

INTRODUCTION TO THE NATIONAL CUSTOMS TARIFF

1. The National Customs Tariff is a Guide to compute all the taxes or levies payable on goods (commodities) imported. It is a publication of such taxes stipulated under various Acts and Enactments, consolidated in to one book for ease of reference, both by the Customs Officials as well as the general public.
2. In this guide, the following taxes have been consolidated incorporating amendments made during November 2013 budget; it is updated up to 25th February 2014.
 - Customs Duty payable in terms of schedule 'A' of the Customs Ordinance (Chapter 235), stipulated by Revenue Protection Orders made under the Revenue Protection Ordinance of 1969.
 - Value Added Tax payable in terms of VAT Act No.14 of 2002.
 - Excise Duty payable in terms of Excise (Special Provisions) Act No. 13 of 1989.
 - Port and Airport Development Levy payable in terms of Section 2 of Finance Act No. 11 of 2002.
 - Nation Building Tax payable in terms of NBT Act No. 9 of 2009
 - Special Commodity Levy payable in terms of Section 2 of Special Commodity Levy Act No. 48 of 2007.
 - Export Development Board (EDB) Cess payable in terms of Export Development Act No. 40 of 1979.
3. Nevertheless, this guide itself is not a legal instrument. For purposes of establishing the source of legal authority of taxes indicated in the guide, one has to make reference to the relevant gazette notifications published under the respective Acts and Enactments notifying the imposition, deletion or amendment of rates of such taxes.

The Structure of the Tariff

4. The National Customs Tariff is comprised of (i) Table of Taxes, (ii) List of Concessions and (iii) List of Exemptions. The Table of Taxes - except for the National Subdivisions described in paragraph 07 herein below - consists of the "Harmonized Commodity Description and Coding System" (hereinafter referred to as the "Harmonized System" or HS), and rates of various taxes prescribed for each commodity in the said HS respectively.
5. The said HS nomenclature is comprised of 21 Sections, 99 Chapters, Headings and Subheadings established there-under in a structured hierarchical order, and the numerical codes for the identification of each heading and subheading respectively. Subheadings under the headings have been created at three hierarchical levels, namely, subheadings whose text is not preceded by a dash, subheadings whose text is preceded by one dash, and subheadings whose text is preceded by two dashes, in the descending order. These subheadings are identified by six digit numeric Codes. The HS nomenclature is established by International Convention on the Harmonized Commodity Description and Coding System. Sri Lanka is a signatory to the said Convention.
6. Depending upon the national requirements, some of the Subheadings (at the available lowest hierarchical level) are further subdivided at national level. Such divisions are known as National Subdivisions or NSD. NSD are identified by a numeric code comprising of 08 digits, and shall be further denoted by three dashes preceding the text. Depending upon the national requirements, those NSD too may be further divided, in which event those divisions - also known as NSD and identified by eight digit numeric codes - shall be identified by four dashes preceding the text.
7. Rates of various taxes payable for commodities (or groups of commodities as the case may be) have been indicated against each commodity (or the group of commodities as the case may be) identified by the international HS Codes, or against each NSD at the lowest hierarchical level when those international codes are further divided. Those lines comprising of a code, description and taxes are known as Tax Lines.

How to find out the taxes payable on any given commodity:

8. For purposes of levying duties and other levies, goods imported (or exported as the case may be) shall be classified within the said HS Nomenclature. Such classification shall be in accordance with the General Rules for the Interpretation of the said HS Nomenclature, with due regard to the Explanatory Notes to the HS Nomenclature, that being the official interpretation to the HS Nomenclature by the World Customs Organization. Where the Subheadings at the international level are divided in to NSD, the goods shall be classified down to the lowest hierarchical level, by first selecting the appropriate three-dash NSD, and if further divided, by selecting the appropriate four-dash NSD there-under.

9. The classification of goods within the NSD shall be according to the text of each NSD; the text providing the most specific description of the commodity to be classified shall be preferred over other NSD. The text of each NSD shall be considered in the same numeric sequence as they appear in the National Customs Tariff. All preceding subdivisions should be considered in their numerical sequence and exhausted, before choosing a particular NSD.
10. For purposes of paragraph 10 above, Three-dash NSD are comparable only with the other Three-dash NSD created under the same six-digit code (Harmonized System Code). Likewise, Four-dash NSD are comparable only with the other Four-dash NSD created under the same Three digit NSD.
11. Every commodity so classified shall be levied with the duties and other taxes specified in the tariff line corresponding to the classification code (whether the HS code or NSD as the case may be) selected as appropriate. Levying of those taxes shall be subjected to following conditions.

Levy of Customs Duty

12. Subject to the provisions of paragraphs 14 to 19 respectively, the commodities so classified shall be levied with the General Rate of Duty or the Preferential Rate of Duty where applicable, as prescribed in the respective Tariff Line.
13. Value for levying of Customs Duties shall be determined in accordance with the terms of Schedule 'E' to the Customs Ordinance (Chapter 235). Formula shown on page *Introduction 17* in this guide is to be followed in computing the Customs Duty.
14. For the purposes of paragraph 12, wherever more than one General Rate of Duty is specified, the rate that accrues the highest amount of Duty shall apply, unless specified otherwise.
15. For the purposes of paragraph 12, wherever a Preferential Rate and a General Rate of Duty are prescribed for any commodity, the Preferential Rate shall be levied provided that the commodity is proved to the satisfaction of the Director General of Customs to have been produced or manufactured in the respective country or group of countries as prescribed and are in accordance with the terms and conditions of the Resolution prescribing such Preferential Rate or Rates, as published in the Gazette.
16. Where the commodities qualify for concessionary rates prescribed in the "List of Concessions", the commodities shall be levied with the concessionary rates; where the commodities are qualified for exemptions as per "List of Exemptions", the commodity shall be exempted from such Duties. For purposes of this paragraph, Director General of Customs shall be the final authority for deciding whether the commodity qualifies for such concessions or exemptions enumerated under Schedule 'A' of the Customs Ordinance.
17. Machinery, plant and equipment, if imported disassembled or unassembled for convenience of packing, handling or transport, and presented in the same consignment, or imported in different consignments after having obtained prior approval to import in different consignments, are to be classified as the commodity resulting after the assembly, provided that the Director General of Customs is satisfied that the goods warranted importation disassembled or unassembled, and the rate of Duty applicable for such disassembled or unassembled goods shall be the rate of Duty applicable to the commodity resulting after the assembly.
18. Customs Duty shall not be levied when a "Special Commodity Levy" is imposed and is in force for the same commodity; then, only that Special Commodity Levy shall be levied, subject to details given there under.

Levy of other Taxes

19. The commodities so classified as prescribed in paragraph 11 above, shall be levied with Value Added Tax (VAT), Port and Airport Development Levy (PAL), Nation Building Tax (NBT), Excise (Special Provisions) Duty and Export Development Board Cess where applicable, as prescribed in the respective tariff line, subject to following conditions.
20. Formulas shown on page *Introduction 17* in this guide are to be followed in computing the tax bases for respective taxes/levies.
21. When Special Commodity Levy is imposed for a commodity, and is in force, only that levy shall be levied instead of all other taxes/levies.

22. For the purpose of paragraph 20, wherever a commodity is qualified for exemption (as provided for in the respective Act) from the levying of a tax indicated in the tariff line, then that commodity shall be exempted from such tax.
23. Wherever an ad-valorem rate and a specific rate of a levy are indicated, the rate that accrues the highest amount shall be applied, unless specified otherwise.
24. The levy of the following taxes has been discontinued as follows;
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| Surcharge of Duty | from 1 st of June, 2010 |
| Social Responsibility Levy (SRL) | from 23 rd of November, 2010 |
| Regional Infra-structure Development Levy (RIDL) | from 23 rd of November, 2010. |

The Units of Quantities

25. Importers are required to declare the quantity of commodity in accordance with the "Unit of Quantity" shown against the Tariff Line under which the respective commodity is classifiable. The said same "Unit of Quantity" shall be applicable in paying the "Specific Rates of Duties," unless specified otherwise.

Depreciation of Values for Taxation

26. In computing the value for taxation of a used motor vehicle, the value is depreciated in accordance with the table appearing on page *Introduction 16* of this guide.

Other Statutory Regulations and Requirements

27. As explained at the beginning, this guide is only indicative of some of the taxes payable. Therefore, no attempt had been made to indicate various Licenses and Permits that have to be obtained before the importation of any commodity, except to show the commodities requiring "Import (Control) License" prior to importation. Commodities presently under the SLSI (Sri Lanka Standards Institute) standards scheme are in page *Introduction 20 to Introduction 26* of this guide. Commodities coming under the mandatory inspection scheme for Food and Drugs Requirements under the Ministry of Healthcare and Nutrition are on page *Introduction 18 to Introduction 19*. All imports are subject to Exchange Control Requirements.
28. In addition to that, import of certain commodities is subject to approval or pre-import sanctioning/licensing by the following Institutions.
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| ▪ Atomic Energy Authority | ▪ Department of Animal Product and Health (Animal Quarantine) |
| ▪ Consumer Affairs Authority | ▪ Central Environmental Authority |
| ▪ Cosmetics, Devices and Drugs Authority | ▪ Ministry of Defense |
| ▪ Department of Agriculture (Plant Quarantine) | ▪ Telecommunication Regulatory Commission |
| ▪ National Film Cooperation | |
29. It is important to note that the above list indicates only the frequently required permits and licenses and hence is NOT EXHAUSTIVE. Obtaining the applicable approvals and permits from the respective authorities is the responsibility of the importers.

Disclaimer

30. Whether specifically mentioned in this guide or otherwise, importers are bound by law to comply with the requirements of all regulations, acts and enactments relative to imports and imported goods, as in force at the time of import.