

PARLIAMENT OF THE DEMOCRATIC

SOCIALIST REPUBLIC OF

SRI LANKA

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FINANCE ACT, No. 12 OF 2012

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[Certified on 30th March, 2012]

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Finance Act, No. 12 of 2012 1

[Certified on 30th March, 2012]

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 THEEXEMPTION 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 Short title.

2012.

PART I

AMENDMENT OF PART IIAOF THE FINANCE

ACT, NO. 25 OF 2003

2. Part IIA ( The Levy on Rooms of Five Star Hotels) of Amendment of

section 13A of

the Finance Act No. 25 of 2003 (hereinafter in this Part of

Part IIA of Act,

this Act referred to as the “principal enactment”) is hereby No. 25 of 2003.

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:-

“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.”.

2—PL 006668—6,615 (03/2012)

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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 4. Part IIIA ( Imposition of Withholding Tax on the

IIIA of Act No. Registration of Motor Vehicles) of the Finance Act, No. 11

11 of 2004.

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.

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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 Replacement of

in this Part of this Act, referred to as the “principal enactment”) section 3 of Act,

is hereby repealed and the following section substituted No.16 of 1995.

therefor:-

“Annual 3. (1) There shall be charged, levied and

luxury motor paid, on every luxury motor vehicle (other than

vehicle levy.

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:

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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 XVIIA of

the Constitution.”.

Replacement of 7. Section 4 of the principal enactment is hereby

section 4 of the repealed and the following section substituted therefor :—

principal

enactment.

“Annual 4. (1) There shall be charged, levied and

semi-luxury paid, on every semi-luxury motor vehicle (other

motor

than a semi-luxury dual purpose motor vehicle

vehicle levy.

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,

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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

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(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 XVIIA of

the Constitution.”.

Replacement of 8. Section 5 of the principal enactment is hereby

section 5 of the repealed and the following section substituted therefor :-

principal

enactment. “Annual 5. (1) There shall be charged, levied and

semi-luxury paid, on every semi-luxury dual purpose motor

dual purpose vehicle (other than a wagon) -

motor

vehicle levy.

(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 :

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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 XVIIA of

the Constitution.” .

9. The following new section is hereby inserted Insertion of new

immediately after section 5 of the principal enactment and section 5A in the

principal

shall have effect as section 5A of that enactment:-

enactment.

“Amendment 5A. (1) The Parliament may by Resolution

of rates of amend the rates of the –

luxury , semi

luxury and

(a) luxury motor vehicle Levy, set out in

semi- luxury

dual purpose Part I, Part II and Part III of the First

motor Schedule hereto;

vehicle levies

by (b) semi-luxury motor vehicle Levy, set out

Resolution of in Part I, Part II and Part III of the Second

Parliament.

Schedule hereto;

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(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

Minster shall publish a Notification in the

Gazette setting out the rates as amended.”.

Amendment of 10. Section 10 of the principal enactment is hereby

section 10 of the amended in subsection (2) thereof , by the substitution for

principal

the words “ a penalty of an amount equal to fifty per centum

enactment.

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 11. First Schedule to the principal enactment is hereby

the First amended:–

Schedule to the

principal

enactment. (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:—”;

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(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 affter 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:-

Year Rate

Rs.

1 For the year in which such luxury motor

vehicle is registered (being a year

commencing on or after November

22, 2011) 150,000

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Year Rate

Rs.

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 12. Second Schedule to the principal enactment is

the Second hereby amended: –

Schedule to the

principal

enactment. (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 additionimediately 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:-

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Year Rate

Rs.

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 Amendment of

amended – the Third

Schedule to the

principal

(1) by the repeal of the Heading to Part II of that enactment.

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 affter Part II of the

Third Schedule of the following Part:-

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“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:-

Year Rate

Rs.

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 14. The amendments made to the principal enactment

effect. 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.

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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 Granting

(3), there shall be exempted from the application of the exemption to

certain

provisions of the Customs Ordinance (Chapter 235), any enterprises from

enterprise engaged in any one or more of the following application of

businesses within the meaning of an agreement entered into the provisions of

Chapter 235.

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

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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 17. (1) Subject to the provisions of subsections (2) and

exemption to (3), there shall be exempted from the application of the

certain provisions of the Exchange Control Act (Chapter 432), any

enterprises from

application of enterprise engaged in any one or more of the following

the provisions of businesses within the meaning of an agreement entered into

Chapter 423. 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;

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(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 Granting

(3), there shall be exempted from the application of the exemption to

certain

provisions of the Imports and Exports (Control) Act, No. 1 of

enterprises from

1969, any enterprise engaged in any one or more of the application of

following businesses within the meaning of an agreement the provisions of

entered into with the Board of Investment of Sri Lanka, Act, No. 1 of

1969.

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;

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(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.

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19. The enterprises to which exemptions have been Enterprises are

granted in terms of sections 16, 17 and 18 shall :— 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 text to

Sinhala and Tamil texts of this Act, the Sinhala text shall prevail in case

of inconsistency.

prevail.

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