



**PARLIAMENT OF THE DEMOCRATIC
SOCIALIST REPUBLIC OF
SRI LANKA**

FINANCE ACT, No. 12 OF 2013

[Certified on 23rd April, 2013]

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Finance Act, No. 12 of 2013

[Certified on 23rd April, 2013]

L.D.—O. 5/2013.

AN ACT TO AMEND THE FINANCE ACT, NO. 16 OF 1995, THE FINANCE ACT, NO. 25 OF 2003 AND THE FINANCE ACT, NO. 12 OF 2012; TO PROVIDE FOR THE IMPOSITION OF A CROP INSURANCE LEVY; AND TO PROVIDE FOR MATTERS CONNECTED THEREWITH AND INCIDENTAL THERETO.

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

1. This Act may be cited as the Finance Act, No.12 of 2013. Short title.

PART I

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

2. The Finance Act, No. 16 of 1995 (hereinafter in this Part referred to as the “ principal enactment”) is hereby amended, in section 5 thereof by the insertion immediately after subsection (1) thereof of the following subsection:- Amendment of section 5 of Act, No.16 of 1995.

“(1A) Notwithstanding the preceding provisions of this section such semi- luxury dual purpose motor vehicle levy shall not be charged, with effect from January 1, 2013, in respect of a light truck registered as a dual purpose vehicle under the Motor Traffic Act (Chapter 203) .”.

3. Section 17 of the principal enactment is hereby amended, as follows :- Amendment of section 17 of the principal enactment.

- (1) by the insertion immediately after the definition of the expression “diesel motor vehicle” of the following definition :-

“ “dual purpose vehicle” shall have the same meaning assigned to it under the Motor Traffic Act (Chapter 203);”;

- (2) by the insertion immediately after the definition of the expression “luxury motor vehicle” of the following definition :-

“ “ light truck” means a dual purpose vehicle with a driver’s compartment having a single row accommodation along the same transverse axis for the driver and passenger, adapted or constructed wholly or mainly for the purpose of carriage of goods;”;

- (3) by the repeal of the definition of the expression “semi- luxury dual purpose motor vehicle” and substitution therefor of the following definition:-

“ “semi- luxury dual purpose motor vehicle” means a luxury motor vehicle or semi- luxury motor vehicle which is registered as a dual purpose vehicle under the Motor Traffic Act (Chapter 203); ”.

Validation.

4. Any person or body of persons who charged or collected the semi-luxury dual purpose motor vehicle levy, in respect of a light truck, as provided for in the principal enactment during the period commencing from January 1, 2013 and ending on the date on which the certificate of the Speaker is endorsed in respect of this Act, shall be deemed to have acted with due authority and such charge or collection shall be deemed to have been validly made:

Provided that the aforesaid provisions shall not affect any decision or Order made by any court or any proceedings pending in any court in respect of such levy charged or collected during such period.

PART II

AMENDMENT OF PART II OF THE FINANCE ACT, No. 25 OF 2003

5. Part II (Tourism Development Levy) of the Finance Act, No. 25 of 2003 is hereby amended in section 11, by the substitution for the words “Sales Agents licensed under Tourism Development Act, No. 14 of 1968.” of the following words:-

Amendment of section 11 of Part II of Act, No. 25 of 2003.

“Sales Agents licensed under Tourism Development Act, No. 14 of 1968:

Provided further, such levy shall not be charged on any institution having an annual turnover not exceeding rupees twelve million or a quarterly turnover not exceeding rupees three million.”.

PART III

AMENDMENT OF PART IV OF THE FINANCE ACT, No. 12 OF 2012

6. The heading of Part IV of the Finance Act, No. 12 of 2012 (hereinafter in this Part referred to as the “principal enactment”) is hereby repealed and the following heading substituted therefor:-

Amendment of the Heading of Part IV of Act No. 12 of 2012.

“EXEMPTION OF CERTAIN ENTERPRISES FROM THE APPLICATION OF THE PROVISIONS OF CERTAIN ACTS”.

7. Section 16 of the principal enactment is hereby amended in subsection (2), by the repeal of paragraph (a) thereof, and the substitution therefor of the following paragraph:-

Amendment of section 16 of the principal enactment.

“(a) shall carry out such activities either in a Free Port or a Bonded Area declared by regulations under this Act ;” .

Amendment of section 17 of the principal enactment.

8. Section 17 of the principal enactment is hereby amended in subsection (2), by the repeal of paragraph (a) thereof, and the substitution therefor of the following paragraph:-

“(a) shall carry out such activities either in a Free Port or a Bonded Area declared by regulations under this Act ;” .

Amendment of section 18 of the principal enactment.

9. Section 18 of the principal enactment is hereby amended in subsection (2), by the repeal of paragraph (a) thereof, and the substitution therefor of the following paragraph:-

“(a) shall carry out such activities either in a Free Port or a Bonded Area declared by regulations under this Act ;” .

Insertion of sections 18A, 18B and 18C in the principal enactment.

10. The following sections are hereby inserted immediately after section 18 of the principal enactment and shall have effect as sections 18A, 18B and 18C thereof:-

“Granting exemption to certain enterprises from the application of the provisions of certain Acts.

18A. (1) Subject to the provisions of subsections (2) and (3), there shall be exempted, from the application of the provisions of the Acts referred to in the Schedule hereto, 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, under the Board of Investment of Sri Lanka Law, No. 4 of 1978-

- (a) *entrepot* trade involving import, minor processing and re- export;
- (b) off-shore business where goods can be procured from one country or manufactured in one country and shipped to another country without bringing the same into Sri Lanka;
- (c) providing front end services to clients abroad;

- (d) headquarters operations of leading buyers for management of finance supply chain and billing operations;
- (e) logistic services such as bonded warehouse or multi- country consolidation in Sri Lanka.

(2) Any enterprise referred to in subsection (1) which is engaged in the physical importation of goods, wares or merchandise for re- export shall,

- (a) carry out such activities either in a Free Port or a Bonded Area declared by regulations under this Act ;
- (b) notwithstanding the provisions of subsection (1), be subject to the provisions of the Customs Ordinance, in any movement of goods to and from such Free Port or the Bonded Area , to and from the Sri Lankan territory as if such goods had been imported into Sri Lanka or exported from Sri Lanka, as the case may be .

(3) Any enterprise referred to in subsection (1), which is not engaged in physical movement of goods, wares or merchandise, may carry out such operations outside a Free Port or a Bonded Area as referred to above.

Extending the application of the provisions of the Inland Revenue Act, No. 10 of 2006 to certain enterprises.

18B. (1) Any new enterprise established on or after the date of the coming into operation of this Act, which is 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, under the Board of Investment of Sri Lanka Law, No. 4 of 1978, shall be eligible, subject to the provisions of subsections (2) and (3), for the exemptions

granted under the relevant sections of the Inland Revenue Act, No. 10 of 2006, if such enterprise satisfies the requirements specified in the relevant section by which the exemption applicable is granted—

- (a) *entrepot* trade involving import, minor processing and re- export;
- (b) off-shore business where goods can be procured from one country or manufactured in one country and shipped to another country without bringing the same into Sri Lanka;
- (c) providing front end services to clients abroad;
- (d) headquarters operations of leading buyers for management of finance supply chain and billing operations;
- (e) logistic services such as bonded warehouse or multi- country consolidation in Sri Lanka.

(2) Any new enterprise referred to in subsection (1) which is engaged in the physical importation of goods, wares or merchandise for re- export shall, –

- (a) carry out such activities either in a Free Port or a Bonded Area declared by regulations under this Act;
- (b) notwithstanding the provisions of subsection (1), be subject to the provisions of the Customs Ordinance, in any movement of goods to and from such Free Port or the Bonded Area , to

and from the Sri Lankan territory as if such goods had been imported into Sri Lanka or exported from Sri Lanka, as the case may be.

(3) Any new enterprise referred to in subsection (1), which is not engaged in physical movement of goods, wares or merchandise, may carry out such operations outside a Free Port or a Bonded Area as referred to above.

Extending the application of provisions of the Strategic Development Projects Act, No. 14 of 2008 to certain enterprises.

18c. (1) Any new enterprise established on or after the date of coming into operation of this Act, and identified as a Strategic Development Project in terms of the provisions of section 3 of the Strategic Development Projects Act, No. 14 of 2008, which is 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, under the Board of Investment of Sri Lanka Law, No. 4 of 1978, shall be eligible, subject to the provisions of subsections (2) and (3), for the exemptions granted under the Strategic Development Projects Act, No. 14 of 2008—

- (a) *entrepot* trade involving import, minor processing and re- export;
- (b) off-shore business where goods can be procured from one country or manufactured in one country and shipped to another country without bringing the same into Sri Lanka;
- (c) providing front end services to clients abroad;

- (d) headquarters operations of leading buyers for management of finance supply chain and billing operations;
- (e) logistic services such as bonded warehouse or multi - country consolidation in Sri Lanka.

(2) Any new enterprise referred to in subsection (1), which is engaged in the physical importation of goods, wares or merchandise for re- export shall—

- (a) carry out such activities either in a Free Port or a Bonded Area declared by regulations under this Act;
- (b) notwithstanding the provisions of subsection (1), be subject to the provisions of the Customs Ordinance, in any movement of goods to and from such Free Port or the Bonded Area, to and from the Sri Lankan territory, as if such goods had been imported into Sri Lanka or exported from Sri Lanka, as the case may be.

(3) Any new enterprise referred to in subsection (1) which is not engaged in physical movement of goods, wares or merchandise, may carry out such operations outside a Free Port or a Bonded Area as referred to above.”.

Amendment of section 19 of the principal enactment.

11. Section 19 of the principal enactment is hereby amended by the substitution for the words and figures “sections 16, 17 and 18” of the words and figures “ sections 16, 17, 18, 18A, 18B and 18C”.

12. The following sections are hereby inserted immediately after section 19 of the principal enactment and shall have effect as section 19A and 19B thereof:-

Insertion of sections 19A and 19B in the principal enactment.

“Regulations. **19A.** (1) The Minister may make regulations in respect of all matters which are required to be prescribed or for which regulations are authorized to be made under this Act.

(2) Without prejudice to the generality of subsection (1), the Minister may, by regulations –

- (a) declare Free Ports and Bonded Areas for the purposes of this Part of this Act;
- (b) specify the investment limits and other criteria required for the enterprises referred to under this Part of this Act;
- (c) specify the conditions and exemptions in relation to local sales;
- (d) specify the procedure to be followed in granting exemptions under this Part of this Act; and
- (e) specify monitoring authority and the mechanism for monitoring.

(3) Every regulation made by the Minister under subsection (1) shall be published in the *Gazette* and shall come into operation on the date of such publication or on such later date as may be specified therein.

(4) Every regulation made by the Minister shall as soon as convenient after its publication in the *Gazette* be brought before Parliament for approval. Every regulation which is not so approved shall be deemed to be rescinded from the date of disapproval but without prejudice to anything previously done thereunder.

(5) Notification of the date on which any regulation is deemed to be rescinded shall be published in the *Gazette*.

Interpretation. 19B. In this Part of this Act, unless the context otherwise requires-

“Board of Investment of Sri Lanka” means the Board of Investment of Sri Lanka established under the Board of Investment of Sri Lanka Law, No. 4 of 1978;

“Bonded Area” means an area supervised by the Board of Investment of Sri Lanka or the Director-General of Customs or any other Authority and declared by regulations under this Act;

“Controller of Exchange” means the Head of the Department of Exchange Control established under the Exchange Control Act (Chapter 423) ;

“Controller of Imports and Exports” means the Controller of Imports and Exports appointed under section 2 of the Imports and Exports (Control) Act (Chapter 236) ;

“Customs Ordinance” means the Customs Ordinance (Chapter 235) ;

“Director-General of Customs” means the Director-General of Customs appointed under section 2 of the Customs Ordinance;

“*entrepot* trade” includes any manufacturing activity approved under this Part and carried out by a new enterprise for re-export with a domestic value addition at a minimum rate of ten *per centum*, within a Free Port declared by regulations under this Part of this Act;

“Free Port” means an area within a sea port or an inland dry port operated under the supervision of the Sri Lanka Ports Authority and declared by regulations under this Act;

“logistic service” includes *inter alia*-

- (i) transshipment activities;
- (ii) warehousing for temporary storage of input or finish goods for local exporters; and
- (iii) freight forwarding for clients abroad;

“ Sri Lanka Ports Authority” means the Sri Lanka Ports Authority established under the Sri Lanka Ports Authority Act, No. 51 of 1979;

“ Sri Lankan territory” means the territory of the Republic of Sri Lanka and does not include any Free Port or a Bonded Area declared under this Part of this Act.”.

13. The following Schedule is hereby added immediately after section 20 of the principal enactment:-

Addition of a Schedule in the principal enactment.

“Schedule (section 18A)

1. Value Added Tax Act, No. 14 of 2002;
2. Nation Building Tax Act, No. 9 of 2009 ;
3. Sri Lanka Export Development Act, No. 40 of 1979 ;
4. Special Commodity Levy Act, No. 48 of 2007;
5. Ports and Airports Development Levy Act, No.18 of 2011;
6. Excise (Special Provisions) Act, No. 13 of 1989.”.

PART IV

IMPOSITION OF CROP INSURANCE LEVY

Imposition of
Crop Insurance
Levy.

14. (1) With a view of covering the damages suffered by the farmers of Sri Lanka due to natural disasters, there shall be charged and levied from every institution coming under the purview of the Acts specified in the Schedule hereto, a levy of one *per centum* to be called the Crop Insurance Levy (hereinafter in this Part referred to as “the levy”) on the after tax profits of such institutions.

(2) The levy imposed under this Part shall be remitted to a separate account maintained and administered by the National Insurance Trust Fund Board established by the National Insurance Trust Fund Act, No. 28 of 2006.

(3) The provisions which may be necessary in the implementation of the provisions of this Part shall be prescribed by regulations under this Act.

Regulations.

15. (1) The Minister may make regulations in respect of all matters which are required to be prescribed or for which regulations are authorized to be made under this Act.

(2) Every regulation made by the Minister under subsection (1) shall be published in the *Gazette* and shall come into operation on the date of such publication or on such later date as may be specified therein.

(3) Every regulation made by the Minister shall as soon as convenient after its publication in the *Gazette* be brought before Parliament for approval. Every regulation which is not so approved shall be deemed to be rescinded from the date of disapproval but without prejudice to anything previously done thereunder.

(4) Notification of the date on which any regulation is deemed to be rescinded shall be published in the *Gazette*.

16. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala Text Shall prevail.

Sinhala text to prevail in case of inconsistency.

Schedule (section 14)

1. Banking Act, No. 30 of 1988;
2. Finance Companies Act, No. 78 of 1988;
3. Regulation of Insurance Industry Act, No. 43 of 2000.

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