

## **Consolidated Text of the Economic Service Charge Act, No. 13 of 2006**

This consolidated text of Economic Service Charge Act, No. 13 of 2006 incorporates all amendments made to that Act up to and including Economic Service Charge (Amendment) Act No. 16 of 2009.

Please note, however, that this consolidated text cannot be regarded as a statutory copy of the principal Economic Service Charge Act (No. 13 of 2006). It is prepared for the purpose of convenient reference only.

Sec.

Description

**AN ACT TO IMPOSE AN ECONOMIC SERVICE CHARGE ON THE RELEVANT TURNOVER OF ANY PERSON OR PARTNERSHIP IN RESPECT OF EVERY QUARTER OF EVERY YEAR OF ASSESSMENT COMMENCING ON OR AFTER APRIL 1, 2006 ; TO AMEND PART I OF THE FINANCE ACT, No. 11 OF 2004 ; AND TO PROVIDE FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO**

Act Nos: 13 of 2006  
15 of 2007  
11 of 2008  
16 of 2009

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

1. This Act may be cited as the Economic Service Charge Act, No. 13 of 2006.

Short title.

PART I

IMPOSITION OF AN ECONOMIC SERVICE CHARGE

2. (1) An Economic Service Charge (hereinafter referred to as “ the service charge”) shall, subject to the provisions of this Act, be charged from every person and every partnership for every quarter of every year of assessment commencing on or after April, I, 2006 (hereinafter in this Act referred to as “a relevant quarter”) in respect of every part of the relevant turnover of such person or partnership for that relevant quarter, **at the appropriate rate specified in the Schedule to this Act:**

Imposition of an Economic Service Charge.

**Provided that notwithstanding anything to the contrary in this Act and the rates specified in the Schedule to this Act, the rate of the Economic Service Charge, chargeable in respect of the turnover arising on or after April 1, 2008 from the export of any articles or goods, shall not exceed 0.25 per centum.**

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- (2) Notwithstanding the provisions of subsection (1), the service charge shall not be charged from any person or partnership for any relevant quarter, in circumstances wherein the relevant turnover of such person or partnership **for that relevant quarter, -**

(a) **commencing before March 31, 2007, does not exceed rupees ten million; and**

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(b) **commencing on or after April 1, 2007 does not exceed rupees seven million five hundred thousand.**

**Provided that the service charge chargeable from any person or partnership for any relevant quarter shall in no case exceed rupees fifteen million.**

Repealed  
01.04.2009

**Provided that the service charge chargeable from any person or partnership shall in no case exceed -**

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- (i) **rupees fifteen million for any relevant quarter ending on or before March 31, 2009; and**  
(ii) **rupees thirty million for any relevant quarter commencing on or after April 1, 2009.**

(3) In this section—

- (a) “relevant turnover” in relation to any person or partnership and to any relevant quarter means the aggregate turnover for that relevant quarter of every trade, business, profession or vocation carried on or exercised by such person or partnership, as the case may be, in Sri Lanka whether directly or through an agent or more than one agent :

**Provided that the relevant turnover for any relevant quarter shall not include the turnover for that relevant quarter of any trade, business profession or vocation, the commercial operations of which commenced, whether by such person or partnership or any other person or partnership, on a date which falls within the period of thirty six months immediately preceding the first day of that relevant quarter.**

*Repealed  
01.04.2009*

For the purposes of the proviso the expression “trade or business” in relation to any person or partnership **shall not include-**

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- (i) **for any relevant quarter of the year of assessment commencing on April 1, 2006 and ending on March 31, 2007, any trade or business of any person or partnership, which deals in the wholesale or retail trade of any goods not manufactured or produced by such person or partnership; and**
- (ii) **for any relevant quarter of the year of assessment commencing on or after April 1, 2007, any trade or business, other than-**
- (A) any manufacturing business; and**
- (B) any business of a reopened factory referred to in section 24B of the Inland Revenue Act, No. 10 of 2006.**

- (b) “turnover” in relation to any trade, business, profession or vocation and to any relevant quarter means the total amount receivable, whether actually received or not, from every transaction entered into in that relevant quarter in the course of such trade, business, profession or vocation carried on or exercised by such person or partnership, -

(a) after deducting therefrom –

- (i) any sum included in such total amount being a sum which represents the value added tax in respect of that transaction, provided that the person or partnership who or which carries on or exercises such trade, business, profession or vocation is at the time of such transaction registered under section 10 of the Value Added Tax Act, No. 14 of 2002;
- (ii) any sum included in such total amount being the proceeds from the disposal of any **capital asset**;

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(iii) the amount of any bad debt incurred by that trade, business, profession or vocation during that relevant quarter, being an amount which had been included in the relevant turnover of such trade, business, profession or vocation of that or any previous relevant quarter; and

**(iv) the proceeds of sale of any foreign currency denominated sovereign bond issued by the Government of Sri Lanka to any licensed commercial bank or to any non-resident person (effective from October 21,2008);**

*S 2,16 of 2009  
01.04.2009*

**(v) the proceeds of sale-**

**(a) of any Treasury Bill issued under the Local Treasury Bills Ordinance (Chapter 417); or**

**(b) of any Treasury Bond issued under the Registered Stocks and Securities Ordinance (Chapter 420),**

**purchased out of the funds drawn from any Treasury Bond Investment External Rupees Account (effective from June 1,2008)**

**(vi) receipts from the export of any article or goods, effected on or after January 1, 2009 but on or before December 31,2009;**

**(vii) receipts from the supply, effected on or after January 1, 2009 but on or before December 31, 2009 by the manufacturer of any article or goods to any exporter for export without further processing or manufacture by the exporter;**

**(viii) receipts from any operations, effected on or after January 1, 2009 but on or before December 31, 2009, of any-**

**(a) hotel;**

**(b) inbound tour operations; or**

**(c) inbound tour agent,**

**being a hotel, operator or agent as the case may be, approved by the Sri Lanka Tourism Development Authority established under Tourism Act, No.38 of 2005; and**

**(b) after adding thereto, any sum received during that relevant quarter on account of any bad debt written off or allowed in any previous quarter :**

Provided that –

- (a) in the case of a bank, the receipts of such bank by way of, or on account of , interest, discounts, dividend, exchange, service charges, commissions, brokerage or any other income derived by the bank in the course of its business shall **be deemed to form part of the turnover of such bank.**

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01.04.2009*

**For the purposes of this paragraph-**

**“bank” shall be deemed to include a financial institution or pawn broker; and**

**“financial institution” means any person corporate or unincorporated, whose business or part of whose business consists in the acceptance of money by way of deposit or loan in the form of debenture or bond or in any other form and the payment of interest thereon, whether such acceptance is on its own behalf or on behalf of any other person; and**

- (b) in the case of a person carrying on insurance business, insurance premia received, or receivable, in respect of –

(i) life insurance; and

(ii) insurance against damages or destruction by strike, riot, civil commotion, or acts of terrorism and paid into the Consolidated Fund,

shall be deemed not to form part of the turnover of such person.

3. (1) The amount of any service charge paid by any person for any relevant quarter shall be deducted from the income tax if any, payable by that person for the year of assessment of which that relevant quarter is a quarter (hereinafter referred to as the “first – mentioned year of assessment”).

*Service charge to be deducted from relevant income tax.*

- (2) The amount of any service charge paid by any partnership for any relevant quarter shall be apportioned among the partners of such partnership in the ratio in which such partners share the profits or losses of such partnership for the year of assessment of which that relevant quarter is a quarter. The amount of the service charge so apportioned to any partner, shall be deducted from the income tax, if any payable by such partner for the year of assessment of which that relevant quarter is a quarter (hereinafter referred to as the “first – mentioned year of assessment”).

- (3) The balance, if any, of such service charge paid by any person, after its deduction in accordance with subsection (1) shall be deducted from the income tax payable by such person for the year of assessment immediately succeeding the first mentioned year of assessment (hereinafter referred to as the “first succeeding year of assessment”).**

*Repealed  
S 3, 15 of 2007*

- (4) The balance, if any, of any service charge apportioned to any partner in accordance with subsection (2), after its deduction in accordance with subsection (2), shall be deducted from the income tax payable by**

*Repealed  
S 3, 15 of 2007*

such partner for the year of assessment immediately succeeding the first mentioned year of assessment (hereinafter referred to as the “first succeeding year of assessment”).

- (5) The residue, if any, of the balance referred to in subsection (3) or subsection (4), as the case may be, after its deduction in accordance with subsection (3) or subsection (4) as the case may be, shall be deducted from the income tax payable by such person or such partner of such partnership, as the case may be, for the year of assessment immediately succeeding the first succeeding year of assessment (hereinafter referred to as the “second succeeding year of assessment”).

Repealed  
S 3, 15 of 2007

- (3) the balance, if any, of the amount levied as Economic Service Charge after the deduction in accordance with subsections (1) or (2) as the case may be, apportioned to each year of assessment within the period of four years immediately succeeding the first mentioned year of assessment and the amount so apportioned to any such year of assessment shall be deducted to the extent, it can be so deducted from the income tax payable by such person or partner of such partnership for that year of assessment.

S 3, 15 of 2007  
w.e.f.12.04.2007

Substituted  
S 3, 11 of 2008

- (3) the balance, if any, of the amount levied as Economic Service Charge after the deduction in accordance with subsections (1) or (2) as the case may be, apportioned to each year of assessment within the period of four years immediately succeeding the first mentioned year of assessment and the amount so apportioned to any such year of assessment shall be deducted to the extent, it can be so deducted from the income tax payable by such person or partner of such partnership for that year of assessment:

S 3, 11 of 2008

Provided that, where there remains as at March 31, 2006, any amount of the economic service charge paid in accordance with the provisions of Part I of the Finance Act, No.11 of 2004 after its deduction in accordance with the provisions of that Act from the relevant income tax payable for any relevant year of assessment commencing before April 1, 2006-

- (a) if such amount includes any part of the economic service charge paid for the year of assessment ended on March 31, 2005 such part may be apportioned to each year of assessment falling within the three years of assessment immediately succeeding the year of assessment which ended on March 31, 2006; or
- (b) if such amount includes any part of the economic service charge paid for the year of assessment ended on March 31, 2006, such part may be apportioned to each year of assessment falling within the four years of assessment immediately succeeding the year of assessment which ended on March 31, 2006.

and the parts of the economic service charge so apportioned, shall be deducted to the extent it can be so deducted from the income tax payable by such person or such partnership for such year of assessment.

(4) In no circumstances shall –

*S 3, 15 of 2007*

(a) the aggregate deduction of the amount of the service charge paid by any person or paid by any partnership and apportioned to any partner, as the case may be, from the income tax payable by such person or such partner of such partnership, as the case may be, exceed the amount of such service charge,

(b) **the remaining portion, if any of the residue referred to in subsection(5) after its deduction in accordance with subsection (5), be deducted from any income tax payable for any year of assessment succeeding the second succeeding year of assessment.**

Substituted  
*S 3, 15 of 2007*

(b) **The remaining portion, if any, of the balance referred to in subsection (3) after its deduction in accordance with that subsection, be deducted from any income tax payable for any year of assessment succeeding the fourth year of assessment immediately succeeding the first mentioned year of assessment.**

*S 3, 15 of 2007*  
*w.e.f.12.04.2007*

4. Notwithstanding anything to the contrary in any law, the remaining portion of the service charge **referred to in subparagraph (b) of subsection (6) of section 3, shall** not be refunded.

Remaining portion of the service charge not to be refunded

Notwithstanding anything to the contrary in any law, the remaining portion of the service charge **referred to in subparagraph (b) of subsection (4) of section 3, shall** not be refunded.

*S 4, 15 of 2007*  
*w.e.f.12.04.2007*

5. Every person and every partnership chargeable or likely to be chargeable with the service charge for any relevant quarter shall, by communication in writing addressed to the Commissioner General, give notice of such chargeability or likely chargeability, before the fifteenth day of the last month of that relevant quarter. Such communication shall disclose the income tax file number or the personal identification number as the case may be, assigned by the Commissioner-General, to such person or partnership.

Notice of chargeability

6. The service charge which any person or partnership is chargeable with for any relevant quarter shall, notwithstanding that no assessment has been made on such person or partnership by an Assessor, be paid to the Commissioner-General on or before the twentieth day of the month immediately succeeding the end of that relevant quarter.

Date on which service charge is to be paid.

7. Every person and partnership chargeable with the service charge for any relevant quarter shall, whether or not required by an Assessor in that behalf, furnish to an Assessor, on or before the twentieth day of the month immediately succeeding the end of that relevant quarter, a return in such form and containing such particulars as may be specified by the Commissioner General, of his or its, as the case may be relevant turnover. The return shall also show the basis of the calculation of the service charge and other details, if any specified by the Commissioner General under this section.

Furnishing of returns.

8. Every person and partnership chargeable with the service charge shall maintain a record of the transactions of every trade, business, profession or vocation carried on or exercised by such person or partnership, in such manner as would facilitate the reconciliation of the return of relevant turnover furnished by such person or partnership under section 7 of this Act, with such record. Maintenance of records.
9. (1) Where in the opinion of an Assessor, any person or partnership who or which being chargeable with the service charge for any relevant quarter-
- (a) has not paid the service charge: or
- (b) has paid an amount less than the proper amount which such person or such partnership ought to have paid as service charge for such relevant quarter, such Assessor may, assess the amount of the service charge which, in his opinion, ought to have been paid by such person or partnership as the service charge for that relevant quarter and shall by notice in writing require such person or partnership to forthwith pay –
- (i) the amount of the service charge so assessed for that relevant quarter, if that person or that partnership has not paid any service charge for that relevant quarter; or
- (ii) the difference between the amount of the service charge so assessed and the amount of the service charge actually paid by such person or partnership for that relevant quarter, if such person has paid any amount as service charge for that relevant quarter.
- (2) **Where it appears to an Assessor that any person or partnership liable to pay the Economic Service Charge for any relevant quarter of any year of assessment, has been assessed at less than the proper amount, the Assessor may, subject to the provisions of subsection (3) and subsection (4), assess such person or partnership for the additional amount (which in his opinion such person or partnership ought to have been assessed in addition to the amount originally assessed), and the provisions of this Act as to notice of assessment, appeal and other proceedings shall thereupon apply to the recovery of such additional amount.** *S 5, 15 of 2007  
w.e.f.12.04.2007*
- (3) **Where a person or partnership has furnished a return of Economic Service Charge, the assessor may in making an assessment on such person or partnership under subsections (1) or (2), either:-**
- (a) **accept the return furnished by such person or partnership; or**
- (b) **refuse to accept the return made by that person or partnership, and estimate the amount of the relevant turnover and assess such person or partnership accordingly:**

**Provided that where the Assessor refuses to accept a return furnished by any person or partnership and makes an assessment or an additional assessment for any relevant quarter on such person or partnership**



**under subsection (1) or subsection (2), he shall communicate to such person in writing, stating the reasons as to why he is not accepting the return furnished by that person or partnership.**

**(4) No assessment or additional assessment shall be made under this Act in respect of a person or partnership who or which has made a return for any relevant quarter in any year of assessment on or before the dates referred to in section 7, after the expiry of eighteen months from the end of the year of assessment within which such relevant quarter falls, if his or its return of income has been made under subsection (1) or subsection (7) of section 106 of the Inland Revenue Act, No. 10 of 2006.**

10. (1) Where any service charge or any part of such service charge for any relevant quarter is not paid on or before the date specified in section 6 for the payment of such service charge, such instatement or part thereof shall be deemed to be in default.

Service charge not paid deemed to be in default

(2) Where the service charge or part thereof which is in default is payable, -

(a) by an individual;

(b) by a partnership;

(c) by a company or body of persons,.

then such individual, every partner of such partnership or every director or other principal officer of such company or body of persons as the case may be, shall be deemed to be a defaulter for the purposes of this Act.

11. The provisions of Chapter XXIII, XXIV, XXV, XXVI, XXVII, XXVIII, XXIX, XXX and XXXI of the Inland Revenue Act, relating respectively to Appeals, Finality of Assessments and Penalty for Incorrect Returns, Tax in Default and Sums Added thereto, Recovery of Tax, Miscellaneous Matters, Repayment, Penalties and Offences, Administration and General matters shall *mutatis mutandis*, apply respectively to Appeals, Finality of Assessments and Penalty for Incorrect Returns, Service Charge in Default and Sums Added Thereto, Recovery of Service Charge, Miscellaneous Matters, Repayment, Penalties and Offences, Administration and General matters under this Act.

Certain provisions of the Inland Revenue Act to apply

12. (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) In particular and without prejudice to the generality of the powers conferred by subsection (1), the Minister may make regulations-

(a) specifying the guidelines relating to the ascertainment of "turnover" for the purposes of section 2 in relation to any case to which the proviso to the definition of the expression "turnover" in that section does not apply; and

- (b) specifying the instances as to whether or not the non-chargeability referred to in subsection (2) of section 2, in the circumstances referred to in that subsection shall apply.
- (3) 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.
- (4) 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.
- (5) Notification of the date on which any regulation is deemed to be so rescinded shall be published in the *Gazette*.

**13.** In this Act unless the context otherwise requires –

Interpretation.

“agent”, “allowance for depreciation” and “Assessor” shall have the respective meanings assigned to them in the Inland Revenue Act;

“BOI enterprise” in relation to any relevant quarter means any enterprise in relation to which the exemption of its profits and income from income tax, in terms of any agreement entered into by the Board of Investment of Sri Lanka with such enterprise under section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1978, subsists during the whole or any part of that relevant quarter;

“body of persons”, “business”, “capital asset”, “Commissioner General”, and “company” shall have the respective meanings assigned to them in the Inland Revenue Act ;

“distributor” in relation to any manufacturer or producer of any goods in Sri Lanka means any person or partnership appointed by such manufacturer or producer for the sale in the wholesale market, of such goods, at such price as may be determined by such manufacturer or producer, from time to time ;

“Inland Revenue Act” means the Inland Revenue Act, No.10 of 2006 or any successor thereto providing for the taxation of income ;

“partnership”, “proceeds” and “profits or income” shall have the respective meanings assigned to them in the Inland Revenue Act ;

“person” includes a company or a body of persons, but does not include –

- (a) any registered society, within the meaning of the Co-operative Societies Law, No. 5 of 1972:
- (b) any non-resident person carrying on business as an owner or charterer of an aircraft or ship:

(c) any government institution or any local authority as defined in the Inland Revenue Act, No. 10 of 2006.

S 6, 15 of 2007  
w.e.f.12.04.2007

“quarter” in relation to any year of assessment means the period of three months commencing on the first day respectively of April, July, October or January of that year of assessment ; and

“statutory income”, “taxable income”, ”trade” and “years of assessment” shall have the respective meanings assigned to them in the Inland Revenue Act.

**PART II**

**AMENDMENT OF PART I OF THE FINANCE ACT, NO. 11 OF 2004**

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|------------|---|--|
| <b>14.</b> | Part I of the Finance Act, No. 11 of 2004 is hereby amended as follows:-<br><br>(1) in subsection (1) of section 2 thereof, by the substitution for the words “on or after April 1, 2004 (hereinafter in this Act referred to as “the relevant year of assessment”)” of the words “on or after April 1, 2004 (hereinafter in this Act referred to as “the relevant year of assessment”)” and ending on March 31, 2006;”;<br><br>(2) in paragraph (b) of subsection (2) of section 7 thereof, (inserted by Act, No. 7 of 2005) by the substitution for the words and figures “item (2)” of the words and figures “item (3)”. | Amendment of Part I of Act, No. 11 of 2004.          |
| <b>15.</b> | It is hereby declared for the avoidance of doubts, that the provisions of Part I of the Finance Act No. 11 of 2004 shall not apply to the levy of the Economic Service Charge from any person or partnership in respect of any relevant year of assessment commencing on or after April 1, 2006.  | Part I of the Finance Act No.11 of 2004 not to apply |
| <b>16.</b> | Where there is 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**

*Part of the Liable Turnover*

	<i>Rate of the Service Applicable to that Part</i>	<b>Repealed</b> <i>S 7, 15 of 2007</i>
<b>1. Such part of the relevant turnover as consists of the turnover from any trade, business, profession or vocation the profits and income from which are exempt from income tax.</b>	<b>0.25 per centum</b>	
<b>2. Such part of the relevant turnover as consists of the turnover from any trade, business, profession or vocation of any enterprise which has entered into an agreement under the Board of Investment of Sri Lanka Law, No. 4 of 1978.</b>		
(i) being the relevant turnover during the period for which the profits and income of such enterprise are exempt from income tax under such agreement.	<b>0.25 per centum</b>	
(ii) being the relevant turnover during the period for which the profits and income of such enterprise are taxable at the rate equal to a rate specified in the Fifth Schedule to the	<b>0.50 per centum</b>	

Inland Revenue Act

- |  |                 |
|--|-----------------|
| 3. Such part of the relevant turnover as consists of the turnover from any trade, business, profession or vocation the profits and income from which are chargeable with income tax at any rate specified in the Fifth Schedule to the Inland Revenue Act other than in item 28 of that schedule | 0.5 per centum  |
| 4. Such part of the relevant turnover as consists of the turnover from any trade, business, profession or vocation the profits and income from which are chargeable with income tax at any rate other than any rate specified in the Fifth Schedule to the Inland Revenue Act.                   | 1.0 per centum  |
| 5. Such part of the relevant turnover as consists of the turnover from any trade or business which deals in the wholesale (other than as a distributor) or retail of such goods, not manufactured or produced by the dealer.   | 0.5 per centum  |
| 6. Such part of the relevant turnover as consists of the turnover from the primary conversion of any produce of any tea, rubber or coconut plantation other than any such conversion which produces any alcoholic beverage.  | 0.5 per centum  |
| 7. Such part of the relevant turnover as consists of the turnover from any trade, or business of a distributor   | 0.1 per centum  |
| 8. Such part of the relevant turnover as consists of the turnover from any trade or business of carrying on any activity referred to in item 28 of the Fifth Schedule to the Inland Revenue Act.   | 1.00 per centum |

SCHEDULE

*Part of the Liable Turnover*

- |   |   |   |
|---|---|---|
|   | <i>Rate of the Service charge Applicable to that Part</i> | <i>S 7, 15 of 2007 w.e.f.12.04.2007</i> |
| 1. Such part of the relevant turnover as consists of the turnover from any trade, business, profession or vocation:   |   |   |
| (i) the profit and income from which are exempt from income tax;  | 0.25 per centum   |   |
| (ii) of any enterprise which has entered into an agreement under the Board of Investment of Sri Lanka Law No. 4 of 1978, being the relevant turnover during the period for which the profits and income of such enterprise are exempt from income tax under such agreement.                                     | 0.25 per centum   |   |
| 2. Such part of the relevant turnover as consists of the turnover from any trade or business which deals in wholesale or retail of such goods (other than as a distributor or dealer in motor vehicles or liquor) not manufactured or produced by the dealer.   | 0.25 per centum   |   |
| 3. Such part of the relevant turnover as consists of the turnover from the primary conversion of any produce of any tea, rubber or coconut plantation including desiccated coconut, coconut oil, coconut fiber, copra and sheet rubber but excluding any such conversion which produces any alcoholic beverage. | 0.25 per centum   |   |
| 4. <u>Such part of the relevant turnover as consists of the turnover from any trade , business, profession or vocation:</u>   |   | <i>Substituted</i>                      |
| (i) <u>the profits and income from which are chargeable with income tax at any rate specified in the Fifth Schedule to the, Inland Revenue Act other than in item 28 of that Schedule.</u>  |   |   |
| (ii) <u>of any enterprise which has entered into an agreement under the Board of</u>  | 0.5 per   |   |

<u>Investment of Sri Lanka Law, No. 4 of 1978, being the relevant turnover during the period for which the profits and income of such enterprise are taxable at the rate equal to a rate specified in the Fifth Schedule to the Inland Revenue Act, No.10 of 2006.</u>	centum	
4. Such part of the relevant turnover arising before April 1, 2008 as consists, of turnover from any trade, business, profession or vocation-		<i>S 4, 11 of 2008</i>
(i) the profits and income from which are chargeable with income tax at any rate specified in the Fifth Schedule to the Inland Revenue Act, other than in item 28 of that Schedule;	0.5 per centum	
(ii) carried on by any enterprise which has entered into an agreement under the Board of Investment of Sri Lanka Law No. 4 of 1978, being the relevant turnover during the period for which the profits and income of such enterprise are taxable at the rate equal to a rate specified in the Fifth Schedule to the Inland Revenue Act, No. 10 of 2006.	0.5 per centum	
4A. Such part of the relevant turnover arising on or after April 1, 2008 as consists, of turnover from any trade, business, profession or vocation-		
(i) the profits and income from which are chargeable with income tax at any rate specified in the Fifth Schedule to the Inland Revenue Act, other than in item 24 and item 28 of that Schedule;	0.5 per centum	
(ii) carried on by any enterprise which has entered into an agreement under the Board of Investment of Sri Lanka Law No.4 of 1978, being the relevant turnover during the period for which the profits and income of such enterprise are taxable at the rate equal to a rate specified in the Fifth Schedule to the Inland Revenue Act, No.10 of 2006.	0.5 per centum	
<u>5. Such part of the relevant turnover as consists of the turn over from any trade or business which deals in the wholesale or retail (other than as distributor) of motor vehicles or liquor not manufactured by the dealer.</u>	0.5 per centum	<i>Substituted S 4, 11 of 2008</i>
5. Such part of the relevant turnover as consists of the turnover from any trade or business which deals in the wholesale or retail (other than as distributor) of motor vehicles or liquor not manufactured by the dealer:-		
(i) arising prior to April 1, 2008	0.5 per centum	
(ii) arising on an after April 1, 2008	1.0 per centum	
6. Such part of the relevant turnover as consists of the turnover from any trade, business, profession or vocation, the profits and income such are chargeable with income tax at the rates specified in Part A or B (i) of the Second Schedule to the Inland Revenue Act, except in the case such turnover falls within the turnover referred to in items 1, 2 or 3 of this Schedule.	0.5 per centum	
7. Such part of the relevant turnover as consists of the turnover from any trade or business of a distributor.	0.05 per centum	
8. Such part of the relevant turnover as consists of the turnover from any trade, business, profession or vocation the profits and income of which are chargeable with income tax at any rate other than a rate specified in the Fifth Schedule to the Inland Revenue Act, No. 10 of 2006.	1.0 per centum	
9. Such part of the relevant turnover as consists of the turnover from any trade or business of carrying on any activity referred to in item 28 of the Fifth Schedule to the Inland Revenue Act, No. 10 of 2006.	1.0 per centum	

10. Such part of the relevant turnover, which consists of, the relevant turnover from any trade or business referred to in Section 42 of the Inland Revenue Act, No. 10 of 2006. 0.1 per centum

11. Such part of the relevant turnover as consists of -

*Substituted  
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(i) the turnover from the export of apparels or the supply of locally manufactured textiles to apparel exporters to be used in the manufacture of apparels for export by such exporter. 0.1 per centum

(ii) the turnover of a trading house approved by the Board of Investment so far as such trading house engages in the business of the export of apparels. 0.1 per centum

11. Such part of the relevant turnover arising prior to April 1, 2008 as consists of-

(i) the turnover from the export of apparels or the supply of locally manufactured textiles to apparel exporters to be used in the manufacture of apparels for export by such exporter. 0.1 per centum

(ii) the turnover of a trading house approved by the Board of Investment so far as such trading house engages in the business of export of apparels. 0.1 per centum

11A. Such part of the relevant turnover arising on or after April 1, 2008 as consists of-

(i) the turnover from-

(a) the export of apparels ;or

(b) supply of locally manufactured apparels to any exporter of apparels for export;

(c) Supply of locally manufactured textiles to any exporter of apparels to be used in the manufacture of apparels for export by such exporter.

(ii) the turnover of a trading house approved by the Board of Investment in so far as such trading house engages in the business of the export of apparels. 0.1 per centum

12. Any relevant turnover not referred to in items 1 to 11 above 1.0 per centum

### Gazette Notices Published

<u>Gazette No.</u>	<u>Date</u>	<u>Section</u>
1447/10	30.05.2006	Section 12
1502/10	20.06.2007	Section 12
1506/06	18.07.2007	Section 12
1546/09	22.04.2008	Section 12

**The Gazette of the Democratic Socialist Republic of Sri Lanka  
EXTRAORDINARY**

**No. 1506/06 – Wednesday, July 18, 2007**

**PART I: SECTION (1) – GENERAL**

**Government Notifications**

**ECONOMIC SERVICE CHARGE ACT, NO. 13 OF 2006**

REGULATIONS made by the President under Section 12 of the Economic Service Charge Act, No. 13 of 2006 as amended by the Amendment Act, No. 15 of 2007, read with Article 44 (2) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

MAHINDA RAJAPAKSA,  
President

18<sup>th</sup> July, 2007,  
Ministry of Finance and Planning,  
Colombo.

**Regulations**

The Regulations made in relation to Section 2 of the Economic Service Charge Act, No. 13 of 2006, and published in the Gazette Extraordinary No. 1502/10 dated June 20<sup>th</sup>, 2007 are amended as follows:-

By deleting the words and figures of paragraph 02.1,

“Any person or partnership engaged in any trade or business referred to in any paragraph of regulations 03 may, for any relevant quarter commencing on or after April 1<sup>st</sup>, 2007 opt to:

- (i) ascertain the turnover for that quarter from that trade or business in accordance with that paragraph,
- (ii) disregard the provisions of subsections (2), (other than those of the proviso thereto) of Section 2 of the aforesaid Act, and

- (iii) compute the Economic Service Charge at the rate specified in item 12 of the Schedule to the aforesaid Act in respect of the turnover so ascertained”.

and substituting the words and figures,

“Any person or partnership engaged in any trade or business referred to in any paragraph of regulations 03 or 04 may, for any relevant quarter commencing on or after April 1<sup>st</sup>, 2007 opt to:

- (i) ascertain the turnover for that quarter from that trade or business in accordance with that paragraph,
- (ii) disregard the provisions of subsections (2), (other than those of the proviso thereto) of Section 2 of the aforesaid Act, and
- (iii) compute the Economic Service Charge at the rate specified in item 12 of the Schedule to the aforesaid Act in respect of the turnover so ascertained” therefor.



**The Gazette of the Democratic Socialist Republic of Sri Lanka  
EXTRAORDINARY**

**No. 1502/10 – Wednesday, June 20, 2007**

**PART I: SECTION (1) – GENERAL**

**Government Notifications**

**ECONOMIC SERVICE CHARGE ACT, NO. 13 OF 2006**

REGULATIONS made by the President under Section 12 of the Economic Service Charge Act, No. 13 of 2006 as amended by the Amendment Act, No. 15 of 2007, read with Article 44 (2) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

**MAHINDA RAJAPAKSA,**  
President

18<sup>th</sup> July, 2007,  
Ministry of Finance and Planning,  
Colombo.

**Regulations**

01. The Regulations made in relation to Section 2 of the Economic Service Charge Act, No. 13 of 2006, and published in the Gazette Extraordinary No. 1447/10 dated May 30, 2006 are hereby rescinded, without prejudice, however, to anything previously done thereunder.

02.1 Any person or partnership engaged in any trade or business referred to in any paragraph of regulation 03 may, for any relevant quarter commencing on or after April 1, 2007 opt to:

- (i) ascertain the turnover for that quarter from that trade or business in accordance with that paragraph,
- (ii) disregard the provisions of subsection (2), (other than those of the proviso thereto) of Section 2 of the aforesaid Act, and

(iii) compute the Economic Service Charge at the rate specified in item 12 of the Schedule to the aforesaid Act in respect of the turnover so ascertained.

02.2 Any person or partnership who or which has so opted shall be deemed, for all purposes, to have acted in compliance with the Schedule to the aforesaid Act.

03. The turnover for any relevant quarter ascertained of the trade or business of any freight forwarder, in accordance with paragraph (b) of subsection (3) of Section 2 of the aforesaid Act, shall be reduced by the sum payable in that quarter by such freight forwarder to any person on account of the carriage, by such person, of any cargo loaded into any ship or aircraft owned or chartered by such person.

04. The turnover for any quarter of the trade or business of -

- (i) export of cut and polished diamonds from raw diamonds imported and which is carried on by any person or partnership shall be the excess for that quarter of the FOB value of such exports over the CIF value of such raw diamonds.
- (ii) export of garments manufactured from materials imported on NFE basis, and which is carried on by any person or partnership, shall be the excess for that quarter of the FOB value of such exports over the CIF value of such materials.
- (iii) any primary dealer shall be the excess of proceeds of sale of securities held by such primary dealer over the aggregate of -
  - sum invested in that quarter in the purchase of securities; and
  - the interest paid or the discount allowed by such primary dealer in relation to any repurchase transaction entered into in that quarter.

with due cognizance being taken of the deductions and the additions specified respectively in paragraph (a) and paragraph (b) of the definition of “turnover” in subsection (3) of Section 2 of the aforesaid Act.

05. In these Regulations -

- (i) “freight forwarder” means; a person or a partnership who or which is registered with the Central Bank of Sri Lanka under the Exchange Control Act, as a freight forwarder and who –
  - issues multi-modal documents of carriage covered by a Freight Forwarders’ “All Risk and Legal Liability Insurance Policy”; and

- furnishes, together with the return of relevant turnover for any relevant quarter, copies of the statements, furnished to the controller or Exchange in respects of each month comprised in such relevant quarter of turnover prepared in the form specified in the Third Schedule, and net collections prepared in the form specified in the Forth, Fifth and Sixth Schedules to the Notification issued by the Controller of Exchange under Section 29 B of the Exchange Control Act.
  
- (ii) “person” includes any person who has entered into an agreement with the BOI under Section 17 of the BOI Law No. 4 of 1978.
- (iii) “primary dealer” has the same meaning as in Section 217 of the Inland Revenue Act, No. 10 of 2006.
- (iv) “Security” means any –
  - (a) Security or Treasury Bond issued under the Registered Stocks and Securities Ordinance (Chapter 420);
  - (b) Treasury Bill issued under the Local Treasury Bills Ordinance; (Chapter 417); or
  - (c) Central Bank Security issued under the Monetary Law Act (Chapter 422), under Section 134.

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EXTRAORDINARY**

**No. 1546/9 – Tuesday, April 22, 2007**

**PART I: SECTION (1) – GENERAL**

**Government Notifications**

**ECONOMIC SERVICE CHARGE ACT, NO. 13 OF 2006**

REGULATIONS made by the Minister of Finance under Section 12 of the Economic Service Charge Act, No. 13 of 2006 as last amended by the Economic Service Charge (Amendment) Act, No. 11 of 2008.

**RANJITH SIYAMBALAPITIYA,**  
Acting Minister of Finance and Planning

11<sup>th</sup> April, 2008,  
Ministry of Finance and Planning,  
Colombo 01

**REGULATIONS**

The Regulations made in relation to Section 2 of the Economic Service Charge Act, No. 13 of 2006, and published in the Gazette Extraordinary No. 1502/10 dated June 20, 2007 as amended by the Gazette Extraordinary No. 1506/06 dated July 18, 2007, are further amended by deletion of Paragraph 04 of the Gazette and substitution thereof of the following paragraph:

“04. The turnover for any quarter commencing from April 01, 2008 of the trade or business of –

- i. export of cut and polished gems or diamonds from rough gems or diamonds imported into Sri Lanka in uncut form and which is carried on by any person or partnership shall be the excess for that quarter of the FOB value of such exports over the CIF value of such rough gems or diamonds;

- ii. export of garments manufactured from materials imported on NFE basis and which is carried on by any person or partnership, shall be the excess for that quarter of the FOB value of such exports over the CIF value of such materials;
- iii. export of any article other than garments referred to in paragraph (ii) above manufactured in Sri Lanka out of materials imported on NFE basis, and which is carried on by any person or partnership, shall be the excess for that quarter of the FOB value of such exports over the CIF value of such materials;
- iv. any primary dealer shall be the excess of proceeds of sale of securities held by such primary dealer over the aggregate of:
  - Sum invested in that quarter in the purchase of securities; and
  - The interest paid or the discount allowed by such primary dealer in relation to any repurchase transaction entered into in that quarter.

With due cognizance being taken of the deductions and the additions specified respectively in Paragraph (a) and Paragraph (b) of the definition of “turnover” in Sub-section (3) of Section 2 of the aforesaid Act”.

**The Gazette of the Democratic Socialist Republic of Sri Lanka  
EXTRAORDINARY**

**No. 1447/10 – Tuesday, May 30, 2006**

**PART I: SECTION (1) – GENERAL**

**Government Notifications**

**ECONOMIC SERVICE CHARGE ACT, NO. 13 OF 2006**

REGULATIONS made by the Minister of Finance under section 12 of the Economic Service Charge Act, No. 13 of 2006 read with Article 44(2) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

**MAHINDA RAJAPAKSA,**  
President

Ministry of Finance and Planning  
Colombo.

29<sup>th</sup> May, 2006

**Regulations**

In the ascertainment of turnover for the purposes of section 2 of the Economic Service Charge Act, No. 13 of 2006, for any relevant quarter, from any trade or business of freight forwarder, there shall be deducted, in addition to the deductions specified in paragraph (b) of sub section (3) of that section, any sum payable by such freight forwarder to any person on account of the carriage, by such person, of any cargo loaded into any ship or aircraft owned or chartered by such person.

02. The non-chargeability to the Economic Service Charge provided for in sub-section (2) of Section 2 shall, for any quarter, not apply to any freight forwarder in circumstances wherein the relevant turnover of such freight forwarder, for such quarter, does not exceed rupees ten million.

03. In these regulations a “freight forwarder” means a person or a partnership who or which is registered with the Central Bank of Sri Lanka under the Exchange Control Act, as a freight forwarder and who -

- (a) issues multi-modal documents of carriage covered by a “Freight Forwarders All Risk and Legal Liability Insurance Policy” and
- (b) furnishes, together with the return of relevant turnover for any relevant quarter, copies of the statements, furnished to the Controller of Exchange in respect of each month comprised in such relevant quarter, of -
  - (i) turnover prepared in the form specified in the Third schedule, and
  - (ii) net collections prepared in the form specified in the Fourth, Fifth and Sixth Schedules.

to the Notification issued by the Controller of Exchange under section 29 B of the Exchange Control Act.