

## **SCHEDULE 'A' OF THE CUSTOMS ORDINANCE**

### **Prescribed under Section 10 of the Customs Ordinance (Chapter 235)**

1. Schedule A, being the "Table of Duties" (including the list of concessions and the list of exemptions), is comprised of a list of commodities and groups of commodities, and rates of duties prescribed for each commodity or group of commodities.
2. (i) The said list of commodities is in accordance with the "Harmonized Commodity Description and Coding System" (hereinafter referred to as the "Harmonized System"), established by international convention, to which, Sri Lanka is a signatory. The Harmonized System is comprised of the headings and subheadings consisting of commodities or groups of commodities, numerical codes assigned for those headings and subheadings, both categories arranged in to Sections and Chapters with some Sections, Chapters and Subheadings having preceding Legal Notes, and the General Rules for the Interpretation of the Harmonized Commodity Description and Coding System. The said Subheadings are identified by six-digit numerical codes known as Harmonized System Codes or Commodity Codes.  
  
(ii) Depending upon the national requirements, the list of commodities referred to in paragraph (i) above is further subdivided at national level by creating National Subdivisions under Harmonized System Codes. Such National Subdivisions are identified by sub-commodity codes comprised of eight-digits.
3. For determination of the duty rate or rates applicable for any goods, wares or merchandise, hereinafter referred to as commodities, the same shall be classified in the said list of commodities, and the appropriate Harmonized System Code shall be selected.
4. Where a commodity code is subdivided at national level, it shall be mandatory to classify the commodity beyond the six-digit level, down to the lowest hierarchical national level.
5. The classification of the commodities in the nomenclature down to the sixth digit level (to determine the appropriate Harmonized System Code) shall be governed by the principles set out under the General Rules for the interpretation (GRI) of the Harmonized System.
6. For the purposes of paragraph 05, due reference shall also be made to the Explanatory Notes to the said Harmonized System.
7. Where nationally subdivided, the classification beyond the six-digit level shall be governed by the following principles:
  - i. Where the National Subdivision (NSD) are created at two hierarchical levels and identified by three dashes ("Three - dash NSD") and four dashes ("Four - dash NSD") respectively preceding the text, the Three – dash NSD shall be considered as hierarchically higher to the Four-dash NSD. First the applicable Three –dash NSD under the appropriate Harmonized System Code shall be selected and thereafter the applicable Four – dash NSD under the selected Three –dash NSD shall be selected.
  - ii. The classification among the NSD shall be according to the text of each subdivision, but shall be governed – mutatis mutandis – by the provisions of GRI; the text providing the most specific description shall determine the appropriate NSD. For that purpose, 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 –dash NSD.

- iii. NSD shall be considered in the same numeric sequence as they appear in the Table of Duties. All preceding subdivisions under the selected six-digit code should be considered in their numerical sequence and exhausted, before choosing a particular NSD, as indicated in subparagraph (ii) above.
8. Every commodity so classified down to the lowest hierarchical level, shall be levied, subject to provisions of paragraphs 09(i), (ii) and (iii) respectively, with the General Rate of duty or the Preferential Rate of duty where applicable, prescribed against the respective Commodity Code (Harmonized System Code) or the NSD Code appropriate for that commodity.
9. For the purposes of paragraph 08,
- i. wherever more than one General rate of duty is specified, the rate that accrues the highest amount of duty shall apply, unless specified otherwise.
  - ii. 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 groups 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.
  - iii. During the implementation of Tariff Liberalization Program of a Free Trade Agreement, to which Sri Lanka is a party, if the rate of duty of a commodity reflected in the Column (4) of the Schedule against the respective Free Trade Agreement is more than the General Rate of Duty reflected in the Column (5) of the Schedule, then the General Rate of Duty shall be applied.
10. Where the commodities qualify for concessionary rates listed in Annex-1 to schedule "A", the commodities shall be levied with the concessionary rates; where the commodities are qualified for exemptions as per list of exemptions in Annex – II, the commodity shall be exempted from such duties. For purpose of this paragraph, Director General of Customs shall be the final authority as for deciding whether the commodity qualifies for such concession or exemption.
11. Machinery, plant and equipment, if imported disassembled or unassembled for convenience of packing, handling and/or transport, and presented in different consignments, are to be classified as the article (commodity) resulting after assembly if the Director General of Customs is satisfied that the goods warranted presentation in that manner, and the rate of duty applicable for such disassembled or unassembled goods shall be the rate of duty applicable to the assembled article.

## COMPUTATION OF IMPORT LEVIES

Following duties and fiscal levies are collected by Sri Lanka Customs, on imported goods, at the time of importation.

Customs Duty (Preferential and General)	Export Development Board Cess	Port and Airport Development Levy (PAL)
Excise (Special Provisions) Duty (ED)	Value Added Tax (VAT)	Special Commodity Levy (SCL)
Surcharge	Social Security Contribution Levy (SSCL)	

Abbreviations.

<b>v</b>	CIF Value in Rupees	<b>e</b>	Excise (Special Provisions) Duty	<b>s</b>	Surcharge
<b>c</b>	Cess under Export Development Board Act	<b>t</b>	Value Added Tax	<b>SSCL</b>	Social Security Contribution Levy
<b>d</b>	Customs Duty *	<b>p</b>	Ports and Airports Development Levy		

**Customs Duty**  $d = (\text{CIF value}) * (\text{Customs Import Duty Rate})$  or  $d = (\text{Quantity}) * (\text{Unit Rate of Customs Import Duty})$

**Excise (Special Provisions) Duty**  $e = (v + 15\% \text{ of } v + d + c + p) * \text{Excise Duty Rate}$  or  $e = (\text{Quantity}) * (\text{Unit rate of Excise Duty})$

**Export Development Board Cess**  $c = (v) * (\text{Cess Levy Rate})$  or  $c = (\text{Quantity}) * (\text{Unit Rate of Cess Levy})$

**Value Added Tax**  $t = (v + 10\% \text{ of } v + d + c + p + e + s) * (\text{VAT Rate})$

**Port and Airport Development Levy**  $p = (v) * (\text{PAL Rate})$

**Special Commodity Levy**  $\text{SCL} = (\text{Quantity}) * (\text{Unit rate of SCL})$

**Surcharge**  $S = d * (\text{Surcharge rate})$

**Social Security Contribution Levy**  $\text{SSCL} = (v + 10\% \text{ of } v + d + c + p + e + s) * (\text{SSCL rate})$

*\* **Note:** If the Customs Duty is waived by the Ministry of Finance or a concessionary Duty rate or a preferential rate is granted, then 'd' stands for the actual amount of Duty paid. In the event the Customs Duty payment is suspended (for e.g. under the Bonding Regime), then d' stands for "actual amount of Duty that was payable".*

## **COUNTRIES COMING UNDER VARIOUS PREFERENTIAL TRADE AGREEMENTS AND INDICATORS FOR PREFERENTIAL RATES OF DUTY**

### ***AGREEMENT ON GLOBAL SYSTEM OF TRADE PREFERENCE (GSTP)***

- |   |                              |                                  |   |
|---|------------------------------|----------------------------------|---|
| 1. Algeria                                | 2. Ecuador                   | 3. Mexico                        | 4. Democratic Socialist Republic of Sri Lanka |
| 5. Argentina                              | 6. Egypt                     | 7. Morocco                       | 8. Sudan                                      |
| 9. People's Republic of Bangladesh        | 10. Ghana                    | 11. Mozambique                   | 12. Thailand                                  |
| 13. Benin                                 | 14. Guinea                   | 15. Nicaragua                    | 16. Trinidad and Tobago                       |
| 17. Bolivia                               | 18. Guyana                   | 19. Nigeria                      | 20. Tunisia                                   |
| 21. Brazil                                | 22. Republic of India        | 23. Islamic Republic of Pakistan | 24. United Republic of Tanzania               |
| 25. Cameroon                              | 26. Indonesia                | 27. Peru                         | 28. Vietnam                                   |
| 29. Chile                                 | 30. Islamic Republic of Iran | 31. Philippines                  | 32. Venezuela                                 |
| 33. Colombia                              | 34. Iraq                     | 35. Republic of Korea            | 36. Zimbabwe                                  |
| 37. Cuba                                  | 38. Libyan Arab Jamahiriya   | 39. Romania                      |   |
| 40. Democratic People's Republic of Korea | 41. Malaysia                 | 42. Singapore                    |   |

### ***INDIA – SRI LANKA FREE TRADE AGREEMENT***

- |                      |   |
|----------------------|---|
| 1. Republic of India | 2. Democratic Socialist Republic of Sri Lanka |
|----------------------|---|

### ***PAKISTAN – SRI LANKA FREE TRADE AGREEMENT***

- |                                 |   |
|---------------------------------|---|
| 1. Islamic Republic of Pakistan | 2. Democratic Socialist Republic of Sri Lanka |
|---------------------------------|---|

### ***AGREEMENT ON SOUTH ASIAN FREE TRADE AREA (SAFTA)***

- |                                    |   |
|------------------------------------|---|
| 1. People's Republic of Bangladesh | 5. Kingdom of Nepal                           |
| 2. Kingdom of Bhutan               | 6. Islamic Republic of Pakistan               |
| 3. Republic of India               | 7. Democratic Socialist Republic of Sri Lanka |
| 4. Republic of Maldives            | 8. Islamic Republic of Afghanistan            |

### ***AGREEMENT ON ASIAN FREE TRADE AREA (AFTA)***

- |                                    |   |
|------------------------------------|---|
| 1. People's Republic of Bangladesh | 5. Lao People's Democratic Republic           |
| 2. People's Republic of China      | 6. Democratic Socialist Republic of Sri Lanka |
| 3. Republic of India               |   |
| 4. Republic of Korea               |   |

### ***LEAST DEVELOPED COUNTRIES (LDCS) UNDER SAFTA***

- |                                    |                         |
|------------------------------------|-------------------------|
| 1. People's Republic of Bangladesh | 3. Republic of Maldives |
| 2. Kingdom of Bhutan               | 4. Kingdom of Nepal     |

### ***SINGAPORE– SRI LANKA FREE TRADE AGREEMENT***

- |              |   |
|--------------|---|
| 1. Singapore | 2. Democratic Socialist Republic of Sri Lanka |
|--------------|---|

### **INDICATORS FOR PREFERENTIAL RATES OF DUTY**

- |             |   |
|-------------|---|
| <b>(AP)</b> | - For Imports under the Asia – Pacific Trade Agreement (APTA)                               |
| <b>(AD)</b> | - For Imports from Least Developed Countries (LDCs) under APTA                              |
| <b>(BN)</b> | - For Imports from Bangladesh   |
| <b>(GT)</b> | - For Imports under the Agreement on Global System of Trade Preference (GSTP)               |
| <b>(IN)</b> | - For Imports under Indo – Sri Lanka Free Trade Agreement                                   |
| <b>(PK)</b> | - For Imports under Pakistan – Sri Lanka Free Trade Agreement                               |
| <b>(SA)</b> | - For Imports from South Asian Association for Regional Cooperation (SAARC) countries only. |
| <b>(SF)</b> | - For Imports under the Agreement on South Asian Free Trade Area (SAFTA)                    |
| <b>(SD)</b> | - For Imports from Least Developed Countries (LDCs) under SAFTA                             |
| <b>(SG)</b> | - For Imports under Singapore – Sri Lanka Free Trade Agreement                              |

## **SPECIAL COMMODITY LEVY (SCL)**

Special Commodity Levy is imposed in terms of Section 2 of Special Commodity Levy Act, No. 48 of 2007.

The purpose of the introduction of this Levy was to overcome the complexities associated with the application and administration of multiple taxes on essential commodities. Accordingly, the Special Commodity Levy is applicable on such specified items as a composite tax in lieu of all other prevailing levies [such as Customs Duty, VAT, EDB Cess, Excise (Special Provisions) Duty, PAL and NBT].

## **CESS LEVY AND MAXIMUM RETAIL PRICE (MRP) BASED CESS LEVY**

Cess levy was imposed in terms of Section 14(1) of the Sri Lanka Export Development Act No. 40 of 1979 and the rates specified are provided in the National Tariff Guide.

A Cess levy called "MRP-based Cess" payable on selected commodities falling within HS 1704.10.10, 1704.90.10, 1806.31, 1806.32, 1905.31.10, 1905.32.10, 1905.40.10, 1905.90.20, 3401.11.10, and 3401.19.10 was introduced on 15.10.2007

Wherever more than one rate (out of the three rates - namely, ad-valorem rate, Maximum Retail Price (MRP) based rate and Unit Rate) are specified, the applicable rate shall be the rate which results in the highest amount as Cess.

A Cess levy called "MRP-based Cess" payable on selected commodities falling within HS 1704.10.10, 1704.90.10, 1806.31, 1806.32, 1905.31.10, 1905.32.10, 1905.40.10, 1905.90.20, 3401.11.10, and 3401.19.10 was introduced on 15.10.2007.

The levy is a percentage of the maximum retail price of such goods in Sri Lanka minus permissible abatement. The percentage of abatement is determined by the Ministry of Finance and Planning by taking into consideration the charges incurred after importation and the profit margin. The abatement is presently decided at 35%.

Under this scheme the importer of such goods is required, at the time of importation, to have the MRP clearly marked on the packing of each product in English language. The regulations to this effect are published under the Consumer Affairs Authority Act No. 09 of 2003, for selected items from time to time.

On submission of CusDec for such goods, the Importer must make a separate declaration giving the maximum retail price in Sri Lanka Rupees against each product of different brand, Article Number, size, etc. The format of this declaration was published under Customs DOPL No. 606B.