



PARLIAMENT OF THE DEMOCRATIC
SOCIALIST REPUBLIC OF
SRI LANKA

INLAND REVENUE (AMENDMENT)
ACT, No. 63 OF 1992

[Certified on 18th November, 1992]

(Printed on the Orders of Government)

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Inland Revenue (Amendment)

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L. D.—O. 15/92

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. 63 of 1992.

Short title.

2. Section 8 of the Inland Revenue Act, No. 28 of 1979 (hereinafter referred to as “the principal enactment”) is hereby amended in paragraph (a) of that section as follows:—

Amendment of section 8 of Act No. 28 of 1979.

(1) in sub-paragraph (Lx) of that paragraph by the substitution, for the words and figures “for any year of assessment commencing on or after April 1, 1991; and”, of the words and figures “for any year of assessment commencing on or after April 1, 1991;”;

(2) in sub-paragraph (Lxi) of that paragraph, by the substitution, for the words and figures “for any year of assessment commencing on or after April 1, 1991.”, of the words and figures “for any year of assessment commencing on or after April 1, 1991; and”;

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

“(Lxii) the Buddha Sasana Fund established by the Buddha Sasana Fund Act, No. 35 of 1990.”

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

Amendment of section 9 of the principal enactment.

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

(2) in paragraph (n) of that subsection by the substitution, for the words “from investments made by it.”, of the words “from investments made by it; and”;

(3) by the addition, immediately after paragraph (n) of that subsection of the following paragraph:—

“ (o) such part of any sum referred to in sub-paragraph (i) of paragraph (c) of section 4 (1) paid to any employee at the time of his retirement from any employment in any company formed under the Conversion of Public Corporations or Government Owned Business Undertakings into Public Companies Act, No. 23 of 1987 as is attributable to his period of service in any public corporation or any Government Owned Business Undertaking, as the case may be.”

Amendment
of section
11 of the
principal
enactment.

4. Section 11 of the principal enactment is hereby amended in paragraph (b) of that section, by the substitution, for the figures “16A, 16B, 17, 17A.”, of the figures “16A, 16B, 16C, 17, 17A.”

Amendment
of section
14 of the
principal
enactment.

5. Section 14 of the principal enactment is hereby amended in sub-paragraph (xxi) of paragraph (a) of that section, by the substitution, for the words “in a quoted public company after one year from the date of acquisition by any person of such share;”, of the words, “in a quoted public company;”.

Amendment
of section 15
of the
principal
enactment.

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

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

“ (mm) the profits and income arising to any person from the export of jewellery;”;

(2) in paragraph (w) of that section, by the substitution, for the words and figures “from the sale after one year from the date of acquisition by such person but before April 1, 1994, of any share in any quoted public company.”, of the words and figures “from the sale before April 1, 1994, of any share in any quoted public company; and ”; and

(3) by the addition immediately after paragraph (w) of that section, of the following paragraph:—

“ (x) such part of any sum or the aggregate of sums as does not exceed one hundred thousand rupees received in any year of assessment commencing on or after April

1, 1991, by any individual as an award or awards in recognition of his excellence in the field of fine arts, literature or sports, being an award made with the prior written approval of the Minister in charge of the subject of fine arts, literature, or sports, as the case may be.”.

7. The following section is hereby inserted immediately after section 15, and shall have effect as section 15A of the principal enactment:—

Insertion of new section 15A in the principal enactment.

“Exemption of the profits and income arising or derived out side Sri Lanka of any resident guest.

15A. The profits and income, not being profits and income arising in, or derived from, Sri Lanka of any resident guest, shall be exempt from income tax for a period of five years reckoned from the commencement of the year of assessment in which such resident guest is registered under any resident guest scheme approved by the Government:

Provided that where such resident guest is granted citizenship of Sri Lanka prior to the end of such period of five years such profits and income for the period commencing from the date on which such resident guest is granted citizenship of Sri Lanka, shall not be exempt from income tax.”.

8. The following sections are hereby inserted immediately after section 16B, and shall have effect respectively, as section 16c and section 16D of the principal enactment:—

Insertion of new sections 16c and 16D in the principal enactment.

“Exemption from income tax of the profits and income of certain undertakings related to tourist hotels for a further period.

16c. (1) 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 of operating any hotel for tourists and which is referred to in—

(i) paragraph (a) of section 16 (other than any such undertaking which commenced to carry on business prior to April 1, 1981); or

(ii) section 16A,

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shall be exempt from income tax for a period of five years.

(2) The period of five years referred to in subsection (1) shall—

(a) where such undertaking is an undertaking referred to in paragraph (i) of subsection (1), be reckoned from April 1, 1992 :

Provided however where the quantum of any loss attributable to that undertaking which is deductible under section 29 from the profits and income of that undertaking for the year of assessment commencing on April 1, 1992 exceeds, or is equal to, such profits and income, the period of five years shall be reckoned from April 1, 1993 :

Provided further that where the quantum of any such loss which is deductible under section 29 from the profits and income of that undertaking for the year of assessment commencing on April 1, 1993 exceeds, or is equal to, such profits and income, the period of five years shall then be reckoned from April 1, 1994 ;

(b) where such undertaking is an undertaking referred to in section 16A, be reckoned from the commencement of the year of assessment in which the period of ten years referred to in that section terminates.

Exemption from income tax of the profits and income of any hotel for tourists which constructs additional bed rooms.

16D. (1) The relevant profits and income of any specified undertaking referred to in subsection (2), shall be exempt from income tax for a period of five years reckoned from the commencement of the year of assessment in which not less than ten of the bedrooms referred to in sub-paragraph (iii) of paragraph (a) of subsection (2) are certified by the Ceylon Tourist Board as having been constructed.

(2) For the purposes of subsection (1)—

(a) “specified undertaking” means any undertaking of operating any hotel for tourists and which—

(i) has been approved, by the Minister under section 6 (1) (v) of the Inland Revenue Act, No. 4 of 1963, or under paragraph (a) of section 16 of this Act;

(ii) commenced to carry on business prior to April 1, 1981;

(iii) is certified by the Ceylon Tourist Board as having commenced, on or after April 1, 1992, to construct and as having constructed before April 1, 1994, not less than ten bedrooms, the construction of which has been approved by the Ceylon Tourist Board;

(iv) employs, as at the commencement of the five year period referred to in subsection (1) and continues to employ until the expiry of such period, not less than twenty-five employees more than the average number of employees, employed by that undertaking during the year ending on March 31, 1992.

For the purposes of this sub-paragraph—

“average number” in relation to employees, means the number arrived at by dividing the aggregate number of employees employed in such undertaking on each day throughout that year, by three hundred and sixty-five;

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“employee” in relation to any undertaking means any employee of that undertaking in respect of whom contributions to any provident fund approved by the Commissioner-General are regularly made by that undertaking;

- (b) “relevant profits and income” in relation to any specified undertaking and to any year of assessment, means the sum which bears to the profits and income within the meaning of paragraph (a) of section 3, (other than any profits and income from the disposal of capital assets) of such undertaking for that year of assessment the same proportion as the number of bedrooms referred to in sub-paragraph (iii) of paragraph (a), bears to the total number of bedrooms in that undertaking.’

Amendment
of section
17c of the
principal
enactment.

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

- (1) in subsection (1) of that section by the substitution for the words “five years from the commencement of the year of assessment in which such company commenced to carry on business.”, of the words “five years reckoned from the year of assessment in which such company commenced to make profits in respect of its transactions in that year.”; and

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

(a) by the substitution, in sub-paragraph (ii) of that paragraph, for the words “industrial design; or”, of the words “industrial design;”;

(b) by the substitution, in sub-paragraph (iii) of that paragraph, for the words “telecommunication services in Sri Lanka:”, of the words “telecommunication services in Sri Lanka; or; and

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

“ (iv) an undertaking of a pioneering nature for the provision of offshore marine services including salvage and towage, search and rescue operations at sea :”.

10. Section 20c of the principal enactment is hereby amended, in subsection (2) of that section, by the substitution in paragraph (b) of that subsection, for the words “ goods to any enterprise with which an agreement has been entered into ”, of the words “ goods to any enterprise, which is engaged in the export of goods or commodities, and with which an agreement has been entered into ”.

Amendment
of section
20c of the
principal
enactment.

11. Section 22DDD of the principal enactment is hereby amended, in subsection (2) of that section by the substitution, for the words “ in the manufacture of export of goods ”, of the words “ in the manufacture of goods, export of goods, or the provision of any such service as may be approved by the Minister ”.

Amendment
of section
22DDD
of the
principal
enactment.

12. Section 23 of the principal enactment is hereby amended in subsection (1) of that section as follows :—

Amendment
of section
23 of the
principal
enactment.

(1) in paragraph (hh) of that subsection, by the substitution for the words and figures, “ any year of assessment commencing on or after April 1, 1985, any sum ”, of the words and figures “ any year of assessment commencing on or after April 1, 1985, but prior to April 1, 1992, any sum ” ; and

(2) in paragraph (k) of that subsection, by the substitution for all the words from “ (i) business turnover tax ” to the words “ by any Provincial Council : ” of the following :—

“ (i) business turnover tax payable under the Finance Act, No. 11 of 1963 ; or

(ii) turnover tax payable under the Turnover Tax Act, No. 69 of 1981; less any deduction allowable under section 47 or section 48 or section 48A of that Act ; or

- (iii) tax corresponding to business turnover tax or turnover tax referred to in sub-paragraph (i) or sub-paragraph (ii) respectively and payable, on or after January 1, 1991, under any Statute enacted by any Provincial Council,

which such person is liable to pay for the period for which the profits and income are being ascertained in respect of any trade, business, profession or vocation carried on or exercised by him :”.

Amendment
of section
29 of the
principal
enactment.

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

- (1) in paragraph (a) of subsection (3) of that section by the substitution, for the words and figures, “section 16A, or section 17A,” of the words and figures “section 16A, or section 16c, or section 17A,”; and
- (2) by the insertion immediately after subsection (3) of that section, of the following subsection:—

“ (3A) Where any undertaking referred to in paragraph (a) of section 16 and to which the provisions of section 16c apply, has incurred any loss prior to the commencement of the period of five years referred to in section 16c(1), such portion of such loss as has not been deducted from the total statutory income of the person who carries on that undertaking, for any year of assessment prior to the commencement of such period of five years, shall be deducted, to the extent it can be deducted, from the profits and income of such undertaking for any year of assessment of such period of five years of assessment and from the total statutory income of such person for such year of assessment :

Provided that—

- (i) the deduction shall first be made from such profits and income and from such total statutory income for the first year of assessment of the five years of assessment referred to in section 16c(1);

- (ii) the deduction for any year of assessment shall first be made from the profits and income of such undertaking for that year of assessment and in so far as it cannot be so made, then from the total statutory income of such person for such year of assessment ;
- (iii) where the deduction for any year of assessment exceeds the aggregate of the profits and income of that undertaking for that year of assessment and the total statutory income of such person for that year of assessment, the excess shall be deducted from the profits and income of that undertaking for the year of assessment immediately succeeding that year of assessment and from the total statutory income of such person, for such succeeding year of assessment and so on.”.

14. Section 30 of the principal enactment is hereby amended as follows :—

Amendment
of section
30 of the
principal
enactment.

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

- (i) by the substitution, in paragraph (aaaa) of that subsection, for the words and figures “any year of assessment commencing on or after April 1, 1986, and”, of the words and figures “any year of assessment commencing on or after April 1, 1986 but prior to April 1, 1992;”;
- (ii) by the insertion, immediately after paragraph (aaaa) of that subsection, of the following paragraph :—
- “ (aaaaa) an allowance of forty-two thousand rupees in respect of any year of assessment commencing on or after April 1, 1992, and ” ;
- (iii) by the substitution in the proviso to that subsection, for the words “or paragraph (aaa), or paragraph (aaaa) in ascertaining”, of the words “or paragraph (aaa), or paragraph (aaaa), or paragraph (aaaaa) in ascertaining” ; and

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

(i) by the substitution, in paragraph (e) of the first proviso to that subsection for the words and figures, “any year of assessment commencing on or after April 1, 1986”, of the words and figures, “any year of assessment commencing on or after April 1, 1986, but prior to April 1, 1992;”;

(ii) by the addition immediately after paragraph (e) of the first proviso to that subsection of the following paragraph:—

“ (f) an allowance of forty-two thousand rupees in respect of any year of assessment commencing on or after April 1, 1992;”;

(iii) by the substitution, for the second proviso to that subsection, of the following proviso:—

“Provided that the taxable income for any year of assessment of any thrift, saving or building society or welfare fund, to which contributions are made by employees only, shall be the assessable income of that society or fund for that year of assessment after deducting therefrom an allowance equal to—

(i) twenty-seven thousand rupees where such year of assessment is an year of assessment commencing on or after April 1, 1987, but prior to April 1, 1992; and

(ii) forty-two thousand rupees, where such year of assessment is an year of assessment commencing on or after April 1, 1992.”

Amendment
of section
31 of the
principal
enactment.

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

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

(a) in paragraph (d) of that subsection by the substitution, for the words, “in approved undertaking other than an approved undertaking referred to in paragraph (q):”, of the words “in an approved undertaking referred to in paragraph (q):

Provided that where such undertaking is a company referred to in sub-paragraph (ii) of paragraph (b) of subsection (9) of this section, any sum so invested after March 31, 1997, shall, notwithstanding anything in any other provision of this Act, be deemed not to be a qualifying payment ;” ;

(b) in paragraph (ee) of that subsection—

(i) by the substitution in sub-paragraph (i) of that paragraph for the words and figures, “any loan granted on or after April 1, 1989, for the construction”, of the words and figures, “any loan granted on or after April 1, 1989, but prior to April 1, 1994, for the construction ” ; and

(ii) by the substitution in sub-paragraph (ii) of that paragraph for the words and figures, “entered into, on or after April 1, 1989, in respect of”, of the words and figures “entered into, on or after April 1, 1989, but prior to April 1, 1994, in respect of ” ;

(c) by the substitution, in paragraph (ff) of that subsection, for the words and figures “ on or after April 1, 1989, of the first house”, of the words and figures, “on or after April 1, 1989 but prior to April 1, 1994, of the first house ” ;

(d) by the substitution, in paragraph (gg) of that subsection, for the words and figures “on or after April 1, 1989 of either the first house”, of the words and figures, “on or after April 1, 1989, but prior to April 1, 1994, of either the first house ” ;

(e) by the substitution, in paragraph (hh) of that subsection, for the words “any premia paid by an individual”, of the words and figures “any premia paid prior to April 1, 1992 by an individual” ;

(f) by the substitution, in paragraph (hhh) of that subsection, for the words and figures “any premia paid for any year of assessment commencing on or after April 1, 1984, being premia”, of the words and figures “any premia paid for any year of assessment commencing on or after April 1, 1984, but prior to April 1, 1992 being premia ” ;

- (g) by the substitution, in paragraph (j) of that subsection, for the words, "any sum expended by an individual", of the words and figures "any sum expended, prior to April 1, 1992, by an individual";
- (h) by the substitution, in paragraph (ll) of that subsection, for the words and figures "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 the words and figures "at a cost not exceeding one million rupees on or after April 1, 1989, but prior to April 1, 1994, or in the purchase at a cost not exceeding one million rupees on or after April 1, 1989, but prior to April 1, 1994,";
- (i) by the substitution, in paragraph (n) of that subsection, for the words "as having been spent by a person", of the words and figures "as having been spent prior to April 1, 1992, by a person";
- (j) by the substitution, in paragraph (o) of that subsection, for the words and figures "on or after April 1, 1983, any amount", of the words and figures "on or after April 1, 1983, but prior to April 1, 1992, any amount";
- (k) by the substitution, in paragraph (p) of that subsection, for the words and figures "in any year of assessment commencing on or after April 1, 1987, as medical expenses", of the words and figures "in any year of assessment commencement on or after April 1, 1987, but prior to April 1, 1992, as medical expenses";
- (2) in paragraph (iii) of subsection (5D) of that section by the substitution, for the words, "in respect of any qualifying payment", of the words "in respect of all qualifying payments";
- (3) in subsection (6) of that section, by the substitution, for all the words and figures from, "The

amount of any” to “which cannot be deducted from”, of the following:—

“The amount of any qualifying payment referred to—

(i) in paragraph (b), (c), (m) or (n) of subsection (2), made or deemed to have been made by any person in any year of assessment; or

(ii) in paragraph (q) of subsection (2), made or deemed to have been made by any person in any year of assessment ending on or before March 31, 1992,

which cannot be deducted from”; and

(4) in paragraph (b) of subsection (9) of that section—

(a) by the substitution, in sub-paragraph (i) of that paragraph for the words, “and which is approved by the Minister by notice published in the *Gazette*; or”; of the words and figures “and which is approved by the Minister by notice published in the *Gazette* prior to April 1, 1992; or”;

(b) by the substitution for sub-paragraph (ii) of that paragraph of the following sub-paragraph:—

“ (ii) which has been approved by the Greater Colombo Economic Commission prior to April 1, 1992, and with which an agreement has been entered into, in consequence of such approval prior to September 1, 1992 by the Greater Colombo Economic Commission under section 17 of the Greater Colombo Economic Commission Law, No. 4 of 1978;”.

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

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

(a) by the substitution, in sub-paragraph (vi) of paragraph (a), of that subsection for the words and figures “commencing on or after April 1, 1988, at the appropriate rates”, of the words and figures “commencing on or after April 1, 1988, but prior to April 1, 1992, at the appropriate rates”;

Amendment
of section
32 of the
principal
enactment.

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(b) by the appition, immediately after sub-paragraph (vi) of paragraph (a) of that subsection of the following sub-paragraph :—

“ (vii) in respect of any year of assessment commencing on or after April 1, 1992, at the appropriate rate specified in Part 11E of the First Schedule to this Act ; ” ;

(c) in the proviso to that subsection—

(i) by the substitution, in sub-paragraph (iii) of that proviso for the words and figures “ for the year of assessment commencing on April 1, 1985 ; and ”, of the words and figures “ for the year of assessment commencing on April 1, 1985 ; ” ;

(ii) by the substitution, in sub-paragraph (iv) of that proviso for the words and figures “ for any year of assessment commencing on or after April 1, 1986 ”, of the words and figures “ for any year of assessment commencing on or after April 1, 1986, but prior to April 1, 1992 ; and ” ; and

(iii) by the addition immediately after sub-paragraph (iv) of that proviso of the following sub-paragraph :—

“ (v) forty-two thousand rupees, for any year of assessment commencing on or after April 1, 1992. ” ;

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

(a) by the substitution, in paragraph (d) of that subsection, for the words “ at the time of his retirement from any employment, from a provident fund ”, of the words, “ at the time of his retirement from any employment, or at any subsequent time, from a provident fund ” ; and

(b) by the substitution, for the words “ the First Schedule to this Act, if any one or more of the aforementioned sum or sums has been or have been paid to such individual ”, of the words “ the First Schedule to this Act, if each of the aforementioned sums has been paid to such individual ” ;

- (3) by the repeal of subsection (3BB) of that section ;
- (4) by the insertion, immediately after subsection (4) of that section, of the following subsection:—

“ (4A) Where any charitable institution provides in any year of assessment commencing on or after April 1, 1991, institutionalised care for the sick or the needy and where the Commissioner-General is satisfied that the cost of provision of such care is borne by such charitable institution, the Commissioner-General may, subject to such conditions as he may specify, reduce or remit the tax payable by such charitable institution in respect of its profits and income for such year of assessment, if it appears to the Commissioner-General that such reduction or remission is just and equitable in all the circumstances of the case.” ; and

- (5) in subsection (6) of that section, by the substitution, for the words and figures, “every year of assessment commencing on or after April 1, 1987, on the investment income”, of the words and figures “every year of assessment commencing on or after April 1, 1987, but prior to April 1, 1992, on the investment income”.

17. Section 32EE of the principal enactment is hereby amended by the substitution, for the words “and amount equal to one thousand five hundred rupees or the amount of income tax which is attributable to profits from employment, whichever is less.”, of the following:—

Amendment
of section
32EE of the
principal
enactment.

“an amount equal to—

- (a) (i) one thousand five hundred rupees, if such year of assessment is the year of assessment commencing on April 1, 1991, and
- (ii) one thousand eight hundred rupees, if such year of assessment is any year of assessment commencing on or after April 1, 1992, or

(b) the amount of income tax which is attributable to profits from employment of such individual for that year of assessment, whichever is less.”.

Amendment
of section
33 of the
principal
enactment.

18. Section 33 of the principal enactment is hereby amended in paragraph (b) of subsection (2) of that section as follows :—

- (1) in sub-paragraph (v) of that paragraph, by the substitution, for the words and figures, “on or after April 1, 1988, does not exceed”; of the words and figures “on or after April 1, 1988, but prior to April 1, 1988, does not exceed”; of the words and
- (2) by the addition, immediately after sub-paragraph (v) of that paragraph, of the following sub-paragraph :—

“ (vi) the taxable income of which for any year of assessment commencing on or after April 1, 1992, does not exceed three hundred and three thousand and thirty rupees.”.

Amendment
of section
38 of the
principal
enactment.

19. Section 38 of the principal enactment is hereby amended in subsection (4) of that section, by the substitution, for the words “shown on such statement.”, of the words “shown on such statement :

Provided that, where such person is not a resident person, he shall not be entitled to deduct, from the tax payable by him, the advance company tax shown on such statement.”.

Amendment
of section
41 of the
principal
enactment.

20. Section 41 of the principal enactment is hereby amended in paragraph (b) of that section by the substitution, for the words and figures “commencing on or after April 1, 1984, in respect of”, of the words and figures “commencing on or after April 1, 1984, but prior to April 1, 1992, in respect of”.

Amendment
of section
73 of the
principal
enactment.

21. Section 73 of the principal enactment is hereby amended in subsection (1A) of that section, as follows :—

- (1) in paragraph (iv) of that subsection, by the substitution for the words and figures “commencing on or after April 1, 1986.”, of the words and figures “commencing on or after April 1, 1986, but prior to April 1, 1992; and”; and

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

“ (v) forty-two thousand rupees, for any year of assessment commencing on or after April 1, 1992. ”.

22. Section 84A of the principal enactment is hereby amended as follows :—

Amendment
of section
84A of the
principal
enactment.

(1) by the substitution for subsection (1) of that section of the following subsection :—

“ (1) Where any person or any partnership, referred to in subsection (2), proves to the satisfaction of the Commissioner-General that in respect of his or its income referred to in subsection (2), he or it has paid or is liable to pay for any year of assessment, income tax in Sri Lanka and income tax for the corresponding period in any other country, then, such person shall be entitled to relief from income tax payable by him or it in Sri Lanka of an amount equal to the excess, if any, of the income tax in respect of such income, payable by him or it in Sri Lanka (before granting any relief under this section), over the income tax, in respect of such income, payable by him or it in such other country. ” ;

(2) by the substitution, for subsection (2) of that section, of the following subsection :—

“ (2) The provisions of subsection (1) shall apply—

(a) (i) to any non-resident person, or any partnership registered outside Sri Lanka, being a person or partnership who or which provides in Sri Lanka, management consultancy services in areas specified by the Commissioner-General by notice published in the *Gazette* ; or

(ii) to any non-resident person or to any partnership registered outside Sri Lanka, who or which provides in Sri Lanka, architectural, engineering, quantity surveying or construction management services and such other services as may be ancillary thereto, to any resident company being a company with

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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 and which has in accordance with such agreement invested or agreed to invest in Sri Lanka within the period specified in such agreement, not less than fifty million United States of America dollars or its equivalent in any other foreign currency to meet the cost of—

- (a) any building purchased or constructed, and of any land, plant, machinery or furniture purchased; and
 - (b) the acquisition of any asset not included in paragraph (a) for the use of the undertaking;
- (b) in respect of the profits and income arising in or derived from Sri Lanka—
- (i) on or after April 1, 1991, from the provision of services referred to in sub-paragraph (i) of paragraph (a) by any person or partnership referred to in that sub-paragraph; or
 - (ii) on or after April 1, 1992, from the provision of any services referred to in sub-paragraph (ii) of paragraph (a) by any person or by any partnership referred to in that sub-paragraph.”.

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

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

“ (2AA) Where any person furnishes a return of income or wealth on or before the date specified in subsection (1) for any year of assessment commencing on or after April 1, 1992, and is deemed

under the provisions of subsection (2A), not to have furnished a return of income or wealth, an Assessor shall within thirty days from the end of the year of assessment immediately succeeding that year of assessment inform such person, in writing, that the return furnished by him is not in such form or does not contain such particulars, as is or are specified by the Commissioner-General."

24. Section 92A of the principal enactment is hereby amended as follows:—

Amendment
of section
92A of the
principal
enactment.

(1) in subsection (1) of that section, by the substitution, for the proviso to that subsection, of the following proviso:—

"Provided that—

(a) where such trade, business, profession or vocation is carried on or exercised by any company, such company shall, notwithstanding that a notice under this section has not been given to it, furnish for every year of assessment commencing on or after April 1, 1992, or for any other period in respect of which the statutory income for that year of assessment is computed, such statements and such schedules as may be specified by the Commissioner-General by Notice published in the Gazette; and

(b) where such trade, business, profession or vocation is carried on or exercised by any partnership, or by any person other than any company and the turnover of such trade, business, profession or vocation, for any year of assessment commencing on or after April 1, 1991, or for any other period in respect of which the statutory income for any year of assessment is computed, exceeds five million rupees, such partner or such person shall, notwithstanding that a notice under this section has not been given to him, furnish for such year of assessment or for such period, as the case may be, such statements and such schedules as may be specified by the Commissioner-General by Notice published in the Gazette.";

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

(a) by the substitution, in the proviso to that subsection, for the words and figures, “exceeds five million rupees for any year of assessment commencing on or after April 1, 1991,”, of the words and figures “exceeds five million rupees for the year of assessment commencing on April 1, 1991,”;

(b) by the addition, immediately after the proviso to that subsection, of the following proviso:—

“Provided further, that a statement of accounts in support of a return of income for any year of assessment commencing on or after April 1, 1992, or for any other period in respect of which the statutory income for that year of assessment is computed—

(i) furnished by any company in respect of any trade, business, profession or vocation carried on or exercised by such company, or

(ii) furnished by any partner of any partnership or by any person other than a company, in respect of any trade, business, profession or vocation carried on or exercised by such partnership or by such person, where the turnover of such trade, business, profession or vocation for that year of assessment or that period, exceeds five million rupees, shall be prepared on the basis of an audit carried out by an approved accountant.”.

Replace-
ment of
section 96
of the
principal
enactment.

25. Section 96 of the principal enactment is hereby repealed and the following section substituted therefore:—

96. (1) Where—

“Power of
Commissioner
General to
impose
penalty
for failure
to furnish
return.

(i) any person fails to comply with a notice in writing given to him by an Assessor under section 92(2), requiring him to furnish, within the time specified in such notice, a return of his income, wealth or gifts, and if he has a child, the income or wealth of such child, or

(ii) any person fails to furnish within the time specified in section 92(1), a return which he is required to furnish under that section, or

(iii) any employer fails to comply with any requirement of the provisions of section 103,

the Commissioner-General may—

(a) impose on such person or on such employer a penalty of a sum not exceeding fifty thousand rupees, and give notice in writing, to such person or employer, of the imposition of such penalty; and

(b) by notice in writing require such person or such employer—

(i) to pay such penalty; and

(ii) to furnish such return where such return has not been furnished, or to comply with such requirement where such requirement has not been complied with,

within such period as may be specified in such notice.

(2) The Commissioner-General may reduce or waive any penalty imposed on any person or on any employer under this section if such person or such employer, as the case may be, proves to the satisfaction of the Commissioner-General that his failure to furnish such return or to comply with such requirement, as the case may be, was due to circumstances beyond his control and that he has furnished such return or has complied with such requirement, as the case may be.

(3) Where a penalty is imposed on any person or on any employer under subsection (1), such person or such employer shall not

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be liable to prosecution for any offence under paragraph (a) or paragraph (d) of subsection (1) of section 151, or under paragraph (iii) of subsection (2) of section 151 relating to that notice or requirement."

Replace-
ment of
section 110
of the
principal
enactment.

26. Section 110 of the principal enactment is hereby repealed and the following section substituted therefor:—

"Penalty for default.

110. Where any income tax for any pay period payable by any employer under the provisions of this Chapter is in default, such employer shall—

(a) where such pay period is any pay period ending on or before March 31, 1992, pay in addition to such tax—

(i) a penalty of a sum equivalent to ten *per centum* of such tax; and

(ii) where such tax is not paid before the expiry of six months after such tax has begun to be in default, a further penalty of a sum equivalent to fifteen *per centum* of such tax, and

(b) where such pay period is any pay period commencing on or after April 1, 1992, pay in addition to such tax—

(i) a penalty of a sum equivalent to ten *per centum* of such tax; and

(ii) where such tax is not paid before the expiry of thirty days after it has begun to be in default, a further penalty of a sum equivalent to two *per centum* of the tax in default in respect of each further period of thirty days or part thereof during which it remains in default:

Provided that—

(a) the Commissioner-General may waive or reduce the amount of any such penalty payable by any em-

ployer, if such employer proves to the satisfaction of the Commissioner-General that the failure to pay was due to circumstances beyond his control and that he has paid the amount of the tax in default and has furnished the declaration required to be furnished at the time of such payment ;

(b) the total amount payable as penalty under the preceding provisions of this section, shall, in respect of the tax in default for any pay period commencing on or after April 1, 1992, not exceed fifty *per centum* of the tax in default.”.

27. Section 113A of the principal enactment is hereby amended in subsection (1) of that section as follows:—

**Amendment
of section
113A of the
principal
enactment.**

(1) by the substitution, for the words and figures, “in any year of assessment commencing on or after April 1, 1986, on any sum of money deposited with it by a person in his own name or in the name of some other person being in either case a person chargeable with income tax under this Act, income tax at the rate of twenty *per centum* of the interest so payable.”, of the following words and figures:—

“in any year of assessment, on any sum of money deposited with it by a person in his own name or in the name of some other person being in either case a person chargeable with income tax under this Act, income tax at the rate of—

- (i) twenty *per centum*, of the interest so payable where such year of assessment is any year of assessment commencing on or after April 1, 1986, but prior to April 1, 1992 ; and
- (ii) fifteen *per centum*, of the interest so payable where such year of assessment is any year of assessment commencing on or after April 1, 1992.” ;

(2) in the proviso to that subsection by the substitution, for the words and figures “20 *per centum*”, wherever those words and figures occur in that proviso, of the words and figures “15 *per centum*”.

Replace-
ment of
section 113H
of the
principal
enactment.

28. Section 113H of the principal enactment is hereby repealed and the following section substituted therefor:—

“Penalty for
default.

113H. Where any income tax for any year of assessment payable by a bank or financial institution under the provisions of this Chapter is in default, such bank or financial institution shall—

- (a) where such year of assessment is any year of assessment ending on or before March 31, 1992, pay in addition to such tax—
 - (i) a penalty of a sum equivalent to ten *per centum* of such tax ; and
 - (ii) where such tax is not paid before the expiry of six months after it has begun to be in default, a further penalty of a sum equivalent to fifteen *per centum* of such tax ; and
- (b) where such year of assessment is any year of assessment commencing on or after April 1, 1992, pay in addition to such tax—
 - (i) a penalty of a sum equivalent to ten *per centum* of such tax ; and
 - (ii) where such tax is not paid before the expiry of thirty days after it has begun to be in default, a further penalty of a sum equivalent to two *per centum* of the tax in default in respect of each further period of thirty days or part thereof during which it remains in default :

Provided that—

- (a) the Commissioner-General may waive or reduce the amount of any such penalty payable by such bank or financial institution, if such bank

or financial institution proves to the satisfaction of the Commissioner-General that the failure to pay was due to circumstances beyond its control and that it has paid the tax in default and has furnished the declaration required to be furnished at the time of such payment; and

- (b) the total amount payable as penalty under the preceding provisions of this section, shall, in respect of the tax in default for any year of assessment commencing on or after April 1, 1992, not exceed fifty per centum of the tax in default."

29. Section 113J of the principal enactment is hereby amended by the substitution for the words "by way of deposit and the payment of interest thereon.", of the words "by way of deposit, or loan in the form of debenture or bond or in any other form, and the payment of interest thereon."

Amendment
of section
113J of the
principal
enactment.

30. The following Chapter is hereby inserted immediately after Chapter XVA and shall have effect as Chapter XVB of the principal enactment:—

Insertion
of a new
Chapter
XVB in the
principal
enactment.

' CHAPTER XVB

DEDUCTION OF INCOME TAX FROM SPECIFIED FEES PAID BY SPECIFIED PERSONS

Specified
persons to
deduct
income tax
from
specified
fees.

113K. (1) Every specified person shall, subject to the provisions of this Chapter, deduct from any specified fee payable to any person or to any partnership, in any year of assessment commencing on or after April 1, 1992, at the time such specified fee is paid, income tax at the rate of three per centum of such specified fee.

(2) For the purposes of subsection (1)—

(a) "specified person" in relation to any year of assessment means any person, partnership or body of persons, who or which either on his or its own behalf or on behalf of any

other person or partnership, is likely to pay or to credit in that year of assessment or has paid or credited in the year of assessment immediately preceding that year of assessment—

- (i) a specified fee of or specified fees aggregating to not less than thirty thousand rupees to any other person or to any other partnership; or
 - (ii) specified fees aggregating to not less than two hundred and fifty thousand rupees, and
- (b) “specified fee” means any sum payable by any specified person as consideration for services rendered by any person or by any partnership, as the case may be, in the course of any profession or vocation or other activities of an independent character carried on or exercised by such person or any partner of such partnership, as the case may be, and includes any commission, brokerage or other sums of a like nature payable by such specified person but does not include any sum payable by such specified person to any employee of such specified person in the course of employment under such specified person.

Provisions of Chapter XVA to apply in relation to the deduction under this Chapter of income tax from specified fees.

113L. The provisions of Chapter XVA relating to the deduction of income tax from interest paid by banks and financial institutions, credit for income tax so deducted, issue of directions, duties of banks and financial institutions, default in the deduction of income tax, issue of assessments on banks and financial institutions, appeals and penalty for default shall, *mutatis mutandis*, apply to the deduction of income tax from specified fees by specified persons, credit for income tax so deducted, issue of directions, duties of specified persons, default in the deduction

of income tax, issue of assessments on specified persons, appeals and penalty for default under this Chapter as if there were substituted in Chapter XVA for the words "banks and financial institutions", of the words "specified persons" and for the word "interest", of the words "specified fee" wherever they appear in that Chapter, subject however to the modification that credit for income tax deducted under the provisions of this Chapter by any specified person from any specified fee paid to any partnership shall unless the partners of such partnership by mutual agreement determine otherwise, be distributed among such partners in the ratio in which such partners share the profits or losses of such partnership.'

31. Section 122 of the principal enactment is hereby amended in the proviso to subsection (1) of that section by the substitution for the words "a fee of fifty rupees," of the words "a fee of one thousand and five hundred rupees,".

Amendment
of section
122 of the
principal
enactment.

32. Section 125 of the principal enactment is hereby amended in subsection (2) of that section by the substitution for all the words from "Where any tax payable" to "during which it is in default:" of the following:—

Amendment
of section
125 of the
principal
enactment.

"Where any tax payable by any person for any year of assessment is in default the defaulter shall—

(a) where such year of assessment is any year of assessment ending on or before March 31, 1992, in addition to the tax in default pay—

(i) a penalty of a sum equivalent to five per centum of the amount in default; and

(ii) where any amount in default is not paid before the expiry of thirty days after it has begun to be in default a further sum equivalent to five per centum of the amount in default in respect of each further period of three months or part of such period during which it is default; and

(b) where such year of assessment is any year of assessment commencing on or after April 1, 1992, in addition to the tax in default pay—

(i) a penalty of a sum equivalent to ten *per centum* of such tax; and

(ii) where such tax is not paid before the expiry of thirty days after it has begun to be in default, a further penalty of a sum equivalent to two *per centum* of the tax in default in respect of each further period of thirty days or part thereof during which it remains in default:”.

Amendment
of section
151 of the
principal
enactment.

33. Section 151 of the principal enactment is hereby amended in subsection (2) of that section by the substitution, in paragraph (iii) of that subsection for the words and figures “requirements of section 101 (2) or paragraph (a), (b) or (c) of section 102”, of the words and figures “requirements of section 96 (1) or section 101 (2) or paragraph (a), (b) or (c) of section 102”.

Amendment
of section
157 of the
principal
enactment.

34. Section 157 of the principal enactment is hereby amended in subsection (1) of that section by the substitution for the words “Senior Assessors of Inland Revenue and Assessors of Inland Revenue as may be necessary”, of the words “Senior Assessors of Inland Revenue, Assessors of Inland Revenue and Tax Officers of Inland Revenue as may be necessary”.

Amendment
of section
158 of the
principal
enactment.

35. Section 158 of the principal enactment is hereby amended by the addition immediately after subsection (12) of that section of the following subsection:—

“(13) Nothing in the preceding provisions of this section shall be read or construed as requiring the Commissioner-General to disclose such particulars relating to the affairs of any person as may come to his knowledge through the exchange of information in pursuance of any agreement entered into between the Government of Sri Lanka and other Government of any other territory and referred to in section 82 of this Act, to any person or authority other than any person or authority involved in the assessment or collection of, or the enforcement of, or the prosecution in respect of any offence relating to, the taxes which are the subject of that agreement.”.

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

Amendment
of the
First
Schedule
to the
principal
enactment.

(1) in Part 11D of that Schedule by the substitution, for the words and figures "The rates of income tax for any year of assessment commencing on or after April 1, 1988, shall be as follows:—", of the words and figures "The rates of income tax for any year of assessment commencing on or after April 1, 1988, but prior to April 1, 1992, shall be as follows:—";

(2) by the insertion, immediately after Part 11D of that Schedule, of the following Part:—

"Part 11E

The rates of income tax for any year of assessment commencing on or after April 1, 1992, shall be as follows:—

On the first Rs. 21,000 of the taxable income ..	10 per centum
On the next Rs. 24,000 of the taxable income ..	20 per centum
On the next Rs. 24,000 of the taxable income ..	30 per centum
On the balance of the taxable income ..	35 per centum."

37. The Second Schedule to the principal enactment is hereby amended as follows:—

Amendment
of the
Second
Schedule
to the
principal
enactment.

(1) by the substitution for Part 1 of that Schedule of the following Part:—

"Part 1

Company resident in Sri Lanka, other than a company referred to in Part II, or Part III, or Part IV, or Part IVA, or Part V, or Part VA, or Part VB, or Part VI, or Part VIII, or Part IX or Part X.

The rate of income tax for any year of assessment commencing on or after April 1, 1979, but prior to April 1, 1992—

On the taxable income of the company .. 50 per centum

The rate of income tax for every year of assessment commencing on or after April 1, 1992—

On the taxable income of the company .. 45 per centum";

- (2) in Part IVA of that Schedule, by the substitution, for the words and figures "commencing on or after April 1, 1988—", of the words and figures "commencing on or after April 1, 1988, but prior to April 1, 1992—";
- (3) by the insertion, immediately after Part IVA, of that Schedule of the following Part:—

"Part IV B

Small company

The rate of income tax for every year of assessment commencing on or after April 1, 1992—

- (1) if the taxable income of the company does not exceed two hundred and fifty thousand rupees, *33 1/3 per centum*
- (2) if the taxable income of the company exceeds two hundred and fifty thousand rupees but does not exceed three hundred and three thousand and thirty rupees, the tax shall be the aggregate of—
- (i) a sum equal to *33 1/3 per centum* of two hundred and fifty thousand rupees, and
- (ii) the amount by which the taxable income of the company for that year of assessment exceeds two hundred and fifty thousand rupees.";
- (4) by the substitution for Part VII of that Schedule, of the following Part:—

"Part VII

(Section 34)

Company not resident in Sri Lanka

The rate of income tax for every year of assessment commencing on or after April 1, 1979, but prior to April 1, 1992—

On the taxable income of the public corporation ..
50 per centum

The rate of income tax for every year of assessment commencing on or after April 1, 1992—

On the taxable income of the public corporation ...
45 per centum.";

- (5) by the substitution for Part IX of that Schedule of the following Part:—

“Part IX

Public Corporations (other than the Central Bank of Sri Lanka)

The rate of income tax for every year of assessment commencing on or after April 1, 1989, but prior to April 1, 1992—

On the taxable income of the partnership ..
50 per centum

The rate of income tax for every year of assessment commencing on or after April 1, 1992—

On the taxable income of the partnership ..
45 per centum

- (6) by the substitution for Part X of that Schedule of the following Part:—

“Part X

Unit Trust or Mutual Fund

The rate of income tax for the years of assessment commencing respectively on April 1, 1990 and on April 1, 1991—

On the taxable income of the Unit trust or the Mutual Fund .. 50 per centum

The rate of income tax for every year of assessment commencing on or after April 1, 1992—

On the taxable income of the Unit trust or the Mutual Fund .. 45 per centum.”

38. The Third Schedule to the principal enactment is hereby amended as follows:—

- (1) in paragraph 1 of that Schedule, by the substitution, for all the words and figures “for the year of assessment commencing on April 1, 1986” to “50 per centum” of the following:—

“For any year of assessment commencing on or after April 1, 1986, but prior to April 1, 1992—

Amendment
of the
Third
Schedule
to the
principal
enactment.

On the first Rs. 25,000 of the taxable income .. 30 per centum
 On the next Rs. 25,000 of the taxable income .. 40 per centum
 On the balance of the taxable income .. 50 per centum

For any year of assessment commencing on or
 after April 1, 1992—

On the first Rs. 25,000 of the taxable income .. 30 per centum
 On the next Rs. 25,000 of the taxable income .. 40 per centum
 On the balance of the taxable income .. 45 per centum.”;

(2) in paragraph 3 of that Schedule—

(a) by the substitution, in sub-paragraph (ii) of that paragraph, for the words and figures “commencing on or after April 1, 1985”, of the words and figures “commencing on or after April 1, 1985, but prior to April 1, 1992”;

(b) by the addition, immediately after sub-paragraph (ii) of that paragraph of the following sub-paragraph:—

“ (iii) for any year of assessment commencing on or after April 1, 1992
 35 per centum”;

(3) in paragraph 4 of that Schedule, by the substitution for the expression “For any year of assessment commencing on or after April 1, 1986 on all trustees 50 per centum”, of the expression “For any year of assessment commencing on or after April 1, 1986, but prior to April 1, 1992 on all trustees 50 per centum,

For any year of assessment commencing on or after April 1, 1992 on all trustees 35 per centum”;

(4) by the substitution for paragraph 5 of that Schedule of the following paragraph:—

“ Partnerships

For any year of assessment commencing on or before April 1, 1992—

On the first Rs. 25,000 of the taxable income ..
 50 per centum

For any year of assessment commencing on or after April 1, 1992—

On the taxable income of the partnership .. 35 per centum."

(5) in paragraph 11 of that Schedule,—

(i) by the substitution, in sub-paragraph (b) of that paragraph for the expression "commencing on or after April 1, 1986.—", of the expression "commencing on or after April 1, 1986, but prior to April 1, 1992—";

(ii) by the addition, immediately after sub-paragraph (b), of that paragraph, of the following sub-paragraph:—

"(c) for any year of assessment commencing on or after April 1, 1992

(1) on the taxable income 45 per centum

(ii) on the balance of the profits after deduction therefrom, of the tax payable under paragraph (1) 25 per centum";

(6) by the substitution, for paragraph 13 of that Schedule of the following paragraph:—

"13. Any thrift, saving or building society or welfare fund to which contributions are made by employees only or any gratuity fund approved for the purposes of section 23 (1) (r)—

For any year of assessment commencing on or after April 1, 1992—

On the taxable income, of the society or fund 10 per centum";

(7) by the addition immediately after paragraph 13 of that Schedule of the following paragraph:—

"14. Persons (other than those referred to above and in the First and Second Schedules)—

On the taxable income of the person 20 per centum";

Replacement
of the
Seventh
Schedule
to the
principal
enactment.

39. The Seventh Schedule to the principal enactment is hereby repealed and the following Schedule substituted therefor :—

“SEVENTH SCHEDULE [Section 33A (1)]

The rates of advance company tax for every year of assessment commencing on or after April 1, 1988, but prior to April 1, 1992, shall be as follows :—

- (i) on the amount equal to the amount of every qualifying distribution made by a small company *25 per centum*
- (ii) on the amount equal to the amount of every qualifying distribution made by a quoted public company or a people's company *33 1/3 per centum*
- (iii) on the amount equal to the amount of every qualifying distribution made by a unit trust or mutual fund or a company other than a small company, or a quoted public company or a people's company *50 per centum*

The rates of advance company tax for every year of assessment commencing on or after April 1, 1992, shall be as follows :—

- (i) on the amount equal to the amount of every qualifying distribution made by a small company *25 per centum*
- (ii) on the amount equal to the amount of every qualifying distribution made by a quoted public company or a people's company *33 1/3 per centum*
- (iii) on the amount equal to the amount of every qualifying distribution made by a unit trust or mutual fund or a company other than a small company, or a quoted public company or a people's company *40 per centum.”*

**Retrospec-
tive
operation.**

40. (1) The amendments to section 14 of the principal enactment made by section 5, of this Act shall be deemed for all purposes to have come into force on August 26, 1992.

(2) The amendment to section 15 of the principal enactment made by section 6 of this Act, shall be deemed for all purposes to have come into force on August 26, 1992.

(3) The amendment to section 17c of the principal enactment made by section 9(2) (c) of this Act shall be deemed for all purposes to have come into force on November 29, 1990 and any company engaged only in carrying on any undertaking referred to in sub-paragraph (iv) of paragraph (c) of subsection (2) of section 17c of the principal enactment, approved by the Minister by notice published in the *Gazette* within one month of the commencement of this Act, shall be deemed for all purposes to have been approved by the Minister by notice published in the *Gazette* prior to April 1, 1992.

(4) The amendment to section 22DDD of the principal enactment made by section 11 of this Act, shall be deemed for all purposes to have come into force on April 1, 1991.

(5) The amendment to section 23 (1) of the principal enactment made by section 12(2) of this Act, shall be deemed for all purposes to have come into force on January 1, 1992.

(6) The amendment to section 31 (5D) of the principal enactment made by section 15(2) of this Act, shall be deemed for all purposes to have come into force on November 29, 1990.

(7) The amendment to section 32 of the principal enactment made by section 16(3) of this Act, shall be deemed for all purposes to have come into force on August 26, 1992.

(8) The amendment to section 38 (4) made by section 19 of this Act, shall be deemed for all purposes, to have come into force on September 8, 1988.

(9) The amendment to section 31(5D) of the principal enactment made by section 24(2) of this Act, shall be deemed for all purposes to have come into force on April 1, 1992.

(10) The amendment to section 113A of the principal enactment made by section 27 (2) of this Act, shall be deemed, for all purposes, to have come into force on April 1, 1992.

**Sinhala
text to
prevail
in case of
inconsis-
tency.**

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