PARLIAMENT OF THE DEMOCRATIC

SOCIALIST REPUBLIC OF

SRI LANKA

FINANCE ACT, No. 12 OF 2013

[Certified on 23rd April, 2013]

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[Certified on 23rd April, 2013]

L.D.—O. 5/ 2013.

ANACT TO AMEND THE FINANCE ACT, NO. 16 OF 1995, THE FINANCE

ACT, NO. 25 OF 2003 AND THE FINANCE ACT, NO. 12 OF 2012;

TO PROVIDE FOR THE IMPOSITION OF ACROP INSURANCE LEVY; 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.

2013.

PART I

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

2. The Finance Act, No. 16 of 1995 (hereinafter in this Amendment of

section 5 of Act,

Part referred to as the “ principal enactment”) is hereby

No.16 of 1995.

amended, in section 5 thereof by the insertion immediately

after subsection (1) thereof of the following subsection:-

“(1A) Notwithstanding the preceding provisions

of this section such semi- luxury dual purpose motor

vehicle levy shall not be charged, with effect from

January 1, 2013, in respect of a light truck registered

as a dual purpose vehicle under the Motor Traffic

Act (Chapter 203) .”.

3. Section 17 of the principal enactment is hereby Amendment of

amended, as follows :– section 17 of the

principal enactment.

(1) by the insertion immediately after the definition of

the expression“diesel motor vehicle” of the

following definition :-

“ “dual purpose vehicle” shall have the same

meaning assigned to it under the Motor

Traffic Act (Chapter 203);”;

2—PL 007089—4,090 (03/2013)

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(2) by the insertion immediately after the definition of

the expression “luxury motor vehicle” of the

following definition :-

“ “ light truck” means a dual purpose vehicle with

a driver’s compartment having a single row

accommodation along the same transverse

axis for the driver and passenger, adapted or

constructed wholly or mainly for the purpose

of carriage of goods;”;

(3) by the repeal of the definition of the expression

“semi- luxury dual purpose motor vehicle”

and substitution therefor of the following

definition:-

“ “semi- luxury dual purpose motor vehicle” means

a luxury motor vehicle or semi- luxury motor

vehicle which is registered as a dual

purpose vehicle under the Motor Traffic Act

(Chapter 203); ”.

Validation. 4. Any person or body of persons who charged or

collected the semi-luxury dual purpose motor vehicle levy,

in respect of a light truck, as provided for in the principal

enactment during the period commencing from January 1,

2013 and ending on the date on which the certificate of the

Speaker is endorsed in respect of this Act, shall be deemed

to have acted with due authority and such charge or

collection shall be deemed to have been validly made:

Provided that the aforesaid provisions shall not affect

any decision or Order made by any court or any proceedings

pending in any court in respect of such levy charged or

collected during such period.

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PART II

AMENDMENT OF PART II OF THE FINANCE

ACT, NO. 25 OF 2003

5. Part II (Tourism Development Levy) of the Finance Amendment of

Act, No. 25 of 2003 is hereby amended in section 11, by the section11 of

Part II of Act,

substitution for the words “Sales Agents licensed under No. 25 of 2003.

Tourism Development Act, No. 14 of 1968.” of the following

words:-

“Sales Agents licensed under Tourism Development

Act, No. 14 of 1968:

Provided further , such levy shall not be charged

on any institution having an annual turnover not

exceeding rupees twelve million or a quarterly

turnover not exceeding rupees three million.”.

PART III

AMENDMENT OF PART IV OF THE FINANCE

ACT, NO. 12 OF 2012

6. The heading of Part IV of the Finance Act, No. 12 of Amendment of

2012 (hereinafter in this Part referred to as the “principal the Heading of

Part IV of Act

enactment”) is hereby repealed and the following heading No.12 of 2012.

substituted therefor:-

“EXEMPTION OF CERTAIN ENTERPRISES FROM THE

APPLICATION OF THE PROVISIONS OF CERTAIN

ACTS”.

7. Section 16 of the principal enactment is hereby Amendment of

amended in subsection (2), by the repeal of paragraph (a) section 16 of the

principal

thereof, and the substitution therefor of the following enactment.

paragraph:-

“(a) shall carry out such activities either in a Free Port

or a Bonded Area declared by regulations under

this Act ;” .

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Amendment of 8. Section 17 of the principal enactment is hereby

section 17 of the amended in subsection (2), by the repeal of paragraph (a)

principal

thereof, and the substitution therefor of the following

enactment.

paragraph:-

“(a) shall carry out such activities either in a Free

Port or a Bonded Area declared by regulations

under this Act ;” .

Amendment of 9. Section 18 of the principal enactment is hereby

section 18 of the amended in subsection (2), by the repeal of paragraph (a)

principal

thereof, and the substitution therefor of the following

enactment.

paragraph:-

“(a) shall carry out such activities either in a Free

Port or a Bonded Area declared by regulations

under this Act ;” .

Insertion of 10. The following sections are hereby inserted

sections 18A, 18B immediately after section 18 of the principal enactment and

and 18C in the

shall have effect as sections 18A, 18B and 18C thereof:-

principal

enactment.

“Granting 18A. (1) Subject to the provisions of

exemption to

subsections (2) and (3), there shall be exempted,

certain

enterprises from the application of the provisions of the

from the Acts referred to in the Schedule hereto, any

application enterprise engaged in any one or more of the

of the following businesses, within the meaning of

provisions of

an agreement entered into with the Board of

certain Acts.

Investment of Sri Lanka, under the Board of

Investment of Sri Lanka Law, No. 4 of 1978-

(a) entrepot trade 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;

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(d) headquarters 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 shall,

(a) carry out such activities either in a Free

Port or a Bonded Area declared by

regulations under this Act ;

(b) notwithstanding the provisions of

subsection (1), be subject to the

provisions of the Customs Ordinance,

in any movement of goods to and from

such Free Port or the Bonded Area , to

and from the Sri Lankan territory 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 physical movement

of goods, wares or merchandise, may carry out

such operations outside a Free Port or a Bonded

Area as referred to above.

Extending 18B. (1) Any new enterprise established on

the or after the date of the coming into operation

application of

the of this Act, which is engaged in any one or

provisions of more of the following businesses, within the

the Inland meaning of an agreement entered into with the

Revenue Act,

No. 10 of Board of Investment of Sri Lanka, under the

2006 to Board of Investment of Sri Lanka Law, No. 4 of

certain 1978, shall be eligible, subject to the provisions

enterprises.

of subsections (2) and (3), for the exemptions

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granted under the relevant sections of the

Inland Revenue Act, No. 10 of 2006, if such

enterprise satisfies the requirements specified

in the relevant section by which the exemption

applicable is granted–

(a) entrepot trade 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) headquarters 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 new enterprise referred to in

subsection (1) which is engaged in the physical

importation of goods, wares or merchandise

for re- export shall, –

(a) carry out such activities either in a Free

Port or a Bonded Area declared by

regulations under this Act;

(b) notwithstanding the provisions of

subsection (1), be subject to the

provisions of the Customs Ordinance,

in any movement of goods to and from

such Free Port or the Bonded Area , to

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and from the Sri Lankan territory as

if such goods had been imported into

Sri Lanka or exported from Sri Lanka,

as the case may be.

(3) Any new enterprise referred to in

subsection (1), which is not engaged in physical

movement of goods, wares or merchandise, may

carry out such operations outside a Free Port or

a Bonded Area as referred to above.

Extending 18C. (1) Any new enterprise established on

the

or after the date of coming into operation of

application

of provisions this Act, and identified as a Strategic

of the Development Project in terms of the provisions

Strategic

of section 3 of the Strategic Development

Development

Projects Act, Projects Act, No. 14 of 2008, which is engaged

No. 14 of in any one or more of the following businesses,

2008 to

certain within the meaning of an agreement entered

enterprises. into with the Board of Investment of Sri Lanka,

under the Board of Investment of Sri Lanka

Law, No. 4 of 1978, shall be eligible, subject

to the provisions of subsections (2) and (3), for

the exemptions granted under the Strategic

Development Projects Act, No. 14 of 2008 –

(a) entrepot trade 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;

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(d) headquarters 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 new enterprise referred to in

subsection (1), which is engaged in the physical

importation of goods, wares or merchandise

for re- export shall–

(a) carry out such activities either in a Free

Port or a Bonded Area declared by

regulations under this Act;

(b) notwithstanding the provisions of

subsection (1), be subject to the

provisions of the Customs Ordinance,

in any movement of goods to and from

such Free Port or the Bonded Area, to

and from the Sri Lankan territory, as if

such goods had been imported into Sri

Lanka or exported from Sri Lanka, as

the case may be.

(3) Any new enterprise referred to in

subsection (1) which is not engaged in physical

movement of goods, wares or merchandise, may

carry out such operations outside a Free Port or

a Bonded Area as referred to above.”.

Amendment of 11. Section 19 of the principal enactment is hereby

section 19 of the amended by the substitution for the words and figures

principal

enactment. “sections 16, 17 and 18” of the words and figures “ sections

16, 17, 18, 18A, 18B and 18C”.

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12. The following sections are hereby inserted Insertion of

immediately after section 19 of the principal enactment and sections 19A and

19B in the

shall have effect as section 19A and 19B thereof:-

principal

“Regulations. 19A. (1) The Minister may make regulations enactment.

in respect of all matters which are required to

be prescribed or for which regulations are

authorized to be made under this Act.

(2) Without prejudice to the generality of

subsection (1), the Minister may, by

regulations–

(a) declare Free Ports and Bonded Areas

for the purposes of this Part of this

Act;

(b) specify the investment limits and

other criteria required for the

enterprises referred to under this Part

of this Act;

(c) specify the conditions and

exemptions in relation to local sales;

(d) specify the procedure to be followed

in granting exemptions under this

Part of this Act; and

(e) specify monitoring authority and the

mechanism for monitoring.

(3) Every regulation made by the Minister

under subsection (1) shall be published in the

Gazette and shall come into operation on the

date of such publication or on such later date

as may be specified therein.

(4) Every regulation made by the Minister

shall as soon as convenient after its publication

in the Gazette be brought before Parliament

for approval. Every regulation which is not so

approved shall be deemed to be rescinded from

the date of disapproval but without prejudice

to anything previously done thereunder.

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(5) Notification of the date on which any

regulation is deemed to be rescinded shall be

published in the Gazette.

Interpretation. 19B. In this Part of this Act, unless the

context otherwise requires-

“Board of Investment of Sri Lanka” means the

Board of Investment of Sri Lanka

established under the Board of Investment

of Sri Lanka Law, No. 4 of 1978;

“Bonded Area” means an area supervised by

the Board of Investment of Sri Lanka or

the Director-General of Customs or any

other Authority and declared by

regulations under this Act;

“Controller of Exchange” means the Head of

the Department of Exchange Control

established under the Exchange Control

Act (Chapter 423) ;

“Controller of Imports and Exports” means

the Controller of Imports and Exports

appointed under section 2 of the

Imports and Exports (Control) Act

(Chapter 236) ;

“Customs Ordinance” means the Customs

Ordinance (Chapter 235) ;

“Director-General of Customs” means the

Director-General of Customs appointed

under section 2 of the Customs

Ordinance;

“entrepot trade” includes any manufacturing

activity approved under this Part and

carried out by a new enterprise for re-

export with a domestic value addition

at a minimum rate of ten per centum,

within a Free Port declared by

regulations under this Part of this Act;

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“Free Port” means an area within a sea port or

an inland dry port operated under the

supervision of the Sri Lanka Ports

Authority and declared by regulations

under this Act;

“logistic service” includes inter alia-

(i) transshipment activities;

(ii) warehousing for temporary

storage of input or finish goods

for local exporters; and

(iii) freight forwarding for clients

abroad;

“ Sri Lanka Ports Authority” means the

Sri Lanka Ports Authority established

under the Sri Lanka Ports Authority

Act, No. 51 of 1979;

“ Sri Lankan territory” means the territory of

the Republic of Sri Lanka and does not

include any Free Port or a Bonded Area

declared under this Part of this Act.”.

13. The following Schedule is hereby added Addition of a

Schedule in the

immediately after section 20 of the principal enactment:-

principal

enactment.

“Schedule (section 18A)

1. Value Added Tax Act, No. 14 of 2002;

2. Nation Building Tax Act, No. 9 of 2009 ;

3. Sri Lanka Export Development Act, No. 40 of 1979 ;

4. Special Commodity Levy Act, No. 48 of 2007;

5. Ports and Airports Development Levy Act, No.18 of

2011;

6. Excise (Special Provisions) Act, No. 13 of 1989.”.

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PART IV

IMPOSTION OF CROP INSURANCE LEVY

Imposition of 14. (1) With a view of covering the damages suffered

Crop Insurance

Levy. by the farmers of Sri Lanka due to natural disasters , there

shall be charged and levied from every institution coming

under the purview of the Acts specified in the Schedule

hereto, a levy of one per centum to be called the Crop

Insurance Levy (hereinafter in this Part referred to as “ the

levy” ) on the after tax profits of such institutions.

(2) The levy imposed under this Part shall be remitted to

a separate account maintained and administered by the

National Insurance Trust Fund Board established by the

National Insurance Trust Fund Act, No. 28 of 2006 .

(3) The provisions which may be necessary in the

implementation of the provisions of this Part shall be

prescribed by regulations under this Act.

Regulations. 15. (1) The Minister may make regulations in respect of

all matters which are required to be prescribed or for which

regulations are authorized to be made under this Act.

(2) Every regulation made by the Minister under

subsection (1) shall be published in the Gazette and shall

come into operation on the date of such publication or on

such later date as may be specified therein.

(3) Every regulation made by the Minister shall as soon

as convenient after its publication in the Gazette be brought

before Parliament for approval. Every regulation which is

not so approved shall be deemed to be rescinded from the

date of disapproval but without prejudice to anything

previously done thereunder.

(4) Notification of the date on which any regulation is

deemed to be rescinded shall be published in the Gazette.

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16. 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.

Schedule (section 14)

1. Banking Act, No. 30 of 1988;

2. Finance Companies Act, No. 78 of 1988;

3. RegulationofInsuranceIndustryAct,No. 43 of

2000.

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