

21<sup>st</sup> November 2013.

**To: Clients of Tudor V. Perera & Co.**

Dear Client,

***Budget Proposals - Year 2014 (Taxation)***

It gives us great pleasure in forwarding herewith an overview of the Budget Proposals announced by His Excellency the President Mahinda Rajapakse, in his capacity as the Finance Minister, in the Parliament on 21<sup>st</sup> November 2013.

However, this should not be treated as authoritative statement, since the Budget Proposals for the year 2014 are pending legislation.

The facts given are for general guidance and professional advice should be sought prior to acting on same.

Should you need further clarifications, please feel free to contact us.

Yours faithfully,  
**TUDOR V. PERERA & CO.**

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## **BUDGET PROPOSALS 2014 - TAXATION**

### **1. Income Tax (Amendments to the Inland Revenue Act No. 10 of 2006)**

#### **1.1. Exemptions/ Taxation at Concessionary Rates**

##### **1.1.1. Exemptions**

###### **1.1.1.1. Institutional Exemptions**

Profits and income (other than income from dividends and interest) of the following institutions will be exempt from income tax:

- (a) National Enterprise Development Authority established under the National Enterprise Development Authority Act No. 17 of 2006;
- (b) Sri Lanka Institute of Marketing incorporated under the Sri Lanka Institute of Marketing Act No. 41 of 1980;
- (c) The Institute of Physics Sri Lanka incorporated under the Institution of Physics Sri Lanka (Incorporation) Act No. 12 of 1986.

(Section 7 of the Inland Revenue Act will be amended).

###### **1.1.1.2. Source wise Exemptions**

- (a) Marginal relief to employees having other income not taxable at source as final tax:

Profits and Income not exceeding in the aggregate of Rs. 48,000/- for any year of assessment, other than any employment income, or any profits or income which is taxable at source as final tax, of any employee who is not engaged in any trade, business, profession or vocation, if tax is deducted from his employment income for that year of assessment.

(Section 8 of the Inland Revenue Act will be amended).

- (b) Profits and income arising or accruing to any Company, Partnership or body of persons outside Sri Lanka, from any payment made for the use of any computer software, by Sri Lankan Air Lines Limited or Mihin Lanka (Private) Limited, as a special requirement of such Airlines, if a Double Taxation Avoidance Agreement providing relief for double taxation of such profits is not in force between Sri Lanka and the other country or tax is not payable in that country on such profits or income.

(Section 13 of the Inland Revenue Act will be amended).

- (c) Dividends distributed out of exempt dividends received by a Company on investment made outside Sri Lanka as referred to in Section 10(1)(j) of the Inland Revenue Act, if such distribution is made within one month of receipt of such dividends.

(Section 10 of the Inland Revenue Act will be amended).

##### **1.1.2. Concessionary Rates**

- 1.1.2.1. The present concessionary rate of 12% applicable to profits and income from the supply of certain services to garment exporters will be extended to cover services provided to:

- exporters of goods or services; or
- the foreign principal directly

being services which could be treated as essentially related to manufacture of such goods or provision of such services and the payments for such services are made by the exporter or the foreign principal to such supplier of services, in Sri Lanka, in foreign currency.

The present exemption applicable to profits and income earned in foreign currency for the provision of services to a person outside Sri Lanka (to be utilized outside Sri Lanka) referred to in Section 13 (ddd) of the Inland Revenue Act will remain as is it.

(Section 58 of the Inland Revenue Act will be amended).

- 1.1.2.2. The applicability of Section 51 and Section 52 of the Inland Revenue Act providing for concessionary rate on qualified export profits will be extended.

(Sections 51 and 52 of the Inland Revenue Act will be amended).

- 1.1.2.3. To maintain the uniformity of the application of concessionary rates applicable to various Sectors, the current 10% rate for undertakings with annual turnover not exceeding five hundred million rupees will be revised to 12%.

(Section 59B and the Fifth Schedule, of the Inland Revenue Act will be amended).

1.1.2.4. Tax rates for professionals (providing professional services)

To remove the applicability of deferent rates of taxes on the income from professions tax rate on such income will be reduced as follows:

<b>Income from Profession</b>	<b>Maximum rate of Tax</b>
Does not exceed Rs. 25Mn	12%
Exceeds Rs. 25Mn but does not exceed Rs. 35 Mn.	14%
Exceeds Rs. 35 Mn.	16%

(Relevant Sections and the Rate Schedule will be amended).

1.1.2.5. Concessionary rate on employment income of professional as an employee

The maximum rate of income tax applicable on employment income of professionals will be reduced to 16%.

For this purposes employee means a medical doctor, engineer, architect, lawyer, pilot, navigation officer, software engineer, accountant recognized as a member of a recognized professional body, and a researcher or senior academic recognized as an accredited professional.

1.1.2.6. Considering the concessionary rates applicable to SME Sectors and the other identified Sectors (including companies), the lower rate of tax applicable to companies with taxable income not exceeding 5 million rupees will be removed.

(Second Schedule of the Inland Revenue Act will be amended).

1.1.2.7. The period for listing of shares of a company with an issue of not less than 20% to the general public for the application of the half of the applicable rate as referred to in Section 59D of the Inland Revenue Act, will be extended to a further period of three years, if such company is paying corporate income tax on the profits at 28% or more.

(Section 59D of the Inland Revenue Act will be amended).

**1.2. Deduction from the remuneration from employment**

1.2.1. The limit of monthly receipts, by an individual employed in the public sector under more than one employer, for the application of 10% rate will be raised to 50,000.

1.2.2. Where an individual is employed under more than one employer or serving in different places and receiving any benefit from the private use of a motor vehicle provided by the employer or any allowance from more than one employer or from more than one place, then the excess of aggregate of such benefits or allowance over fifty thousand rupees will form part of such employee's employment income liable to tax.

(Section 117A of the Inland Revenue Act will be amended).

**1.3. Restriction on the applicability of tax holiday and qualifying payments**

1.3.1. The exemption under Section 22 of the Inland Revenue Act will be restricted to investments made prior to 1.4.2014.

1.3.2. The deduction of the investment for expansion of an existing undertaking as qualifying payments referred to in paragraph (s) or paragraph (t) of subsection (2) of Section 34 will be restricted to such investments made prior to April 1, 2014.

1.3.3. In view of the applicability of lower tax rates to various Sectors and accelerated depreciation allowances together with deductibility of expenses such as research & Development, opening up expenses etc., the prevailing minimum investment and the corresponding period of tax exemption will be further rationalized.

(Sections 16C, 16D and 17A will be amended.)

**1.4. Revision of the definition of "executive officer" for tax purposes**

The monthly emoluments for the purpose of definition of an "executive officer" will be revised from Rs. 25,000/- to Rs. 75,000/-.

(The definition of the "executive officer" in Section 217 will be amended).

**2. Value Added Tax (VAT) [Amendments to VAT Act No. 14 of 2002]**

2.1. A New VAT Act will be introduced effective from 1.1.2014 codifying the amendments made to that Act up to 2013 and the amendments arising from the Budget 2014 proposals.

**2.2. Exemptions**

2.2.1. The present exemption available to telecom industry on the import or local purchase of any machinery or high tech equipment for telecom industry will be expanded to cover the import or local purchase of copper cables, subject to the same conditions specified in item (xx) of paragraph (a) of PART II of the First Schedule to the VAT Act, so far as such copper cables are used for the infrastructure development of the industry.

The exemption for importation will be available only if such cables are not available in Sri Lanka up to the required quality and the quantity.

2.2.2. The present exemption applicable on the import of gully bowsers, semi-trailers for road tractors, any machinery or equipment used for garbage disposal activities carried out by any local authority, for the purposes of provision of such services to the public as approved by the Secretary to the relevant Ministry, will be expanded to cover the exemption on such items, for purchasing of such items from local manufacturers as well, subject to the same conditions.

2.2.3. Import or supply of following goods will be exempted from VAT:

(a) Ties and bows under HS Code Nos. 62.15.10, 62.15.20, 62.15.90

(b) Designer pens under HS Code 96.08.30

(c) Frozen Bait, Fish Hooks/rods/reels, Fishing tackle under HS Code 0511.91.90, 9507.10, 9507.20, 9507.30 and 9507.90

(d) Marine Propulsion Engines under HS Code 8407.21, 8407.29.

(PART II of the First Schedule of the Value Added Tax will be amended)

**2.3. Restrictions of Exemptions**

2.3.1. The application of the exemption from VAT on goods subjected to Special Commodity Levy (SCL) will be restricted to the VAT payable at the point of Customs only, in the case of any importer whose value of supplies in the local market out of goods imported exceeds Rs. 250 Mn. for any consecutive period of three months in a Calendar year.

Accordingly, the local supply of such goods referred to in item (xiii) of paragraph (b) of PART II of the First Schedule, will be subjected to VAT, if the total value of supply of the import of such goods for any consecutive period of three months of any calendar year exceeds Rs. 250 Mn.

2.3.2. The exemption on the import or supply of such imported goods set out below will be removed:

2.3.2.1. Paddy, rice, wheat, cardamom, cinnamon, cloves, nutmeg, mace, pepper, desiccated coconuts, rubber, latex, fresh coconuts, tea including green leaf, rice flour, wheat flour, bread, eggs, liquid milk or powdered milk;

2.3.2.2. Agricultural tractors or road tractors for semi-trailers under HS Code Nos. 8701.10.10, 8701.10.90, 8701.20.10, 8701.90.10, 8701.90.20;

2.3.2.3. Machinery and equipment for the tea and rubber industry under HS Code Nos. 8438.80.40, 8429.10;

2.3.2.4. Machinery for modernization of factories by the factory owner;

2.3.2.5. Plant and machinery by an undertaking qualified for a tax holiday under Section 24C of the Inland Revenue Act No. 10 of 2006;

2.3.2.6. Pharmaceutical preparations falling under HS Code Nos. 3003.90.11, 3003.90.12, 3003.90.13, 3003.90.15, 3003.90.19, 3004.90.11, 3004.90.12, 3004.90.13, 3004.90.15 or 3004.90.19.

**2.4. VAT on Wholesale and Retail Businesses**

2.4.1. The present threshold of quarterly value of supplies of any person or partnership carrying on a business of wholesale or retail trade for the chargeability to VAT, will be reduced from Rs. 500 Mn. to Rs. 250 Mn.

Whether a subsidiary or associated company of a group of companies, engaged in a wholesale or retail sale has reached the liable threshold for any quarter will be determined based on the aggregate value of supplies of each company in the group, engaged in such trade, for that quarter.

2.4.2. The exemption applicable to the supply of goods specified in PART II of the First Schedule will be subjected to a maximum of 25% of the total supplies, in the case of a wholesale or retail business which supplies goods liable to VAT and goods exempted from VAT.

The input tax credit attributable on such liable supplies (if any), due to this adjustment will be allowed as referred to in Section 22.

(Section 3, Section 8 and Section 22 of the VAT Act will be amended).

**2.5. *Expanding the definition of International Transportation***

The present definition will be expanded to cover the services directly related to transportation of goods or passengers between international Air Ports situated within Sri Lanka.

**2.6. *The contribution to the VAT Refund Fund***

The percentage of the contribution to the VAT Refund Fund by the Director General of Customs out of the VAT collected on the importation of goods into Sri Lanka will be reduced from 10% to 6% considering the reduction of refund claims due to the implementation of the SVAT Scheme.

(Section 71(2) of the VAT Act will be amended w.e.f. 01.04.2013).

**3. Nation Building Tax (NBT) [Amendments to NBT Act No. 9 of 2009]**

**3.1. *Exemptions***

- 3.1.1. Retail trade of goods at duty free shops for payment in foreign currency.
- 3.1.2. Sale of locally manufactured coconut oil by the manufacturer, for a period of three years.
- 3.1.3. Distribution of LP Gas.
- 3.1.4. Services provided in any Airport for payments in foreign currency.

**3.2. *Restriction of Exemptions***

3.2.1. The application of the exemption from NBT on goods subjected to Special Commodity Levy will be restricted to NBT payable at the point of Customs only.

Accordingly, the local supply of such goods will be liable to NBT.

[Subsection (2) of Section 3 of the NBT Act will be amended].

3.2.2. The exemption of financial services from NBT will be terminated in view of the withdrawal of the requirement of depositing funds in the Investment Fund Account.

3.2.3. The exemption on the turnover on the sale of tractors will be restricted to locally manufactured tractors only. The importation of tractors falling under HS Code Nos. 8701.10.10, 8701.10.90, 8701.20.10, 8701.90.10, 8701.90.20 will be liable to NBT.

3.2.4. Pharmaceutical preparations falling under HS Code Nos. 3003.90.11, 3003.90.12, 3003.90.13, 3003.90.15, 3003.90.19, 3004.90.11, 3004.90.12, 3004.90.13, 3004.90.15, or 3004.90.19 will be liable to NBT at the import point.

(PART I of the First Schedule to the NBT Act will be amended).

**4. Special Concessions for Professional Service Sector**

**4.1. *Relocation of International Headquarters or Regional Head Offices***

To promote the establishment by relocating in Sri Lanka the Headquarters or Regional Head Offices of institutions in the international network, the following concessions will be accorded:

- (a) Income tax holiday for a specific period;
- (b) Deduction of special expenses connected with the incorporation of such Headquarters or the Regional Head Offices;
- (c) Relief for payment of VAT and NBT on receipts in foreign currency.

**4.2. *Construction of Residential Apartments for Professionals***

Where any individual engaged in any profession alone or together with such other individuals, sets up a consortium with a bank and the construction contractors for the purpose of constructing a Residential Apartment complex for their own residential purposes, then the following concessions will be accorded:

- (a) Bank providing loan facility will be taxed only at ½ of the applicable rate on the interest on such loans granted to such individuals for that purposes.
- (b) Qualifying payment of an amount not exceeding Rs. 50,000/- per month on the capital repayment will be allowed to be deducted in full by such individuals, on the respective payment.

(c) Stamp Duty applicable on the deed of transfer of the property will be reduced by 25% thereof.

(Section 13 and Section 34 of the Inland Revenue Act and relevant provisions of the application of Stamp Duty of the Provincial Council will be amended)

**4.3. Concessions to promote acquisition of International Intellectual Properties with established International Brand Names**

The following concessions will be accorded to any establishment which acquires any internationally recognized intellectual property and earns income in foreign currency by way of royalty

- (a) Total cost of acquisition will be allowed as a deduction for income tax purposes;
- (b) The income earned in foreign currency will be exempted for a specific period of time;

**4.4. Concessions for creation of Corporate Entities by Professionals:**

The following concessions will be accorded to professionals who establish corporate entities to provide international services:

- (a) ½ of the applicable Corporate income tax rate for a period of 5 years on services liable to tax ;
- (b) Concessions of 10% of the aggregate taxes and duties on the importation of a motor vehicle will be allowed, if more than US\$ 100,000 per year is remitted to Sri Lanka in any consecutive period of distinct 3 years.

**4.5. Concession for skill development in the Shipping Industry**

A deduction of 10% of income tax payable by a ship operator or any agent of a foreign ship will be allowed in consideration of the provision of skill development in the shipping industry to trainees.

The criterion for the deduction will be decided based on the number of individuals trained.

**4.6. Deduction of the cost of acquisition of Financial Institutions by way of Merger or Acquisition by the main Company which is a Financing Company**

The cost of acquisition or merger of financial companies by the main company will be allowed for deduction within 3 years of assessments.

**5. Cess**

**5.1. Import Cess**

Cess rates have been revised on following items to promote local value addition.

<b>Item</b>	<b>HS Heading / HS Code</b>
Cheese, Curd and similar products	04.04, 04.06, 04.08 and 04.10
Cut Flowers, Foliage	06.03 and 06.04
Vegetables (Cabbages, Lettuce, Carrots, Cucumbers, Leguminous Vegetables, Tomatoes, and similar Vegetables) (fresh, chilled or cooked)	07.04,07.05, 07.06,07.07,07.08, 07.09,07.10, 07.11, 07.12.31, 07.12.32, 07.12.33, 07.12.39, 07.12.90.10, 20.01, 20.02, 20.04, 20.05
Mushrooms and Truffles	20.03
Manioc, Sweet Potatoes and similar Yams	07.14
Nuts and Fruits (Pineapples, Avocados, Guavas, Mangoes, Mangos Teens, Citrus Fruit (except fresh Mandarins and Apples), Melons, Papaws, Pears, Apricots, Cherries, Peaches and other similar Fruits and nuts) (fresh, dried or prepared)	08.01, 08.02, 08.03, 08.04, 08.05 (except 0805.20.10) 08.06, 08.07, 08.08, 08.09, 08.10, 08.11, 08.12, 08.14, 2006.00.10, 20.06.00.90, 20.07.91, 20.07.99,20.08
Fruit Juice	20.09
Coffee, Pepper, Vanilla and Cinnamon	09.01,09.04,09.05,09.06
Artificial Flowers	67.02
Mosquito Coil	38.08.50.10
Wheat or Meslin Flour	1101.00.10
Margarine or Vegetable Fats and Poultry Fat	15.01,15.09,15.10,15.17
Sausages and similar products	16.01,16.02,16.03
Sauces and preparations	21.03
Sugar Confectionary	17.04
Chocolate and other preparations containing Cocoa	18.02,18.03,18.04,18.06
Pasta and similar products	19.02
Cereals and similar products	11.04,19.04
Soups and Broths and similar preparations	21.04
Ice Cream and other Edible Ice	21.05
Waters including Natural or Artificial Mineral Waters	22.01 and 22.02
Paints and Varnish	32.08,32.09

Beer made from Malt, un-denatured Ethyl Alcohol and similar Beverages	22.03,22.08
Vinegar	22.09
Condles	34.06
Battery	85.06.10
Josh Sticks	33.07.41
Portland Cement in packing of 50 Kg. and below	2523.29.20
Gauze	3005.10, 3005.90 , 58.03.00
Soap and Face Wash	3401.11, 3401.19,3401.20 and 3401.30
Laminated Sheets	39.20
Sanitary Napkins	96.19.00
Steel Products	72.04, 72.14.20.90, 73.06.30, 73.06.69.90, 73.06.90.90, 73.06.61.90, 73.14.20, 73.14.31, 73.14.41, 73.14.42, 73.14.49, 73.23
Aluminum Bars and Tubes	76.04, 76.08 ,76.10
Padlocks, Hinges	83.01, 83.02.10, 83.05 ,83.06
Furniture	94.03
Brooms and Brushers	96.03
Rubber Machines and Rubber Products	4084.20.10.10.

Cess will be removed/revised on following items;

Item	HS Heading / HS Code
Tung Oil	15.15.90.10
Paper Board	48.11.51.10
Unbleached Fabric	52.09.11, 52.10.11, 52.11.11, 52.12.21, 58.02.11
Aluminum Wires	76.05.11 40

To promote branded items for international shopping Cess has been removed on the following items;

Item	HS Heading / HS Code
Designer Pens	96.08.30
Ties and Bows	62.15.10 ,62.15.20 ,62.15.90

With the down ward revision of custom duty rates, with a view to make revenue neutral, Cess rates on imports have been adjusted.

#### 5.2. *Export Cess*

To promote local value addition Cess has been introduced for following items;

Item	HS Heading / HS Code
Pepper	09.04.11.10
Cinnamon	09.06.11.10
Clove	09.07.10.10
Nutmeg and Cardamoms	09.08.11.10

#### 6. **Customs Import Duty**

A four band tariff structure presently in place is further consolidated aligned with simplicity to facilitate production and trade as follows;

Classification	Customs Duty (%)	No. of Tariff Lines
Essential inputs, not manufactured locally	0	3,376
Raw Materials & Semi Raw Materials	7.5	184
Intermediate Goods	15.0	1,605
End user products	25.0	1,412

The following changes of Customs Duty are effective from 22<sup>nd</sup> November 2013.

IT/BPO Sector

HS Code	Customs Duty (%)
<i>IT Supportive Printers</i>	
8443.31.10	Free
8443.31.90	Free
8443.32.10	Free
8443.32.20	Free



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8443.32.90	Free
8443.39.10	Free
8443.39.90	Free
8443.99.10	Free
<i>Optical Fibre Cables</i>	
8544.70	Free

Energy Saving Materials

HS Code	Customs Duty (%)
<i>Solar Control Films</i>	
3919.90.10	Free

Branded items for up market development

HS Code	Customs Duty (%)
3303.00.10	7.5
9608.30	7.5
6215.10	7.5
6215.20	7.5
6215.90	7.5

Local value addition and backward integration with domestic value creation machinery and heavy industry

HS Code	Customs Duty (%)
<i>Tea Machinery</i>	
8438.80.40	7.5
<i>Tractors</i>	
8701.20.10	7.5
8701.20.20	7.5
8701.30.10	7.5
8701.30.20	7.5
8701.90.30	7.5
8701.90.40	7.5
<i>Steel</i>	
7207.11.10	7.5
7207.20.90	7.5
<i>Cement</i>	
2523.21	7.5
2523.29.10	7.5
2523.29.20	7.5
2523.29.30	7.5
2523.30	7.5
2523.90	7.5

Ayurvedic Industry

HS Code	Customs Duty (%)
2712.10	7.5
2712.20	7.5
2914.29.10	15.0
3301.25	7.5
3301.90.93	7.5
3301.90.96	7.5
3301.90.99	7.5

Fisheries Industry

HS Code	Customs Duty (%)
<i>Frozen bait</i>	
0511.91.90	7.5

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Confectionary Industry

<b>HS Code</b>	<b>Customs Duty (%)</b>
<i>Flavours</i>	
2103.90.10 (new NSD)	15.0
2103.90.90 (new NSD)	15.0
<i>Cocoa Beans</i>	
1801.00.10	15.0
1801.00.20	15.0

Gold and Motor Vehicle Imports

Gold

<b>HS Code</b>	<b>Customs Duty (%)</b>
7108.11	7.5
7108.12	7.5
7108.13	7.5
7108.20	7.5

Diesel Hybrid Vehicles (new NSD)

<b>HS Code</b>	<b>Customs Duty (%)</b>
8703.31.71	15.0
8703.31.79	15.0
8703.31.81	15.0
8703.31.89	15.0
8703.31.91	15.0
8703.31.92	15.0
8703.31.93	15.0
8703.31.94	15.0
8703.32.51	15.0
8703.32.52	15.0
8703.32.53	15.0
8703.32.61	15.0
8703.32.69	15.0
8703.32.72	15.0
8703.32.81	15.0
8703.32.89	15.0
8703.32.91	15.0
8703.32.92	15.0
8703.32.94	15.0
8703.32.95	15.0
8703.32.96	15.0
8703.32.97	15.0
8703.32.98	15.0
8703.32.99	15.0
8703.33.51	15.0
8703.33.59	15.0
8703.33.61	15.0
8703.33.69	15.0
8703.33.72	15.0
8703.33.81	15.0
8703.33.89	15.0

Other Industries for Local Value Addition

<b>HS Code</b>	<b>Customs Duty (%)</b>
<i>Boat Manufacturing Industry</i>	
8902.00	25.0
8903.10.90	25.0
8903.91	25.0
8903.92	25.0
8903.99.90	25.0
8904.00.10	25.0

<i>Wheel Barrows &amp; Parts</i>	
8716.80.20 (new NSD)	25.0
8716.90.10 (new NSD)	25.0
<i>Gauze</i>	
5803.00	25.0
3005.10	25.0
3005.90	25.0

**7. Special Commodity Levy Act No. 48 of 2007**

The Special Commodity Levy is revised on import of following items:

Item	HS Code
Sprats	0305.59.20
Watana - whole/split	0713.10.10, 0713.10.20
Chickpeas - whole/split	0713.20.10, 0713.20.20
Green Gram	0713.31.10
Canned Fish	1604.11, 1604.12, 1604.13, 1604.14, 1604.15, 1604.16, 1604.17, 1604.19, 1604.20
Sugar	1701.12, 1701.13, 1701.14, 1701.91.10, 1701.91.90, 1701.99.10, 1701.99.20, 1701.99.30, 1701.99.90
Maldives Fish	0305.59.10
Dried Fish	0305.59.90
Orange	0805.10.10
Coriander - neither crushed nor ground or crushed or ground	0909.21, 0909.22
Cumin - neither crushed nor ground or crushed or ground	0909.31, 0909.32
Fennel	0909.61.20
Turmeric - neither crushed nor ground or crushed or ground	0910.30.10, 0910.30.90
Black Gram Flour	1106.10.10
Ground Nuts	1202.42
Mustard Seed	1207.50
Palm Oil - Crude and Refined	1507.10, 1507.90, 1511.10, 1511.90.10, 1511.90.20, 1511.90.90, 1512.11, 1512.19, 1513.11.11, 1513.11.19, 1513.11.21, 1513.11.29, 1513.19.10, 1513.19.90, 1513.21, 1513.29
Salt	2501.00
Yoghurt	0403.10
Butter	0405.10
Margarine	1517.10.10, 1517.10.90

**8. Tariff reductions under the Free Trade Agreements**

Under South Asia Free Trade Agreement (SAFTA) and India - Sri Lanka Free Trade Agreement (ISFTA), 208 and 10 items are removed respectively from the negative list of Sri Lanka with effect from 22<sup>nd</sup> November 2013.

*South Asia Free Trade Agreement (SAFTA)*

*For Least Developed Countries (LDCs)*

0104.10, 0104.20, 0201.10, 0201.20, 0201.30, 0202.10, 0202.20, 0202.30, 0205.00, 0206.10, 0206.21, 0206.29, 0207.27, 0209.00, 0307.99, 0711.20, 0802.11, 0802.12, 0802.21, 0802.31, 0802.40, 0802.50, 0802.60, 0809.10, 0809.20, 0809.30, 0812.10, 0813.10, 0813.20, 0909.10, 0909.40, 0910.20, 1001.10, 1109.00, 1212.21, 1302.11, 1302.12, 1302.13, 1302.20, 1302.31, 1302.32, 1302.39, 1404.20, 1501.00, 1505.00, 1522.00, 1603.00, 1604.11, 1604.12, 1604.19, 1604.30, 1702.20, 1702.40, 1702.50, 1702.60, 2309.10, 2710.91, 2711.11, 2711.14, 2711.19, 2711.21, 2711.29, 2713.11, 2713.12, 2713.20, 2713.90, 2714.10, 2714.90, 2715.00, 4007.00, 4805.11, 4805.12, 4805.19, 4808.30, 4808.90, 4823.20, 6811.81, 7309.00, 7318.12, 7318.13, 7318.14, 7318.16, 7318.21, 7318.23, 7419.99, 7604.10, 7604.21, 8201.10, 8201.20, 8201.30, 8201.40, 8201.50, 8201.60, 8201.90, 8211.91, 8211.93, 8211.94, 8308.10, 8308.20, 8308.90, 8413.92, 8418.29, 8418.61, 8418.69, 8421.22, 8424.10, 8432.10, 8432.80, 8432.90, 8433.40, 8433.52, 8433.59, 8438.80, 8480.71, 8480.79, 8516.10, 8516.21, 8527.99, 8528.71, 8528.73, 8538.90, 8546.90, 8547.10, 9017.20, 9612.10, 9612.20

*For all member countries*

0804.20, 0810.40, 0903.00, 1008.30, 1214.10, 1901.10, 2005.91, 2523.21, 2523.29, 2709.00, 3907.50, 4002.99, 4105.10, 4106.21, 4106.31, 4106.32, 4106.40, 4106.91, 4201.00, 4202.11, 4202.12, 4202.19, 4202.21, 4202.22, 4202.29, 4202.31, 4202.32, 4202.39, 4202.91, 4202.92, 4202.99, 4203.10, 4203.21, 4203.29, 4203.30, 4203.40, 4205.00, 6402.12, 6402.19, 6403.12, 6403.19, 6404.11, 6811.82, 6913.10, 6913.90, 7015.10, 7114.11, 7114.19, 7114.20, 7215.10, 7215.50, 7215.90, 7303.00, 7313.00, 7318.24, 7615.11, 8212.20, 8215.10, 8215.20, 8215.99, 8414.59, 8418.21, 8421.19, 8423.90, 8424.81, 8433.51, 8504.22, 8516.79, 8517.69, 8527.13, 8527.21, 8527.29, 8536.70, 8536.90, 9004.10, 9004.90, 9608.91, 9615.11, 9615.19, 9615.90, 9616.10, 9616.20

*Indo - Sri Lanka Free Trade Agreement (ISFTA)*

Customs Duty on the following tariff lines in the negative list of Sri Lanka will be zero rated.

<b>Item</b>	<b>HS Code</b>
Pectic Substances, Pectinates and Pectates	1302.00
Agar-agar	1302.31
Mucilages and Thickeners, whether or not modified, derived from Locust Beans, Locust Bean Seeds or Guar Seeds	1302.32
Pet Food for Retail Sale	2309.10
Yarn used to clean between the teeth (dental floss)	3306.20
Trade advertising material, commercial catalogues and the like	4911.10
Corrugated Sheets	6811.81
Other Sheets, Panels & Tiles	6811.82
Hard Rubber or Plastics - Combs, Hair-slides and the like	9615.11
Other - Combs, Fair-slides and the like	9615.19

#### 9. Negative list of items for BOI Approved Projects

In order to maintain a rational tariff structure, the list of items given below is placed on the negative list of BOI concessions. The BOI could permit companies to import these items on duty free basis only if such items are not available from local suppliers, with the concurrence of the Director General, Department of Trade and Investment Policy.

<b>Item No.</b>	<b>Commodity</b>
1.	Cement
2.	Steel Reinforcement
3.	Plywood Sheets
4.	Aluminum Cladding Material with Framework
5.	Plywood Doors
6.	PVC Doors
7.	Staircase, Handrails, Nosing and Fittings
8.	Ceramic/Porcelain Wall Tile, Floor Tiles, Marble Floor Tiles, Granite and Quartz Tiles
9.	Column Corner Guards for Car Park Area
10.	Paints
11.	Aluminum and Zinc/Aluminum Roller Shutters
12.	Manhole Covers and Grating
13.	Bell and Bell Switches
14.	Electrical Wires and Cables
15.	Telephone Cables
16.	Main distribution Frames, distribution/junction boxes etc.
17.	PVC Floor Gullies
18.	WC's Wash Basin, Bidets, Vicinity Basins, Bath Tubs, Urinals and other Sanitary Fittings and Fixtures
19.	Power Coated Louvers and Drills
20.	Cast Iron Drainage Fittings
21.	Timber Doors
22.	Hinges for Doors and Windows
23.	Floor Hinges and Spring Hinges
24.	Casement Stays and Casement Fasteners for Windows
25.	Door Locks, Door Closers, Door Handles, Door Stoppers (allowed if they come as composite units)
26.	Panel Bolts
27.	Toilet Partitions
28.	Wall Finishing Material

**10. Depreciation Schedule for used Motor Vehicles**

The depreciation schedule for the importation of used motor vehicles of HS headings 87.01, 87.02, 87.03, 87.04 and 87.11 will be revised as follows;

Period of use	Depreciated FOB value
More than 1 year and less than or equal 2 years	90%
More than 2 years and less than or equal 3 years	80%
More than 3 years and less than or equal 4 years	75%
More than 4 years and less than or equal 5 years	65%
More than 5 years and less than or equal 6 years	60%
More than 6 years and less than or equal 7 years	55%
More than 7 years and less than or equal 8 years	50%
More than 8 years and less than or equal 9 years	45%
More than 9 years and less than or equal 10 years	40%
More than 10 years	35%

**11. Port and Airport Development Levy (PAL) [Amendment to PAL Act No. 18 of 2011]**

(a) Aviation Fuel under HS Code No 2710.19.20 will be free from PAL

(b) The import of pharmaceutical products under HS Code Nos. 3003.90.11, 3003.90.12, 3003.90.13, 3003.90.15, 3003.90.19, 3004.90.11, 3004.90.12, 3004.90.13, 3004.90.15, or 3004.90.19, 3004.10, 3004.20 and 3004.90.90 will be liable at 5%.

**12. Excise (Special Provisions) Act No. 13 of 1989**

New national sub headings and new Excise (SP) Duty rates on them will be introduced to the following HS Codes:

HS Code	New National Sub Headings
8703.31	8703.31.71, 8703.31.81, 8703.31.91, 8703.31.93, 8703.31.79, 8703.31.89, 8703.31.92, 8703.31.94
8703.32	8703.32.51, 8703.32.53, 8703.32.61 8703.32.52, 8703.32.59, 8703.32.69 8703.32.72, 8703.32.81, 8703.32.91, 8703.32.94, 8703.32.96, 8703.32.98 8703.32.79, 8703.32.89, 8703.32.92, 8703.32.95, 8703.32.97, 8703.32.99
8703.33	8703.33.51, 8703.33.61, 8703.33.72, 8703.33.81 8703.33.59, 8703.33.69, 8703.33.79, 8703.33.89
8704.21	8704.21.51, 8704.21.52
8704.31	8704.31.41, 8704.31.42

The Excise (SP) Duty on following HS Codes will be revised:

Item	HS Code
Petrol	2710.12.20
Diesel	2710.19.40
Lorries and Trucks	8704.21.51 , 8704.21.52, 8704.31.41 and 8704.31.42
Trishaws	8703.21 & 8703.31

The description of the following HS codes will be revised

8704.21.51, 8704.21.52, 8704.21.61, 8704.21.62, 8704.21.63, 8704.21.64, 8704.31.41, 8704.31.42, 8704.31.51, 8704.31.52, 8704.31.53, 8704.31.54

With the down ward revision of custom duty rates, with a view to make revenue neutral, Excise special provision rates have been adjusted in Chapter 87

**13. Telecommunication Levy [Amendments to Telecommunication Levy Act No. 21 of 2011]**

The present rate of 20% applicable on Telecommunication Levy will be revised to 25%. The concessionary rate of 10% applicable on the services provided through Internet/Broadband, to facilitate IT and BPO Sectors will remain unchanged.

**14. Measures to improve Tax collection and Tax Administration**

(a) *Introduction of a Unique Key Number*

A Unique Key Number will be introduced to link external interfaces with Inland Revenue Department with the introduction of the proposed Revenue Administration Management Information System (RAMIS).

Through the Unique Key, RAMIS application will be integrated with the IT Systems of most important External Agencies to secure information.

(b) *Amendments to Companies Act No. 7 of 2007*

The provisions will be incorporated to the Companies Act to expand the present requirement in obtaining the certificate issued by the Commissioner General of Inland Revenue as part of the annual return under the Companies Act, in obtaining a tax clearance certificate by a Company before effecting the liquidation or any change such as amalgamation, merger, re-structuring etc.

The present provisions in the Ninth Schedule to the Companies Act which sets out the present preferential claims of default tax of one year will be expanded to 5 years with the commencement of liquidation.

(The Companies Act will be amended).

(c) *Secrecy Provisions*

The restriction in the present provisions will be removed enabling dissemination of specific information to connected Government Institutions such as the Department of Customs, the Department of Census, and the Department of Sri Lanka Police etc. whenever, necessary in the course of carrying out official duties.

Provisions will be incorporated to publish the list of inactive VAT registrations in the IRD Web-site subject to any adjustment if activated later, in order to avoid issuing tax invoices or misuse of the registration for any other purposes.

(Section 209 of the Inland Revenue Act and the corresponding provisions of the other Acts will be amended).

(d) *Approved accountants and authorized representatives*

The rules and regulations applicable to Approved Accountants and Authorized Representatives will be amended to upgrade the quality and the standards of the services and to be in a more transparent manner with the present requirements of the IFRS Guidelines and Code of Ethics relating to such professions.

(Section 107 and the other relevant provisions of the Inland Revenue Act will be amended).

(e) New posts of officers based on the new Service Minute of the Inland Revenue service will be incorporated in the respective enactments.

(Section 217 of the Inland Revenue Act will be amended).

(f) *Default Tax Recovery Act*

Relevant provisions in the Inland Revenue Act relating to the recovery of taxes will be introduced to the Default Tax Recovery Act, in order to strengthen the recovery of process.

[Default Tax (Special Provisions) Act No. 16 of 2010 will be amended].

(g) *Economic Service Charge Act*

The time bar provisions relating to ESC will be made similar to the provisions of the Inland Revenue Act.

(ESC Act No. 13 of 2006 will be amended).

## **15. Insurance Industry**

The one-off transaction relating to segregation of composite insurance Companies as required by Section 53 of the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011, will be treated as a continuation of the business and the tax neutrality position will be provided on the same basis for life insurance and general insurance with regard to the following:

- (a) Carried forward losses of the existing business;
- (b) Set off of unabsorbed VAT;
- (c) Set off of ESC;
- (d) Transfer of assets and the continuation of the claimability of depreciation allowances.

(Relevant provisions will be incorporated to the Inland Revenue Act, VAT Act, and ESC Act where necessary).

## **16. Technical Rectifications**

Necessary adjustments will be made to the respective provisions of the Inland Revenue Act No. 10 of 2006, Value Added Tax Act, Nation Building Tax Act No. 9 of 2009, Economic Service Charge Act No. 13 of 2006, 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 and Tax Appeals Commission Act No. 23 of 2011 to rectify certain ambiguities and unintended effects (including differences in translations).

## **17. Effective Dates of Proposals**

Unless stated otherwise, the proposals in relation to:

- i. Income Tax and Economic Service Charge will take effect commencing from April 1, 2014.
- ii. Value Added Tax, Telecommunication Levy Act and Nation Building Tax will be implemented with effect from January 1, 2014.
- iii. Cess, Ports and Airports Development Levy, Customs Duty, Excise (Special Provisions) and Special Commodity Levy will take effect immediately.

# TAX RATES 2014/2015

	<b>CORPORATE INCOME TAX</b>	<b>MISCELLANEOUS</b>
	<u>Rate</u>	<u>Rate</u>
	<ul style="list-style-type: none"> <li>• Unit Trust, Mutual Funds and Unit Trust Management Companies 10%</li> <li>• Venture Capital Companies 12%</li> <li>• Company (other than the above and any holding Company, a subsidiary company or associate company of a group of companies) where the taxable income of which does not exceed Rs. 5 Mn. 12%</li> <li>• Any company (including a group company) which become QPC prior to 01.04.2011, for five years from the beginning of the year of assessment becoming QPC and taxable income of which exceed Rs. 5 Mn, but commences after 01.04.2006 33.33%</li> <li>• Other Companies 28%</li> <li>• Company listed after 01.04.2013 and before 31.03.2017 with 20% of shares to public - tax rate will be reduced by 50% for 3 years.</li> </ul>	<ul style="list-style-type: none"> <li>• Clubs and Associations 10%</li> <li>• ETF, EPF or other provident of pension funds 10%</li> <li>• Charitable Institutions 10%</li> <li>• Cooperative Societies Exempt</li> <li>• Entrepot Trade 10%</li> <li>• Operation and maintenance of facilities for storage, development of software or supply of labour <ul style="list-style-type: none"> <li>- Maximum 10% (individual)</li> <li>10% (companies)</li> </ul> </li> <li>• On qualified export profits (subject to a maximum of 15% for individuals) <ul style="list-style-type: none"> <li>- Deemed exports (subject to a maximum of 15% for individuals) 12%</li> <li>- Services rendered in Sri Lanka to a person or partnership outside Sri Lanka by any resident company 15%</li> </ul> </li> <li>• Transshipment agency fees in foreign currency 15%</li> <li>• Partnership tax on divisible profits and other income of a partnership business, if divisible profits exceeds Rs. 1,000,000/- (on the excess) 8%</li> <li>• Non citizen carrying on the profession or vocation of entertainer or artiste 12%</li> <li>• Petroleum exploration 12%</li> <li>• 3% of funds received by NGOs 28%</li> <li>• Lottery or betting or gaming activity, liquor or tobacco products 40%</li> <li>• Profits and income from educational services 10%</li> <li>• Any undertaking engaged in manufacture or providing service of which turnover does not exceed Rs. 500 Mn. (other than holding or subsidiary) 12%</li> <li>• Export or supply to exporter with domestic value addition 65% or more &amp; exported under Sri Lankan brand name <ul style="list-style-type: none"> <li>- Individual maximum 10%</li> <li>- Company 10%</li> </ul> </li> <li>• Profits and income of newly setup branch of a Commercial Bank dedicated to development banking 24%</li> <li>• Profits and income from activities carried out as research and development <ul style="list-style-type: none"> <li>- Person other than a Company 16%</li> <li>- Company 20%</li> </ul> </li> <li>• Organic Tea in Bulk - Non Traditional 12%</li> <li>• Manufacturer of tea in joint venture with tea exporter in value added form with Sri Lankan brand name 12%</li> <li>• Handloom Industry 12%</li> <li>• Health Care Services 12%</li> <li>• Unspecified rate 28%</li> </ul>
<b>INDIVIDUAL INCOME TAX</b>		
Tax free allowance (Resident Individuals) Rs. 500,000/-	<u>Rate</u>	
First Rs. 500,000/- of taxable income	4%	
Next Rs. 500,000/- of taxable income	8%	
Next Rs. 500,000/- of taxable income	12%	
Next Rs. 500,000/- of taxable income	16%	
Next Rs. 1,000,000/- of taxable income	20%	
Balance taxable income	24%	
Excluded from Statutory Income (If WHT has been paid) - Interest & Dividends		
Employment Income of Government and Private Sector subject to PAYE Tax		
Tax deducted under PAYE Scheme will be treated as final		
Tax free allowance deductible will be Rs. 600,000/- per annum		
<b>TAX ON TERMINAL BENEFITS FROM EMPLOYMENT (RETIRING GRATUITY ETC.) UNDER UNIFORM BASIS</b>		
<ul style="list-style-type: none"> <li>• On the first Rs. 5 Mn. of the sum where the period of service or contribution is not less than 20 years Exempt</li> <li>• On the first Rs. 2 Mn. of the sum where the period of service or contribution is less than 20 years Exempt</li> <li>• On the next Rs. 1,000,000/- 5%</li> <li>• On the balance 10%</li> <li>• Compensation under Voluntary Retirement Scheme (in the opinion of CGIR) up to Rs. 2 Mn. Exempt</li> <li>• Compensation under Labour Commissioner approved retrenchment scheme up to Rs. 2 Mn. Exempt</li> <li>• Non-uniform compensation for loss of employment under normal rates (subject to maximum rate) 16%</li> </ul>		
Employment income from Government Service - Payee system applied and such tax will be final, unless there is other source of income		
<b>DIVIDEND TAX</b>		
<ul style="list-style-type: none"> <li>• Tax on dividend distributed by a resident company 10%</li> <li>• If 10% of distributable profits of the previous year is not distributed, tax on the difference between the 33 1/3% of such distributable profit and the amount distributed 15%</li> <li>• In the case of non-resident companies, a sum equal to remittances made out of profits chargeable to income tax 10%</li> </ul>		
	<b>WITHHOLDING TAX</b>	
	<u>Rate</u>	
<ul style="list-style-type: none"> <li>• If the interest is paid or credited to - Company 10%</li> <li style="padding-left: 20px;">- Partnership 8%</li> <li>• If the interest is paid or credited to an individual and a declaration has been made by such individual to the bank or financial institution to the effect that: <ul style="list-style-type: none"> <li>- Assessable income does not exceed Rs. 500,000/- Exempt</li> <li>- Assessable income exceeds Rs. 500,000/- but does not exceed Rs. 1,500,000/- 2.5%</li> <li>- All other cases 8%</li> </ul> </li> <li>• If the interest is paid or credited to a charitable institution and a declaration has been made by such charitable institution to the bank or financial institution to the effect that assessable income does not exceed Rs. 500,000/- Exempt</li> <li>• Interest or discount on corporate debt security 10%</li> <li>• Dividends 10%</li> <li>• Government rewards or shares of fines 10%</li> <li>• Lottery prizes in excess of Rs. 500,000/- 10%</li> <li>• Winnings from betting or gambling 10%</li> <li>• Treasury Bills, Treasury Bonds etc. (only in the hand of the primary dealers) 10%</li> <li>• Annuities &amp; Royalties 10%</li> <li>• Management fees or similar payments (persons &amp; partnerships not liable to ESC). 5%</li> <li>• On remuneration/benefit paid to Directors/Chairperson/ Board of Directors or an individual having more than one employment or aggregate of such amount <ul style="list-style-type: none"> <li>- If monthly benefit does not exceed Rs. 25,000/- per month 10%</li> <li>- If exceed Rs. 25,000/- per month 16%</li> </ul> </li> </ul>		

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Chartered Accountants

MISCELLANEOUS <i>Contd....</i>	ECONOMIC SERVICE CHARGE <i>Contd....</i>	SHARE TRANSACTION LEVY
<ul style="list-style-type: none"> <li>Poultry Farming <u>Rate</u> 10%</li> <li>Supply of goods/provision of services for foreign ships for payment in foreign currency 12%</li> <li>Sale of any product manufactured in Sri Lanka for payment in foreign exchange earning account (Deemed Exports) 12%</li> <li>Mini hydro projects or alternative energy source 12%</li> <li>New company listings on or after 01.04.2013 and more than 20% of its shares offered to the public - Rate of tax will be reduced by 50%</li> <li>Pilots and identified professional employees (maximum) 16%</li> <li>Professionals providing professional services - Profit <ul style="list-style-type: none"> <li>below 25Mn. 12%</li> <li>25 Mn. - 35 Mn. 14%</li> <li>above 35 Mn. 16%</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Enterprises to which the Board of Investment of Sri Lanka Law, No. 4 of 1978 is applicable (liable to pay income tax) <ul style="list-style-type: none"> <li>- Apparel exporters } <u>Rate</u> 0.1%</li> <li>- Board of Investment house }</li> <li>- Manufacturers of textiles for apparel exporters }</li> </ul> </li> <li>Persons granted exemptions/concessionary rates/others <u>Rate</u> <ul style="list-style-type: none"> <li>- Who are exempt from income tax (including tax holiday Companies) 0.25%</li> <li>- Who during certain periods are incurring losses 0.25%</li> <li>- Who are subject to tax under concessionary rates 0.25%</li> <li>- Who are engaged in wholesale or retail trade other than products manufactured or produced by the seller (excepting distributors of dealers in motor vehicles or liquor) 0.25%</li> <li>- Who carry out primary conversion of any tea, rubber or coconut plantation including desiccated coconut, coconut oil or fiber, copra and sheet rubber, but excluding any conversion which produces any alcoholic beverage 0.25%</li> </ul> </li> <li>Advertising Agents <ul style="list-style-type: none"> <li>- Prior to 01st April 2011 1%</li> <li>- On or after 01st April 2011 0.25%</li> </ul> </li> <li>Any other businesses including of which the turnover is defined by Notice published in the Gazette (including dealers in motor vehicles, liquor, tobacco and petroleum) 1%</li> <li>Turnover as gazetted in respect of the following; 1%</li> <li>Freight forwarders on gross commission</li> <li>Garment exporters CMP/CMT Values (on NFE Basis)</li> <li>Gem/Diamond Exporters on CMP Values</li> <li>Primary dealer of securities on sale proceeds over aggregation of invest on purchase of securities &amp; interest paid or discount allowed</li> </ul>	<ul style="list-style-type: none"> <li>On the turnover (of the buyer and the seller) 0.3%</li> </ul>
		<b>BETTING &amp; GAMBLING LEVY</b>
		<ul style="list-style-type: none"> <li>Business of book maker <ul style="list-style-type: none"> <li>- Betting business done through agents Rs. 2,000,000/-</li> <li>- If live telecast facilities are used Rs. 500,000/-</li> <li>- If live telecast facilities are not used Rs. 25,000/-</li> </ul> </li> <li>Business of gaming Rs. 100,000,000/-</li> </ul> <p>In lieu of all indirect taxes other than above 5% all inclusive levy will be charged on gross collection monthly.</p>
		<b>CONSTRUCTION INDUSTRY GUARANTEE FUND LEVY</b>
		<ul style="list-style-type: none"> <li>Value of contract <u>Rate</u> <ul style="list-style-type: none"> <li>- Less than Rs. 15 Mn. Exempt</li> <li>- Not less than Rs. 15 Mn. but less than Rs. 50 Mn. 0.25%</li> <li>- Not less than Rs. 50 Mn. but less than Rs. 150 Mn. 0.5%</li> <li>- Rs. 150 Mn. or more 1%</li> </ul> </li> </ul>
<b>CAPITAL ALLOWANCES</b>		<b>STAMP DUTY</b>
<ul style="list-style-type: none"> <li>a) Information technology equipments and calculating equipments including software (other than locally manufactured) <u>Rate</u> 25%</li> <li>b) Commercial vehicles, furniture 20%</li> <li>c) Machinery and equipments not referred to in (a) &amp; (b) above (acquired or assembled) and plant etc. not referred to in item (d) 33.33%</li> <li>d) Plant, machinery or equipments used in health care, printing on paper, gem cutting and polishing, packaging of any commodity, rice milling, ships 33.33%</li> <li>e) Qualified building, constructed on or after 01.04.2011 10%</li> <li>f) Industrial or hotel building acquired from a person who has used such building in any trade or business 6.67%</li> <li>g) Purchase of locally developed software 100%</li> <li>h) Any bridge, railway track, reservoirs, electricity, water distribution line and toll roads (constructed or acquired) 6.67%</li> <li>i) High-tech plant, machinery or equipment acquired on or after 01.04.2012 for energy efficiency purposes/power generation out of alternative sources. 100%</li> <li>j) Technology upgrading or new technology 50%</li> <li>k) Broker-Back office to be in compliance with CSE requirements 100%</li> <li>l) Any export industry (60% or more turnover from exports) 50%</li> <li>m) Scientific, industrial, agricultural research through any institution 300%</li> </ul>	<ul style="list-style-type: none"> <li>Specified Instruments <ul style="list-style-type: none"> <li>Affidavit Rs. 250/-</li> <li>Policy of Insurance Rs. 1/- for every Rs. 1,000/-</li> <li>Notary Warrant Rs. 2,000/-</li> <li>Periodic license to carry on trade, Rs. 2,000/- or 10% of business etc. license fee whichever is less</li> <li>Any license issued authorizing the holder to carry on any trade or business for sale of liquor Rs. 20,000/-</li> <li>Claim or demand of money on usage of credit cards Rs. 15/- for Rs. 1,000/- or part</li> <li>Share Certificate Rs. 5/- for Rs. 1,000/- or part</li> <li>Mortgage Rs. 1/- for Rs. 1,000/- or part</li> <li>Promissory Note Rs. 1/- for Rs. 1,000/- or part</li> </ul> </li> <li>Lease or hire of any property <ul style="list-style-type: none"> <li>Thereof, of the aggregate rent or hire Rs. 10/- for Rs. 1,000/- or part of the aggregate rent or hire</li> </ul> </li> </ul> <p>(payable for the whole terms comprised in the lease or hire agreement shall be deemed to be the aggregate of the hire or lease payable for the first 20 years of such terms)</p>	
	<b>VALUE ADDED TAX (VAT)</b>	
	<ul style="list-style-type: none"> <li>Standard Rate 12%</li> <li>VAT on Financial Services 12%</li> <li>Direct exports of goods and supply of certain services referred to in Section 7 of the VAT Act 0%</li> <li>Threshold <ul style="list-style-type: none"> <li>- Taxable supplies from all businesses Rs. 12 Mn. p.a. or Rs. 3 Mn. p.q.</li> <li>- Wholesale and retail trade (local buying &amp; selling) Rs. 250 Mn. p.q.</li> </ul> </li> </ul>	
<b>ECONOMIC SERVICE CHARGE</b>	<b>NATION BUILDING TAX (NBT)</b>	
<p><b>(applicable if quarterly turnover exceeds Rs. 50 Million)</b></p> <p>Chargeability - ESC is payable only on the turnover of any business, the profits of which are not liable to income tax or incurring losses during that period.</p>	<ul style="list-style-type: none"> <li>On liable turnover 2% <ul style="list-style-type: none"> <li>(wholesale or retail - 50% of the turnover)</li> <li>(Distributors - 25% of the turnover)</li> </ul> </li> <li>Threshold Rs. 12 Mn. p.a. or Rs. 3 Mn. per p.q.</li> </ul>	<ul style="list-style-type: none"> <li>A receipt or discharge given for money or property (including remuneration) <ul style="list-style-type: none"> <li>- Up to and including Rs. 25,000/- Exempt</li> <li>- Above Rs. 25,000/- Rs. 25/-</li> </ul> </li> </ul>