INTRODUCTION

In response to COVID-19’s impact on the economy, Sri Lanka has imposed restrictions to curb imports since March 2020 with the policy goal of conserving gross official reserves and strengthening the Sri Lankan Rupee. This brief compiled by the Ceylon Chamber of Commerce (CCC) and the USAID Partnership for Accelerating Results in Trade, National Expenditure and Revenue (PARTNER) Activity aims to provide clarity and awareness on the changes in the latest Import and Export (Control) Regulation gazettes published in July and August in comparison to those published in April, May and June¹ 2020. The gazettes are listed below:

1. **Imports and Exports (Control) Regulations No. 01 of 2020** published in the Gazette Extraordinary No. 2171/5 dated 16 April 2020
2. **Imports and Exports (Control) Regulations No. 02 of 2020** published in the Gazette Extraordinary No. 2176/19 dated 22 May 2020
3. **Imports and Exports (Control) Regulations No. 03 of 2020** published in the Gazette Extraordinary No. 2182/10 dated 30 June 2020
4. **Imports and Exports (Control) Regulations No. 04 of 2020** published in the Gazette Extraordinary No. 2184/21 dated 16 July 2020
5. **Imports and Exports (Control) Regulations No. 05 of 2020** published in the Gazette Extraordinary No. 2189/04 dated 18 August 2020
6. **Imports and Exports (Control) Regulations No. 06 of 2020** published in the Gazette Extraordinary No. 2189/05 dated 18 August 2020

KEY TAKEAWAYS FROM THE JULY AND AUGUST 2020 GAZETTES

- The July and August Gazettes² confirm that regulations have been extended for an indefinite period from the previous validity of 16th July 2020 seen in May and June Gazettes.
- The above-referred gazettes used four tools to control imports namely; Temporary Suspension (TS)³, Credit Basis (C)⁴, Import Control License (ICL)⁵ and Banning (B)⁶. These are referred to as schedule I, II, III and IV respectively in this brief.
  - July Gazette replaces TS and C (schedule I and II) in May and June gazettes and, made amendments to the regulations pertaining to it.
  - August Gazette made further amendments to ICL⁷ and B⁸ schedules of May and June Gazettes and, made an amendment to the regulations⁹.
- Ambiguity in definitions such as domestic value addition, Section 17 projects, local market etc. have been addressed in the July Gazette.

¹ Another direction was issued to restrict imports by the Central Bank of Sri Lanka (CBSL) in March namely; Banking Act Directions No. 1 of 2020 dated 19 March 2020 of CBSL
² Refers to the Gazette Extraordinary No.2189/04 dated 18 August 2020 unless specified otherwise
³ Importation of goods temporary suspended under payment terms 3(1)(a), 3(1)(b), and 3(1)(c), of the Imports and Exports (Control) Regulations No. 1 of 2011 published in the Gazette Extraordinary No. 1739/3 dated 2 January 2012
⁴ Importation of goods can only be done with the Credit facility of either 90-days or 180-days as assigned in the Gazette
⁵ Importation of goods will be on an Import Control License
⁶ Importation of goods is banned from any country
⁷ Amendments included additions and suspension of the issuance of licenses for an indefinite period.
⁸ Amendments included additions and removals
⁹ Included a provision where Banks will not proceed any payments relating to importation of goods under ICL schedule without an import control license.
Amendments to the Temporary Import for Export Processing (TIEP) scheme have been made in the July Gazette addressing the issues of indirect exporters and giving more clarity to the scheme.

Provisions for advance payments and more lenience to the Board of Investment (BOI) approved projects have been provided in the July Gazette.

July Gazette also outlines the course of action Customs will take for violation of the TS and C regulations and release of goods thereon.

**KEY CHANGES OBSERVED**

**Table 01: Key changes in validity periods and schedules**

<table>
<thead>
<tr>
<th>Gazette Number and Date</th>
<th>No. 2171/05 of 16 April 2020</th>
<th>No. 2176/19 of 22 May 2020</th>
<th>No. 2182/10 of 30 June 2020</th>
<th>No. 2184/21 of 16 July 2020</th>
<th>No. 2189/04 of 18 August 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Validity Period</strong></td>
<td>16th April to 21st May</td>
<td>22nd May to 16th July</td>
<td>30th June to 16th July</td>
<td>17th July to an indefinite period</td>
<td>18th August to an indefinite period</td>
</tr>
<tr>
<td><strong>Key Changes to the Schedules</strong></td>
<td>Included only TS and C schedules</td>
<td>- Replaced schedule I (TS) and II (C) of the April gazette</td>
<td>Made amendments to all four schedules (TS, C, ICL and B) of the May Gazette</td>
<td>Repealed schedule I and II of May and June Gazette and, introduced a final list of schedule I and II</td>
<td>Further amendments were made to schedule III (ICL) and IV (B) of the May and June gazettes</td>
</tr>
</tbody>
</table>

**The Temporary Import for Export Processing (TIEP) Scheme**

The June Gazette made amendments to the TIEP scheme particularly addressing concerns of indirect exporters and giving more clarity to the scheme introduced in May (as mentioned above). These amendments were continued in the July Gazette as well. Key details are highlighted below:

- An importer should make a declaration to Customs and BOI or Sri Lanka Export Development Board (SLEDB). This should commence from the beginning of July 2020 followed by the first

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10 Effective for importation of goods which are loaded until 21st May 2020
11 Effective for importation of goods which are loaded until 16th July 2020 for regulations pertaining to TS and C
12 Effective for importation of goods which are loaded until 16th July 2020 for regulations pertaining to TS and C
13 Effective for importation of goods which are loaded on or after 17th July 2020
14 Effective for importation of goods which are loaded on or after 18th August 2020
15 Specified regulations pertaining to TS and C
16 It made changes to the Special Import License Regulations published in the Gazette (Extraordinary) No. 2044/40 dated November 2017
17 shall mean a person who abides recommendation of BOI or EDB or registered under TIEP scheme to import goods for the purpose of processing direct exports or for the purpose of processing and supplying to another exporter
quarterly statement at the end of September 2020 and continued thereafter on a quarterly basis. This should be done with the below details and certified from a local bank:

- Remittance receivables as at the beginning of the quarter
- Value of exports effected within the quarter
- Remittance received within the quarter
- Remittance receivables as at the end of the quarter

- An indirect exporter should submit a purchase order issued by the exporter to the bank (to release documents) and to Customs (to release goods). Subsequently, a Goods Received Notice (GRN) issued by the exporter should be submitted to Customs within 14 days from the date of Customs clearance as stipulated in the July Gazette. However, with effect from 18 August\(^\text{18}\) this was revised to 120 days from the date of Customs clearance of goods.
- A 20% local value addition (same as stipulated in the May Gazette) is required in order to qualify under TIEP scheme and the export earnings also has to be repatriated to the country within 120 days from the previous 60 days stipulated in the May Gazette.

**Provisions for Advance Payments**

While the May Gazette made no provisions for advance payments, the June Gazette looked to address this by providing some leniency if an advance payment was made\(^\text{19}\). The July Gazette took a more comprehensive approach by giving leniency to the traders who have made an advance payment prior to the effective date of all regulations published (as given below):

1. Customs will release goods under schedule I and II of the April, May, June and July Gazette, if total amount (on invoice) of goods have already been paid under the advance payment method before the effective date of respective regulations.
2. Customs will release goods under schedule I of the April, May, June and July Gazette under a 90-day credit facility, if 20% or more has already been paid under the advance payment method before the effective date of respective regulations.
3. Customs will release goods under schedule II of the April, May, June and July Gazette without a credit facility, if 80% or more has already been paid under the advance payment method before the effective date of respective regulations.

The above rules also apply to the Banking Act Directions No 1 of 2020 dated 19 March 2020 of CBSL if the above specified amounts under schedule I and II have been paid under the Advance Payment method on or before 18 March 2020.

However, for certain Agricultural items (specific HS codes given in July Gazette) in schedule I targeting the local market, an advance payment of 80% or more had to be made on or before 21 May 2020.

**More leniency given to BOI Approved Projects**

Both June and July Gazettes allocated the below mentioned provisions in order to provide more leniency to Projects approved under Section 17 of the BOI.

- Items in the current schedule I, which are imported targeting the local market, can be imported on a 90-day credit facility given that they are not in the Negative List issued by the Treasury and where the direct foreign investments of investors are not involved as well.
- However, if the project is expected to commence commercial operations before 31 October 2020 and for which credit facilities cannot be obtained from suppliers, the items in schedule I can be imported subject to the approval of BOI.

\(^{18}\) Refers to the Imports and Exports (Control) Regulations No. 06 of 2020 published in the Gazette Extraordinary No. 2189/05 dated 18 August 2020

\(^{19}\) Items in schedule I of April Gazette required a 90-day credit facility if an advance payment of 20% or more on or before 17th April and shipped on or before 21st May. Schedule II of May Gazette had no restrictions if an advance payment of 80% or more was made on or before 21st May.
Goods Targeting the Local Market

The May Gazette allowed importation when an imported item under schedule I cannot be sourced locally provided that a 35% domestic value addition is achieved with a credit facility of 30-60 days. The June Gazette extended this to both schedule I and II with a credit facility of 30 days and limited it for goods targeting the local market. July Gazette too continued this regulation with an additional requirement of obtaining the recommendation from the Ministry of Industries to clear items, in addition to the previous requirements of 35% domestic value addition and a 30-day credit facility for items in schedule I and II. Agricultural products (specific HS codes given) have to get the recommendation from Department of Agriculture.

OVERVIEW OF THE SECTOR IMPLICATIONS

The July Gazette published the final list of products under temporary suspension and credit basis, repealing the said schedules in May and June Gazettes. The July Gazette saw the highest number of temporary suspension of imports in the textile sector followed by the transport sector and vegetable products. Metals and machinery/electrical imports had the highest number of HS codes at 8 digit restricted by a 90-day credit facility. Machinery/electrical items relating to air conditioners, refrigerators and, IT and communication equipment had the highest number of HS codes at 8 digit which required a 180-day credit facility followed by products in the transportation sector (vehicle parts).

The August Gazette made further amendments to the ICL and B schedules of the May and June Gazettes. Chemical and Allied products had the highest number of HS codes at 8 digit for products added under ICL. These additions were a fresh set of HS codes that did not have any restrictions previously. Transportation sector saw the highest number of suspension in the issuance of Import Control License for an indefinite period. Items such as Salt and Saw have been removed from the B list and added to the ICL list with an imposition of an ICL fee. Rubber products (tyres) saw the highest number HS codes at 8 digit added to the B List. This was a transfer from the ICL list.

Table 02 provides a summary of products, which are subjected to import controls by the recent amendments (July and August) to the Import and Export Control Act. Products are classified by HS chapters while the number of products subject to Import restrictions are considered at HS 8 digit level.

Table 02: Summary of Products under Import Controls in July and August Gazettes

<table>
<thead>
<tr>
<th>HS Chapter Range</th>
<th>Description</th>
<th>Temporarily Suspended (TS)</th>
<th>Credit Basis (C)</th>
<th>Import Control License (ICL)</th>
<th>Banned (B)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>90 Days</td>
<td>180 Days</td>
<td>Added</td>
</tr>
<tr>
<td>01-05</td>
<td>Animal and Animal Products</td>
<td>10</td>
<td>14</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>06-15</td>
<td>Vegetable Products</td>
<td>77</td>
<td>24</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>16-24</td>
<td>Food Stuff</td>
<td>27</td>
<td>27</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>25-27</td>
<td>Mineral Products</td>
<td>9</td>
<td>2</td>
<td>5</td>
<td>3</td>
</tr>
</tbody>
</table>

20 Restricted imports only in HS 61,62 and 63 which also constitute Sri Lanka’s key exports
21 Based on International Trade Center (ITC) Harmonised System (HS) classification for broad sectors
22 Issuance of Import Control Licenses suspended until further notice
In addition to the above insights, an extension in the 180-day credit facility was observed as shown in Table 03. The text in red are the items that were added newly to the 180-day credit facility list. These additions were moved from TS to the 180-day credit facility.

**Table 03: Changes in Items under a 180-day Credit Facility**

<table>
<thead>
<tr>
<th>Gazette Number and Date</th>
<th>No. 2176/19 of 22 May 2020</th>
<th>No. 2182/10 of 30 June 2020</th>
<th>No. 2184/21 of 16 July 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>28-38 Chemical and Allied industries</td>
<td>11 34 0 28</td>
<td>1 0 0</td>
<td></td>
</tr>
<tr>
<td>39-40 Plastics/Rubbers</td>
<td>34 54 0 0</td>
<td>0 5 0</td>
<td></td>
</tr>
<tr>
<td>41-43 Raw Hides, Skins, Leather, and Furs</td>
<td>18 2 0 0</td>
<td>0 0 0</td>
<td></td>
</tr>
<tr>
<td>44-49 Wood and Wood Products</td>
<td>29 0 0 0</td>
<td>0 0 0</td>
<td></td>
</tr>
<tr>
<td>50-63 Textiles</td>
<td>260 2 0 1</td>
<td>6 0 0</td>
<td></td>
</tr>
<tr>
<td>64-67 Footwear/Headgear</td>
<td>7 42 0 0</td>
<td>0 0 0</td>
<td></td>
</tr>
<tr>
<td>68-71 Stone/Glass</td>
<td>54 13 0 0</td>
<td>2 0 0</td>
<td></td>
</tr>
<tr>
<td>72-83 Metals</td>
<td>9 303 0 2</td>
<td>0 0 0</td>
<td></td>
</tr>
<tr>
<td>84-85 Machinery/Electrical</td>
<td>0 246 82 5</td>
<td>38 0 1</td>
<td></td>
</tr>
<tr>
<td>86-89 Transportatio n</td>
<td>242 1 36 0</td>
<td>315 0 0</td>
<td></td>
</tr>
<tr>
<td>90-97 Miscellaneous</td>
<td>42 32 0 0</td>
<td>39 0 0</td>
<td></td>
</tr>
<tr>
<td>98-99 Service</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
**SUMMARY OF IMPORT RESTRICTIONS**

The table below provides an overview of the number of Import Restrictions seen across Regulations imposed since April 2020:

**Table 04: Summary of Import Restrictions**

<table>
<thead>
<tr>
<th>Gazette Number and Date</th>
<th>Number of HS Codes in TS</th>
<th>Number of HS Codes in C - 90 days</th>
<th>Number of HS Codes in C -180 days</th>
<th>Changes in HS Codes in ICL</th>
<th>Changes in HS Codes in B</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. 2171/05 of 16 April 2020</td>
<td>749</td>
<td>633</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>No. 2176/19 of 22 May 2020</td>
<td>1076</td>
<td>734</td>
<td>Given under broad classifications - IT equipment, communication equipment, cement, sugar, and palm oil</td>
<td>Added -1 Removed -5 Suspended23 -418</td>
<td>6</td>
</tr>
<tr>
<td>No. 2182/10 of 30 June 2020</td>
<td>107924</td>
<td>76725</td>
<td>117</td>
<td>Added26 -33 Removed -10 Suspended27 -27</td>
<td>Removed-4 Added- 2</td>
</tr>
<tr>
<td>No. 2184/21 of 16 July 2020</td>
<td>829</td>
<td>797</td>
<td>132</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>No. 2189/04 of 18 August 2020</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>Added -40 Suspended indefinitely-451</td>
<td>Removed-2 Added -7</td>
</tr>
</tbody>
</table>

Note: the products mentioned above are calculated based on the products specified in each Gazette.

For further details, /clarifications

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23 Suspension was valid till 17th August
24 Removed -19 and added -22 to the May schedule
25 Removed -18 and added -51 to the May schedule
26 4 items out of 33 were imposed with an Import Control License Fee as given below
   1. Salt- 0.2% of CIF value
   2. Face mask- 0.2% of CIF value
   3. Grain sorghum- 0.3% of CIF value
   4. Saws- 0.4% of CIF value
27 Suspension was valid till 17th August 2020