



PARLIAMENT OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA

FINANCE ACT, No. 11 OF 2002

[Certified on 8th July, 2002]

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[Certified on 8th July, 2002]

L. D.—O. 19/2002.

**AN ACT TO ENACT THE PROVISIONS OF LAW NECESSARY TO GIVE
LEGAL FORCE TO CERTAIN BUDGET PROPOSALS AND OTHER
MATTERS FOR THE FINANCIAL YEAR COMMENCING ON APRIL 1,
2002 ; AND FOR MATTERS CONNECTED THEREWITH OR 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. 11 of 2002. Short title.

PART I

IMPOSITION OF PORTS AND AIRPORTS DEVELOPMENT LEVY

2. Subject to the provisions of section 5, there shall be charged and levied on every article originating from outside Sri Lanka and imported into Sri Lanka, a levy to be called the Ports and Airports Development Levy (hereinafter in this Part referred to as the "levy") at the rate of one *per centum* on the cost, insurance and freight value of that article. Levy on articles imported into Sri Lanka.

3. The levy payable under section 2 on an article imported into Sri Lanka, shall be paid by the person importing the article to the Director-General of Customs, at the time of the import of the article. and upon payment of the levy the Director-General of Customs shall cause an endorsement to be made on the import invoice relating to that article specifying the amount recovered as the levy. Levy to be paid to the Director-General of Customs.

4. Where any article originating from outside Sri Lanka and imported into Sri Lanka is sold—

- (a) by the Director-General of Customs for the recovery of any customs duty, surcharge or other levy payable or deemed to be payable under the Customs Ordinance or for any contravention of the provisions of the Customs Ordinance ; Purchase of certain articles deemed to be imported for the purposes of this Act.

- (b) by the Sri Lanka Ports Authority established by the Sri Lanka Ports Authority Act, No. 51 of 1979, for the recovery of any dues under that Act ; or
- (c) by the Commissioner-General of Inland Revenue, for any taxes administered by him,

the purchaser of that article shall be deemed for the purposes of section 3 to be the person importing that article and the provisions of this Act shall apply to him accordingly.

Exemptions.

5. Nothing in section 2 shall apply to any article imported into Sri Lanka in respect of the provision of any service by a mission of any State or any organization under the provisions of the Diplomatic Privileges Act, No. 9 of 1996.

**Customs
Ordinance to
apply to the
recovery of levy.**

6. The levy shall, for purposes of recovery of the levy and notwithstanding anything to the contrary in this Act, be deemed to be a customs duty payable under the Customs Ordinance and accordingly, the provisions of the Customs Ordinance shall apply to the recovery of such levy.

**Amount recovered
as levy to be
credited to the
Consolidated
Fund.**

7. The Director-General of Customs shall transmit to the Consolidated Fund, all sums recovered by him under this Part, as the levy.

Interpretation.

8. In this Part, unless the context otherwise requires, "article" means any goods, materials, any agricultural or horticultural products or merchandise but does not include diamonds, gems, gold, jewellery and electronic items imported for the purpose of processing and re-export.

**Retrospective
effect.**

9. Part I of this Act shall be deemed, for all purposes, to have come into force on May 1, 2002.

Validation.

10. Where the Director-General of Customs collects during the period commencing on May 1, 2002 and ending on the date of commencement of this Act, from a person

importing an article an amount equal to one *per centum* on the cost, insurance and freight value of such article, such collection shall be deemed for all purposes to have been, and to be, validly made, and the Director-General of Customs is hereby indemnified against all action, civil or criminal, in respect of such collection.

PART II

AMENDMENT TO THE BETTING AND GAMING LEVY Act, No. 40 of 1988

11. Section 3 of the Betting and Gaming Levy Act, No. 40 of 1988 (hereinafter in this Part referred to as the "principal enactment") is hereby amended by the substitution for the words and figure "Where any business of gaming, as is referred to in paragraph (b) of section 2,", of the words and figure "Where any business, as is referred to in subsection (1) of section 2,".

Amendment of
section 3 of Act
No. 40 of 1988.

12. Section 4 of the principal enactment is hereby amended as follows :—

Amendment of
section 4 of the
principal
enactment.

- (1) in subsection (1) of that section, by the substitution, for the words, "levy under this Act shall pay", of the words and figures "levy under this Act for any year commencing prior to April 1, 2002 shall pay";
- (2) by the insertion, immediately after subsection (1) of that section of the following subsection :—

"(1A) A person liable to pay the levy under this Act for any year commencing an or after April 1, 2002 shall pay the levy to the Commissioner-General in four equal instalments on or before the first day respectively, of April, July, October and January of that year. For the purposes of payment of the levy the Commissioner-General may issue an identification number to the person liable to pay the levy :

Provided however, that the levy payable by any person for the year of assessment commencing on April 1, 2002, shall be paid by him in three equal instalments on or before the first day respectively, of July, October and January of the year :

Provided further that, a person who commences to carry on any such business as is referred to in section 2 after the first day of April of any such year shall pay the levy he is liable to pay under this Act for that year in such number of instalments not exceeding four, and on such dates as the Commissioner - General may consider reasonable, having regard to all the circumstances of the case.”;

- (3) in subsection (2) of that section, by the substitution, for the words and figure “under subsection (1),“ of the words and figures “under subsection (1) or (1A)” ; and
- (4) by the addition at the end of that section, of the following subsection :—

“(6) Where any instalment of the levy is in default, the Commissioner-General may issue a certificate containing particulars of the instalment in default and the name of the defaulter to the Inspector-General of Police and the Inspector-General of Police shall on receipt thereof, take such measures as may be necessary to stop the defaulter from carrying on the business of bookmaker or gaming, as the case may be, at the place as shall be specified in such certificate.”.

Amendment of the Schedule to the principal enactment.

- 13.** The Schedule to the principal enactment is hereby amended as follows :—

- (1) in Part I of that Schedule –
 - (a) by the substitution for the words and figures “for every year commencing on or after April 1, 2001”, of the words and figures “for the year commencing on or after April 1, 2001 but prior to April 1, 2002”; and

- (b) by the addition at the end of that Part of the following :—

“For every year
commencing on or
after April 1, 2002

Where live telecast
facilities are used in
carrying on the
business
Five hundred
thousand rupees.

Where live telecast
facilities are not used
in carrying on the
business
Ten thousand
rupees.” and;

- (2) in Part II of that Schedule –

- (a) by the substitution for the words and figures
“for every year commencing on or after April
1, 2001”, of the words and figures “for the year
commencing on or after April 1, 2001 but prior
to April 1, 2002”; and
- (b) by the addition at the end of that Part, of the
following :—

“For every year
commencing on or
after April 1, 2002 ...
Twelve million
rupees.”.

14. Part II of this Act, shall be deemed, for all purposes,
to have come into force on April 1, 2002. Retrospective
effect.

PART III

ABOLITION OF CERTAIN LEVIES OF STAMP DUTY WITH EFFECT FROM MAY 1, 2002

Abolition of stamp duty on instruments and documents.

15. No stamp duty shall be imposed or paid under the Stamp Duty Act, No. 43 of 1982 (hereinafter in this Part referred to as the "principal enactment") on any instrument executed or any document presented or filed on or after the date on which the provisions of this Part shall come into force.

Retrospective effect.

16. Part III of this Act shall be deemed, for all purposes, to have come into force on May 1, 2002.

Refund.

17. Where any person, liable to pay the stamp duty under the principal enactment on or after May 1, 2002, pays such stamp duty to the Commissioner-General in respect of any instrument executed or document presented or filed prior to the date of commencement of this Act, such person shall be entitled to a refund of the sum so paid as stamp duty on an application made to the Commissioner-General in that behalf.

Avoidance of doubts.

18. For the avoidance of doubt it is hereby declared that the provisions of this Part shall not derogate from the powers of any Provincial Council to levy to recover any stamp duty on any instrument or document referred to in List I of the Ninth Schedule to the Constitution.

PART IV

AMENDMENT OF THE FINANCE ACT, NO. 11 OF 1963

Repeal of Part VI of Act No. 11 of 1963.

19. Part VI of the Finance Act, No. 11 of 1963 is hereby repealed.

Retrospective effect.

20. Part IV of this Act shall be deemed, for all purposes, to have come into force on April 1, 2002.

PART V

AMENDMENT OF THE NATIONAL SECURITY LEVY Act, No. 52 OF 1991

21. Section 3 of the National Security Levy Act, No. 52 of 1991 (in this Part referred to as the “principal enactment”) as last amended by Act, No. 4 of 2001 is hereby further amended in subsection (2) of that section as follows :-

Amendment of
section 3 of Act
No. 52 of 1991.

- (1) by the repeal, of sub-paragraph (xid) of paragraph (j) of item A of that subsection and the substitution, of the following sub-paragraph therefor—

“(xid) client support services provided, on or after April 1, 2001 over the internet or the telephone by an enterprise set up exclusively for the provision of such services to one or more identified clients outside Sri Lanka, for which payment is received in foreign currency, through a bank ;
- (2) in paragraph (l) of that subsection by the substitution for the words “for the use of any aircraft.”, of the words “for the use of any aircraft ;”; and
- (3) by the addition, at the end of that subsection, of the following :—

“(m) the proceeds from the sale of such percentage of garments as is permitted for sale locally, and where a sum of rupees twenty-five has been paid in respect of each garment, which is manufactured by a person for export, from fabric imported into Sri Lanka;”.

22. Part V of this Act shall be deemed, for all purposes, to have come into force on April 1, 2002.

Retrospective
effect.

PART VI

AMENDMENT TO THE GOODS AND SERVICES TAX Act, No. 34 of 1996

Amendment of
section 2 of Act.
No. 34 of 1996.

23. (1) Section 2 of the Goods and Services Tax Act, No. 34 of 1996 as last amended by Act, No. 26 of 2000 (hereinafter in this Part referred to as the "principal enactment") is hereby further amended in subsection (3) of that section by the substitution for the words from "goods imported into Sri Lanka are dutiable and liable to customs duty" to "Provided however the Director-General of Customs" of the following :-

"goods imported into Sri Lanka are dutiable and liable to customs duty :

Provided however no tax shall be charged on—

- (a) any goods which entered into a customs bonded area; or
- (b) any fabric imported by any person for the purpose of manufacture of garments for export, who has entered into an agreement with the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Law for the manufacture of garments for export under such agreement or on the transfer of such fabric with the approval of the Director-General of Customs or the Board of Investment of Sri Lanka, with or without value addition, to any other person for the purpose of manufacture of garments for export ;
- (c) any fabric imported by any person, who has registered with the Board of Investment of Sri Lanka as a Trading House, for the purpose of manufacture of garments for export through other garment manufacturers as are approved by the Board of Investment of Sri Lanka and the transfer with the

approval of the Director-General of Customs or the Board of Investment of Sri Lanka, of such fabric to such manufacturers for the purposes of manufacture of garments for the export ;

- (d) any fibre, yarn, gray cloth, finished cloth, chemicals and dyes used for the manufacture of fabric, imported by any fabric manufacture who has entered into an agreement with the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Law, for the purpose of such manufacture”;

Provided further that, the Director-General of Customs”.

“(2) In the second proviso to subsection (3) of that section—

- (a) by the substitution for the words “referred to in subsection (6) of section 22, for a period” of the words “referred to in subsection (6) of section 22 or the purchase of any fabric, manufactured by a person who has entered into an agreement with the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Law for the manufacture of fabric, by another person who has entered into an agreement with the Board of Investment of Sri Lanka under section 17 of the Board of Investment of Sri Lanka Law for the manufacture of garments for export under such agreement and who utilises the fabric so purchased for the manufacture of garments for export or a period”;
- (b) by the substitution for the words “from the date of importation” of the words “from the date of importation or purchase”;

Amendment of
section 7 of the
principal
enactment.

24. Section 7 of the principal enactment as last amended by Act, No. 5 of 2001 is hereby further amended by the repeal of sub-paragraph (ii) of paragraph (d) of that section, and the substitution therefor of the following :—

“(ii) client support services provided, on or after April 1, 2001 over the internet or the telephone by an enterprise set up exclusively for the provision of such services to one or more identified clients outside Sri Lanka, for which payment is received in foreign currency, through a bank ;”

25. Section 22 of the principal enactment as last amended by Act, No. 26 of 2000 is hereby amended as follows :—

(1) in subsection (1) of that section by the substitution for the words “as may be specified in the Act” of the following:—

“as may be specified in this Act :

Provided however, the amount of tax, due on the supply of any garments within such percentage as is permitted for sale locally by the Board of Investment of Sri Lanka under any agreement entered into by any manufacturer of garments for export under section 17 of the Board of Investment of Sri Lanka Law, shall be twenty-five rupees for each such garment supplied within Sri Lanka ;

(2) in the proviso to subsection (4) of that section by the repeal of paragraph (c) of that proviso and the substitution therefor of the following:—

“(c) there is in excess of input tax, in any taxable period, in the case of a registered person who has entered into an agreement with the Board of Investment of Sri Lanka and that taxable period, falls within the period referred to in

item (xxvii) of the Schedule or with the project implementation period as stipulated in any agreement referred to in item (xxviii) of the Schedule or up to the commencement of commercial activities whichever is earlier ; or ” ;

- (3) by the insertion, immediately after subsection (6) of that section, of the following subsection :—

“(6A) Notwithstanding anything contained in subsection (3) and paragraph (ii) of subsection (5) and item (xxvi) of the Schedule to this Act, credit for input tax shall be allowed in respect of a registered person who is engaged in the business of distribution of power where such power is purchased by the supplier of power from the Ceylon Electricity Board established under the Ceylon Electricity Board Act, No. 17 of 1969.”.

26. The Schedule to the principal enactment as last amended by Act, No. 5 of 2001 is hereby further amended by the substitution for sub-paragraph (ii) of paragraph (a) of item (xxviii) of that Schedule of the following :-

Amendment of the Schedule to the principal enactment.

“(ii) a period, on or before June 30, 2002 from the appointed date, in the case of any person making only exempt supplies after completion of the project ; or”.

27. (1) The amendment made to section 22 of the principal enactment—

Retrospective effect.

- (a) by section 25(1) of this Act shall be deemed, for all purposes, to have come into force on April 1, 2001 ;

(b) by section 25(2) of this Act shall be deemed, for all purposes, to have come into force on April 1, 1998.

(2) The amendments made to section 2 and the Schedule to the principal enactment by sections 23 and 26 respectively, of this Act shall be deemed for all purposes to have come into force on April 1, 2002.

Sinhala text to
prevail in case of
inconsistency.

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

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