

L.D.B 10/1973 (III)

### Excise Ordinance

RULES made by the Minister of Finance under section 32 read with section 8 and section 30 of the Excise Ordinance (Chapter 52)



Mangala Samaraweera,  
Minister of Finance

*d/c*

Colombo 01.  
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### Rules

1. These Rules may be cited as the Excise (security features) Rules 2019.

2. The Foolproof sticker (hereinafter referred to as “the sticker”) specified in Schedule I shall be the type of security feature prescribed by these rules for the purpose of section 32(ja) of the Excise Ordinance (Chapter 52) (hereinafter referred to as the “Ordinance”).

3. No importer or a licensed manufacturer shall possess, transport, store or sell an excisable article referred to in Schedule II, unless such excisable article has been affixed with a sticker:

Provided however, an importer or a licensed manufacturer of an excisable article referred to in Schedule II existing on the date of coming into force of these rules shall, within sixty (60) days from the date of coming into force of these rules take steps to affix the excisable articles referred to in Schedule II with a sticker:

Provided further, a vendor who has a stock of excisable articles referred to in Schedule II on the date of coming into force of these rules shall, within sixty (60) days from the date of coming into force of these rules take steps to affix such excisable articles referred to in Schedule II, with a sticker.

4. The Commissioner General of Excise (hereinafter referred to as the “Commissioner General”) shall be responsible for the implementation, management, issuing, monitoring and supervision of the sticker and the sticker management system for the purpose of –

- (a) preventing the availability of tax or duty unpaid liquor;
- (b) enhancing the protection of excise revenue; and

(c) deterring counterfeits.

5. (1) An importer or a licensed manufacturer shall apply to the Commissioner General, manually or electronically, for the purpose of obtaining stickers.

(2) The application shall accompany such documents relating to imports and such other documents as may be required by the Commissioner General.

(3) An importer or a licensed manufacturer shall provide at least sixty days' forecast of the quantity of stickers intended to be used by such importer or licensed manufacturer, one month before the beginning of every subsequent period of six months.

(4) (a) The Commissioner General may, refuse an application for stickers to be affixed on an excisable article referred to in Schedule II to these rules, if such importer or licensed manufacturer has not –

(i) paid the excise duty in respect of such excisable article referred to in Schedule II to these rules;

(ii) obtained the approval for the label or package of brand of such excisable article referred to in Schedule II;

(iii) complied with these rules; and

(iv) complied with the provisions of the Ordinance.

(b) Where the application referred to in paragraph (1) of this rule is approved by the Commissioner General, importer or licensed manufacturer shall pay the levy of charges specified in schedule III to these rules for the purpose of obtaining stickers.

6. In the case of an importer, the Commissioner General may, subject to such conditions issue the stickers prior to the finalization of the relevant documents.

7. Upon the receipt of the payment of the charges levied, the Commissioner General shall issue such quantity of stickers to the importer or licensed manufacturer, pertaining to the payment of such charges referred to in paragraph (4) (b) of rule 5.

8. (1) An importer shall be responsible for affixing, storing and securing stickers on an excisable article referred to in Schedule II at the bonded warehouse or wholesale licensed premises (FL 3).

(2) A licensed manufacturer shall be responsible for affixing, storing and securing a sticker on an excisable article referred to in Schedule II at the point of taxation.

(3) The Excise Department of Sri Lanka shall be responsible for the activation of the sticker referred to in paragraph (2) of this rule.

9. (1) The Sri Lanka Customs shall be responsible for ensuring the affixation of a sticker at a bonded warehouse from which no excisable article referred to in Schedule II shall be issued for duty free shops operating in airports unless the sticker is –

- (a) affixed on the excisable article referred to in Schedule II under the supervision of the Sri Lanka Customs; and
- (b) activated by the Sri Lanka Customs:

Provided however, importers who import excisable articles referred to in Schedule II under FL3 licence shall affix the stickers at the FL 3 wholesale licensed premises under the supervision of the Excise Department of Sri Lanka, which shall be activated by the Excise Department of Sri Lanka.

10. A sticker affixed to an excisable article in Schedule II shall not be exposed, tampered, altered, damaged, spoiled or rubbed causing any change to their original features prior to consumption by any person:

Provided however, this paragraph shall not apply-

- (i) for *bonafide* private consumption;
- (ii) to any holder of licence who has been granted permission to sell liquor for the purpose of consumption on the licensed premises and where a holder of a licence has been authorized to open two bottles of arrack from one variety in accordance with Notification No. 661 of *Gazette* Extraordinary No. 66 of 1979.12.07.

11. An importer or a licensed manufacturer shall –

- (a) affix the sticker in a conspicuous place on an excisable article referred to in Schedule II as may be determined by the Commissioner General from time to time;
- (b) purchase stickers, bear the cost of the stickers, bear the cost of the sticker affixing devices, the cost of the sticker affixing operations and any other related operational costs including adjustments or adaptations of their devices, adjustments or adaptations of their equipment and premises necessary to install and integrate the new or modified system on each production line.;
- (c) purchase sufficient number of running and backup sticker affixing devices and accessories for sticker affixing operations;
- (d) maintain such devices and accessories in good order;

- (e) promptly attend to all mechanical and operational failures in sticker affixing devices and other accessories used for sticker affixing operations;
- (f) provide and store backup devices and accessories;
- (g) inform the Excise Department of Sri Lanka promptly of any failure of operation of the device;
- (h) maintain inventory books and registers in accordance with the format set out in the Schedule IV and V to these rules; and
- (i) prepare a forecast of the quantities of annual production and manufacture or importation of excisable articles referred to in Schedule II.

12. In addition licensed manufacturer shall –

- (i) maintain a sufficient number of production lines and sticker affixing devices enabling uninterrupted supply of production; and
- (ii) maintain a stock of stickers sufficient for at least five (05) days production based on the forecasted average capacity taking into consideration the seasonal fluctuations.

13. Any importer or a licensed manufacturer who is importing or manufacturing excisable articles referred to in Schedule II respectively on the day immediately before the date of coming into operation of these rules shall within a period of thirty (30) days and sixty (60) days respectively from the date of coming into operation of these rules obtain, install, test and commission the sticker affixing devices and other accessories in conformity with these rules.

14. (1) For the purpose of these rules, the Secretary to the Ministry of the Minister assigned the subject of Finance shall, appoint a Committee consisting of-

- (a) Deputy Secretary to the Treasury who shall be the Chairman of the Committee;
- (b) Commissioner General of Excise of Excise Department of Sri Lanka;
- (c) Director General of Fiscal Policy or an Officer nominated by him;
- (d) Director General of Sri Lanka Customs or an Officer nominated by him and;
- (e) Deputy Commissioner of Excise (Supply Chain regulatory) of the Excise Department of Sri Lanka.

(2) The members of the committee shall hold office for a period of one year, and the tenure of the committee may be extended for such period as may be determined by the Secretary to the Ministry of the Minister assigned the subject of Finance.

(3) Three members shall form the quorum for any meeting of the committee.

(4) The committee shall meet as often as may be necessary, but not less than once in every month.

(5) The committee may regulate the procedure in regard to the meetings; and

(6) Any Officer of the Excise Department of Sri Lanka or any other officer authorized in that behalf by the Commissioner General shall attend the meeting of the committee as may be determined by the Commissioner General.

(7) the members of the Committee shall at all times ensure the strict confidentiality of the matters discussed at the meetings of the Committee.

15. The Functions of the Committee shall be to –

- (a) determine the form and nature of the stickers from time to time;
- (b) determine the methods of requesting, processing, ordering, printing, storing, issuing and distribution of stickers from time to time;
- (c) determine the form of the inventory books and registers to be maintained by the importers and licensed manufacturers from time to time;
- (d) determine the methods, procedures and routines for the product verification and tracking process from time to time;
- (e) determine the methods of authentication of overt, covert and forensic features of stickers from time to time;
- (f) grant approval for the ordering of stickers based on the requirement;
- (g) evaluate the physical and operational performance of stickers and implement any new recommendations;
- (h) provide proper guidance and instructions to ensure the matters and quality of the process of designing, printing and all other tasks related to stickers;
- (i) carry out any other function as may be necessary or assigned or incidental for the purpose of these rules; and
- (j) submit performance report to the Secretary to the Ministry of the Minister assigned the subject of Finance on a quarterly basis.

16. An importer and a licensed manufacturer shall, facilitate secured and sufficient bonding facility to store stickers in their licensed or authorized premises or in bonded warehouse or wholesale licensed premises (FL 3) as the case may be.

17. (1) The Commissioner General shall seize stickers, equipment, devices, vehicles or articles in accordance with section 35 of the Ordinance, where –

- (a) the stickers have been counterfeited;

- (b) the stickers which were subject to be returned to the Commissioner General, were not returned; or have been found in the possession of persons other than those to whom they were supplied;
- (c) the vehicle used in the storage, concealment or transportation of excisable articles referred to in Schedule II that have not met the requirements of these rules;
- (d) the equipment or plant is used in the manufacture of counterfeit stickers; or
- (e) the excisable articles referred to in Schedule II; bear counterfeited stickers, bear stickers affixed in a manner not consistent with guidelines issued by the Commissioner General; or do not bear stickers as required in accordance with these rules.

(2) The Commissioner General may, appoint a Committee to investigate in the event of any dispute.

18. Unused stickers may be returned by an importer or a licensed manufacturer of excisable articles referred to in Schedule II, to the Commissioner General when;

- (a) the licensed manufacturer stops manufacturing excisable articles referred to in Schedule II;
- (b) there are defects in the sticker sheets or reels; or
- (c) the stickers have been declared out of use by the Commissioner General.

19. Damaged stickers shall be preserved by an importer or a licensed manufacturer for verification by an authorised officer.

20. No importer or a licensed manufacturer, shall transfer stickers held in stock by such importer or licensed manufacturer to another manufacturing or importing unit owned by the same manufacturer or importer without the prior approval of the Commissioner General.

21. In the case of an installation of new or modified sticker and sticker management system, the Commissioner General shall notify in writing the importers and licensed manufacturers of excisable articles referred to in Schedule II at least sixty days (60) before the installation and integration of the new or modified sticker and sticker management system.

22. An importer or a licensed manufacturer shall –

- (a) report to the Commissioner General on any non-operational production lines within twenty-four hours, of the occurrence of such non operation of production lines;
- (b) be responsible for the conservation and security of the system installed in the premises;

- (c) report on any operating failure or tampering of the security within twenty-four hours from the occurrence of such event;
- (d) obtain the approval of the Commissioner General for the labels or packages of brands of excisable articles referred to in Schedule II:

Provided however, this rule shall not apply to the excisable articles referred to in Schedule II, imported for sale at duty free shops.

- (e) declare to the Commissioner General, at least thirty days before any change in the graphic art of existing brands of excisable articles referred to in Schedule II and the corresponding packages and labels of excisable articles referred to in Schedule II;
- (f) apply to the Commissioner General at least thirty days before installation or removal in the case of –
  - (i) any reactivation of non-operational production lines;
  - (ii) deactivation of production lines;
  - (iii) carrying out of maintenance works or relocation of production lines; and
  - (iv) installation of a new production lines.

23. (1) No person shall –

- (a) print over or deface stickers affixed on any excisable article referred to in Schedule II;
- (b) have in possession of excisable articles on which the stickers have not been affixed and unless where affixation of stickers has been exempted under these rules;
- (c) attempt to acquire or acquire sticker without the authority of the Commissioner General;
- (d) print, make or in any way create a sticker without the authority of the Commissioner General;
- (e) have in possession any sticker printed, made or in any way acquired without the authority of the Commissioner General;
- (f) possess, convey, distribute, sell, offer for sale or by way of trade expose excisable articles referred to in Schedule II without affixing sticker in accordance with these rules; or

(g) possess, convey, distribute, sell, offer for sale or by way of trade, expose excisable articles referred to in Schedule II affixed with counterfeit stickers.

24. The Secretary to the Ministry of the Minister assigned the subject of Finance may, appoint a panel of auditors to monitor the process of sticker and sticker management system.

25. The provisions of section 27,47,48,50 or 56 as the case may be, of the Ordinance shall apply to any contravention of these rules.

26. In these rules, unless the context otherwise requires-

“excisable article” shall have the same meaning assigned to it by the Excise Ordinance (Chapter 52);

“Foolproof sticker” means a type of security feature specified in Schedule I to these rules;

“Importer” means the holder of a licence under section 10 of the Excise Ordinance (Chapter 52) to import an excisable article specified in Schedule II to these rules;

“Information and Communication Technology (ICT) infrastructure” includes Servers, Application software, Operating systems, wired and wireless networks, electronic devices, peripherals, accessories, components, tools and other related immovable, movable, active, passive and manual components;

“Licensed manufacturer” means the holder of a licence under section 15 of the Excise Ordinance (Chapter 52) to manufacture an excisable article specified in Schedule II to these rules;

“Sticker” means a foolproof sticker;

“Sticker management system” includes foolproof stickers and the Information and Communication Technology (ICT) infrastructure that is used to manage the foolproof stickers;

“Vendor” means the holder of a licence under section 18 of the Excise Ordinance (Chapter 52) to sell, keep or expose for sale of an excisable article specified in Schedule II to these rules.



[ Rule 2]

**Schedule I**

Security Feature	Specification
Sticker	(1) Length (100 mm), width (20mm) and weight (60 gsm) Length (80mm), width (16mm) and weight (60 gsm) Length (50mm), width (10mm) and weight (60gsm) Diameter (20mm) and weight (60gsm) with flexibility in changes of these features. (2) forensic, covert, overt and security features including authentication, tracking, tamper proof and self-adhesive, self-destructible and non-reusable sticker and other related security features. (3) The holographic security features.

[ Rule 3]

**Schedule II**

No	Category
01	Imported foreign liquor
02	Locally manufactured foreign liquor
03	Country liquor

[ Rule 5 (4)(b)]

**Schedule III**

No.	Category	Charges
1.	Sticker	Rs. 2.00

[ Rule 11 (h)]

**Schedule IV**  
Inventory of the stickers

Date	No. of stickers received	No. of stickers in hand	No. of stickers issued for bottled or imported liquor	No. of stickers damaged	No. of stickers activated

[ Rule 11(h)]

**Schedule V**  
Inventory of Damaged stickers

No. of stickers damaged	Serial Nos. of damaged stickers	No. & date of the letter granting approval for destroying	Date of destroying damaged stickers	Names/Designations/Signatures of the Officers engaged in destroying damaged stickers	Signature of the Licencee or the Agent