

Share Transaction Levy (STL) Tourism Development Levy (TDL) Excise Duty

7.10 Share Transaction Levy (STL)

Imposition

Finance Act No. 5 of 2005 was enacted with effect from 01.01.2005 to charge a levy on share transactions taking place in the stock exchange. The levy is charged on the seller on disposal value of the share and on the buyer on the purchase value of the share. As this is purely based on the transaction taking place in the stock exchange, revenue generated fluctuates in accordance with the volume of the share market dealings.

Applicable rates

Period	Rate
From 01 January 2005 to 31 December 2010	0.2% of turnover
From 01 January 2011 to 31 December 2015	0.3% of turnover
01 January 2016 to 31 March 2016	Abolished
From 1st April 2016 to date	0.3% of turnover

Payments and returns

The Share Transaction Levy shall be collected by the relevant stockbroker, stock dealer or custodian bank as the case may be, who is responsible for the settlement of such share transaction.

The Share Transaction Levy collected shall be paid to the stock exchange through which the share transaction took place, at the time of making settlement of such share transaction by the respective stockbroker, stock dealer or custodian bank, as the case may be. The Stock Exchange shall remit the levy so collected to the Commissioner-General of Inland Revenue within three working days from the date of such settlement.

The Stock Exchange shall furnish to the Commissioner-General, a monthly statement giving the total turnover in respect of which the Share Transaction Levy has been remitted to the Commissioner-General within fifteen days from the last day of each month.

Default Levy

Any stockbroker, stock dealer or custodian bank as the case may be, who fails to pay the total amount of the Share Transaction Levy, shall be deemed to be a defaulter, and where such defaulter is a body corporate, the Chairman of the Board of Directors and every Director or principal officer of such body corporate shall be deemed to be a defaulter and such Levy as is not paid on or before the due date shall be deemed to be a Levy in default.

The defaulter shall be liable to pay a surcharge in addition to the Share Transaction Levy in default, calculated-

- (a) at the rate of 10% of the amount of such levy as is in default for the subsequent period of one month or part thereof, from the due date for the payment of the Levy and
- (b) at the rate of 2% of the amount of such Levy as is in default for each subsequent period of one month or part thereof, from the due date for the payment specified in above (a),

The Commissioner-General shall take action to recover the Share Transaction Levy or such part of the Levy which is in default for a period of more than three months and the amount of the surcharge accrued thereon.

Recovery of default Tax

- The Commissioner-General shall issue a notice to the defaulter, three weeks prior to the taking of any steps for the recovery informing the defaulter of the intention of the Commissioner-General to institute proceedings for the recovery.
- Where the Commissioner-General issues above Notice of default but the levy and surcharge accrued thereon remains unpaid even though the period of three weeks specified in such Notice has elapsed, the Commissioner-General shall issue to the Magistrate having jurisdiction over the division in which the defaulter resides or is carrying on business, a Certificate containing the name and address of the defaulter and the total sum in default along with a statement to the effect that the person so named has defaulted in making the payment.
- The Magistrate shall on receipt of the Certificate, issue summons on the defaulter requiring him to appear before him on a date to be specified and show cause as to why proceedings should not be taken against him for the recovery of the amount of the Share Transaction Levy or such part of the Levy which is in default and the surcharge accrued thereon. Where the cause shown appears to the Magistrate to be insufficient so as to explain the reason for the non-payment, the Magistrate shall after recording the same, make order for the recovery of the amount of the Share Transaction Levy in default and the amount of the surcharge accrued thereon, from the defaulter as if it were a fine imposed by the Magistrate. The money so recovered shall be remitted to the Commissioner-General, who shall credit the same to the Consolidated Fund.

Exercise

Mr. A owns 100,000 shares of a quoted public company. He sold 50,000 shares at Rs. 50/- per share on 20.10.2023 through Colombo Stock Exchange.

Calculate Share Transaction Levy payable on this transaction.

$$\begin{aligned} \text{By seller} &= (50,000 \times 50) \times 0.2\% \\ &= \underline{\underline{\text{Rs. 5,000}}} \\ \text{By buyer} &= (50,000 \times 50) \times 0.2\% \\ &= \underline{\underline{\text{Rs. 5,000}}} \end{aligned}$$

7.11 Tourism Development Levy (TDL)

In terms of the Part 1 of the Finance Act No 25 of 2003, Tourism Development Levy shall be charged from every institution licensed under the Tourism Development Act, No. 14 of 1968.

Every institution shall apply to the Ceylon Tourist Board and obtain a registration for TDL.

Rate - 1% on the turnover in any year

If any institution having an annual turnover of not exceeding Rs. 12 million or a quarterly turnover not exceeding Rs. 3 Million - 0.5% on the turnover of such institution.

Definition of Turnover

The turnover in relation to -

- a) a tourist hotel, means the amount received or receivable from the total sales excluding the service charges up to 10% of such sales and the value added tax charged on such sales
- b) a travel agent, means the total receipts from services provided in relation to the tourist industry excluding payments made by him in respect of services provided to him by other local service providers and the value added tax charged on such services.

However TDL shall not be charged on the commission carried on the sale of airline tickets from Travel Agent including General Sales Agents licensed under the Tourism Development Act NO 14 of 1968

- c) a tourist shop, means the amount received or receivable from the total sales of products from any such shop excluding the value added tax charged on such sales

The levy shall be remit to the Director General of Ceylon Tourist Board for every quarter before the end of succeeding quarter and quarterly returns shall be submitted. Accordingly, due dates are as follows.

Quarter ended 31st March 2020	- on or before 30th June 2020
Quarter ended 30th June 2020	- on or before 30th September 2020
Quarter ended 30th September 2020	- on or before 31st December 2020
Quarter ended 31st December 2020	- on or before 31st March 2021

Note : Considering the impact of the Easter Sunday attack and the Covid 19 outbreak a grace period of 10 months has been granted for TDL payments from 1st July 2019 to 30th April 2020, recovering from 20 equal instalments starting from 01st May 2020 ending 31st December 2021, without penalties.

Exercise

Following information of Sahas Hotel were given in relation to Quarter ended 31.12.2023

Room Revenue	4,560,000
Less: Service Charge	(456,000)
Sale of beverages	2,167,000
Income from Other services	1,254,000
	<u>7,525,000</u>
Tourism Development Levy @ 1%	<u>75,250</u>

7.12 Excise Duty chargeable under the Excise (Special Provisions) Act

1. Imposition

As per the provisions of Excise (special provisions) Act, No. 13 of 1989 (the Act), Excise Duty is charged, levied and paid on every excisable article manufactured or produced in Sri Lanka or imported into Sri Lanka at rates specified by the Minister by order published in the gazette.

Every such article in respect of which an Order is made under section 3 of the Act is referred to as "an excisable article".

The rate or rates of excise duty levied in respect of articles will be determined by reference to the class or description of articles.

2. Registration

All applications for registration should be made to the Director of Excise with the prescribed fee. Director of Excise shall issue to every person registered under Excise Duty (Special Provisions) Act, No. 13 of 1989 as amended, a certificate of registration in the prescribed form and assigning a registration number to every such person.

Unless the registration is obtained from the Director of Excise, no person should engage in manufacture, wholesale purchase and sale, storing of goods for the purpose of wholesale trade or import goods, after expiry of two months from the date on which an article becomes a prescribed excisable article consequent to the order made by the minister.

3. Notification of Removal

- (1) Where the manufacturer of any excisable article intends to remove or to cause the removal of any quantity of such excisable articles from the factory or other place at which such excisable articles were produced or manufactured, he shall give at least 48 hours notice of that fact to the Director-General or an excise officer designated by the Director-General for that purpose.
- (2) Where the importer of any excisable articles intends to remove or to cause the removal of, any quantity of such excisable articles from the Customs warehouse or such other place as is authorized by the Director-General of Customs, at which such excisable articles were stored after their import, he shall give at least 48 hours notice of that fact to the Director-General or an excise officer designated by the Director-General for that purpose.

4. Value of Excisable Articles

Excise Duty is levied on excisable article (other than imports) based on its value. The value for such goods would be:

- The normal sale price at which an excisable article is sold at the time such articles are removed from the place of manufacture, and in the course of wholesale trade, where the buyer is not a related person.
- The nearest ascertainable sale price when the normal price is not ascertainable as the goods are not sold or for another reason.

5. Power to estimate the sale price

If a manufacturer, producer or importer sells any excisable article at a price below the open market price, which causes him to reduce the amount of excise duty payable by him, then the Director of Excise has the power to re compute tax as if the article was sold at the open market value.

6. Value for Imports

The value of any imported article, for the purpose of calculating excise duty will be the sum of the following:

- (i) Cost, insurance and freight value of the article.
- (ii) 10% of cost, insurance and freight value of the article as above, for bank and other charges.
- (iii) An amount equal to the total of customs duty, cesses and ports and airport development levy on import of that article.

7. Payment of Excise Duty

Where an excisable article has been produced or manufactured in Sri Lanka, duty should be paid by the producer or manufacturer of that excisable article, after its removal from the factory or in any other place that such excisable article was produced, within one calendar month from the last date of each quarter in the year in which the removal of goods takes place.

Where an excisable article has been imported into Sri Lanka, duty should be paid by the importer of such excisable article after its removal from the Customs warehouse or any other place such excisable article was stored, immediately after its importation into Sri Lanka, within one calendar month from the last date of each quarter in the year in which such import takes place.

08. Proceeding for Recovery before Magistrate

Where the payment of any excise duty is in default, the Director General may take recovery action through magistrate courts.