Section 67 of the principal enactment is hereby amended by the repeal of subsections (2), (3) and (4) of that section, and the substitution therefor, of the following subsections:—

“(2) An individual who is physically present in Sri Lanka for one hundred and eighty three days or more during any year of assessment shall be deemed to be resident in Sri Lanka throughout that year of assessment.

(3) An individual who has been deemed resident for two or more consecutive years of assessment shall be deemed to be resident until such time as he is continuously absent from Sri Lanka for an unbroken period of three hundred and sixty five days. When such person is so absent, he shall, notwithstanding the provisions of subsection (2), be deemed to be non-resident from the commencement of the year of assessment in which such absence commences.

(4) Where, but for his presence in Sri Lanka for any period or periods not exceeding in the aggregate thirty days, a person would have been deemed under subsection (3) to have been non-resident, such period or periods not exceeding thirty days shall be treated as if it or they had been spent by him outside Sri Lanka.”

Amendment
of section
86 of the
principal
enactment.

19. Section 86 of the principal enactment is hereby amended as follows:—

(1) in paragraph (a) of subsection (2) of that section by the substitution, for the words and figures “on or after April 1, 1986, and”, of the words and figures “on or after April 1, 1986, but before April 1, 1988, and”; and

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

“(3) Where the aggregate of—

(a) the wealth tax to which a person is liable for any year of assessment commencing on or after April 1, 1988, and

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

exceeds fifty *per centum* of the aggregate of the assessable income of that person for that year of assessment and of any profits and income (other than the net annual value of a residence and any subsidy exempt from income tax under this Act), being profits and income exempt from income tax under this Act, or under any other enactment, and which but for that exemption would have been taken into account in computing the assessable income of that person for such year of assessment, such excess shall be set off against the wealth tax to which he is liable for that year of assessment.”.

20. Section 89 of the principal enactment is hereby amended in the proviso to that section, by the substitution, for the words and figures “ paragraph (e) of subsection (1) of section 23, ”, of the words and figures “ paragraph (e) or paragraph (eee) of subsection (1) of section 23, ”.

Amendment
of section
89 of the
principal
enactment.

21. Section 92 of the principal enactment is hereby amended by the insertion immediately after subsection (2), of that section, of the following new subsection :—

Amendment
of section
92 of the
principal
enactment.

“ (2A) Every person who furnishes a return of income or wealth which is not in such form and does not contain such particulars as are specified by the Commissioner-General for the purposes of the foregoing subsections shall be deemed, for the purposes of this Act, not to have furnished a return of his income or wealth. ”

22. Section 115 of the principal enactment is hereby amended in subsection (5) of that section as follows :—

Amendment
of section
115 of the
principal
enactment.

(1) in paragraph (a) of that subsection by the substitution for the words “ end of that year of assessment ; and ”, of the words “ end of that year of assessment ; ” ;

(2) in paragraph (b) of that subsection by the substitution for the words “ after the expiry of three years from the end of that year of assessment : ”, of the words “ after the expiry of three years from the end of that year of assessment ; and ” ; and

(3) by the insertion, immediately after paragraph (b) of that subsection, of the following paragraph :—

“ (c) of the income tax or wealth tax, as the case may be, payable under this Act, for any year of assessment commencing on or after April 1, 1988, by any person who has

made a return of his income or wealth as the case may be, after the thirtieth day of November next succeeding the end of that year of assessment, but on or before the thirty first day of March in the next succeeding year,

after the expiry of five years from the end of the year of assessment in which the return is made: ”.

Amendment of section 118 of the principal enactment.

23. Section 118 of the principal enactment is hereby amended by the substitution, for the word “Clerk” wherever that word occurs in that section, of the word “Secretary”.

Amendment of section 119 of the principal enactment.

24. Section 119 of the principal enactment is hereby amended in paragraph (c) of subsection (3) of that section, by the substitution, for the word “Clerk”, of the word “Secretary”.

Amendment of section 121 of the principal enactment.

25. Section 121 of the principal enactment is hereby amended in subsection (1) of that section, by the substitution, for the word “Clerk”, of the word “Secretary”.

Amendment of section 122 of the principal enactment.

26. Section 122 of the principal enactment is hereby amended in subsection (1) of that section by the substitution, for the word “Clerk”, of the word “Secretary”.

Amendment of section 163 of the principal enactment.

27. Section 163 of the principal enactment is hereby amended by the substitution, in the definition of “executive officer”, for the words “one thousand five hundred rupees;”, of the words “five thousand rupees;”.

Amendment of the First Schedule to the principal enactment.

28. The First Schedule to the principal enactment is hereby amended as follows:—

- (1) in PART IIc of that Schedule, by the substitution, for the words and figures “for any year of assessment commencing on or after April 1, 1986,”, of the words and figures “for the year of assessment commencing on April 1, 1986, and for the year of assessment immediately succeeding that year of assessment,”; and

(2) by the insertion immediately after PART IIc of that Schedule, of the following Part :—

' "PART II D

The rates of income tax for any year of assessment commencing on or after April 1, 1988, shall be as follows :—

On the first Rs. 21,000 of the taxable income	... 10%
On the next Rs. 24,000 of the taxable income	.. 20%
On the next Rs. 24,000 of the taxable income	.. 30%
On the balance of the taxable income	.. 40%".

29. (a) The amendments made to the principal enactment by section 15 (3) and section 15(4) of this Act shall be deemed for all purposes to have come into force on November 12, 1986 ;

Retrospective effect.

(b) The amendments made to the principal enactment by section 10 (2), section 10 (3), section 10 (4) (a), section 11, section 14 (2) (g) (ii) and section 20 of this Act shall be deemed for all purposes to have come into force on April 1, 1987 ; and

(c) The amendments made to the principal enactment by section 2 and section 15 (5) of this Act shall be deemed to have come into force on November 17, 1987.

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