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SOCIALIST REPUBLIC OF
SRI LANKA**

Part II of June 24, 2016

SUPPLEMENT

(Issued on 24. 06. 2016)



VALUE ADDED TAX (AMENDMENT)

A

BILL

to amend the Value Added Tax Act, No. 14 of 2002

Ordered to be published by the Minister of Finance

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Value Added Tax (Amendment)

L.D.—O. 27/2016.

AN ACT TO AMEND THE VALUE ADDED TAX ACT, NO. 14 OF 2002

BE it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows:-

1. This Act may be cited as the Value Added Tax (Amendment) Act, No. of 2016 and shall be deemed to have come into operation on January 1, 2016 unless the dates on which certain provisions thereof shall come into operation are specified in such sections.

Short title
and the date
of operation.

2. Section 2 of the Value Added Tax Act, No.14 of 2002 (hereinafter referred to as the “principal enactment”) is hereby amended as follows:-

Amendment
of section 2
of Act,
No.14 of
2002.

(1) in item (iii) of sub-paragraph (v) of subsection (1) of that section by the substitution for the words and figures “at the rate of twelve *per centum* (of which the tax fraction is 3/28); and” of the words and figures “at the rate of twelve *per centum* (of which the tax fraction is 3/28);”.

(2) in item (iv) of sub-paragraph (v) of subsection (1) of that section by the substitution for the words and figures “for any taxable period commencing on or after January 1, 2015” of the words and figures “for any taxable period commencing on or after January 1, 2015 and ending on or before March 31, 2016 and for the period commencing on April 1, 2016 and ending on May 1, 2016; and”.

(3) by the insertion immediately after item (iv) of subparagraph (v) of subsection (1) of that section of the following:-

5 “(v) for the period commencing on May 2, 2016 and ending on June 30, 2016 and for any taxable period commencing on or after July 1, 2016 at the rate of fifteen *per centum* (of which the tax fraction is 3/23).”.

10 **3.** Section 3 of the principal enactment is hereby amended in subsection (1) of that section by the substitution for the words “the tax shall not be charged on the wholesale or retail supply of goods,” of the words and figures “the tax shall not be charged on the wholesale or retail supply of goods, for any period prior to May 2, 2016,”. Amendment of section 3 of the principal enactment.

15 **4.** Section 5 of the principal enactment is hereby amended by the insertion immediately after subsection (13) thereof, of the following new subsection:- Amendment of section 5 of the principal enactment.

20 “(14) Where, for the period from January 1, 2016 to January 31, 2016, a registered person has issued an invoice other than a tax invoice, the value of supply shall be,

(i) where tax has been collected at a rate other than the rate of eleven *per centum* -

25 (a) in the case of supply of any goods, the value shall be deemed to be equal to the amount derived by multiplying the total invoiced value by 200/297; and

30 (b) in the case of supply of any service, the value shall be deemed to be equal to the amount derived by multiplying the total invoiced value by 100/99.

- (ii) where no tax has been collected, the value shall be deemed to be equal to tax inclusive consideration and excluding the tax at the rate of eleven *per centum*.”.

5 **5.** Section 8 of the principal enactment is hereby amended as follows:-

Amendment
of section 8
of the
principal
enactment.

- 10 (1) in the first proviso to that section, by the substitution for the words “be treated as liable supplies of such registered person and chargeable” of the words and figures “be treated as liable supplies of such registered person, for any period prior to January 1, 2016 and chargeable”.

- 15 (2) in the second proviso to that section, by the substitution for the words “Provided further, in the case of” of the words and figures “Provided further, for any period prior to January 1, 2016, in the case of”.

20 **6.** Section 10 of the principal enactment is hereby amended as follows:-

Amendment
of section 10
of the
principal
enactment.

- 25 (1) in subsection (1) of that section –
 - (i) by the substitution in paragraph (iv), for the words and figures “on or after January 1, 2015 carries on” of the words and figures “on or after January 1, 2015, but prior to April 1, 2016 carries on”.

- (ii) by the insertion immediately after paragraph (iv) thereof, of the following new paragraph:-

“(v) on or after April 1, 2016, carries on or carries out any taxable activity in

Sri Lanka shall be required to be registered under this Act if-

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- (a) at the end of any taxable period of one month or three months, as the case may be, the total value of the taxable supplies of goods or services or goods and services of such person, made in Sri Lanka in that taxable period of one month or three months, as the case may be, has three million rupees; or
 - (b) in the twelve months period then ending, the total value of the taxable supplies of goods or services or goods and services of such person, made in Sri Lanka has exceeded twelve million rupees; or
 - (c) at any time, there are reasonable grounds to believe that the total value of the taxable supplies of goods or services or goods and services of such person in Sri Lanka, in the succeeding one month or three months taxable period, as the case may be, is likely to exceed three million rupees or in the succeeding twelve months period is likely to exceed twelve million rupees.”.

- (iii) by the addition immediately after the first proviso to subsection (1) of that section the following proviso:-

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“Provided further, for the purposes of paragraph (v), the requirement for the

registration shall arise with effect from May 2, 2016.”.

- 5 (2) in paragraph (c) of subsection (2) of that section, by the substitution for the words and figures “commencing on or after January 1, 2015.” of the words and figures “commencing on or after January 1, 2015, but ending on or before March 31, 2016.”.

7. Section 21 of the principal enactment is hereby amended as follows:-

Amendment of section 21 of the principal enactment.

- 10 (1) in subsection (1) of that section-

15 (a) by the substitution for the words “every such return shall be in the specified form and shall contain all such particulars as may be required to be set out in such form.” of the words “every such return shall be in the specified form containing all such particulars and relevant schedules as the Commissioner-General may specify by Order published in the *Gazette*”.

- 20 (b) by the insertion immediately after subsection (1) of that section, of the following new subsections:-

25 “(1A) Every registered person who furnishes a return on supplies which does not contain all such particulars in such form and relevant schedules as are specified in subsection (1), shall be deemed for the purposes of this Act, not to have furnished a return on supplies.

30 (1B) Where any registered person furnishes a return on supplies on or before the date specified in subsection (1) for any taxable period, and deemed under the provisions of subsection (1A) not to have furnished a return,

the Assistant Commissioner shall before the expiry of fourteen days from the last day of the month after the expiry of such taxable period issue a notice to such registered person and inform him that the return furnished by him is not a proper return as it does not contain all such particulars in such form and relevant schedules as specified in subsection (1).

(1C) Where any registered person receives a notice under subsection (1B), such person shall within fourteen days of receipt of such notice, furnish a proper return containing all such particulars in such form and relevant schedules required to make such return a proper return, and then the provisions of subsection (1A) shall thereafter not apply in respect of such return.

(1D) The Assistant Commissioner shall acknowledge receipt of the return only upon receipt of a proper return which shall be considered a valid return for the purposes of subsection (1).

- (2) in subsection (2) of that section, by the substitution for the words, "in the specified form within the time" of the words "containing all such particulars in such form and relevant schedules within the time".

8. Section 25A of the principal enactment is hereby amended as follows:-

Amendment of section 25A of the principal enactment.

- (1) in paragraph (c) of subsection (2) of that section, by the substitution for the words and figures "on or after January 1, 2015." of the words and figures "on or after January 1, 2015 but prior to May 2, 2016; or";
- (2) by the insertion immediately after paragraph (c) of that subsection of the following new paragraph:-

“(d) where the value of such supplies for a period of three months exceeds three million rupees

or for a period of twelve months exceeds twelve million rupees, as the case may be, if such registration has taken place for any period on or after May 2, 2016.”.

5 **9.** Section 25B of the principal enactment is hereby amended as follows:-

Amendment
of section
25B of the
principal
enactment.

(1) In subsection (1) of that section-

10 (a) in paragraph (a) of that subsection by the substitution for the words and figures “period prior to January 1, 2011; and” of the words and figures “period prior to January 1, 2011;”

15 (b) in paragraph (b) of that subsection by the substitution for the words and figures “commencing on or after January 1, 2011.” of the words and figures “commencing on or after January 1, 2011 but ending prior to April 1, 2016; and”

20 (c) by the insertion immediately after the proviso to paragraph (b) of that subsection the following new paragraph:-

“ (c) twelve months for any taxable period commencing on or after January 1, 2016;”.

25 (d) by the repeal of the proviso to that subsection and the substitution therefor of the following:-

“ Provided that , in a case of a specified institution or any other person-

30 (i) for any taxable period ending prior to January 1, 2016 whose accounts are made up for a twelve months period ending on the 31st day of

March, the six months period may be commenced on the 1st day of April and the twelve months period may be commenced on the 1st day of October; and

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(ii) for any taxable period commencing on or after January 1, 2016, whose accounts are made up for a twelve months period ending on the 31st day of March, the twelve months period may be commenced on the 1st day of April;

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(iii) where accounts are made for the period ending on the 31st day of March, a separate return for the period commencing on the 1st day of January and ending on the 31st day of March shall be submitted at the time of such change with the approval of the Commissioner-General.

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(2) by the repeal of subsection (2) of that section and the substitution therefor of the following new subsections:-

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“(2) Every registered specified institution or other person shall in respect of each taxable period furnish a return in the specified form-

(a) before the end of the following month of the taxable period, if such taxable period is a taxable period ending prior to January 1, 2016; and

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(b) within six months immediately succeeding the end of that taxable period, if such taxable period is a taxable period commencing on or after January 1, 2016.

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5 (2A) (a) Every registered person who furnishes a return which is not in such form or fails to furnish an interim estimate on every six months referred to in subsection (1) of section 25C or fails to furnish the contents of such return or the interim estimate as specified by the Commissioner-General, shall be deemed for the purposes of this Act, not to have furnished a return of Value Added Tax on financial services.

10 (b) Where any registered person furnishes a return of Value Added Tax on financial services or an interim estimate on or before the date specified in this section and subsection (1) of section 25C for any taxable period or any six months period, as
15 as the case may be, and is deemed under the provisions of paragraph (a) of subsection (2A) of section 25B not to have furnished a return of Value Added Tax on financial services, the Assessor or Assistant
20 Commissioner shall, before the expiry of thirty days from the last day of the month after the expiry of such taxable period, inform such person in writing, that the return or the interim estimate furnished by him does not contain all such particulars in such form and relevant schedules as specified by the
25 Commissioner-General.

(c) Where any registered person receives information under paragraph (b), such person may within thirty days of receipt of such information, furnish to the Commissioner-General all such
30 particulars in such form and relevant schedules required to make the return submitted, a proper return, and then the provisions of paragraph (a) shall thereafter not apply in respect of such return.”

10. Section 25C of the principal enactment is hereby amended as follows:-

Amendment
of section
25c of the
principal
enactment.

(1) in subsection (1) of that section,

5 (a) by the substitution for the words “interest of economy by Order” of the words “interest of economy and maintaining the uniformity of allowable depreciation by Order”;

10 (b) by the repeal of the proviso to subsection (1) and the substitution therefor of the following new proviso:-

“Provided however,

15 (a) for any taxable period ending prior to January 1, 2016, where the amount of profits for each taxable period cannot be accurately ascertained, such amount may be estimated on the basis of available information. The estimated amounts shall be adjusted to reflect the actual amounts with the audited statement of accounts on yearly basis and such adjustment shall be submitted within six months after the closing date of the relevant accounting period; and

25 (b) for any taxable period commencing on or after January 1, 2016, where the amount of monthly profits cannot be accurately ascertained for monthly payments, such amount may be estimated on the basis of available information, and every registered
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5 specified institution or any other person shall furnish an interim estimate in the specified form in respect of each six months period of the taxable period before the end of the succeeding month of the each such six months period.

(2) in subsection (3) of that section-

10 (a) by the repeal of paragraph (e) of that subsection and the substitution therefor of the following new paragraph:-

“(e) commencing from January 1, 2015, but prior to May 2, 2016 shall be eleven *per centum*.”; and

15 (b) by the insertion immediately after paragraph (e) of that subsection of the following new paragraph:-

“(f) commencing from May 2, 2016, shall be fifteen *per centum*.”.

(3) in subsection (5) of that section-

20 (a) by the substitution in paragraph (gg) thereof for the words “the profits or income arising to” of the words “the profits or income (not being profit from a business) arising to”.

25 (b) by the insertion of the following at the end of that subsection:-

“For the purposes of this subsection, the expression “A person who is not registered with the Central Bank of Sri Lanka, but

5 providing services similar to the services
provided by a finance company,“ includes,
any person or body of persons, corporate
or unincorporated, whose business or part
of whose business consists in the
acceptance of money by way of deposit,
debenture or bond or in any other form, and
on the payment of interest, profit or discount
thereon, or provision of loans for the receipt
10 of interest,whether such acceptance is on
its own behalf or on behalf of any other
person.”.

11. Section 25F of the Principal enactment is hereby
amended by the insertion immediately after paragraph (h) of
15 that section, of the following: -

Amendment
of section
25F of the
principal
enactment.

“(i) the acceptance, holding or transferring of cash
through any telecommunication service or any
electronic media.”.

12. Section 66 of the principal enactment is hereby
20 amended by the insertion immediately after paragraph (c) of
that section, of the following new paragraph:-

Amendment
of section 66
of the
principal
enactment.

“(d) submit false documents for online registration,
uploading incorrect information for registration or
submitting false documents under electronic filing
25 system permitted under the Revenue Administration,
Management Information System .”

13. Section 76 of the principal enactment is hereby
amended in subsection (1) of that section by the substitution
for the words “such supply subsequently becomes a taxable
30 supply” of the words and figures “such supply subsequently
becomes a taxable supply for any period prior to May 2,
2016”.

Amendment
of section 76
of the
principal
enactment.

14. The First Schedule to the principal enactment is hereby amended in PART II thereof as follows:-

Amendment
of the First
Schedule to
the principal
enactment.

(1) in paragraph (a) of that PART-

5 (a) by the repeal of sub-item (e) of item (xix) and the substitution therefor of the following:-

“(e) telecommunication equipment with effect from January 1, 2011 but prior to May 2, 2016;”;

10 (b) by the repeal of item (xx) and the substitution therefor of the following:-

15 “(xx) any machinery or high-tech equipment for the telecom industry, having identified that such machinery or equipment is imported or purchased exclusively for the use in the telecom industry and imported or purchased by any operator of telecommunication services, with effect from January 1, 2011 but prior to May 2, 2016;”;

20 (c) by the repeal of item (xxv) and the substitution therefor of the following:-

“(xxv) copper cables for telecom industry,
25 - imported prior to May 2, 2016 where such copper cables are not available in Sri Lanka; or
- purchased from a local manufacturer prior to May 2, 2016.”.

(2) in paragraph (b) of that PART-

(a) by the repeal of item (xii) and the substitution therefor of the following:-

5 “(xii) all healthcare services provided by medical institutions or professionally qualified persons providing such care, prior to May 2, 2016;”;

(b) by the repeal of item (xxxi) and the substitution therefor of the following:-

10 “(xxxi) telecommunication services subject to the telecommunication levy under the Telecommunication Levy Act, No. 21 of 2011, and the services specifically excluded from such liability in the definition of the expression “telecommunication services” in that Act, prior to May 2, 2016;”;

(c) by the repeal of item (xxxv) and the substitution therefor of the following:-

20 “(xxxv) services, being the issue of licenses to local telecom operators by Telecommunication Regulatory Commission, established by the Sri Lanka Telecommunications Act, No. 25 of 1991, prior to May 02, 2016”.

(3) in paragraph (f) of that PART, by the repeal of items (ii) and (iii) of that paragraph and the substitution therefor of the following:-

30 “(ii) goods or services to any specified project identified by the Minister in charge of the subject of Finance and –

(a) approved prior to May 2, 2016; or

- (b) approved on or after May 2, 2016 being a housing project,

5 taking into consideration the economic benefit to the country on which the tax is borne by the Government.

- (iii) any goods or services provided prior to May 2, 2016, by any society registered under the Co-operative Societies Law, No. 5 of 1972 or under any respective Statute enacted by any Provincial Council providing for such registration, or Lak Sathosa registered under the Companies Act, No. 7 of 2007.”.

- (4) in paragraph (l) of that PART-

15 (a) in item (i) of sub- paragraph (a) of that paragraph, by the substitution for the words and figures “the Excise (Special Provisions) Act, No. 13 of 1989” of the words and figures “the Excise (Special Provisions) Act, No. 13 of 1989, which is in lieu of Value Added Tax under the Value Added tax Act, No. 14 of 2002, the Nation Building Tax under the Nation Building Tax Act, No. 9 of 2009 and any other levies imposed by any other laws at the point of customs”;

25 (b) in sub- paragraph (b) of that paragraph, by the substitution for the words and figures “Export Development Act, No. 40 of 1979” of the words and figures “Export Development Act, No. 40 of 1979, which is in lieu of the Value Added Tax under the Value Added Tax Act, No. 14 of 2002, the Nation Building Tax under the Nation Building Tax Act, No. 9 of 2009 and any other levies imposed by any other laws at the point of customs”;

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(c) in sub- paragraph (c) of that paragraph, by the substitution for the words “manufacture of the same” of the words and figures “manufacture of the same, in lieu of the Value Added Tax under the Value Added Tax Act, No. 14 of 2002 and the Nation Building Tax under the Nation Building Tax Act, No. 9 of 2009”.

15. Any person who is authorized to collect the Value Added Tax as provided for in this Act during the period commencing from January 1, 2016 and ending on the date on which the Certificate of the Speaker is endorsed in respect of this Act, shall be deemed to have acted with due authority and such collection shall be deemed to have been, and to be, validly made and such person is hereby indemnified against all actions civil or criminal, in respect of such collection:

Provided that, the aforesaid provisions shall not affect any decision or Order made by any Court or any proceedings pending in any Court in respect of any tax collected as provided for in this Act during the said period.

16. In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.

Validation.

Sinhala text to prevail in case of inconsistency.

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