

# **PART IV**

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## MAJOR LEGISLATIVE ENACTMENTS OF 2012 RELATING TO THE FUNCTIONS AND OPERATIONS OF THE CENTRAL BANK AND BANKING INSTITUTIONS IN SRI LANKA

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## Employees' Provident Fund (Amendment) Act, No. 2 of 2012

[Certified on 09th February, 2012]

AN ACT TO AMEND THE EMPLOYEES' PROVIDENT FUND ACT, NO. 15 OF 1958

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

1. This Act may be cited as the Employees' Provident Fund (Amendment) Act, No. 2 of 2012.
2. Section 3 of the Employees' Provident Fund Act, No. 15 of 1958, (hereinafter referred to as the "principal enactment") is hereby amended by the insertion immediately after subsection (1) of that section, of the following new subsection: -
 

“(1A) Where an employee becomes a member of the Fund established under subsection (1), the Commissioner-General of Labour shall assign an identification number to such employee and employer in the prescribed manner.”.
3. Section 5 of the principal enactment is hereby amended in subsection (1) of that section as follows :—
  - (1) by the insertion immediately after paragraph (e) of that subsection, of the following new paragraph :—
 

“(ee) may invest such amount of moneys of the Fund according to such terms and conditions as may be prescribed, to purchase a land for the construction of a Secretariat on behalf of the Fund or to construct such Secretariat on any land belonging to or held by the Fund, for the use of the Fund; “ and” ;
  - (2) in paragraph (ff) of that subsection, by the substitution for the words “account, for a period not exceeding six years prior to the date of such transfer, and” of the words “account and”.
4. The following new section is hereby inserted immediately after section 23 of the principal enactment and shall have effect as section 23A of that enactment:-
 

23A.(1) Every member of the Fund who -

  - (a) has made contributions to the Fund for a period of not less than ten years;
  - (b) is presently employed; and
  - (c) possesses not less than three hundred thousand rupees to his credit in his individual account,

shall, for the purpose of—

  - (i) housing; or
  - (ii) medical treatment,

be entitled to withdraw such amount as does not exceed thirty per centum of the amount lying to his credit in his individual account :

Provided that the Minister may in the interest of the national economy from time to time prescribe the maximum amount which may be withdrawn from any such individual account.

(2) A member of the Fund who subject to the provisions of subsection (1) makes a withdrawal from the amount lying to his credit in his account, shall upon the completion of a period of ten years from the date of such withdrawal, subject to the provisions of paragraphs (b) and (c) of subsection (1) be entitled to make a second withdrawal of such amount as does not exceed thirty per centum from such account for any one of the above purposes.

- (3) Every member shall, during the period he is a contributor to the Fund be entitled to only two withdrawals from his individual account.
- (4) For the purpose of this section -
- “housing” includes -
- (a) the construction of a house on a land belonging to a member ;
  - (b) the purchase of a land for the construction of a house;
  - (c) the purchase of a house;
  - (d) the redemption of a mortgage on housing property; or
  - (e) the settlement of an outstanding balance of the housing loan received from the approved bank, by such member; and
- “medical treatment” includes -
- (a) heart surgery;
  - (b) by-pass surgery;
  - (c) treatment for cancer including surgery;
  - (d) kidney transplant or surgery;
  - (e) cesarean operation; or
  - (f) hospitalization for not less than fourteen days on the account of an accident.
- (5) A member of the Fund, his or her spouse and his or her children shall be entitled to the medical treatment referred to in this section.
- (6) The Minister may appoint, by Order published in the Gazette different dates for the bringing in to operation of the provisions of sub-paragraph (i) or (ii) of subsection (1) .”.
5. Section 31A of the principal enactment is hereby amended, by the substitution for the words “at the rate of one per centum” of the words “at the rate of two per centum”.
6. The following new section is hereby inserted immediately after section 31A of the principal enactment and shall have effect as section 31B of that enactment: -
- 31B.(1) It shall be the duty of every employer having in his employment a minimum of fifty employees to furnish a monthly return containing such particulars as may be prescribed, to the Commissioner-General of Labour with a copy to the Central Bank not later than the end of the succeeding month.
- (2) Every monthly return referred to in subsection (1) shall with effect from July 1, 2012 be submitted by electronic means.”.
7. Section 37 of the principal enactment is hereby amended, by the substitution for the words “fine not exceeding one thousand rupees” and “fine not exceeding fifty rupees for each day” of the words “fine not exceeding two thousand five hundred rupees” and “fine not exceeding seventy five rupees for each day” respectively.”.
8. Section 46 of the principal enactment is hereby amended in subsection (1) thereof by the insertion immediately after paragraph (n) of that subsection of the following new paragraph: -
- “(nn) in respect of the procedure to be followed in granting housing benefits and benefits relating to medical treatment;”.
9. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

## Value Added Tax (Amendment) Act, No. 7 of 2012

[Certified on 30th March, 2012]

AN ACT TO AMEND THE VALUE ADDED TAX ACT, NO. 14 OF 2002

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

1. This Act may be cited as the Value Added Tax (Amendment) Act, No. 7 of 2012 and shall be deemed to have come into operation on January 1, 2012 unless different dates of operation are specified therefor, in the relevant sections.

2. Section 2 of the Value Added Tax Act, No. 14 of 2002 (hereinafter referred to as the "principal enactment") is hereby amended as follows:-

(1) in subsection (2) of that section:-

(a) by the repeal of item (i) of sub-paragraph (e) and the substitution therefor of the following:-

" (i) a person engaged in any Strategic Development Project in terms of subsection (4) of section 3 of the Strategic Development Projects Act, No. 14 of 2008, as is referred to in sub-paragraph (i) of paragraph (f) of Part II of the First Schedule, during the project implementation period, or a registered person engaged in any specific project referred to in sub-paragraph (ii) of paragraph (f) of PART II of the First Schedule (effective from April 1, 2011)";

(2) by the addition immediately after item (iv) thereof, of the following:-

"(v) any registered person who supplies any goods or services on or after April 1, 2011, to any registered person referred to in items (i), (ii), (iii) or (iv) above, provided that the Commissioner -General is, on the information available, satisfied that the value of such supplies exceeds fifty per-centum of the total supplies of such registered person who supplies such goods or services.";

(3) by the addition immediately after paragraph (c) of the second proviso to subsection (3) of that section of the following:-

"(d) plant, machinery or equipment imported by any enterprise qualified for a tax exemption under section 16D and 17A of the Inland Revenue Act, No. 10 of 2006, for the use by such enterprise for the purposes specified in any 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, where any such agreement provides that tax is exempted under item (xxxiv) of paragraph (c) of PART II of the First Schedule, during the project implementation period, subject to the fulfillment of the conditions specified in the agreement.".

3. Section 22 of the principal enactment is hereby amended as follows:-

(1) in subsection (1) of that section, by the repeal of the first proviso thereof and the substitution therefor of the following:-

"Provided that, the amount of tax due on the supply of-

(a) garments within such percentage-

(i) as is permitted for sale locally by the Board of Investment of Sri Lanka, established by the Board of Investments of Sri Lanka Law, No. 4 of 1978 under any agreement entered into by the manufacturer of garments for export under section 17 of the aforesaid law; or

(ii) as is permitted for sale locally by the Board of Investment of Sri Lanka, established by the Board of

Investments of Sri Lanka Law, No. 4 of 1978, by any other garment manufacturer who manufactures garments for export under the supervision of the Department of Customs,  
shall be rupees twenty five for each such garment so supplied within Sri Lanka;

- (b) fabric within such percentage -
- (i) as is permitted for sale locally by the Board of Investment of Sri Lanka, established by the Board of Investment of Sri Lanka Law, No. 4 of 1978, under any agreement entered into by the manufacturer of fabric for export under section 17 of the aforesaid law; or
  - (ii) as is permitted for sale locally by the Board of Investment of Sri Lanka, established by the aforesaid law by any other fabric manufacturer who manufactures fabric for export under the supervision of the Department of Customs,  
shall be forty rupees per kilogram.”;
- (2) in the second proviso to subsection (1), by the substitution for the words and figures “no other tax or levy including any duty under the Customs Ordinance (Chapter 235) or Cess under subsection (1) of section 14 of Sri Lanka Export Development Act, No. 40 of 1979, shall be charged or collected on such sale of garments,” of the words and figures “no other tax or levy payable at the point of entry into the country including any duty under the Customs Ordinance (Chapter 235) or Cess under subsection (1) of section 14 of Sri Lanka Export Development Act, No. 40 of 1979, shall be charged or collected on such sale of garments or fabric.”;
- (3) in paragraph (e) of the second proviso to subsection (5) of that section by the substitution for all the words from “there is an excess of input tax” to the words “taxable supplies of the taxable period” of the following:-
- “there is an excess of input tax including tax deferred under section 2, of any registered person who is registered with the Textile Quota Board established under the Textile Quota Board Act, No. 23 of 1996, being a supplier of goods or services to any registered person referred to in paragraph (c) of subsection (2) of section 2 or any registered person who is registered with the Export Development Board, who was subsequently brought under the deferment scheme administered by the Commissioner-General under paragraph (e) of subsection (2) with effect from April 1, 2011, being a supplier of goods to exporters of goods, referred to in paragraph (d) of subsection (2) of section 2, the value of supplies to suppliers referred to in paragraph (c), (d) or in the corresponding provisions of paragraph (e) for the taxable period was more than fifty per centum.”;
- (4) in the third proviso to subsection (5) of that section by the substitution for all the words from “Provided further” to the words “shall be carried forward.” of the following:—
- “Provided further, in case of a registered person who imports goods for re-sale without processing, the excess input tax representing the tax paid under subsection (3) of section 2 shall not be refunded, but such input tax including any excess input tax as at July 31, 2002, under the Goods and Services Tax Act, No. 34 of 1996 shall be carried forward except in a case where such supplies are made to any registered person referred to in items (i), (ii), (iii) or (iv) of paragraph (e) of subsection (2) of section 2 of this Act, subject to the conditions and the limitations specified in the guidelines published for the purposes of applying the deferment for the specified period.”;
- (5) in subsection (10) of that section:-
- (i) in paragraph (a), by the substitution for the words and figures “The unabsorbed residue, if any, as at December 31, 2010 shall be carried forward and may be claimed by a registered person for any taxable period not exceeding a sum equivalent to ten per centum of the unabsorbed amount for each month, provided that, such sum does not exceed five per centum of the net tax payable after deducting allowable input credit from the output tax by such person;” of the following:-

“The unabsorbed residue, if any, as at December 31, 2010 shall be carried forward and may be claimed by a registered person for any taxable period -

- (A) commencing on or after January 1, 2011 but prior to January 1, 2012, not exceeding a sum equivalent to ten per centum of the unabsorbed amount for each month, but not exceeding five per centum of the net tax payable after deducting allowable input credit from the output tax payable by such person;
- (B) commencing on or after January 1, 2012, not exceeding a sum equivalent to ten per centum of the unabsorbed amount for each month but not exceeding the net tax payable after deducting allowable input credit from the output tax by such person;”;

(ii) by the repeal of the first proviso to that subsection and the substitution therefor of the following:-

“Provided that, in the case of a registered person -

- (A) who as at December 31, 2010, has an unabsorbed input credit, but from and after January 1, 2011, such person has no taxable supplies liable to tax under the provisions of this Act; or
- (B) where in respect of each month with effect from January 1, 2012, the actual set off of the unabsorbed input credit of such person, not exceeding ten per centum of the unabsorbed input credit as at December 31, 2010, the excess over the amount set off, as is referred to in sub-paragraph (B) of paragraph (a) of subsection (10),

may be set off after ascertaining the amount of the unabsorbed input credit in the following manner:-

- (i) for any taxable period commencing on or after January 1, 2011 but prior to January 1, 2012, in the manner provided for in either paragraph (a), paragraph (b), paragraph (c) or (d), as the case may be-
  - (a) in the case of a registered person who is an operator of a telecommunication services licensed under section 17 of the Sri Lanka Telecommunication Act, No. 25 of 1991, the set off may be made as against the sum payable by him as Telecommunication Levy payable under the Telecommunication Levy Act, No. 21 of 2011;
  - (b) in the case of a registered person who is liable to pay income tax, the set off may be made as against the sum payable by such person as income tax after January 1, 2011;
  - (c) in the case of a person to whom the provisions of either paragraph (a) or (b) above does not apply, the set off shall be made against the sum payable after January 1, 2011, by such person as tax under any written law for the time being in force, administered by the Commissioner - General;
  - (d) in the case of a person to whom the provisions of either paragraph (a), (b), or (c) above does not apply, the set off may be considered against the tax payable at the point of entry into the country, by the Director-General of Customs after July 13, 2011 with the approval of the Commissioner-General after considering the facts of the case;
- (ii) for any taxable period commencing on or after January 1, 2012, against the tax payable in the manner provided for in either paragraph (a), paragraph (b) or paragraph (c) below, as the case may be:-
  - (a) in the case of a registered person who is an operator of a telecommunication services licensed under section 17 of the Sri Lanka Telecommunication Act, No. 25 of 1991, the set off may be made as against the sum payable by him as Telecommunication Levy payable under the Telecommunication Levy Act, No. 21 of 2011; or
  - (b) in the case of a registered person who is liable to pay any tax administered by the Commissioner - General of Inland Revenue, the set off may be made against the sum payable after January 1, 2012, by such person as tax under any written law for the time being in force, administered by the Commissioner General; and

- (c) in the case of a registered person to whom the provisions under paragraph (a) and (b) above do not apply, the set off may be considered against the tax payable at the point of entry into the country, by the Director-General of Customs after January 1, 2012 with the approval of the Commissioner-General after considering the facts of the case.

The set off for each month, against the tax payable in terms of this subsection—

- (i) where such set off is applicable to any taxable period from January 1, 2011 but prior to January 1, 2012 shall not exceed ten per centum of the unabsorbed input credit as at December 31, 2010 or five per centum of the relevant tax liability, which ever is less;
- (ii) where such set off is applicable to any taxable period commencing on or after January 1, 2011 shall not exceed ten per centum of the unabsorbed input credit as at December 31, 2010 or the net unabsorbed balance as at December 31, 2011 after setting off the tax payable during the period of twelve months from the total unabsorbed balance as at December 31, 2010, which ever is less.”.

4. Section 25A of the principal enactment is hereby amended in paragraph (iv) of subsection (1) of that section by the substitution for the words and figures “commencing on or after January 1, 2009.” of the words and figures, “commencing on or after January 1, 2009:

Provided however, the supply of financial services by a Unit Trust or a Mutual Fund shall not be treated as a financial service for the purpose of this section.”.

5. The First Schedule to the principal enactment is hereby amended in PART II thereof as follows:-

(1) in paragraph (a) of that PART :-

- (i) by the repeal of item (x) and substitution therefor of the following item:-

“(x) agricultural machinery, mammoities, forks, fertilizer (effective from 01.07.2004), artemia eggs and peat moss classified under the Harmonized Commodity Description and Coding System Numbers for Custom proposes;”;

- (ii) in item (xii), by the substitution for the words and figures “machinery used for construction industry imported not later than December 31, 2010” of the words and figures “machinery used for the construction industry;”;

- (iii) by the addition immediately after item (xxi) of the following:-

“(xxii) (i) lorries, trucks, buses, sports equipments, machinery used for the production of rubber or plastic products, sunglasses, perfumes, moulding ( steel, glass, rubber or plastic), photo sensitive semi conductor devices;

(ii) raw materials for the manufacture of spectacles and spectacle frames ;

(iii) items and spares for the poultry industry;

(iv) wood (sawn);

(v) fabric for domestic consumption subject to a cess at a specific rate in lieu of chargeability of any other tax payable on importation at the point of entry into the country, as specified in a Gazette Notification issued under the Sri Lanka Export Development Act, No. 40 of 1979,

classified under the Harmonized Commodity Description and Coding System Numbers for Custom purposes;

(xxiii) goods for any international event approved by the Minister of Finance taking into consideration the economic benefit to the country, by conducting such event in Sri Lanka.”;



(2) in paragraph (b) of that PART:-

(i) in sub-paragraph (A), by the repeal of item (ii) and the substitution therefor of the following ;-

“(ii) lorries, tractors or motor coaches with a seating capacity of not less than twenty eight passenger seats, in respect of any rental falling due for payment on or after April 1, 2012.”;

(ii) by the repeal of item (xiii) and the substitution therefor of the following:-

“( xiii) imported unprocessed timber logs or ships or any article subject to the Special Commodity Levy under Special Commodity Levy Act, No. 48 of 2007 subject to the condition that such Nation Building Tax referred to in paragraph (d) of subsection (10 ) of section 2 of the Nation Building Tax Act, No. 9 of 2009, shall be payable in respect of such article.”;

(iii) by the addition immediately after item (xxxv) of the following:-

“(xxxvi) locally manufactured-

- (i) hydropower or wind power machinery and equipment;
- (ii) turbines;
- (iii) canned fish or clay pottery products using locally produced raw materials;
- (iv) products using locally procured raw materials for the required specification of tourist hotels or airlines;
- (v) specified products to identified state institutions replacing imports,

by the manufacturer in so far as such products are locally value added products, as per the conditions specified in the guidelines issued for this purpose;

(xxxvii) (i) locally manufactured fabric in the domestic market by any manufacturer who does not enjoy any concessions under any agreement entered into with the Board of Investment of Sri Lanka;

(ii) fabric which are subject to a cess at a specific rate classified under the Harmonized Commodity Description and Coding System Numbers for Custom proposes, in lieu of chargeability of any other tax on importation at the point of entry into the country, by the Director-General of Customs as specified in a Gazette Notification issued under the Sri Lanka Export Development Act, No. 40 of 1979;

(xxxviii) services, being research and development services provided by the supplier of such services within the meaning of the Inland Revenue Act, No.10 of 2006 for the purposes of deduction under section 25 of that Act;

(xxxix) painting, at the point of sale, by the artist thereof;

(xl) services, by the Department of Commerce, with effect from January 1, 2012, services by the Board of Investment of Sri Lanka or the Sri Lanka Ports Authority, with effect from April 1, 2012, in so far as such services are provided to exporters or to providers of services which are zero rated services, for the purposes of tax under this Act;

(xli) being any sum paid out of the Export Development Fund as export development rebate with effect from October 8, 2009;

(xlii) specific services for any international event approved by the Minister of Finance having taken into consideration the economic benefit to the country by conducting such an event in Sri Lanka;

(xliii) services, which result in the improvement of quality, character or value of any fabric or garment with effect from April 1, 2012;

(xiv) locally manufactured palm oil, with effect from April 1, 2012.”;

(3) in paragraph (c) of that PART :-

(a) by the repeal of item (xxiii) and the substitution therefor of the following:-

“(xxiii) goods, for a project identified as a strategic development project under the provisions of the Strategic Development Project Act, No.14 of 2008, during the project implementation period, subject to the conditions specified therein or with the approval of the Minister of Finance any special project referred to in paragraph (f);”;

(b) in item (xxviii), by the substitution for the words “discharge lamps and arc lamp carbon” of the words and figures “discharge lamps, arc lamp carbon, speakers, amplifiers, digital stereo processors and accessories, cinema media players and digital readers”;

(c) by the addition immediately after item (xxx) of the following:-

“(xxxi) pharmaceutical machinery and spare parts for the pharmaceutical machinery which are not manufactured in Sri Lanka, classified under the Harmonized Commodity Description and Coding System Numbers for Custom proposes, imported by pharmaceutical manufacturers and recommended by the Secretary to the Ministry of Health, including pharmaceutical machinery or parts imported after June 1, 2011 under the same conditions on which Value Added Tax has been deferred;

(xxxii) machinery for the manufacture of bio mass briquettes and pallets so far as such machinery is imported by the manufacturer of such products classified under the Harmonized Commodity Description and Coding System Numbers for Custom proposes, including such machinery imported after June 1, 2011 under the same conditions on which Value Added Tax has been deferred;

(xxxiii) green houses, poly tunnels and materials for the construction of green houses, by any grower of agricultural products or plants of any type, subject to the condition that such items are not manufactured in Sri Lanka, and approved by the Director-General, Department of Fiscal Policy on the recommendation of the Secretary to the Ministry of Agriculture;

(xxxiv) plant, machinery or equipment by any enterprise qualified for a tax exemption under section 16D and 17A of the Inland Revenue Act, No. 10 of 2006, for the use by such enterprise for the purposes specified in the agreement entered into with the Board of Investment of Sri Lanka on which tax is deferred during the project implementation period, subject to the fulfillment of the conditions specified in the agreement, during the project implementation period;

(xxxv) any goods, ( other than motor vehicles and goods for personal use) required for the purpose of provision of services being international transportation which is consigned to Sri Lankan Air Lines Limited, Mihin Lanka (Pvt) Ltd. or Air Lanka Catering Services Ltd. ;

(xxxvi) fabric, specified under the Harmonized Commodity Description and Coding System Numbers for Custom proposes, for the sale in the domestic market without any value addition, subject to the chargeability of a cess of rupees seventy five per kilogram on importation .”.

6. Any person who collects the Value Added Tax as provided for in this Act during any period prior to the date of coming into operation of this Act, shall be deemed to have acted with due authority and such collection shall be deemed to have been, and to be, validly made and such person is hereby indemnified against all actions civil or criminal, in respect of such collection.

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

## Inland Revenue (Amendment) Act, No. 8 of 2012

[Certified on 30th March, 2012]

AN ACT TO AMEND THE INLAND REVENUE ACT, NO. 10 OF 2006

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

1. (1) This Act may be cited as the Inland Revenue (Amendment) Act, No. 8 of 2012.
  - (2) The provisions of this Act, shall come into operation on April 1, 2012:  
Provided however—
    - (a) the amendments made to section 7 of the Inland Revenue Act, No.10 of 2006 (hereinafter referred to as the “principal enactment”) by section 2 (2) of this Act;
    - (b) the amendments made to section 16C of the principal enactment by section 6 of this Act;
    - (c) the amendments made to section 17A of the principal enactment by section 9 of this Act,
    - (d) the amendments made to—
      - (i) subsection (2) of section 34 of the principal enactment by the addition of new sub paragraph (s) to that subsection by section 15 (1) of this Act; and
      - (ii) paragraph (a) and paragraph (b) respectively of subsection (4) of section 34 of the principal enactment by the addition of new item (A) in new subparagraph (x) and new item (A) in new subparagraph (ix) to that subsection respectively, by section 15 (2) of this Act,
 shall be deemed for all purposes to have come into operation on April 1, 2011.
2. Section 7 of the principal enactment as last amended by Act, No. 22 of 2011 is hereby further amended as follows :—
    - (1) in paragraph (b) of that section—
      - (a) by the substitution in sub paragraph (xxviii), for the words and figures “part VIII of the Companies Act, No. 17 of 1982”, of the words and figures “part XI of the Companies Act, No. 7 of 2007”;
      - (b) by the substitution in sub-paragraph (lxi), for the words and figures “the profits and income of the Insurance Board of Sri Lanka, established by the Regulation of Insurance Industry Act, No. 43 of 2000,”, of the words and figures “the Insurance Board of Sri Lanka, established by the Regulation of Insurance Industry Act, No. 43 of 2000;”;
      - (c) by the addition, immediately after sub-paragraph (lxi), of the following new sub-paragraphs:—
        - “(lxii) the Institute of Certified Management Accountants of Sri Lanka established by the Institute of Certified Management Accountants of Sri Lanka Act, No. 23 of 2009; and
        - (lxiii) the Fund established by the National Child Protection Authority Act, No. 50 of 1998.”;
    - (2) in paragraph (e) of that section—
      - (a) by the substitution for the words and figures “the profits and income accruing prior to April 1, 2011, of a charitable institution,”, of the words “the profits and income of a charitable institution,”;
      - (b) by the substitution in sub-paragraph (i) of that paragraph, for the words “the profits of a business”, of the words and figures “the profits for any year of assessment commencing prior to April 1, 2011, of a business”.
  3. Section 9 of the principal enactment as last amended by Act, No. 22 of 2011 is hereby further amended as follows:—
    - (1) in paragraph (a) of that section by the substitution for the words “if such loan is approved by the Minister as

being essential for the economic progress of Sri Lanka;”, of the following words and figures,

“if such loan is—

- (i) granted prior to April 1, 2012, and approved by the Minister as being essential for the economic progress of Sri Lanka; or
- (ii) granted on or after April 1, 2012;”.

- (2) in paragraph (b) of that section by the substitution for the words “if such loan is approved by the Minister essential for the economic progress of Sri Lanka;”, of the following words and figures,

“if such loan is—

- (i) granted prior to April 1, 2012, and approved by the Minister as being essential for the economic progress of Sri Lanka; or
- (ii) granted on or after April 1, 2012;”.

4. Section 10 of the principal enactment as last amended by Act, No. 9 of 2008, is hereby further amended in subsection (1) as follows :—

- (1) in paragraph (i) of that subsection, by the substitution for the words “within one year thereafter.”, of the words “within one year thereafter;”;
- (2) in paragraph (i) of that subsection, by the substitution for the words “through a bank.”, of the words “through a bank;”;
- (3) by the addition immediately after paragraph (j) of that subsection, of the following new paragraph:—

“(k) any dividend paid to a shareholder of a company out of such profits and income of that company which are exempt from income tax under section 16C or section 17A of this Act, if such dividend is paid during the period for which such profits and income are exempt from income tax:

Provided that where such company is a resident company engaged in any construction project, then such exemption shall be applicable to any dividend paid by such company during the period for which such profits and income are exempt from income tax or within one year thereafter.”.

5. Section 13 of the principal enactment as last amended by Act, No. 22 of 2011 is hereby further amended as follows:—

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

“(tt) the profits and income accruing to any person from the redemption of a unit of a Unit Trust or a Mutual Fund;”;

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

“(w) the profits and income of any individual who is not a citizen of Sri Lanka and who is brought to Sri Lanka as a trainer of any sport, being profits and income derived by such individual in the capacity of such trainer in Sri Lanka;”;

- (3) by the substitution in sub-paragraph (ii) of paragraph (xxxxx) for the words and figures “section 17C;”, of the words and figures “section 16C;”;

- (4) by the insertion immediately after paragraph (yyyyy) of that section, of the following new paragraph :-

“(yyyyyy) any royalty received in foreign currency by any person resident in Sri Lanka from outside Sri Lanka, if such royalty is remitted to Sri Lanka through a bank;”;

- (5) by the insertion immediately after paragraph (zzzzz) of that section, of the following new paragraph :-

“(zzzzz) the profits and income arising or accruing to any person from the administration of any sports ground, stadium or sports complex.”.

6. Section 16C of the principal enactment is hereby amended as follows:-

(1) by the substitution in subsection (1) of that section, for the words “shall be exempt from income tax for a period of three years reckoned from”, of the words “shall be exempt from income tax for the period specified in Column III as corresponding to the investment specified in Column II and the types of activities specified in Column I of the Schedule hereto reckoned from,”;

(2) by the insertion, immediately after subsection (1) of that section, of the following Schedule :—

“SCHEDULE

Column I (Activities)	Column II (Amount of investment - in Rupees)	Column III (Period of exemption)
Agriculture, animal husbandry or fishing (including processing), creative work including work of an artist, Information Technology	Not less than 25 million, but less than 50 million	4 years
Any activity referred to in paragraph (a) of subsection (2), but not including services relating to agriculture (products shall be with a minimum of 35% value addition, if more than 50% of the production is to be sold in the domestic market)	Not less than 50 million, but less than 100 million	4 years
	Not less than 100 million but less than 200 million	5 years
	Not less than 200 million	6 years”.

(3) by the repeal of subsection (2) of that section and the substitution therefor of the following new subsection:—

“(2) For the purposes of subsection (1), “new undertaking” means an undertaking -

(a) which is engaged in -

- (i) agriculture, animal husbandry or fishing;
- (ii) the manufacture of any article (including the processing of such article), other than any liquor or any tobacco product;
- (iii) the provision of services of Information Technology;
- (iv) software development;
- (v) business process outsourcing;
- (vi) knowledge process outsourcing;
- (vii) the provision of healthcare services;
- (viii) the provision of educational services;
- (ix) the provision of beautycare services;
- (x) the provision of cold room and storage facilities;
- (xi) tourism;
- (xii) fitness centre services or providing facilities for sports;
- (xiii) creative work including work of an artist;
- (xiv) mini hydro power projects;

(b) in which the sum invested in the acquisition of fixed assets after March 31, 2011 but prior to April 1, 2015 is not less than the corresponding sum specified in Column II of the Schedule to subsection (1); and

- (c) which commences commercial operations on or after April 1, 2011.

For the purposes of this section “the amount of investment” means the cost of any land, plant, machinery, equipment and other fixed assets.”.

7. The following new section is hereby inserted immediately after section 16C of the principal enactment and shall have effect as section 16D of that enactment :-

16D. The profits and income within the meaning of paragraph (a) of section 3 (other than any profits and income from the sale of any capital asset) of any new undertaking established on or after April 1, 2012 and engaged in the manufacture of any of the products referred to in Column I of the Schedule hereto with an amount not less than the corresponding minimum investment referred to in Column II thereof, shall be exempt from income tax for a period of five years reckoned from the commencement of the year of assessment in which such undertaking commences to make profits from transactions entered into in that year of assessment or from the commencement of the year of assessment immediately succeeding the year of assessment in which such undertaking completes a period of two years from the date on which such undertaking commences to carry on commercial operations; which ever occurs earlier.

#### SCHEDULE

Column I (Product)	Column II (Minimum Investment in USD Million)
Fabric	5
Pharmaceutical	10
Milk Powder	30
Cement	50”.

8. Section 17 of the principal enactment, as last amended by Act, No. 22 of 2011, is hereby further amended in subsection (2) of that section as follows:-

- (1) in paragraph (a) of that subsection, by the substitution in sub-paragraph (ii), for the words “rupees ten million invested in such undertaking,”, of the words and figures “rupees ten million invested not later than March 31, 2012, in such undertaking,”;
- (2) in paragraph (b) of that subsection, by the substitution for the words “which qualify under the same investment criteria”, of the words and figures “which qualify under the same investment criteria and incorporated prior to April 1, 2002”; and
- (3) in paragraph (c) of that subsection, by the substitution for the words “Order published in the Gazette”, of the words and figures “Order published in the Gazette not later than March 31, 2012”.

9. Section 17A of the principal enactment, is hereby amended as follows :-

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

- (a) by the substitution for the words “shall be exempted from income tax for a period of five years reckoned from”, of the words “shall be exempt from income tax for the period specified in Column II of the Schedule hereto as corresponding to the investment specified in Column I of that Schedule, reckoned from”; and
- (b) by the repeal of the proviso to that subsection and the substitution therefor, of the following schedule:-

## "SCHEDULE

Column I (Investment in Rupees Million)	Column II (Exemption period)
More than 300 and not more than 500	6 years
More than 500 and not more than 700	7 years
More than 700 and not more than 1,000	8 years
More than 1,000 and not more than 1,500	9 years
More than 1,500 and not more than 2,500	10 years
More than 2,500	12 years";

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

"(2) For the purposes of subsection (1), "new undertaking" means any undertaking—

(a) which is engaged in any of the activities specified below:-

- (i) manufacture of boats, pharmaceuticals, tyres and tubes, motor spare parts, furniture, ceramics, glass ware or other mineral based products, rubber based products, cosmetic products, edible products manufactured out of locally cultivated agricultural products, construction materials or electrical or electronic goods;
- (ii) manufacture, production or processing of non-traditional goods for export, including deemed exports which shall constitute not less than ninety per centum of the total production and in the case of apparels, seventy five per centum of the total production ;
- (iii) cultivation of food crops or industrial crops;
- (iv) horticulture;
- (v) forestry;
- (vi) animal husbandry in relation to dairy, poultry, swine, goat etc;
- (vii) provision of services to a person or partnership outside Sri Lanka, for payment where the total amount of such payment shall not be less than seventy per centum in convertible foreign currency;
- (viii) tourism or tourism related projects;
- (ix) hotels, guest houses or similar services;
- (x) infrastructure projects including construction of commercial buildings;
- (xi) development of any warehousing or storage facility;
- (xii) power generation using renewable resources;
- (xiii) establishment of industrial estates, special economic zones or knowledge cities;
- (xiv) urban housing or town centre development;
- (xv) provision of any sanitation facility or waste management systems;
- (xvi) development of water services;
- (xvii) development of internal water ways, or related transport (goods or passengers);
- (xviii) construction of hospitals and provision of health care services;
- (xix) repair of aircrafts or maritime vessels or ship breaking;
- (xx) sporting services (e.g. motor racing or golf course);
- (xxi) information technology;
- (xxii) software development;
- (xxiii) business or knowledge process outsourcing;
- (xxiv) any project in light or heavy engineering industry;
- (xxv) artificial insemination for cattle (dairy development);
- (xxvi) provision of educational services;or
- (xxvii) any other activity, as may be prescribed by the Minister taking into consideration the development of national economy ; and

- (b) which commences commercial operations on or after April 1, 2011;
- (3) in the marginal note to that section by the substitution for the words "engaged in any prescribed activities.", of the words "engaged in any specified activities."
10. Section 19 of the principal enactment is hereby amended in subsection (2), by the substitution for the words "invested within one year from the commencement of the undertaking", of the words and figures "invested within one year from the commencement of the undertaking, but not later than March 31, 2012".
11. Section 23 of the principal enactment is hereby amended in sub section 6 of the definition of the expression "venture capital company" by the substitution for the words and figures "Companies Act, No. 17 of 1982", of the words and figures "Companies Act, No. 7 of 2007".
12. Section 25 of the principal enactment as last amended by Act, No. 22 of 2011 is hereby further amended in subsection (1) of that section as follows :-
- (1) in paragraph (c) of the proviso to paragraph (a) of that section by the substitution for the words and figures "acquired on or after April 1, 2007 and", of the words and figures "acquired on or after April 1, 2007 but prior to April 1, 2011";
- (2) by the addition immediately after paragraph (c) of the proviso to paragraph (a) of that section, of the following new paragraph :-
- "(d) where for energy efficiency purposes, any high tech plant, machinery or equipment is acquired on or after April 1, 2012, the rate shall be fifty per centum of the cost of acquisition;"
- (3) by the substitution in paragraph (i) of that section for the words "any trade or business carried on by such person;", of the following words and figures:—
- "any trade or business carried on by such person:  
 Provided that for any year of assessment commencing on or after April 1, 2012, the deduction shall be an amount equal to three hundred per centum of such expenditure incurred by such person, if such research is carried out through any Government institution;  
 For the purposes of this paragraph—
- (i) "Government institution" includes any company, where fifty per centum or more of the shares are held by the Government; and
- (ii) "scientific, industrial, agricultural or any other research" means any such research which is carried out for product or produce innovation, or improving the quality or character of any product, produce or service but does not include any market research or feasibility studies.
- (4) by the substitution in sub-paragraph (i) to the proviso to paragraph (k) of that subsection for the words and figure "Chapter XIV of this Act" of the words and figures "Chapter XIV of this Act, where such benefit is not exempt under paragraph (s) of subsection (1) of section 8 of this Act,";
- (5) in paragraph (s) of that subsection by the substitution for the words "that year if assessment and in any previous year of assessment shall not exceed one per centum of the value of Initial Public Offering of Such company.", of the words "that year of assessment and in any previous year of assessment shall not exceed one per centum of the value of the Initial Public Offering of such company,";
- (6) by the addition immediately after paragraph (s) of that subsection of the following new paragraph :-
- "(t) any expenditure incurred by any person in the maintenance or management of any sports ground, stadium or sports complex."



13. Section 26 of the principal enactment as last amended by Act, No. 22 of 2011 is hereby further amended in subsection (1) of that section as follows :-

(1) by the substitution in sub-paragraph (ii) of paragraph (c) of that subsection, for all the words commencing from “in foreign currency:” to “business for that year of assessment;” of the following :-

“in foreign currency; or

(iii) services relating to design development, product development or product innovation by such person being a company engaged exclusively in the provision of such services:”

Provided that for any year of assessment commencing on or after April 1, 2011—

(A) such part of expenditure incurred in travelling outside Sri Lanka in the production of profits or income from any trade or business carried on or exercised in Sri Lanka by any person, after deducting therefrom -

(i) such expenses incurred in travelling outside Sri Lanka solely in connection with the promotion of export trade of any article or goods or the provision of any service for payment in foreign currency; or

(ii) such expenditure incurred in travelling outside Sri Lanka in carrying out an approved programme as referred to in paragraph (d); or

(iii) for any year of assessment commencing on or after April 1, 2012, such expenditure incurred in travelling outside Sri Lanka, by any company engaged exclusively in the provision of services relating to design development, product development or product innovation;

(B) an amount equal to two per centum of the profits and income of such trade or business in the immediately preceding year of assessment,

whichever is lower, shall be deductible in ascertaining the profits and income from such trade or business for that year of assessment;”;

(2) by the substitution in the proviso to paragraph (x), for the words and figures “Companies Act, No. 17 of 1982;”, of the words and figures “Companies Act, No. 7 of 2007;”.

14. Section 32 of the principal enactment as last amended by Act, No.22 of 2011 is hereby further amended in subsection (5) by the insertion immediately after paragraph (d) of that subsection of the following new paragraph :-

“(e) where any person commenced to carry on any business the annual turnover of which does not exceed rupees five hundred million, any commencement expenses other than the capital expenses incurred by that person in the year of assessment immediately preceding the year of assessment in which the commercial operation of such business is commenced, shall be deducted from the total statutory income of that person for that year of assessment in which commercial operation commenced.”.

15. Section 34 of the principal enactment as last amended by Act, No. 22 of 2011 is hereby further amended as follows :-

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

(a) by the substitution in paragraph (p) of that subsection for the words and figures “subsection (2) of section 21A; and” of the words and figures “subsection (2) of section 21A;”;

(b) by the substitution in paragraph (q) of that subsection for the words and figures “paragraph (zzz) of section 13”, of the words and figures “paragraph (zzz) of section 13;”;

- (c) by the addition immediately after paragraph (q) of that subsection of the following new paragraphs :-
- “(r) expenditure incurred by any person in any community development project carried on in any economically marginalised village as identified and published in the Gazette by the Commissioner- General;
- (s) investment of not less than fifty million rupees in fixed assets made by any person on or after April 1, 2011 but before April 1, 2015 in the expansion of any undertaking which would have been qualified for exemption under section 16C or section 17A had such undertaking commenced to carry on business on or after April 1, 2011; and
- (t) investment of not less than any sum referred to in Column II of the Schedule to section 16D of this Act made in fixed assets in any undertaking engaged in the manufacture of any product referred to in Column I of that Schedule, being an investment which would have qualified such undertaking for exemption under section 16D, referred to above had such undertaking commenced to carry on business on or after April 1, 2012;”;
- (2) in subsection (4) of that section —
- (a) by the substitution in sub-paragraph (i) of paragraph (a) of that subsection for the words and figures “(n), (o) and (q) of subsection (2)” of the words and figures “(n), (o), (q), (r), (s) and (t) of subsection (2)”;
- (b) by the addition immediately after sub-paragraph (viii) of paragraph (a) of that subsection of the following new sub-paragraphs :-
- “(ix) in respect of all qualifying payments referred to in paragraph (r) of subsection (2) made by him in that year of assessment shall not exceed one million rupees;
- (x) in respect of all qualifying payments—
- (A) referred to in paragraph (s) of subsection (2) made by him in that year of assessment shall not exceed twenty five per centum of such qualifying payment:
- Provided however, where investments made in more than one year of assessment are aggregated to reach the minimum investment to qualify for deduction as qualifying payment, such investment made in any previous year of assessment (being any year of assessment commencing on or after April 1, 2011) shall be deemed to be an investment made in the year of assessment in which the fifty million rupees aggregate is reached;
- (B) referred to in paragraph (t) of subsection (2) made by him in that year of assessment shall not exceed twenty five per centum of such qualifying payment:
- Provided however, where investments made in more than one year of assessment are aggregated to reach the minimum investment to qualify for deduction as qualifying payment, such investment made in any previous year of assessment (being any year of assessment commencing on or after April 1, 2012) shall be deemed to be an investment made in the year of assessment in which the respective minimum investment referred to in section 59C is reached;
- (c) by the substitution in sub-paragraph (i) of paragraph (b) of that subsection for the words and figures “(n), (o) and (q) of subsection (2)”, of the words figures “(n), (o), (q), (r), (s) and (t) of subsection (2);
- (d) by the substitution in sub-paragraph (vii) of paragraph (b) of that subsection for the words “ten million rupees.”, of the words “ten million rupees;”;
- (e) by the addition immediately after sub-paragraph (vii) of paragraph (b) of that sub section of the following new sub-paragraphs:-
- “(viii) in respect of all qualifying payments referred to in paragraph (r) of subsection (2) made by that company in that year of assessment shall not exceed ten million rupees;

(ix) in respect of all qualifying payments—

(A) referred to in paragraph (s) of subsection (2) made by that company in that year of assessment shall not exceed twenty five per centum of such qualifying payment:

Provided however, where investments made in more than one year of assessment are aggregated to reach the minimum investment to qualify for deduction as qualifying payment, such investment made in any previous year of assessment (being any year of assessment commencing on or after April 1, 2011) shall be deemed to be an investment made in the year of assessment in which the fifty million rupees aggregate is reached;

(B) referred to in paragraph (t) of subsection (2) made by him in that year of assessment shall not exceed twenty five per centum of such qualifying payment:

Provided however, where investments made in more than one year of assessment are aggregated to reach the minimum investment to qualify for deduction as qualifying payment, such investment made in any previous year of assessment (being any year of assessment commencing on or after April 1, 2012) shall be deemed to be an investment made in the year of assessment in which the respective minimum investment referred to in section 59c is reached;

'(3) by the insertion immediately after subsection (7) of that section, of the following new subsection:—

“(7A) The seventy five per centum of any qualifying payment referred to in sub-paragraph (x) of paragraph (a) or sub-paragraph (ix) paragraph (b) of subsection 4, may be apportioned in equal amounts over a period of three years of assessment immediately succeeding that year of assessment and such apportioned amount shall be deductible from the assessable income of that person in each such year of assessment.”.

16. Section 35 of the principal enactment is hereby amended as follows:-

- (1) in paragraph (a) of subsection (1) of that section, by the substitution for the words and figures “Part I of the First Schedule” of the words and figures “Part I, Part IA or Part IB of the First Schedule”;
- (2) in subsection (2) of that section, by the substitution for the words and figures “Part I of the First Schedule” wherever appears in that subsection, of the words and figures “Part I, Part IA or Part IB of the First Schedule”.

17. Section 45 of the principal enactment as last amended by Act, No. 22 of 2011 is hereby further amended in paragraph (c) of subsection (2) of that section as follows :-

- (a) by the substitution in sub-paragraph (ii), for the words “roads or bridges; or” of the words “roads or bridges;”;
- (b) by the substitution in sub-paragraph (iii), for the words “drainage or sewerage system;”, of the words “drainage or sewerage system; or”;
- (c) by the addition, immediately after sub-paragraph (iii), of the following sub-paragraph :-  
“(iv) harbour, airport or any infrastructure project in telecommunication or electricity;”.

18. The following new section is hereby inserted immediately after section 48A of the principal enactment and shall have effect as section 48B of that enactment:-

48B. Such part of the profits and income from any strategic import replacement undertaking referred to in section 16D, included in the taxable income of any person for any year of assessment commencing after the date of expiry of tax exemption under that section, shall notwithstanding anything to the contrary in any other provisions of this Act, be taxable at the appropriate rate specified in the Fifth Schedule to this Act.”.

19. Section 59B of the principal enactment is hereby amended in subsection (1) of that section, by the substitution for the

words "income of any person for any year of assessment", of the words "income of any person (not being the holding company, a subsidiary company, or an associate company of a group of companies) for any year of assessment".

20. The following new section is hereby inserted immediately after section 59B of the principal enactment and shall have effect as section 59C of that enactment:-

59C. (1) The profits and income within the meaning of paragraph (a) of section 3, (other than any profits and income from the sale of any capital asset), of any existing undertaking referred to in subsection (2), and carried on by any person or partnership, shall notwithstanding anything to the contrary in any other provisions of this Act, be taxable at the appropriate rate specified in the Fifth Schedule to this Act for a period of five years reckoned from the commencement of the year of assessment in which such undertaking satisfies the minimum investment as specified under subsection (2).

(2) For the purpose of subsection (1), "existing undertaking" means an undertaking which is engaged in the manufacture of products specified in Column I below with a minimum investment as specified in Column II below made in fixed assets as an expansion on or after April 1, 2011 -

Column I (product)	Column II (Minimum investment in USD or its equivalent)
Fabric	5 million
Pharmaceuticals	10 million
Milk powder	30 million
Cement	50 million".

21. Section 107 of the principal enactment as last amended by Act, No. 9 of 2008 is hereby further amended as follows :-

(1) in paragraph (a) of the proviso to subsection (1) of that section by the substitution for all the words commencing from "any quoted public company or any other company," to "such quoted public company or other company," of the words "any quoted public company, any other company which is a member of a group of companies of which at least one company is a quoted public company, or any other company having an annual turnover of not less than two hundred and fifty million rupees or net profit of not less than one hundred million rupees for that year, then, notwithstanding that a notice under this section has not been given to such quoted public company, other member company of the group, or other company,";

(2) in paragraph (a) of the proviso to subsection (2) of that section, by the substitution for the words "any quoted public company, in respect of", of the words "any quoted public company, any other company which is a member of a group of companies of which at least one company is a quoted public company, in respect of".

22. Section 108 of the principal enactment is hereby amended in subsection (2), by the substitution for the words and figures "Companies Act, No.17 of 1982," of the words and figures "Companies Act, No. 7 of 2007,".

23. Section 113 of the principal enactment is hereby amended by the addition immediately after subsection (4) of that section, of the following new subsection:-

"(5) Any bank or financial institution shall invest five per centum of its taxable income in such instalment as may be specified by the Commissioner-General on or before the same dates as specified for income tax purposes in subsection (1) of this section in the investment fund established in accordance with the guidelines issued for this purpose by the Central Bank of Sri Lanka with the concurrence of the Commissioner-General for a period of three years commencing from April 1, 2011 or where such bank or financial institution is established after April 1, 2011, then, from the date of such establishment.".

24. Section 115 of the principal enactment is hereby amended in subsection (1), by the substitution for the paragraph (a) of that subsection of the following new paragraph (a) :—
- “(a) any resident individual who -
- (i) receives remuneration in excess of fifty thousand rupees per month or six hundred thousand rupees per year;
  - (ii) is a director or non executive director to whom any payment is made or is due by or from such employer or who receives any other benefit as an employee or in any other capacity; or”.
25. Section 191 of the principal enactment is hereby amended by the substitution for the words and figures “Companies Act, No. 17 of 1982” wherever appears in that section, of the words and figures “Companies Act, No. 7 of 2007”.
26. Section 217 of the principal enactment as last amended by Act, No. 22 of 2011 is hereby further amended as follows :-
- (1) in the definition of the expression “dividends” by the substitution in sub-paragraph (iii) of paragraph (a) for the words “any other company; and ”, of the words “any other company; or
  - (iv) scrip dividend or dividend in specie ; and ”;
  - (2) in the definition of the expression “public corporation”, by the substitution for the words and figures “Companies Act, No.17 of 1982,”, of the words and figures “Companies Act, No. 7 of 2007,”.
27. The First Schedule to the principal enactment, as last amended by Act, No. 22 of 2011, is hereby further amended in PART V of that Schedule by the substitution for the words and figures “as per Part I”, of the words and figures “as per Part I, Part IA or Part IB”.
28. The Second Schedule of the principal enactment, as last amended by Act, No. 22 of 2011 is hereby further amended in paragraph (b) of item 3 of PART - B, by the substitution for the words and figures “commencing after April 1, 2011”, of the words and figures “commencing on or after April 1, 2011”.
29. The Third Schedule to the principal enactment, as last amended by Act, No. 22 of 2011, is hereby further amended as follows:—
- (1) by the substitution for item 1 of that Schedule, of the following item:—
 

“1. Hindu undivided families -

(a) for any year of assessment commencing prior to April 1, 2011;	30 per centum
(b) for any year of assessment commencing on or after April 1, 2011;	24 per centum”;
  - (2) by the substitution for item 3 of that Schedule, of the following item:—
 

“3. Executor (other than trustees under last wills) and receivers (other than liquidators) -

(a) for any year of assessment commencing prior to April 1, 2011;	30 per centum
(b) for any year of assessment commencing on or after April 1, 2011;	24 per centum”;
  - (3) by the substitution for item 4 of that Schedule, of the following item:—
 

“4. Trustees (including trustees under last wills) -

(a) for any year of assessment commencing prior to April 1, 2011;	30 per centum
(b) for any year of assessment commencing on or after April 1, 2011;	24 per centum”;

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

“5. Partnerships -

- |  |                 |
|--|-----------------|
| (a) for any year of assessment commencing prior to April 1, 2011;    | 30 per centum   |
| (b) for any year of assessment commencing on or after April 1, 2011; | 24 per centum”; |

(5) by the substitution for item 6 of that Schedule, of the following item:—

“6. Partnerships (on any assessment made) -

- |  |                 |
|--|-----------------|
| (a) for any year of assessment commencing prior to April 1, 2011;    | 30 per centum   |
| (b) for any year of assessment commencing on or after April 1, 2011; | 24 per centum”; |

(6) by the substitution in paragraph (b) of item 8 of that Schedule, for the words and figures “commencing prior to April 1, 2011”, of the words and figures “commencing on or after April 1, 2011”;

(7) by the substitution for item 11 of that Schedule, of the following item:—

“11. Governments (other than the Government of Sri Lanka and the Government of the United Kingdom)-

- |  |                 |
|--|-----------------|
| (a) for any year of assessment commencing prior to April 1, 2011;    | 30 per centum   |
| (b) for any year of assessment commencing on or after April 1, 2011; | 28 per centum”; |

(8) by the substitution for item 12 of that Schedule, of the following item:—

“12. Business Undertakings vested in the Government under the Business Undertakings (Acquisition) Act, No. 35 of 1971 -

(i) on the taxable income -

- |  |               |
|--|---------------|
| (a) for any year of assessment commencing prior to April 1, 2011;    | 30 per centum |
| (b) for any year of assessment commencing on or after April 1, 2011; | 28 per centum |

(ii) on the balance of the profits after deduction therefrom of the tax payable under paragraph (i)”; 25 per centum;

(9) by the substitution for item 15 of that Schedule, of the following item:—

“15. Persons (other than those referred to above and in the First or Second Schedule)-

- |  |                 |
|--|-----------------|
| (a) for any year of assessment commencing prior to April 1, 2011;    | 30 per centum   |
| (b) for any year of assessment commencing on or after April 1, 2011; | 28 per centum”. |

30. The Fifth Schedule of the principal enactment, as last amended by Act, No. 22 of 2011, is hereby further amended as follows :-

(1) by the substitution in item 14A of that schedule, for the words “commencing prior to April 1, 2011”, of the words and figures “commencing on or after April 1, 2011”;

(2) by the substitution for the item 33 of that Schedule of the following:-

“33. The rate of income tax applicable to profits and income of any person from any undertaking referred to in section 59B.	As per the First Schedule, but subject to a maximum of 10 per centum for an individual and 10 per centum for a company.
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(3) by the addition, immediately after item 33 of that Schedule of the following new items :-

“34. The rate of income tax in respect of profits of any person from any undertaking referred to in section 48B	As per the First Schedule but subject to a maximum of 12 per centum, for an individual and 12 per centum for a company.
---	---

- |     |  |   |
|-----|--|---|
| 35. | Rate of income tax applicable to profits and income of any person from any undertaking referred to in section 59c, for any year of assessment falling within the five year period referred to therein.   | As per the First Schedule but subject to a maximum of 12 per centum, for an individual and 12 per centum for a company. |
| 36. | The rate of income tax applicable to profits of any branch of a commercial bank, being a branch established after November 21, 2011 and which is solely engaged in development banking.  | 24per centum.   |
| 37. | The rate of income tax applicable to profits and income of any person from research activities defined in paragraph (i) of subsection (1) of section 25.   | As per the First Schedule but subject to a maximum of 16 per centum for an individual and 20 per centum for a company.  |
| 38. | The rate of income tax applicable to profits and income of any person from the provision of health care services.  | As per the First Schedule but subject to a maximum of 12 per centum, for an individual and 12 per centum for a company. |
| 39. | The rate of income tax applicable to any grower or manufacturer of tea who has established a joint venture with a tea exporter for exporting pure Sri Lankan tea, in value added form with a Sri Lankan brand name, on the manufacturing income attributable to the tea purchased from a tea auction in Sri Lanka for that purpose by the joint venture. | 12 per centum.  |
| 40. | The rate of income tax applicable to profits and income of any person engaged in the manufacture (locally) of handloom products.   | As per the First Schedule but subject to a maximum of 12 per centum, for an individual and 12 per centum for a company. |

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

## **Nation Building Tax (Amendment) Act. No. 9 of 2012**

[Certified on 30th March, 2012]

AN ACT TO AMEND THE NATION BUILDING TAX ACT, NO. 9 OF 2009

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

1. This Act may be cited as the Nation Building Tax (Amendment) Act, No. 9 of 2012 and shall be deemed to have come into operation from January 1, 2012 unless different dates of operation are specified in the relevant sections.
2. Section 3 of the Nation Building Tax Act, No. 9 of 2009 (hereinafter referred to as the "principal enactment") is hereby amended in paragraph (iv) of subsection (2) thereof as follows :-
  - (1) by the repeal of sub-paragraph (2) thereof and the substitution therefor of the following sub-paragraph:-
 

“(2) sugar, dhal, potatoes, onions, dried fish, milk powder or chilies under the provisions of the Special Commodity Levy Act, No. 48 of 2007, where such article is subsequently sold by the importer of such article; and”;
  - (2) by the substitution in sub-paragraph (3) for the words “foreign currency.” of the words “foreign currency;”; and
  - (3) by the addition immediately after sub-paragraph (3) of that paragraph, of the following sub paragraphs:-
 

“(4) any printed book (with effect from July 1, 2011);
  - (5) any article exported;
  - (6) any article sold to any exporter for export;

(7) fresh milk, green leaf, cinnamon or rubber (latex, crape or sheet rubber) purchased from any manufacturer or producer thereof; and

(8) petrol, diesel or kerosene sold in a filling station.”.

3. Section 6 of the principal enactment is hereby amended by the substitution for the words “manufactured by such person which are liable to tax under this Act”, of the following :-

“manufactured by such person, which are liable to tax under this Act:

Provided that where such credit for any relevant quarter exceeds the tax so payable for that quarter, the excess shall be deemed to be an advance payment of tax paid under section 4 for the quarter immediately succeeding that relevant quarter.”.

4. The First Schedule to the principal enactment is hereby amended as follows :-

(1) in PART I of that Schedule :-

(a) by the substitution in item (iii) for the words “has in fact been exported from Sri Lanka;” of the words “has in fact been exported from Sri Lanka by such exporter directly or through a trading house established for export purposes (with effect from January 1, 2009);”;

(b) by the insertion immediately after item (xvi), of the following new item:-

“(xviA) any goods (other than motor vehicles and goods for personal use) required for the purpose of providing of services being international transportation, being goods consigned to Sri Lankan Air Lines Ltd, Mihin Lanka (Pvt) Ltd or Air Lanka Catering Services Ltd;”;

(c) by the insertion immediately after item (xxvi), of the following new items :-

“(xxvii) aircraft or ships classified under Harmonized Commodity Description and Coding Numbers for Customs purposes at the point of importation (with effect from August 1, 2009);

(xxviii) timber logs classified under Harmonized Commodity Description and Coding Numbers for Customs purposes at the point of importation;

(xxix) yarn classified under Harmonized Commodity Description and Coding Numbers for Customs purposes at the point of importation;

(xxx) white canes for the blind, classified under Harmonized Commodity Description and Coding Numbers for Customs purposes at the point of importation (effective from December 1, 2011);

(xxxi) braille typewriters classified under Harmonized Commodity Description and Coding Numbers for Customs purposes at the point of importation (effective from December 1, 2011);

(xxxii) parts of braille typewriters classified under Harmonized Commodity Description and Coding Numbers for Customs purposes at the point of importation (effective from December 1, 2011);

(xxxiii) braille writing papers and boards under Harmonized Commodity Description and Coding Numbers for Customs purposes at the point of importation;

(xxxiv) carriages for disabled persons, whether or not motorized or otherwise mechanically propelled, classified under Harmonized Commodity Description and Coding Numbers for Customs purposes at the point of importation (effective from December 1, 2011);

(xxxv) orthopaedic appliances (including crutches, surgical belts and trusses splints and other fracture appliances, artificial parts of the body, hearing aids and other appliances which are worn or carried or implanted in the body, to compensate for a defect or disability) classified under Harmonized Commodity Description and Coding Numbers for Customs purposes at the point of importation (effective from December 1, 2011);

(xxxvi) fabric which are subject to Cess of Rs.75 per kilogram at the point of import;



- (xxxvii) locally manufactured clay roof tiles and pottery products, at the point of sale by the manufacturer; and
- (xxxviii) paintings, at the point of sale by the artist thereof.”.
5. Where the Commissioner-General of Inland Revenue or the Director-General of Customs as the case may be, collects under the provisions of section 4 or section 5 respectively of the principal enactment, the tax calculated considering the provisions of this Act, during the period commencing on January 1, 2012 and ending on the date of the coming into operation of this Act from a person to whom the provisions of this Act applies, such collection shall be deemed for all purposes to have been, and to be, validly made, and the Commissioner-General of Inland Revenue and the Director-General of Customs, as the case may be, are hereby indemnified against all actions, civil or criminal in respect of such collection.
6. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

### **Ports and Airports Development Levy (Amendment) Act, No. 10 of 2012**

[Certified on 30th March, 2012]

AN ACT TO AMEND THE PORTS AND AIRPORTS DEVELOPMENT LEVY ACT, NO. 18 OF 2011

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

1. This Act may be cited as the Ports and Airports Development Levy (Amendment) Act, No. 10 2012 and shall be deemed to have come into operation on January 1, 2012 unless different dates of operation are specified in the relevant sections.
2. Section 4 of the Ports and Airports Development Levy Act, No. 18 of 2011 is hereby amended by the repeal of subsection (2) thereof and substitution therefor of the following subsection :-
- “(2) Notwithstanding the provisions of sections 2 and 3, the Director - General of Customs shall defer the collection of the levy on the importation of any article –
- (i) for the use of any specified project identified by the Minister in charge of the subject of Finance, having regard to the interests of the national economy on which the tax is borne by the government, with effect from July 1, 2009 until such time the article is re-exported after the completion of such project, subject to the furnishing of a corporate guarantee which covers the amount of the tax due on the article so imported; or
- (ii) being plant, machinery or equipment by any undertaking qualified for a tax exemption under section 16D or 17A of the Inland Revenue Act, No. 10 of 2006, as the case may be, during the project implementation period, for the use by such undertaking for the purposes specified in the agreement entered into with the Board of Investment of Sri Lanka established under Board of Investment Law, No. 4 of 1978 on which tax is exempted subject to the fulfillment of the conditions specified in the agreement entered into, and to the furnishing of a bank guarantee which covers the amount of the tax due on the article so imported.”.
3. In the event of an inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

## Economic Service Charge (Amendment) Act No. 11 of 2012

[Certified on 30th March, 2012]

AN ACT TO AMEND THE ECONOMIC SERVICE CHARGE ACT, NO. 13 OF 2006

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

1. This Act may be cited as the Economic Service Charge (Amendment) Act, No. 11 of 2012.
2. Section 2 of the Economic Service Charge Act, No. 13 of 2006 (hereinafter referred to as the "principal enactment") is hereby amended as follows:-
  - (1) in subsection (1) of that section, by the substitution for the words and figures "Schedule I or Schedule II as the case may be" of the words and figures "Schedule I, Schedule II or Schedule III as the case may be";
  - (2) in subsection (2) of that section, by the repeal of paragraph (c) thereof, and the substitution therefor of the following new paragraphs -
    - "(c) commencing on or after April 1, 2011, but before April 1, 2012, does not exceed rupees twenty-five million;
    - (d) commencing on or after April 1, 2012, does not exceed rupees fifty million."; and
  - (3) in subsection (3) of that section-
    - (a) in paragraph (a) by the substitution for the words "whether directly or through an agent or more than one agent:" of the following:-
 

"whether directly or through an agent or more than one agent:  
Provided that, in relation to any relevant quarter commencing on or after April 1, 2012, where such part of the taxable income as consists of profits from any trade, business, profession or vocation assessed under the provisions of Inland Revenue Act, No. 10 of 2006 for the year of assessment which ended immediately prior to the commencement of the year of assessment to which such quarter belongs, is more than zero, the relevant turnover for such quarter shall be deemed to be zero.";
    - (b) in paragraph (b)-
      - (i) in item (viii) of sub-paragraph (a) of that paragraph, by the substitution for the words "Tourism Act, No. 38 of 2005; and" of the words "Tourism Act, No. 38 of 2005;" and
      - (ii) by the addition, immediately after item (viii) of sub-paragraph (a) of that paragraph, of the following new item:—
 

"(ix) proceeds from the sale of any clay roof tile or pottery product by any manufacturer of such product; and".
3. Schedule II to the principal enactment is hereby repealed and the following Schedule is substituted therefor:-

### "Schedule II

### (Section 2)

For the period commencing on April 1, 2011 ending on March 31, 2012

Part of the Liable Turnover	}	Rate of the Service Charge Applicable to that Part
1. (a) of BOI apparel exporters (b) of BOI trading houses (c) of BOI textile manufacturers for supplying to exporters	}	0.1%

2. (a) the profits from which are exempt from income tax.  
 (b) tax at concessionary rates.  
 (c) a loss.  
 (d) of persons engaged in whole sale or retail sale (other than sale by manufacturers, distributors as defined in the ESC Act, and Dealers in Motor vehicles, liquor or tobacco products).  
 (e) from primary conversion of tea, rubber or coconuts including desiccated coconuts, coconut oil, coconut fiber, copra and sheet rubber (excluding alcoholic beverages).  
 (f) of advertising agents.
3. of any other business including-  
 (a) dealers in motor vehicles, liquor or tobacco products.  
 (b) businesses opted to follow the respective definition of turnover as defined by Gazette Notification (notwithstanding the threshold)

0.25%

1%

4. The following new Schedule is hereby inserted immediately after Schedule II of the principal enactment and shall have effect as Schedule III of that enactment:-

**"Schedule III****(Section 2)**

For the period commencing on April 1, 2012

On the liable turnover	0.25 per centum."
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5. Schedule II of the principal enactment as replaced by section 3 of this Act shall for all purposes be deemed to have come into operation on April 1, 2011.
6. In the event of inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

**Finance Act, No. 12 of 2012**

[Certified on 30th March, 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.

**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:-

“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.”.

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

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.
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:-
  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 XVIIIA of the Constitution."

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

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 XVIIIA of the Constitution."

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

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:-

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 Minster shall publish a Notification in the Gazette setting out the rates as amended."

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." .

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:-

	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
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”

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:-

	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 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:-

“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

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.



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: -
- (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.
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:-
- (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 :—
- (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.