

BUDGET PROPOSALS

2018...



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1. Excise Duty under Excise Ordinance

1.1 Liquor

Alcohol volume based Excise Duty depending on the type of liquor will be introduced as follows:

- i. Hard liquor - Rs. 3,300/- per litre of alcohol
- ii. Beer - Rs.2,400 per litre of alcohol
- iii. Wine - Rs.2,400 per litre of alcohol

1.2 Non-potable alcohol

Excise duty will be imposed on import of non-potable alcohol at Rs.15/- per Kg.

1.3 Raw material used for manufacturing of ethanol

Excise Duty will be imposed on raw materials used for manufacturing of ethanol to be as follows:

Type of raw material	Proposed Duty (Rs.)
Toddy	Rs.05/- per litre
Molasses/Maize/Rice/Fruits	Rs.10/- per Kg

1.4 Liquor Licenses

1.4.1 Rate structure of Liquor license fee will be simplified w.e.f. 01/01/2018

1.4.2 Issuance of new liquor license will be simplified to promote tourism.

2. Excise (Special Provisions) Duty

2.1 Canned Beer

Excise (Special Provisions) Duty applicable on canned beer will be removed.

2.2 Sugar tax on sweetened beverages

2.2.1 Excise duty based on the quantum of sugar contained will be introduced for the beverages with added sugar.

2.2.2 This duty applicable for beverages classified under HS Code 22.02

2.2.3 The rate will be 50 cts per gram of sugar

2.3 Plastic resin

2.3.1 Excise duty on plastic resin will be introduced at Rs.10 per Kg.

2.3.2 This duty will be applicable for items classified under the HS Codes 3901.10, 3901.20, 3902.10, 3903.11 and 3904.10

2.4 Motor vehicles

2.4.1 Ad-valorem rate of excise duty on motor vehicles will be removed

2.4.2 Excise duty will be applied based only on the Engine Capacity (cubic centimeter (cm³)) for petrol and diesel motor vehicles

2.4.3 Excise duty base for electric vehicles will be the motor power of the engine (kilowatt (Kw))

2.4.4 The rate for Engine capacity based excise duty on petrol fuel & petrol hybrid motor cars are as follows.

Engine capacity	Petrol fuel (Rs. Per cm ³)	Petrol hybrid (Rs. Per cm ³)
≤ 1000cm ³	1,750	1,250
1000cm ³ < x ≤ 1300 cm ³	2,750	2,000
1300cm ³ < x ≤ 1500 cm ³	3,250	2,500
1500cm ³ < x ≤ 1600 cm ³	4,000	3,000
1600cm ³ < x ≤ 1800 cm ³	5,000	4,500
1800cm ³ < x ≤ 2000 cm ³	6,000	5,000
2000cm ³ < x ≤ 2500 cm ³	7,000	6,000
2500cm ³ < x ≤ 2750 cm ³	8,000	7,000
2750cm ³ < x ≤ 3000 cm ³	9,000	8,000
3000cm ³ < x ≤ 4000 cm ³	10,000	9,000
4000 cm ³ <	11,000	10,000

2.4.5 The rate for Engine capacity based excise duty on diesel fuel & diesel hybrid motor cars are as follows:

Engine capacity	Diesel fuel (Rs. Per cm ³)	Diesel hybrid (Rs. Per cm ³)
≤ 1500cm ³	4,000	3,000
1500cm ³ < x ≤ 1600 cm ³	5,000	4,000
1600cm ³ < x ≤ 1800 cm ³	6,000	5,000
1800cm ³ < x ≤ 2000 cm ³	7,000	6,000
2000cm ³ < x ≤ 2500 cm ³	8,000	7,000
2500cm ³ < x ≤ 2750 cm ³	9,000	8,000
2750cm ³ < x ≤ 3000 cm ³	10,000	9,000
3000cm ³ < x ≤ 4000 cm ³	11,000	10,000
4000 cm ³ <	12,000	11,000

2.4.6 Duty rates for Electric vehicles are as follows:

Motor power	Unregistered (brand new) vehicle (Rs. Per kw)	Used vehicle (Rs. Per kw)
≤ 50 Kw	7,500	15,000
50Kw < x ≤ 100 Kw	12,500	25,000
100 Kw < x ≤ 200 Kw	25,000	40,000
200 Kw	40,000	55,000

2.4.7 Duty rates for three wheelers are as follows:

- i. Petrol - Rs.2,100 per cm³
- ii. Diesel - Rs.1,250 per cm³
- iii. Electric

Unregistered (brand new) - Rs.7,500 per Kw
Registered (used) - Rs.10,000 per Kw

2.4.8 Applicable duty will be revised for off-road electric sports vehicles classified under HS Code 8703.10.11, 8703.10.19, 8703.10.21, 8703.10.29 to facilitate promotion of sports tourism

2.5 Vehicle permits for public sector employees

2.5.1 Upper ceiling of excise duty concession of vehicle permits for public sector employees will be defined in rupee value without changing the existing concession rate.

2.5.2 Upper ceiling of CIF value of imported vehicles will be removed

2.5.3 Restriction on transferability will be removed

2.5.4 Payable duty will be the higher value of the duty calculated as per Column (IV) below

Authorization (I)	Transferability (II)	Upper limit for CIF (III)	Payable Excise duty (IV)
Trade and Investment Policy Circular No. 01/2016			
	Transferable	No upper limit	duty after deducting Rs.3.0 million from payable duty (i.e. Payable duty - Rs.3.0 million) or 35% of the payable duty
Foreign Affairs Circular No.210(III)			

	Transferable	No upper limit	duty after deducting Rs.3.0 million from payable duty (i.e. Payable duty - Rs.3.0 million) or 30% of the payable duty
Public Administration Circular No. 22/99 -Employee Category			
Group I	Transferable	No upper limit	duty after deducting Rs 9.0 million from payable duty (i.e. Payable duty - Rs.9.0 million) or 20% of the payable duty
Group II	Transferable	No upper limit	duty after deducting Rs 7.5 million from payable duty (i.e. Payable duty - Rs 7.5 million) or 20% of the payable duty
Group III	Transferable	No upper limit	duty after deducting Rs.6.0 million from payable duty (i.e. Payable duty - Rs.6.0 million) or 20% of the payable duty

2.5.5 These changes will be effective from 10/11/2017

3. Finance Act

3.1 Cellular Tower Levy

- 3.1.1 A tax will be introduced on mobile towers
- 3.1.2 Rate will be Rs.200,000/- per month per tower
- 3.1.3 The levy will be paid monthly by the mobile tower operator

3.2 SMS Advertising Levy

- 3.2.1 For bulk SMS advertisements a levy of 25 cts per SMS will be imposed
- 3.2.2 The levy will be paid by the advertiser

3.3 Carbon Tax

- 3.3.1 Carbon tax will be imposed on motor vehicles based on the engine capacity.
- 3.3.2 Rate will depend on age and fuel type of vehicle as follows:
- 3.3.3 Electric vehicles are exempted from the levy

Type of vehicle	Less than 05 years	05 to 10 years	Over 10 years
Hybrid (Petrol/Diesel)	25 Cts per cm ³	50 Cts per cm ³	Rs.1.00 per cm ³
Fuel (Petrol/Diesel)	50 Cts per cm ³	Rs.1.00 per cm ³	Rs.1.50 per cm ³
Passenger bus	Rs.1,000/-	Rs.2,000/-	Rs.3,000/-

3.4 Debt Repayment Levy

3.4.1 Debt Repayment Levy (DRL) will be introduced on cash transactions by financial institutions

3.4.2 Rate is Rs.2/- per Rs.10,000/- cash transaction (i.e. 0.02%)

3.4.3 Levy will be charged on total cash transactions and should be paid by the financial institutions.

3.5 Luxury Tax on Motor Vehicles

3.5.1 One-time payment luxury tax will be introduced in lieu of the present system of payment over 7 years

3.5.2 The present system will be continued for the vehicles already registered

3.5.3 Tax depends on the band of engine capacity or motor power of the vehicle as follows:

	Super Luxury (Rs.)	Luxury (Rs.)	Semi-Luxury (Rs.)
Dual purpose (Petrol/diesel) 2200cm ³ <			250,000/-
Petrol 1800cm ³ < x ≤ 2500 cm ³ Diesel 2200cm ³ < x ≤ 3000 cm ³ Electric 200 kW < x ≤ 300 kw			500,000/-
Petrol 2500cm ³ < x ≤ 3500 cm ³ Diesel 3000cm ³ < x ≤ 4000 cm ³ Electric 300 kW < x ≤ 400 kw		1,000, 00/-	
Petrol 3500cm ³ < Diesel 4000cm ³ < Electric 500 kW <	2,000,000/-		

4. Value Added Tax (VAT)

4.1 Removal of exemptions

4.1.1 Import or supply of imported goods set out below will be liable for VAT:

- Plants & Flowers
- Plastic Beads
- Yarn /Fabrics
- Wood & Articles
- Dyes
- Glass Beads
- Plant and Machinery/Industrial racks
- Electronic goods
- Aeroplanes & Parts
- Spectacles
- Cameras & Projectors
- Watches

4.1.2 Sale of condominium housing units

4.2 New Exemption

4.2.1 Solar tracker classified under HS Code 84.79.89.50

5. Nation Building Tax (NBT)

5.1 Exemptions

5.1.1 Importation of non-motorized equipment and accessories for water sports such as Kayaks, Canoes, Kite Surfing, and diving

5.1.2 Importation of non-powered equipment and accessories for aero sports such as Hang Gliding, Ballooning, dirigibles, Parachutes and Para-Gliders

5.1.3 Importation of gem stones for cutting and re-export purposes

5.1.4 Importation of equipment that enables advanced technology agriculture practices, including greenhouses, poly tunnels and materials for the construction of greenhouses, by any grower.

5.2 Exemption on liquor will be removed.

6. Economic Service Charge (ESC)

6.1 ESC base for imported motor vehicles will be amended as follows;

- i. Motor vehicles liable for Excise duty - Payable Excise Duty
- ii. Motor vehicles not liable for Excise duty - CIF value

7. Customs Import Duty

7.1 Exemption of Custom Import Duty

7.1.1 Importation of Crust (semi processed) leather for further processing (Tanning Industry) and supply of raw materials for leather products industry.

7.1.2 Importation of machinery, equipment, accessories and raw materials or intermediate materials, to be used only for manufacturing of biodegradable packaging products and materials.

7.2 Customs Import Duty will be updated on importation of goods in line with the HS 2017 version and also revised on importation of selected goods.

8. CESS Duty

8.1 Cess will be removed on 253 items under the HS Codes specified in Table 1 to this annexure, facilitating the emerging sectors namely, tourism, value adding industries and other industries.

8.2 Cess will be revised on 22 items classified under the following HS Codes, facilitating the availability of goods for value addition and consumption purposes.

9. Ports and Airports Development levy

9.1 PAL on the items classified under following HS Codes will be reduced

9.2 PAL on the 253 items classified under HS Codes specified in Table 2 to this annexure, including importation of non-powered equipment and accessories for aero sports such as Hang Gliding, Ballooning, dirigibles, Parachutes and Para-Gliders will be removed.

9.3 PAL will be revised on the importation of non-motorized equipment and accessories for water sports such as Kayaks, Canoes, Kite Surfing, and diving.

10. Sri Lanka will revise and adopt 2017 Version of Harmonized System of Commodity Classification and Coding System, as amended by the World Customs Organization (HS System 2017 Version) effective from November 10, 2017.

10. Others

10.1 Value Limit of Export Trade Sample (Selected Goods only) will be revised to US \$ 400 or its equivalent per shipment, effective from January 01, 2018.

10.2 Next Stage of the Tariff Liberalization Programme (Phase II) of the South Asian Free Trade Agreement (SAFTA) will be implemented effective from November 10, 2017.

10.3 In line with the emerging technology and environmental and safety standards, Pre-Shipment Inspection Certification for importation of used motor vehicles will be revised effective from January 01, 2018

10.4 Issuance of Usance Letter of Credit Facility for importation of motor vehicles will be canceled effective from January 01, 2018

10.5 Importation of Motor Vehicles below the Emission Standard of the EURO 4 or its equivalent will be prohibited effective from January 01, 2018 in line with the health and environmental safeguard measures.

10.6 Importation of Motor Vehicles, which are not complied with the safety measures namely (a) Air Bags for driver and the front passenger, (b) Anti-Locking Breaking System (ABS) and (c) Three Point Seat Belts for driver and the passengers travelling in the front and rear seats, will be prohibited effective from January 01, 2018 in line with the safety of passengers / travelers.

10.7 Para-Tariffs applicable on importation of sports shoes (for the use of football and rugby players) will be removed / exempted with a view to facilitate development of such sports activities among the rural youths

10.8 Other Fees and Charges

18.1 The rates of fees and charges of government agencies which have not been revised in last 03 years will be increased by 15%.

11. Technical Rectifications and Administrative provisions

Necessary amendments will be made to the respective provisions of the, Value Added Tax Act No.14 of 2002, Nation Building Tax Act No. 9 of 2009, Economic Service Charge Act No 13 of 2006, Finance Acts and Finance (Amendment) Acts, Default Tax (Special Provisions) Act No 16 of 2010, Telecommunication Levy Act No 21 of 2011, Ports and Airports Development Levy Act No 18 of 2011, Tax Appeals Commission Act No 23 of 2011, Imports and Exports (Control) Act No. 1 of 1969, Stamp Duty (Special Provisions) Act No 12 of 2006 and Land (Restriction on Alienation) Act No. 38 of 2014 in order to streamline the revenue administration and to rectify certain ambiguities and unintended effects (including differences in translations).

12. Effective Dates of Tax Proposals

Unless stated otherwise, the proposals in relation to:-

- i. Value Added Tax, Nation Building Tax, ESC and Amendments to Finance Act will be implemented with effect from April 1, 2018,
- ii. Custom Duty, Excise (Special Provisions) Duty and Excise (Ordinance) Duty will take effect immediately.