



පරිසරය ස්වාභාවික සම්පත් හා නිරසාර සංවර්ධනය පිළිබඳ
ආංශික අධීක්ෂණ කාරක සභාව
“මැණික් සහ ස්වර්ණාභරණ ක්ෂේත්‍රය වැඩි දියුණු කිරීමට අදාළ බදු ප්‍රතිපත්ති” සම්බන්ධයෙන්
වන වාර්තාව
පාර්ලිමේන්තුවට ඉදිරිපත් කරන ලද්දේ,
ගරු අජිත් මාන්නප්පෙරුම මහතා
කාරක සභාවේ සභාපති
2023 අගෝස්තු මස 11 වැනි සිකුරාදා

සුற்றාදල්, இயற்கை வளங்கள் மற்றும் நிலைபேறான அபிவிருத்தி பற்றிய
துறைசார் மேற்பார்வைக் குழு
“இரத்தினக்கல் மற்றும் நகை துறையினை மேம்படுத்துவது தொடர்பான வரிக் கொள்கை”
பற்றிய அறிக்கை
துறைசார் மேற்பார்வைக் குழுவின் தவிசாளர்
கௌரவ அஜித் மான்னப்பெரும அவர்களினால்
2023 ஆகஸ்ட் மாதம் 11 ஆம் திகதி
பாராளுமன்றத்திற்குச் சமர்ப்பிக்கப்பட்டது

Report of the
Sectoral Oversight Committee on Environment, Natural Resources and Sustainable Development
on “Tax policies for development of Gem and Jewellery sector”
Presented to Parliament by
The Hon. Ajith Mannapperuma
Chair of the Committee
On Friday 11th August 2023



**Report of the
Sectoral Oversight Committee on Environment, Natural Resources
and Sustainable Development
on the
“Tax Policies for Development of Gem and Jewellery sector”
On Friday 11th August 2023**

**Members of the Sectoral Oversight Committee on Environment,
Natural Resources and Sustainable Development**

Hon. Ajith Mannapperuma (Chairman)

Hon. C.B. Rathnayake

Hon. Jayantha Samaraweera

Hon. Jayantha Ketagoda

Hon. Thushara Indunil Amarasena

Hon. Waruna Liyanage

Hon. Akila Ellawala

Hon. Nalaka Bandara Kottegoda

Hon. H. Nandasena

Hon. Ali Sabri Raheem

Hon.(Dr.) Thilak Rajapaksha

Hon. Upul Mahendra Rajapaksha

Powers of the Committee

The powers of the said Sectoral Oversight Committees are set out under the Standing Order No. 111 of Parliament and more details are included in the web site www.parliament.lk

Publications

Report published by the Sectoral Oversight Committee could be obtained from the Sectoral Oversight Committee Office (Committee Office II) of Parliament or web site www.parliament.lk

Sectoral Oversight Committee Secretariat

Mr. Hansa Abeyrathne, Assistant Secretary General

Mr. Janakantha Silva, Director, Legislative Services)

Mr. Mohamed Mabrook, Assistant Director (Administration)

Mrs. Chamila Rupasinghe, Deputy Principal Officer

Reference and Inquiries

All documents on this report could be contacted by post to reach Secretary, Sectoral Oversight Committee on Environment, Natural Resources and Sustainable Development, Committee Office II, Parliament of Sri Lanka, Sri Jayewardenepura Kotte and even by calling 0112777100.

Table of Contents

1. Introduction
2. Committee Recommendations
3. Public Institutions summoned to the Committee
4. Associations in the field of Gem and Jewellery summoned to the Committee

Report Submitted by the Sectoral Oversight Committee on Environment, Natural Resources and Sustainable Development Related to tax policies for development of Gem and Jewellery sector

1. Introduction

Our Gem businessmen import gem from African countries like Madagascar for re-export in two ways. That is by bringing the gem pack in hand carriage or couriering the gem pack through an agent.

In order to facilitate the clearance of the gem parcel when bringing it in hand carriage, the system has been prepared in such a way that it can be released by paying a sum of US dollars 200 to the Sri Lankan Customs and there is no limit to the number of gem brought in this way. Currently, there is no proper assessment or record keeping of the type, quantity and value of gem imported into the country. It is assumed that 100% of the imported Gemstones are re-exported with enhanced their value since there is low consumption in the local market.

When importing gem by courier method, the value of the gem will be assessed and a social security tax of 2.5% will be levied on that value. Due to this tax amount, the businessmen involved in the field cannot gain much profit by importing gem and enhancing their value and re-exporting them. Therefore, the currently imposed tax of 2.5% should be lifted for rough Gemstones. This has been requested by the members of the Gem associations represented at the Sectoral Oversight Committee on Environment, Natural Resources and Sustainable Development.

Sri Lanka Customs has launched an extensive campaign to make all exporters and importers register online (Online Custom Declaration System ASYCUDA). Accordingly, Gem and jewellery dealers should also submit the custom declaration through a custom agent to register in this system. They emphasized that this method is practically difficult for the exporters of Gem and Jewellery which is a non-coordinated individual valuation commodity and various irregularities are done by handling agent and a lot of money has been paid for them.

Also, during the past few years, Chinese businessmen have been buying Gemstones in Sri Lanka at a very low price in Ratnapura, Beruwala and Ginthota areas and carrying them to other countries and sell them at a very high price. Gem Businessmen also pointed out that it should be regulated.

Although gem and jewellery trade is an irregular business, Government tax calculation on profit is also applicable for this sector. As per government policy from 01.04.2023, payments above Rs.500,000/- should be made by bank cheque to make it easier to calculate its cost. Therefore, when making cash transactions of more than Rs.500,000/=, businessmen who do not pay taxes and foreign buyers (Chinese using illegal money in Ratnapura, Beruwala areas) are done all transactions in cash over the registered exporters. When registered businessmen go to make

transactions by cheques, they relucete to sell gem and this has hampered the business position of registered gem and jewellers.

Although raw gold can be imported from African countries and turned into jewellery, the value can be improved and re-exported, but the export business is currently being hampered because small and medium businessmen do not have enough facilities for that.

Since the gem and jewellery business is a traditional business and it is not a business that takes place in a standard system like other businesses, it is unfair to many businessmen involved in this sector by calculating the profit and taxing them. So, that practice should be abolished and impose 2.5% tax on the annual total turnover of the gem and jewellery businessmen.

In such context, based on discussions with the business community engaged in Gem and Jewellery sector, the Officials of the Ministry of Finance, Economic Stabilization and National Policy, the Authority of Gem and Jewellery and Sri Lanka Customs, the Sectoral Oversight Committee on Environment, Natural Resources and Sustainable Development agreed to submit the following recommendations to Parliament to develop the Gem and jewellery sector in a manner that can earn foreign exchange competitively with other countries where this industry is prevalent in the world.

2. Recommendations

1. According to the gazette dated on 30th June 2023 Parliament be approved and be implemented the removing of currently imposed 2.5% social security contribution tax on the import of rough Gem for re-exporting by courier method with immediate effect.
2. The importer should provide a self-declaration report of the value of the imported Gem to customs in both methods of bringing the gem package through hand carriage and couriering the package through an agent.
3. The gem and jewellery business no longer needs the (TIEP -Temporary Import for Export) system currently used by Sri Lanka Customs for importation when lifting imposed taxes.
4. Introducing a method to present the value of the Gem brought by the importer to the customs in a very simple way without the intervention of a Custom Handling Agent in the process of gem import and export and sharing that information with the Gem and Jewellery Authority.
5. Abolish the current system of tax on profits for gem and related sectors and impose a tax amount of 2.5% or an appropriate rate on the initial turnover of businessmen.
6. To regulate illegal interference in the Gem business by foreigners who come to Sri Lanka and engage in business activities, the Authority of Gem and Jewellery, the Department of

Immigration and Emigration and the Central Bank of Sri Lanka should jointly open an account of US\$ 100,000 or 50,000. Depending on the amount in the account Foreigners are given business visas with the permission of Gem and Jewellery Authority to engage in joint ventures with a Sri Lankan businessman.

7. Allowing currently earning foreign exchange exporters of jewellery to import raw gold by free of duty up to 50% of their foreign exchange earnings with the recommendation of the Gem and Jewellery Authority.
8. The small traders who are at the Beach Shop currently earn foreign exchange informally. They should also be taken into consideration while providing the facility mentioned in No. 7 above.
9. As the world's gem and jewellery industry is developing very rapidly, the specialized machinery requirement for processing is also changing rapidly. Accordingly, the exporters should be given the opportunity to bring duty-free machines needed to face the world competition.
10. It is recommended to establishment of Gem and Jewellery Research and Training Institute in Ratnapura area as the Head Office and its branch in Beruwala area. Currently it is located in Colombo.
11. The Commercial Officers attached to Sri Lankan embassies in Thailand, China and Hong Kong should be directed to provide a comprehensive report of the tax policies and other procedures followed in the import and export process of Gem and jewellery in those countries to the officials of Gem and Jewellery Authority and, if necessary, providing opportunity for the officials of the Gem and Jewellery Authority to visit above countries to get practical experience.

3. Public Institutions summoned to the Committee

1. Ministry of Finance, Economic Stabilization & National Policies
2. National Gem and Jewellery Authority
3. Gem and Jewellery Research and Training Institute
4. Department of Agrarian Development, District Office, Rathnapura
5. Sri Lanka Customs

4. Associations in the field of Gem and Jewellery summoned to the Committee

1. Lanka Gem Dealers and Miners Association, Rathnapura

2. International Gem and Jewellery Exhibitors Association
3. Gem and Greenery Association, Rathnapura
4. Gem Society at Clock Tower, Rathnapura
5. Sri Lanka Gem and Jewellery Association, Colombo 5
6. China Fort Gem and Jewellery Association, Beruwala

**Sectoral Oversight Committee on Environment, Natural Resources and
Sustainable Development**

“Tax policies for development of Gem and Jewellery sector” was considered by the Sectoral Oversight Committee on Environment, Natural Resources and Sustainable Development and we, the members of the Committee, approve this report to be presented to Parliament for giving the Committee's recommendations.

Hon. Ajith Mannapperuma (Chairman)	- Signed
Hon. C.B. Rathnayake	
Hon. Jayantha Samaraweera	- Signed
Hon. Jayantha Kategoda	
Hon. Thushara Indunil Amarasena	
Hon. Waruna Liyanage	
Hon. Akila Ellawala	- Signed
Hon. Nalaka Bandara Kottegoda	
Hon. H. Nandasena	
Hon. Ali Sabri Raheem	
Hon.(Dr.) Thilak Rajapaksha	- Signed
Hon. Upul Mahendra Rajapaksha	- Signed

Signed

Mrs. D.C.S. Rupasinghe, For Secretary to the Committee