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PART I : SECTION (I) — GENERAL Government Notifications

EXCISE ORDINANCE

Excise Notification No. 07/2021

SECURITY FEATURES AND SECURITY FEATURES MANAGEMENT SYSTEM

RULES made by the Minister of Finance under Section 32 read with Section 8 and Section 30 of the Excise Ordinance (Chapter 52) as amended with effect from February 25, 2021 as follows.

Excise Notification No. 06/2019 published in the *Gazette Extraordinary* No. 2147/75 dated November 01, 2019, Excise Notification No. 01/2020 published in the *Gazette Extraordinary* No. 2164/72 dated March 01, 2020, Excise Notification No. 03/2020 published in the *Gazette Extraordinary* No. 2178/4 dated June 01, 2020, Excise Notification No. 01/2021 published in the *Gazette Extraordinary* No. 2208/34 dated January 01, 2021 and Excise Notification No. 04/2019 published in the *Gazette Extraordinary* No. 2128/30 dated June 20, 2019 are hereby rescinded.

MAHINDA RAJAPAKSA,
Minister of Finance.

Ministry of Finance,
Colombo 01.
February 25, 2021.



RULES

1. These Rules may be cited as the Excise (security features) Rules 2021.

2. The Foolproof Sticker or Digital Feature (hereinafter referred to as “the Security feature”) specified in Schedule I shall be the type of security feature prescribed by these rules for the purpose of section 32(ja) of the Excise Ordinance (Chapter 52) (hereinafter referred to as the “Ordinance”).

Provided however, the security feature shall be used on the excisable articles referred to in No. 02 and 03 of Schedule II, and permission can be granted to one of those two methods of foolproof sticker or digital feature on the request of the licensed manufacturer.

Provided further, prior approval should be obtained from the Commissioner General of Excise (hereinafter referred to as the “Commissioner General”) at least before six months for the revise of the currently used security features only in special occasions on the request of licensed manufacturer for the excisable articles referred to in No. 02 and 03 of Schedule II.

3. No importer or a licensed manufacturer shall possess, transport, store or sell an excisable article referred to in Schedule II, unless such excisable article has been affixed with a security feature.

Provided, the excisable articles referred to in No. 02 and 03 of Schedule II should not be issued from the manufactory without the security features after June 30, 2021 by a licensed manufacturer of an excisable articles referred in No. 02 and 03 of Schedule II from the date of coming into force of these rules.

Provided, the licensed manufacturer of an excisable articles referred to in No. 02 and 03 of Schedule II existing on the date of coming into force of these rules shall take steps to affix a security feature before October 01, 2021 on the excisable articles referred to in No. 02 and 03 of Schedule II.

Provided further, a vender who has a stock of excisable articles referred to in No. 02 and 03 of Schedule II on the date of coming into force of these rules shall, take steps to affix such excisable articles referred to in No. 02 and 03 of Schedule II, with a security feature before 01 of October 2021.

4. The Commissioner General shall be responsible for the implementation, management, monitoring, supervision and issuing of the security features and the security features management system for the purpose of -

- (a) preventing the availability of tax or duty unpaid liquor;
- (b) enhancing the protection of excise revenue; and
- (c) deterring counterfeits.

5. (1) An importer or a licensed manufacturer shall apply to the Commissioner General, manually or electronically, for the purpose of obtaining security features.

(2) The application shall accompany such documents relating to imports and such other documents as may be required by the Commissioner General.

(3) An importer or a licensed manufacturer shall provide at least ninety (90) days’ forecast of the quantity of security features intended to be used by such importer or licensed manufacturer, one month before the beginning of every month.

(4) (a) The Commissioner General may, refuse an application for security features to be affixed on an excisable article referred to in Schedule II to these rules, if such importer or licensed manufacturer has not -

- (i) paid the excise duty in respect of such excisable article referred to in Schedule II to these rules;
- (ii) obtained the approval for the label or package of brand of such excisable article referred to in Schedule II;
- (iii) complied with these rules; and
- (iv) complied with the provisions of the Ordinance.

(b) Where the application referred to in paragraph (1) of this rule is approved by the Commissioner General, importer or licensed manufacturer shall pay the levy of charges specified in schedule III to these rules for the purpose of obtaining security features.

6. In the case of an importer, the Commissioner General may, subject to such conditions issue the security features prior to the finalization of the relevant documents.

7. Upon the receipt of the payment of the charges levied, the Commissioner General shall issue such quantity of security features to the importer or licensed manufacturer, pertaining to the payment of such charges referred to in paragraph (4) (b) of rule 5.

8. (1) An importer shall be responsible for affixing, storing and securing security features on an excisable article referred to in Schedule II at the wholesale licensed premises (FL 3).

(2) A licensed manufacturer shall be responsible for affixing, storing and securing a security feature on an excisable article referred to in Schedule II.

(3) The Excise Department of Sri Lanka shall be responsible for the activation of the security features referred to in paragraph (2) of this rule.

9. (1) The Sri Lanka Customs shall be responsible for ensuring the affixation of a security feature at a bonded warehouse from which no excisable article referred to in Schedule II shall be issued for duty free shops operating in airports, harbors and other places unless the security feature is -

- (a) affixed on the excisable article referred to in Schedule II under the supervision of the Sri Lanka Customs; and
- (b) activated by the Sri Lanka Customs:

Provided however, importers who import excisable articles referred to in Schedule II under FL3 license shall affix the security features at the FL3 wholesale licensed premises under the supervision of the Excise Department of Sri Lanka which shall be activated by the Excise Department of Sri Lanka.

10. A security feature affixed to an excisable article in Schedule II shall not be exposed, tampered, altered, damaged, spoiled or rubbed causing any change to their original features prior to consumption by any person:

Provided however, this paragraph shall not apply-

- (i) for *bonafide* private consumption;
- (ii) to any holder of license who has been granted permission to sell liquor for the purpose of consumption on the licensed premises and where a holder of a license has been authorized to open two bottles of arrack from one variety in accordance with Excise Notification No. 661 of *Gazette Extraordinary* No. 66 of 1979.12.07.

11. An importer or a licensed manufacturer shall -

- (1) affix the security feature in a conspicuous place on an excisable article referred to in Schedule II as may be determined by the Commissioner General from time to time;
- (2) purchase security features, bear the cost of the security features, bear the cost of the security features affixing devices, the cost of the security features affixing operations and any other related operational costs including adjustments or adaptations of their devices, adjustments or adaptations of their equipment and premises necessary to install and integrate the new or modified system on each production line;
- (3) purchase sufficient number of running and backup security features affixing devices and accessories for security features affixing operations;
- (4) maintain such devices and accessories in good order;
- (5) promptly attend to all mechanical and operational failures in security features affixing devices and other accessories used for security features affixing operations;
- (6) provide and store backup devices and accessories;
- (7) inform the Excise Department of Sri Lanka promptly of any failure of operation of the device;
- (8) maintain inventory books and registers in accordance with the format set out in the Schedule IV and V to these rules;
- (9) prepare a forecast of the quantities of annual production and manufacture or importation of excisable articles referred to in Schedule II; and
- (10) Licensee shall bear the entire responsibility of the safety of digital printing machines, other equipment and devices including information and communication technology infrastructure fixed in the manufactory by the Department of Excise or security feature supplier.

12. In addition licensed manufacturer shall -

- (1) maintain a sufficient number of production lines and security features affixing devices enabling uninterrupted supply of production; and
- (2) maintain a stock of security features sufficient for at least ten (10) days production based on the forecasted average capacity taking into consideration the seasonal fluctuations.

13. Any licensed manufacturer who is manufacturing excisable articles referred to in No. 02 and 03 of Schedule II, on the day immediately before the date of coming into operation of these rules shall within a period of ninety (90) days from the date of coming into operation of these rules obtain, install, test and commission the security features affixing devices and other accessories in conformity with these rules.

Provided however, shall be responsible for providing infrastructure for Security Features and Security Features Management System

14. (1) For the purpose of these rules, the Secretary to the Ministry of the Minister assigned the subject of Finance shall, appoint a Committee (hereinafter referred to as the "Committee") for "Security Features and Security Features Management System" consisting of-

- (a) Deputy Secretary to the Treasury who shall be the Chairman of the Committee;
- (b) Commissioner General of Excise of Excise Department of Sri Lanka;
- (c) Director General of Department of Fiscal Policy or an Officer nominated by him;
- (d) Director General of Sri Lanka Customs or an Officer nominated by him; and
- (e) Deputy Commissioner of Excise who monitors the Security Features and Security Features Management System of the Excise Department of Sri Lanka.

(2) The members of the committee shall hold office for a period of one year, and the tenure of the committee may be extended for such period as may be determined by the Secretary to the Ministry of the Minister assigned the subject of Finance.

(3) Three members shall form the quorum for any meeting of the committee.

(4) The committee shall meet as often as may be necessary, but not less than once in every month.

(5) The committee may regulate the procedure in regard to the meetings;

(6) Any Officer of the Excise Department of Sri Lanka or any other Officer authorized in that behalf by the Commissioner General shall attend the meeting of the committee as may be determined by the Commissioner General; and

(7) The members of the Committee shall at all times ensure the strict confidentiality of the matters discussed at the meetings of the Committee.

15. The Functions of the Committee shall be to -

- (a) determine the form and nature of the security features from time to time;
- (b) determine the methods of requesting, processing, ordering, printing, storing, issuing and distribution of security features from time to time;
- (c) determine the form of the inventory books and registers to be maintained by the importers and licensed manufacturers from time to time;
- (d) determine the methods, procedures and routines for the product verification and tracking process from time to time;
- (e) determine the methods of authentication of overt, covert and forensic features of security features from time to time;
- (f) grant approval for the ordering of security features based on the requirement;

- (g) evaluate the physical and operational performance of security features and implement any new recommendations;
- (h) provide proper guidance and instructions to ensure the matters and quality of the process of designing, printing and all other tasks related to security features;
- (i) carry out any other function as may be necessary or assigned or incidental for the purpose of these rules; and
- (j) submit performance report to the Secretary to the Ministry of the Minister assigned the subject of Finance on a quarterly basis.

16. An importer and a licensed manufacturer shall, facilitate secured and sufficient bonding facility to store security features in their licensed or authorized premises or in bonded warehouse or wholesale licensed premises (FL3) as the case may be.

17. (1) The Commissioner General shall seize security features, equipment, devices, vehicles or articles in accordance with section 35 of the Ordinance, where -

- (a) the security features have been counterfeited;
- (b) the security features which were subject to be returned to the Commissioner General, were not returned; or have been found in the possession of persons other than those to whom they were supplied;
- (c) the vehicle used in the storage, concealment or transportation of excisable articles referred to in Schedule II that have not met the requirements of these rules;
- (d) the equipment or plant is used in the manufacture of counterfeit security features; or
- (e) the excisable articles referred to in Schedule II; bear counterfeited security features, bear security features affixed in a manner not consistent with guidelines issued by the Commissioner General; or do not bear security features as required in accordance with these rules.

(2) The Commissioner General may, appoint a Committee to investigate in the event of any dispute.

18. Unused security features may be returned by an importer or a licensed manufacturer of excisable articles referred to in No. 02 and 03 of Schedule II, to the Commissioner General when:-

- (a) the licensed manufacturer stops manufacturing excisable articles referred to in Schedule II;
- (b) there are defects in the security features sheets or reels; or
- (c) the security features have been declared out of use by the Commissioner General.

19. Damaged security features shall be preserved by an importer or a licensed manufacturer for verification by an authorized officer.

20. No importer or a licensed manufacturer, shall transfer security features held in stock by such importer or licensed manufacturer to another manufacturing or importing unit owned by the same manufacturer or importer without the prior approval of the Commissioner General.

21. In the case of an installation of new or modified Security Features and Security Features Management System, the Commissioner General shall notify in writing the importers and licensed manufacturers of excisable articles referred to in Schedule II at least sixty days (60) before the installation and integration of the new or modified Security Features and Security Features Management System.

22. An importer or a licensed manufacturer shall -

- (a) report to the Commissioner General on any non-operational production lines within twenty four (24) hours, of the occurrence of such non operation of production lines;
- (b) be responsible for the conservation and security of the system installed in the premises;
- (c) report on any operating failure or tampering of the security within twenty four (24) hours from the occurrence of such event;
- (d) obtain the approval of the Commissioner General for the labels or packages of brands of excisable articles referred to in Schedule II;

Provided however, this rule shall not apply to the excisable articles referred to in Schedule II, imported for the duty free shops.

- (e) declare to the Commissioner General, at least thirty (30) days before any change in the graphic art of existing brands of excisable articles referred to in Schedule II and the corresponding packages and labels of excisable articles referred to in Schedule II;
- (f) apply to the Commissioner General at least thirty (30) days before installation or removal in the case of -
 - (i) any reactivation of non-operational production lines;
 - (ii) deactivation of production lines;
 - (iii) carrying out of maintenance works or relocation of production lines; and
 - (iv) installation of new production lines.

23. (1) No person shall -

- (a) print over or deface security features affixed on any excisable article referred to in Schedule II;
- (b) have in possession of excisable articles on which the security features have not been affixed and unless where affixation of security features has been exempted under these rules;
- (c) attempt to acquire or acquire security features without the authority of the Commissioner General;
- (d) print, make or in any way create a security feature without the authority of the Commissioner General;
- (e) have in possession any security feature printed, made or in any way acquired without the authority of the Commissioner General;

(f) possess, convey, distribute, sell, offer for sale or by way of trade expose excisable articles referred to in Schedule II without affixing security features in accordance with these rules; or

(g) possess, convey, distribute, sell, offer for sale or by way of trade, expose excisable articles referred to in Schedule II affixed with counterfeit security features.

24. The Secretary to the Ministry of the Minister assigned the subject of Finance may, appoint a panel of auditors to monitor the process of security features and security features management system.

25. The provisions of section 27,47,48,50 or 56 as the case may be, of the Ordinance shall apply to any contravention of these rules.

26. In these rules, unless the context otherwise requires-

“excisable article” shall have the same meaning assigned to it by the Excise Ordinance (Chapter 52);

“security features” means a type of security feature specified in Schedule I to these rules;

“Security features management system” includes security features and the Information and Communication Technology (ICT) infrastructure that is used to manage the foolproof security features;

“Information and Communication Technology (ICT) infrastructure” includes Servers, Application software, Operating systems, wired and wireless networks, electronic devices, peripherals, accessories, components, tools and other related immovable, movable, active, passive and manual components;

“Importer” means the holder of a license under section 10 of the Excise Ordinance (Chapter 52) to import an excisable article specified in Schedule II to these rules;

“Licensed manufacturer” means the holder of a license under Section 15 of the Excise Ordinance (Chapter 52) to manufacture an excisable article specified in Schedule II to these rules;

“Vendor” means the holder of a license under section 18 of the Excise Ordinance (Chapter 52) to sell, keep or expose for sale of an excisable article specified in Schedule II to these rule

[Rule 2]

SCHEDULE I

<i>Security Feature</i>	<i>Specification</i>
Foolproof Sticker	<p>(i) Length (100 mm), width (20mm) and weight (60 gsm) Length (80mm), width (16mm) and weight (60 gsm) Length (50mm), width (10mm) and weight (60 gsm) Diameter (20mm) and weight (60gsm) with flexibility in changes of these features.</p> <p>(ii) Forensic, covert, overt and security features including authentication, tracking, tamper proof and self-adhesive, self-destructible and non- reusable security features and other related security features.</p> <p>(iii) The holographic security features.</p>
Digital Feature	<p>(i) Digital Feature with a combination of unique machine readable code and unique secure digital number used with unique food gradable Ink with Deoxyribonucleic acid (DNA).</p> <p>(ii) Features including forensic, covert, overt and other related features and security features including authentication and identification by digital technology.</p>

[Rule 3]

SCHEDULE II

<i>No.</i>	<i>Category</i>
01	Imported foreign liquor
02	Locally manufactured foreign liquor
03	Country liquor

[Rule 5(4)((b))]

SCHEDULE III

<i>No.</i>	<i>Category</i>	<i>Chargers (Rs.)</i>
1.	Per security features	2.00

[Rule 11(h)]

SCHEDULE IV

Inventory of the security features

<i>Date</i>	<i>No. of security features in hand</i>	<i>No. of security features received</i>	<i>No. of security features issued for bottled or imported liquor</i>	<i>No. of security features damaged</i>	<i>No. of security features activated</i>

[Rule 11(h)]

SCHEDULE V

Inventory of Damaged security features

<i>No. of Excise security features damaged</i>	<i>Serial Nos. of damaged Excise security features</i>	<i>No. & date of the letter granting approval for destroying</i>	<i>Date of destroying damaged security features</i>	<i>Names/Designations/Signatures of the Officers engaged in destroying damaged security features</i>	<i>Signature of the Licensee or the Agent</i>