



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

FINANCE ACT, No. 12 OF 2012

[Certified on 30th March, 2012]

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L.D.— O. 8/2012

AN ACT TO AMEND THE FINANCE ACT, NO. 25 OF 2003, THE FINANCE ACT, NO. 11 OF 2004 AND THE FINANCE ACT, NO. 16 OF 1995; TO PROVIDE FOR THE EXEMPTION OF CERTAIN ENTERPRISES ENGAGED IN CERTAIN ACTIVITIES FROM THE APPLICATION OF THE PROVISIONS OF THE CUSTOMS ORDINANCE (CHAPTER 235), THE EXCHANGE CONTROL ACT (CHAPTER 423) AND THE IMPORTS AND EXPORTS (CONTROL) ACT, NO. 1 OF 1969; AND TO PROVIDE FOR MATTERS CONNECTED THEREWITH AND INCIDENTAL THERETO.

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

1. This Act may be cited as the Finance Act, No. 12 of 2012. Short title.

PART I

AMENDMENT OF PART IIA OF THE FINANCE
ACT, NO. 25 OF 2003

2. Part IIA (The Levy on Rooms of Five Star Hotels) of the Finance Act No. 25 of 2003 (hereinafter in this Part of this Act referred to as the “principal enactment”) is hereby amended in subsection (1) of section 13A by the substitution for the words “United States Dollars One Hundred and Twenty Five.” of the following words:- Amendment of section 13A of Part IIA of Act, No. 25 of 2003.

“United States Dollars One Hundred and Twenty Five:

Provided however, no such levy shall be required to be paid by any “Five Star Hotel” referred to above, in respect of any room provided to any member of an Airline Crew to whom the concessionary rates specified by such Price Regulation Order applies.”.

Indemnity. **3.** Where the Levy on Rooms of Five Star Hotels has been charged by the Chairman of Sri Lanka Tourism Development Authority or any other person authorized in that behalf by the guidelines issued under subsection (3) of section 13A of the principal enactment in respect of any room provided to any member of an Airline Crew under concessionary rates, during the period commencing from April 1, 2011 and upto the date of the coming into operation of this Act, such person shall be deemed to have acted with due authority and such collection shall be deemed for all purposes to have been, and to be validly made and such Chairman or person is hereby indemnified against all actions, civil or criminal in respect of such collection.

PART II

REPEAL OF PART IIIA OF THE FINANCE ACT, NO. 11 OF 2004

Repeal of Part IIIA of Act No. 11 of 2004. **4.** Part IIIA (Imposition of Withholding Tax on the Registration of Motor Vehicles) of the Finance Act, No. 11 of 2004 (hereinafter in this Part of this Act referred to as the “principal enactment”) is hereby repealed, with effect from November 24, 2011.

Savings. **5.** (1) The provisions of the principal enactment shall notwithstanding the repeal of Part IIIA thereof, in respect of the matters set out in subsection (2), be in operation for such period as may be required for the recovery of any sum due under repealed Part IIIA.

(2) Notwithstanding the repeal of Part IIIA of the principal enactment with effect from November 24, 2011, the Commissioner of Motor Traffic is hereby empowered to recover all sums due as Withholding Tax on the Registration of Motor Vehicles on the day immediately preceding November 24, 2011, and transmit all sums so recovered by him as the Withholding Tax to the Commissioner-General in terms of the provisions of section 28c of the repealed Part IIIA.

PART III

AMENDMENT OF PART II OF THE FINANCE
ACT, NO. 16 OF 1995

6. Section 3 of the Finance Act, No.16 of 1995 (hereinafter in this Part of this Act, referred to as the “principal enactment”) is hereby repealed and the following section substituted therefor:-

Replacement of section 3 of Act, No.16 of 1995.

“Annual luxury motor vehicle levy.

3. (1) There shall be charged, levied and paid, on every luxury motor vehicle (other than a semi-luxury dual purpose motor vehicle or a wagon)-

- (a) where the first year of registration falls prior to January 1, 2011, for every year commencing on or after April 1, 1995, but for a period not more than seven years ending prior to April 1, 2011, at the respective rates set out in Part I of the First Schedule to this Act;
- (b) where the first year of registration or the payment due date of any year, falls within the period commencing on January 1, 2011 and ending prior to November 22, 2011, at the respective rates set out in Part II of the First Schedule to this Act; and
- (c) where the first year of registration or the payment due date of any year, falls after November 22, 2011, for a period not more than seven years from such date, at the respective rates set out in Part III of the First Schedule to this Act,

a luxury motor vehicle levy. The levy payable for every such year shall be paid by the registered owner of the luxury motor vehicle on or before the relevant date:

Provided however, where any part of the period of seven years referred to in paragraph (a) above, continues after January 1, 2011 the luxury motor vehicle levy payable on or after November 22, 2011, in respect of such period shall be paid at the respective rates set out in Part III of the First Schedule to this Act:

Provided further, such luxury motor vehicle levy shall not be charged in respect of any luxury motor vehicle owned by –

- (a) an organization or an individual to whom the provisions of Diplomatic Privileges Act, No. 9 of 1996 is applicable; or
- (b) a Department or a Ministry of the Government or of a Provincial Council .

(2) For the purposes of this section, the “Provincial Council” means a Provincial Council established under Chapter XVIII A of the Constitution.”.

Replacement of section 4 of the principal enactment.

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

“Annual semi-luxury motor vehicle levy.

4. (1) There shall be charged, levied and paid, on every semi-luxury motor vehicle (other than a semi-luxury dual purpose motor vehicle or a wagon) -

- (a) where the first year of registration falls prior to January 1, 2011, for every year commencing on or after April 1, 1995,

but for a period not more than seven years ending prior to April 1, 2011, at the respective rates set out in Part I of the Second Schedule to this Act;

- (b) where the first year of registration or the payment due date of any year falls within the period commencing on January 1, 2011 and ending prior to November 22, 2011, at the respective rates set out in Part II of the Second Schedule to this Act; and
- (c) where the first year of registration or the payment due date of any year, falls after November 22, 2011, for a period not more than seven years from such date, at the respective rates set out in Part III of the Second Schedule to this Act,

a semi-luxury motor vehicle levy. The levy payable for every such year shall be paid by the registered owner of the semi-luxury motor vehicle on or before the relevant date :

Provided however, where any part of the period of seven years referred to in paragraph (a) above, continues after January 1, 2011 the semi-luxury motor vehicle levy payable on or after November 22, 2011, in respect of such period shall be paid at the respective rates set out in Part III of the Second Schedule to this Act:

Provided further, such semi-luxury motor vehicle levy shall not be charged in respect of any semi-luxury motor vehicle owned by—

- (a) an organization or an individual to whom the provisions of Diplomatic Privileges Act, No. 9 of 1996 is applicable; or

(b) a Department or a Ministry of the Government or of a Provincial Council.

(2) For the purposes of this section, the “Provincial Council” means a Provincial Council established under Chapter XVIII A of the Constitution.”.

Replacement of section 5 of the principal enactment.

8. Section 5 of the principal enactment is hereby repealed and the following section substituted therefor :-

“Annual semi-luxury dual purpose motor vehicle levy.

5. (1) There shall be charged, levied and paid, on every semi-luxury dual purpose motor vehicle (other than a wagon) -

- (a) where the first year of registration falls prior to January 1, 2011, for every year commencing on or after April 1, 1995, but for a period not more than seven years ending prior to April 1, 2011, at the respective rates set out in Part I of the Third Schedule to this Act;
- (b) where the first year of registration or the payment due date of any year falls within the period commencing on January 1, 2011 and ending prior to November 22, 2011, at the respective rates set out in Part II of the Third Schedule to this Act; and
- (c) where the first year of registration or the payment due date of any year, falls after November 22, 2011, for a period not more than seven years from such date, at the respective rates set out in Part III of the Third Schedule to this Act,

a semi-luxury dual purpose motor vehicle levy. The levy payable for every such year shall be paid by the registered owner of the semi-luxury dual purpose motor vehicle on or before the relevant date :

Provided however, where any part of the period of seven years referred to in paragraph (a) above, continues after January 1, 2011 the semi-luxury dual purpose motor vehicle levy payable on or after November 22, 2011, in respect of such period shall be paid at the respective rates set out in Part III of the Third Schedule to this Act:

Provided further, such semi-luxury dual purpose motor vehicle levy shall not be charged in respect of any semi-luxury dual purpose motor vehicle owned by –

- (a) an organization or an individual to whom the provisions of Diplomatic Privileges Act, No. 9 of 1996 is applicable; or
- (b) a Department or a Ministry of the Government or of a Provincial Council.

(2) For the purposes of this section, the “Provincial Council” means a Provincial Council established under Chapter XVIIIA of the Constitution.” .

9. The following new section is hereby inserted immediately after section 5 of the principal enactment and shall have effect as section 5A of that enactment:-

Insertion of new section 5A in the principal enactment.

“Amendment of rates of luxury , semi luxury and semi- luxury dual purpose motor vehicle levies by Resolution of Parliament.

5A. (1) The Parliament may by Resolution amend the rates of the –

- (a) luxury motor vehicle Levy, set out in Part I, Part II and Part III of the First Schedule hereto;
- (b) semi-luxury motor vehicle Levy, set out in Part I, Part II and Part III of the Second Schedule hereto;

- (c) semi-luxury dual purpose motor vehicle Levy, set out in Part I, Part II and Part III of the Third Schedule hereto,

by increasing or decreasing the amount payable as levy.

(2) Upon the resolution seeking to amend the rates, being approved by the Parliament in accordance with the Standing Orders of the Parliament, the Secretary to the Ministry of the Minister shall publish a Notification in the *Gazette* setting out the rates as amended.”.

Amendment of section 10 of the principal enactment.

10. Section 10 of the principal enactment is hereby amended in subsection (2) thereof , by the substitution for the words “ a penalty of an amount equal to fifty *per centum* of the levy.” of the following words :-

“a penalty of an amount equal to fifty *per centum* of the levy :

Provided however, if the amount so defaulted is paid by the registered owner of a specified motor vehicle before the expiry of sixty days from the relevant date or the end of the year in respect of which the levy is payable, whichever is earlier, such penalty shall not be charged from such registered owner.” .

Amendment of the First Schedule to the principal enactment.

11. First Schedule to the principal enactment is hereby amended:-

- (1) by the repeal of the Heading to Part II of that Schedule and the substitution therefor of the following :-

“For any year, where the first year of registration or the payment due date falls within the period commencing on January 1, 2011 and ending prior to November 22, 2011:—”;

- (2) by the repeal the example to Part II thereof and the substitution therefor of the following:-

“EXAMPLE

- (a) A luxury motor vehicle is registered on August 1, 2007, the levy applicable on such luxury motor vehicle for the year commencing on April 1, 2010 (which is the third year succeeding the year of registration) is Rs. 35,000.
- (b) A luxury motor vehicle is registered on August 1, 2011, the levy applicable on such luxury motor vehicle for that year (which is the year of registration) is Rs. 100,000.
- (c) A luxury motor vehicle is registered on August 1, 2012, the levy applicable on such luxury motor vehicle for the year commencing on April 1, 2013 (which is the first year succeeding the year of registration) is Rs. 100,000.”;
- (3) by the addition immediately after Part II of the First Schedule of the following Part :-

“PART III

For any year ending/commencing on or after November 22, 2011, in respect of which Part I and Part II of this Schedule is not applicable:-

	<i>Year</i>	<i>Rate Rs.</i>
1	For the year in which such luxury motor vehicle is registered (being a year commencing on or after November 22, 2011)	150,000

	<i>Year</i>	<i>Rate Rs.</i>
2	For the first year succeeding the year in which such luxury motor vehicle is registered	100,000
3	For the second year succeeding the year in which such luxury motor vehicle is registered	75,000
4	For the third year succeeding the year in which such luxury motor vehicle is registered	60,000
5	For the fourth year succeeding the year in which such luxury motor vehicle is registered	50,000
6	For the fifth year succeeding the year in which such luxury motor vehicle is registered	40,000
7	For the sixth year succeeding the year in which such luxury motor vehicle is registered	30,000
8	For the seventh year succeeding the year in which such luxury motor vehicle is registered	Nil".

Amendment of the Second Schedule to the principal enactment.

12. Second Schedule to the principal enactment is hereby amended: –

- (1) by the repeal of the Heading to Part II of that Schedule and the substitution therefor of the following :-

“For any year, where the first year of registration or the payment due date falls within the period commencing on January 1, 2011 ending prior to November 22, 2011:-”;

- (2) by the addition immediately after Part II of the Second Schedule of the following Part:-

“PART – III

For any year ending/commencing on or after November 22, 2011, in respect of which Part I and Part II of this Schedule is not applicable:-

	<i>Year</i>	<i>Rate Rs.</i>
1	For the year in which such semi-luxury motor vehicle is registered (being a year commencing on or after November 22, 2011)	60,000
2	For the first year succeeding the year in which such semi-luxury motor vehicle is registered	50,000
3	For the second year succeeding the year in which such semi-luxury motor vehicle is registered	40,000
4	For the third year succeeding the year in which such semi-luxury motor vehicle is registered	30,000
5	For the fourth year succeeding the year in which such semi-luxury motor vehicle is registered	25,000
6	For the fifth year succeeding the year in which such semi-luxury motor vehicle is registered	20,000
7	For the sixth year succeeding the year in which such semi-luxury motor vehicle is registered	15,000
8	For the seventh year succeeding the year in which such semi-luxury motor vehicle is registered	Nil".

13. Third Schedule to the principal enactment is hereby amended –

- (1) by the repeal of the Heading to Part II of that Schedule and the substitution therefor of the following :-

“For any year, where the first year of registration or the payment due date falls within the period commencing on January 1, 2011 ending prior to November 22, 2011:-” ;

- (2) by the addition immediately after Part II of the Third Schedule of the following Part:-

Amendment of the Third Schedule to the principal enactment.

“PART – III

For any year ending/commencing on or after November 22, 2011, in respect of which Part I and Part II of this Schedule is not applicable:-

<i>Year</i>	<i>Rate Rs.</i>
1 For the year in which such semi-luxury dual purpose motor vehicle is registered (being a year commencing on or after November 22, 2011)	40,000
2 For the first year succeeding the year in which such semi-luxury dual purpose motor vehicle is registered	25,000
3 For the second year succeeding the year in which such semi-luxury dual purpose motor vehicle is registered	20,000
4 For the third year succeeding the year in which such semi-luxury dual purpose motor vehicle is registered	12,000
5 For the fourth year succeeding the year in which such semi-luxury dual purpose motor vehicle is registered	10,000
6 For the fifth year succeeding the year in which such semi-luxury dual purpose motor vehicle is registered	8,000
7 For the sixth year succeeding the year in which such semi-luxury dual purpose motor vehicle is registered	6,000
8 For the seventh year succeeding the year in which such semi-luxury dual purpose motor vehicle is registered	Nil”.

Retrospective effect.

14. The amendments made to the principal enactment by this Part of this Act, shall be deemed for all purposes to have come into effect on November 22, 2011.

Indemnity.

15. Where any person or body of persons collects the levy as provided for in this Part of this Act, during the period commencing from November 22, 2011 and upto the date of the coming into operation of this Act, such collection shall be deemed for all purposes to have been and to be, validly made, and such person shall be deemed to have acted with due authority and is hereby indemnified against all actions, civil or criminal, in respect of such collection.

PART IV

EXEMPTION FROM APPLICATION OF THE PROVISIONS OF CUSTOMS ORDINANCE (CHAPTER 235), EXCHANGE CONTROL ACT (CHAPTER 423) AND THE IMPORTS AND EXPORTS (CONTROL) ACT, No. 1 OF 1969

16. (1) Subject to the provisions of subsections (2) and (3), there shall be exempted from the application of the provisions of the Customs Ordinance (Chapter 235), any enterprise engaged in any one or more of the following businesses within the meaning of an agreement entered into with the Board of Investment of Sri Lanka, established under the Board of Investment of Sri Lanka Law, No. 4 of 1978: -

Granting exemption to certain enterprises from application of the provisions of Chapter 235.

- (a) *entrepot* trade in involving import, minor processing and re- export;
- (b) off-shore business where goods can be procured from one country or manufactured in one country and shipped to another country without bringing the same into Sri Lanka;
- (c) providing front end services to clients abroad;
- (d) head quarters operations of leading buyers for management of finance supply chain and billing operations;
- (e) logistic services such as bonded warehouse or multi-country consolidation in Sri Lanka.

(2) Any enterprise referred to in subsection (1) which is engaged in the physical importation of goods, wares or merchandise for re- export—

- (a) shall carry out such activities either in a Free Port operated under the supervision of the Sri Lanka

Ports Authority established under the Sri Lanka Ports Authority Law, No. 51 of 1979 or a Bonded Area declared under the Board of Investment of Sri Lanka Law, No. 4 of 1978 or the Customs Ordinance (Chapter 235) ;

- (b) the movement of goods to and from such Free Port or the Bonded Area to and from the Sri Lankan territory shall, notwithstanding the provisions of subsection (1) be subject to the provisions of the Customs Ordinance, as if such goods had been imported into Sri Lanka or exported from Sri Lanka as the case may be.

(3) Any enterprise referred to in subsection (1) which is not engaged in the physical movement of goods, wares or merchandise, may carry out such operations outside a Free Port or a Bonded Area as referred to above.

Granting exemption to certain enterprises from application of the provisions of Chapter 423.

17. (1) Subject to the provisions of subsections (2) and (3), there shall be exempted from the application of the provisions of the Exchange Control Act (Chapter 432), any enterprise engaged in any one or more of the following businesses within the meaning of an agreement entered into with the Board of Investment of Sri Lanka, established under the Board of Investment of Sri Lanka Law, No. 4 of 1978: -

- (a) *entrepot* trade in involving import, minor processing and re- export;
- (b) off-shore business where goods can be procured from one country or manufactured in one country and shipped to another country without bringing the same into Sri Lanka;
- (c) providing front end services to clients abroad;
- (d) head quarters operations of leading buyers for management of finance supply chain and billing operations;

- (e) logistic services such as bonded warehouse or multi-country consolidation in Sri Lanka.

(2) Any enterprise referred to in subsection (1) which is engaged in the physical importation of goods, wares or merchandise for re- export–

- (a) shall carry out such activities either in a Free Port operated under the supervision of the Sri Lanka Ports Authority established under the Sri Lanka Ports Authority Law, No. 51 of 1979 or a Bonded Area declared under the Board of Investment of Sri Lanka Law, No. 4 of 1978 or the Customs Ordinance (Chapter 235) ;
- (b) the movement of goods to and from such Free Port or the Bonded Area to and from the Sri Lankan territory shall, notwithstanding the provisions of subsection (1) be subject to the provisions of the Customs Ordinance, as if such goods had been imported into Sri Lanka or exported from Sri Lanka as the case may be.

(3) Any enterprise referred to in subsection (1) which is not engaged in the physical movement of goods, wares or merchandise, may carry out such operations outside a Free Port or a Bonded Area as referred to above.

18. (1) Subject to the provisions of subsections (2) and (3), there shall be exempted from the application of the provisions of the Imports and Exports (Control) Act, No. 1 of 1969, any enterprise engaged in any one or more of the following businesses within the meaning of an agreement entered into with the Board of Investment of Sri Lanka, established under the Board of Investment of Sri Lanka Law, No. 4 of 1978:-

Granting exemption to certain enterprises from application of the provisions of Act, No. 1 of 1969.

- (a) *entrepot* trade in involving import, minor processing and re- export;

- (b) off-shore business where goods can be procured from one country or manufactured in one country and shipped to another country without bringing the same into Sri Lanka;
- (c) providing front end services to clients abroad;
- (d) head quarters operations of leading buyers for management of finance supply chain and billing operations;
- (e) logistic services such as bonded warehouse or multi- country consolidation in Sri Lanka.

(2) Any enterprise referred to in subsection (1) which is engaged in the physical importation of goods, wares or merchandise for re- export–

- (a) shall carry out such activities either in a Free Port operated under the supervision of the Sri Lanka Ports Authority established under the Sri Lanka Ports Authority Law, No. 51 of 1979 or a Bonded Area declared under the Board of Investment of Sri Lanka Law, No. 4 of 1978 or the Customs Ordinance (Chapter 235) ;
- (b) the movement of goods to and from such Free Port or the Bonded Area to and from the Sri Lankan territory shall, notwithstanding the provisions of subsection (1) be subject to the provisions of the Customs Ordinance, as if such goods had been imported into Sri Lanka or exported from Sri Lanka as the case may be.

(3) Any enterprise referred to in subsection (1) which is not engaged in the physical movement of goods, wares or merchandise, may carry out such operations outside a Free Port or a Bonded Area as referred to above.

19. The enterprises to which exemptions have been granted in terms of sections 16, 17 and 18 shall :—

Enterprises are required to report periodically.

- (a) ensure the proper maintenance of documentation in respect of inward and outward remittance of foreign exchange and other transactions ;
- (b) report on the inward and outward remittances of foreign exchange annually or when directed to do so by the Director-General of Customs, the Controller of Exchange or the Controller of Imports and Exports, as the case may be ; and
- (c) include in such report all other details as are specified by the Controller of Exchange and the Director-General of Customs in consultation with the Chairman of the Board of Investment of Sri Lanka.

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

Sinhala text to prevail in case of inconsistency.

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