

Trade, Tariff and Investment Policy Circular No. 03

My No : TTIP/01/2007(1)
Department of Trade Tariff and Investment Policy
Ministry of Finance and Planning
Colombo 01.
21September 2007

To: All Secretaries to Ministries
Chief Secretaries of the Provincial Councils

Importation of Motor Vehicles on Concessionary Terms

Provisions of this Circular are applicable on the purchase of vehicles manufactured /assembled locally with imported brand new parts subject to the provisions of Trade, Tariff and Investment Policy Circular No. 02 of 27. 08.2007.

02. Duty/Tax Concessions and Conditions

- (i) Vehicles manufactured /assembled locally with imported brand new parts can be purchased by using a permit issued on the basis of concessionary terms. This tax/duty concession is granted by removing 75% of Customs Duty levied on imported body shell and components used for manufacturing /assembling of such vehicles.
- (ii) Manufacturers/assemblers should obtain details of the cylinder capacity of vehicles and maximum limits of expenses to be allowed on imports of body shell and components, as per para 02 (i) of this Circular from the Director General of Department of Trade, Tariff and Investment Policy.
- (iii) Local manufacturers/assemblers are responsible for selling a vehicle in accordance with the cylinder capacity stipulated in the permit issued on the basis of concessionary terms.
- (iv) A permit issued on the basis of concessionary terms for the importation of motor vehicle can be used for obtaining duty concessions for the body shell and components imported for the manufacturing of one vehicle only.
- (v) The manufacturer/assembler should pay 25% of Customs Duty plus Value Added Tax, Cess, Ports and Airports Development Levy, Social Responsibility Levy and any other levy or charge that will be imposed from time to time on body shell and components imported under the provisions of this Circular.
- (vi) Manufacturer/Assembler should be responsible for maintaining the requirement of over 30% of local value addition during the manufacturing/assembling of a motor vehicle in line with the provisions of the circular. Manufacturers/assemblers are bound to pay all relevant taxes on imported body shell and components in the event of the failure to meet the said level of value addition.

- (vii) Details of the types of vehicle, sale value inclusive of all duties/taxes of each vehicle and the sale value of each vehicle under permits given on the basis of concessionary terms should be declared by local manufacturers/assemblers through notice published in the news papers. A copy of such notice should be forwarded to the Director General, Department of Trade, Tariff and Investment Policy.
- (viii) Sales of vehicles under the permits given on the basis of concessionary terms can be made only by the local manufacturer/assembler who own more 51% of share capital of an enterprise which manufactures/assembles vehicles.

03. Instructions to Permit Holders

- (i) Locally manufactured/assembled vehicle can be purchased by using the permits issued on the basis of concessionary terms under Trade, Tariff and Investment Policy Circular No. 01 of 30.03.2007, and Trade, Tariff and Investment Policy Circular No. 02 of 27.08.2007 and permits to be issued in the future.
- (ii) The permit issued on the basis of concessionary terms can be used either for the importation of a motor vehicle or for purchasing of a locally manufactured/assembled motor vehicle.
- (iii) Permit holders desirous of purchasing a locally manufactured/assembled vehicle with imported brand new parts should present their permits to the local manufacturer/assembler. It is the responsibility of the permit holder to ensure that all relevant provisions of the circular are complied with by the local manufacturer/assembler.
- (iv) Entering into any contractual agreement (placing a purchase order with manufacturer/assembler) should not be undertaken prior to obtaining a permit for the importation of motor vehicle issued on the basis of concessions terms.

04. Procedure

- (i) This scheme will allow local manufacturer/assembler to import body shell and components for the purpose of local manufacturing/assembling under the bonded scheme of the Sri Lanka Customs.
- (ii) A prospective manufacturer/assembler desirous of manufacturing/assembling motor vehicles in line with permits given on the basis of concessionary terms should submit a schedule containing details in respect of body shell and the quantity of components being used, C.I.F. (Cost, Insurance, Freight) values of each of them to the Director General of Customs.

- (iii) Manufacturer should pay all duties/taxes as per para 2(v) of the Circular with the exception of Customs Duties waived as per para 2 (i) of the Circular for the imported body shell and components being used for the purpose of manufacturing/assembling a vehicle. When such a vehicles has been manufactured and is ready for sale to the permit holder, the manufacturer/assembler should produce a certificate this effect to the Director General of Customs for obtaining duty waivers.
- (iv) Director General of Customs should submit a monthly report to include waived duties and levies for imported body shell and components in respect of a locally manufacturers/assemble vehicle and details of permit holders to the Director General, Department of Trade, Tariff and Investment Policy.

05. Other Matters

- (i) All terms and conditions outlined in Trade, Tariff and Investment Policy Circular No. 01 of 30.03.2007, Trade, Tariff and Investment Policy Circular No. 01 (i) of 16.04.2007 and Trade, Tariff and Investment Policy Circular No. 02 of 27.08.2007 shall be applicable on the purchases of vehicles from locally manufacturers/assemblers.
- (ii) The date of purchase of the vehicle by the permit holder shall be considered as the date of receipt of the ownership of the vehicle.
- (iii) Further clarification regarding this Circular can be obtained from the following Telephone Numbers.

1. Mr. Hemal Kasturiarachchi	-Director	-2484850
2. Mr. N.K.G.K. Nammawatta	-Director	-2484784
3. Mr. P.B.S.C. Nonis	-Asst. Director	-2484939
4. Mr. K. Meegahage	-Asst. Director	-2484940

Sgd/
P.B. Jayasundera
Secretary to the Treasury and
Secretary Ministry of Finance
and Planning

- Copies to:
- 1. Secretary to the President
 - 2. Secretary to the Prime Minister
 - 3. Secretary to the Cabinet
 - 4. Auditor General
 - 5. Director General of Establishment
 - 6. Commissioner General of Inland Revenue
 - 7. Director General of Customs
 - 8. Director General, Department of Public Finance
 - 9. Director General, Department of Management Service
 - 10. Secretary, National Salaries and Cadres Commission
 - 11. Commissioner of Motor Traffic