



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

**FINANCE
ACT, No. 11 OF 2006**

[Certified on 31st March, 2006]

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Finance Act, No. 11 of 2006

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L.D.—O. 3/2006.

AN ACT TO PROVIDE FOR THE IMPOSITION OF A MOTOR VEHICLE CONCESSIONARY LEVY AND A TELEDRAMA, FILM AND COMMERCIAL LEVY ; TO PROVIDE FOR THE AMENDMENT OF CERTAIN LEVIES AND CHARGES IMPOSED BY THE FINANCE ACT, NO. 11 OF 2002, THE FINANCE ACT, NO. 25 OF 2003 AND THE FINANCE ACT, NO. 11 OF 2004; AND TO PROVIDE 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 2006. Short title.

PART I

MOTOR VEHICLE CONCESSIONARY LEVY

2. (1) From and after the coming into operation of this Act, there shall be charged and levied a levy to be called and known as the Motor Vehicle Concessionary Levy (hereinafter referred to as “the levy”) - Granting of concessionary levies to certain categories of persons.

- (a) from every primary holder of a Sri Lanka Nation Building Bond (SLNBB) who imports a motor vehicle who shall be required to pay at the time of such importation a levy at such rate as may be determined by the Minister by Order on the cost, insurance and freight value of such vehicle, in lieu of any tax which he is liable to pay in terms of the Customs Ordinance (Chapter 235), the Excise (Special Provisions) Act, No. 13 of 1989 and the Value Added Tax Act, No. 14 of 2002, on a recommendation being made to that effect by the

Superintendent of Public Debt of the Central Bank of Sri Lanka, subject however to the following conditions:-

- (i) the aggregate investment in Sri Lanka Nation Building Bonds (SLNBB) shall be of such amount, in United States Dollars or its equivalent in any other foreign currency, as may be determined by the Minister in the aforesaid Order, as is acceptable for the purchase of the aforesaid Bonds ;
 - (ii) the cost, insurance and freight value of the motor vehicle should not exceed such percentage as may be determined by the Minister in the aforesaid Order, of the value of the Sri Lanka Nation Building Bonds (SLNBB) ;
- (b) from every individual who, commencing from the year of assessment commencing on April 1, 2000 has continued to pay in respect of each year of assessment within the period of five years immediately succeeding that year of assessment, income tax in terms of the Inland Revenue Act, No. 10 of 2006 of an amount not less than rupees two hundred and fifty thousand (250,000/-), and certified as such by the Commissioner – General of Inland Revenue, imports a motor vehicle, shall be required to pay at the time of such importation a levy in lieu of any tax or fiscal levy which such individual is liable to pay in terms of the Customs Ordinance (Chapter 235), the Excise (Special Provisions) Act, No. 13 of 1989 and the Value Added Tax Act, No. 14 of 2002, calculated at such rate as may be determined by the Minister, on the aggregate of such taxes and levies.

(2) Every Order made by the Minister under paragraphs (a) and (b) above shall come into force from the date on which the Minister has affixed his signature on such Order.

3. Upon the required certification being made in respect of the persons referred to in paragraphs (a) and (b) of section 2 by the Superintendent of Public Debt of the Central Bank of Sri Lanka and the Commissioner – General of Inland Revenue as the case may be, it shall be the duty of the Director – General of Customs to collect the levy payable by such persons at the time of importation and remit the same to the Consolidated Fund.

Director –
General of
Customs to
collect levy.

4. The Secretary to the Treasury may from time to time issue such general or special directions as may be necessary for the implementation of the levy in terms of this Part of the Act.

Directions to
be issued.

5. Where a levy of such amount as is specified by Order under section 2 has been collected by the Director-General of Customs in terms of this Part of this Act during the period commencing on March 1, 2006, and ending on the date of commencement of this Act, from any person referred to in paragraphs (a) or (b) of section 2, who so imports a motor vehicle, 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.

Indemnity

PART II

IMPOSITION OF A LEVY ON TELE-DRAMAS FILMS AND TELEVISION COMMERCIALS

6. (1) With a view to improving and regulating the quality and standard of tele dramas, films and commercials produced in Sri Lanka and thereby ensuring the propagation of Sri Lankan values through such tele dramas, films and

Levy on tele
dramas, films
and commercials
imported into Sri
Lanka to be
telecast.

commercials, there shall be charged and levied, from every institution licensed under the Sri Lanka Rupavahini Corporation Act, No. 6 of 1982, or such other licensing authority as may be identified from time to time, a Levy to be called the Teledrama, Film and Commercials Levy (hereafter in this Part referred to as “the Levy”), on every tele drama, film or commercial, made and or filmed outside Sri Lanka and bought into or imported into Sri Lanka for the purpose of being telecast, at such rate in relation to the duration of such tele drama, film or commercial, as shall be specified by the Minister in charge of the subject of Finance in consultation with the Minister to whom the subject of issuing of licences to television stations is assigned :

Provided however the above levy shall not be chargeable in respect of –

- (a) any documentary which is telecast in Sri Lanka, irrespective of whether such documentary was made outside Sri Lanka;
- (b) any film or tele-drama which, –
 - (i) seeks to impart educational values; or
 - (ii) is produced solely for the purposes of providing entertainment for children.
- (c) any other category of tele dramas, films or commercials which may be prescribed by regulations.

(2) The manner and mode of payment, the time of payment and the procedure for the collection of the same and such other terms and condition which may be necessary in the implementation of the provisions of this Act shall be prescribed by regulations made in that behalf.

(3) Every Order made under subsection (1) above shall come into force from the date on which the Minister has affixed his signature on such Order.

7. (1) Any person who defaults in the payment of the levy in the manner and within the period prescribed by regulations, shall be deemed to be a defaulter.

How levy in default is to be paid.

(2) Every defaulter shall be liable to pay to the Secretary to the Ministry of the Minister to whom the issuing of licenses to television stations is assigned, in addition to the amount of the levy in default a surcharge calculated in the following manner:-

- (a) ten *per centum* of the amount of such levy as is in default for the subsequent period of one month or part thereof, calculated from the date on which the levy was payable; and
- (b) two *per centum* of the amount of such levy as is in default for each subsequent period of one month or part thereof, calculated from the date on which the payment specified in paragraph (a) was due.

(3) The Secretary to the Ministry of the Minister to whom the issuing of licenses to television stations is assigned, shall take action to recover the levy or such part of the levy which is in default for a period of more than three months and the amount of the surcharge accrued thereon, in the manner as is specified hereafter.

(4) The Secretary to the Ministry of the Minister to whom the issuing of licenses to television stations is assigned, shall cause to be issued on the defaulter, three weeks prior to the taking of any steps for the recovery of the levy in default along with the amount of the surcharge accrued thereon, a Notice informing the defaulter of the intention to institute proceedings for the recovery of the amount of the levy in default and the amount of the surcharge accrued thereon in terms of the provisions of this section.

(5) Where the Secretary to the Ministry of the Minister to whom the issuing of licenses to television stations is assigned, issues Notice on the defaulter in terms of subsection (4) but the amount of the levy in default and the amount of the surcharge accrued thereon remains unpaid even though the period of three weeks specified in such Notice has elapsed, the Secretary shall issue to the Magistrate having jurisdiction over the division in which the defaulter resides or is carrying on business, a Certificate containing the name and address of the defaulter and the total sum in default along with a statement to the effect that the person so named has defaulted in making the payment as required by this section. Where the defaulter is a body corporate, the Certificate shall contain the name of the Chairman of the Board of Directors and of every Director or principal officer of such body corporate.

(6) The Magistrate shall on receipt of the Certificate issued under subsection (5), issue summons on the defaulter requiring him to appear before him on a date to be specified and show cause as to why proceedings should not be taken against him for recovery of the amount of the Levy or such part of the Levy which is in default and the surcharge accrued thereon. Where the cause shown appears to the Magistrate to be insufficient so as to explain the reason for the non-payment, the Magistrate shall after recording the same, make Order for the recovery of the amount of the Levy in default and the amount of the surcharge accrued thereon, from the defaulter as if they were fines imposed by the Magistrate. The money so recovered shall be remitted to the Secretary to the Ministry of the Minister to whom the issuing of licenses to television stations is assigned, who shall remit the same to the Consolidated Fund.

Regulations.

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

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

(3) Every regulation made under subsection (1) shall, as soon as convenient after its publication in the *Gazette*, be placed before Parliament for approval. Every regulation, which is not so approved, shall be deemed to be rescinded as 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 so rescinded shall be published in the *Gazette*.

9. For the purposes of this Part –

Interpretation for this Part.

“film” means any audio visual presentation of a moving image produced on any form or format whatsoever, and which is intended primarily to be exhibited by proprietors on a screen in a cinema ;

“tele drama” means a drama telecast over the television.

PART III

AMENDMENT OF FINANCE ACT, NO. 5 OF 2005

10. The Finance Act No. 5 of 2005 (In this Part referred to as the “principal enactment”) is hereby amended in section 2 of Part 1 of that Act, (Imposition of Social Responsibility Levy) as follows :—

Amendment of section 2 of Part I of the Finance Act No.5 of 2005.

- (1) by the substitution for the words “be imposed with effect from the year commencing on January 1, 2005 and for every year thereafter, at the rate of 0.25 *per centum* on all taxes and levies chargeable in terms of the provisions of ” of the words,

“be imposed –

- (a) for the period commencing on January 1, 2005 and ending on December 31, 2005, at the rate of 0.25 *per centum*;

- (b) for the period commencing January 1, 2006 at the rate of 1 *percentum*,

on all taxes and levies chargeable in terms of the provisions of ”.

- (2) by the addition immediately after the proviso to that section of the following :—

“Provided further that the Social Responsibility Levy chargeable under the provisions of the Inland Revenue Act, No. 38 of 2000 in terms of the provisions of this Part of this Act, on income tax shall—

- (a) in respect of the period commencing on January 1, 2006 and ending on March 31, 2006 be calculated at the rate of 0.25 *percentum* ; and
- (b) in respect of the period commencing on April 1, 2006 be calculated at the rate of 1 *percentum*.

Retrospective effect.

11. The provisions of this Part of this Act shall be deemed to have come into effect on January 1, 2006.

Indemnity.

12. Where any amount has been collected by the relevant authorities administering the enactments specified in the First Schedule to the principle enactment, as Social Responsibility Levy in terms of this Part of the Act during the period commencing on January 1, 2006 and ending on the date of commencement of this Act, the amount so collected as Social Responsibility Levy shall be deemed to have been and to be, validly made, and the respective relevant authorities collecting the same, are hereby indemnified against all actions civil or criminal in respect of the collection of the aforesaid levy.

PART IV

AMENDMENT OF FINANCE ACT, NO. 25 OF 2003

13. Part II (Tourism Development Levy) of the Finance Act, No. 25 of 2003 as amended by Act, No. 11 of 2004 is hereby further amended in section 11 thereof, by the substitution for the proviso to such section of the following :—

Amendment of section 11 of the Finance Act, No. 25 of 2003.

“Provided however such levy shall not be charged on the commission carried on the sale of airline tickets from Travel Agents including General Sales Agents licensed under the Tourism Development Act, No. 14 of 1968.”.

PART V

AMENDMENT OF FINANCE ACT, NO. 11 OF 2002

14. Part I (Port and Airport Development Levy) of the Finance Act No.11 of 2002 as last amended by Act, No. 6 of 2005, is hereby further amended in section 2 thereof, as follows :—

Amendment of section 2 of Part 1 of the Finance Act No.11 of 2002.

- (1) by the substitution for the first proviso to that section, of the following :—

“Provided that, in respect of the cost, insurance and freight value of any article referred to above, there shall be charged and levied—

- (a) in respect of the period commencing on November 19, 2004 and ending on December 31, 2005, a levy at the rate of 1.5 *percentum*; and
- (b) in respect of the period commencing on January 1, 2006 a levy at the rate of 2.5 *percentum* ; and

- (2) by the insertion immediately after the second proviso to that section of the following :—

“Provided further, that with effect from January 1, 2006 no levy shall be charged in respect of any article imported into Sri Lanka for the purpose of processing and re-export or to be used for the manufacture of goods for export.”.

Retrospective effect.

15. The provisions of this Part shall be deemed to have come into effect on January 1, 2006.

Indemnity

16. Where an amount equal to 2.5 *per centum* on the cost, insurance and freight value of an article has been collected by the Director-General of Customs as Port and Airport Levy in terms of this Part of this Act during the period commencing on January 1, 2006 and ending on the date of commencement of this Act, from any person importing, an article as is referred to in Part I of the Finance Act No.11 of 2002, 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.

Sinhala text to prevail in case of inconsistency.

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

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