

**PARLIAMENT OF THE DEMOCRATIC SOCIALIST REPUBLIC OF**   
**SRI LANKA**

*————————*

**VALUE ADDED TAX (AMENDMENT)**

**A**

**BILL**

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

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*Presented by the Prime Minister and Minister of Finance, Minister of Buddhasasana, Religious & Cultural Affairs and Minister of*   
*Urban Development & Housing on 26th of March, 2021*

(Published in the Gazette on March 18, 2021)

*Ordered by Parliament to be printed*

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**[Bill No. 42]**

PRINTEDATTHEDEPARTMENTOFGOVERNMENTPRINTING, SRILANKA   
TOBEPURCHASEDATTHEGOVERNMENTPUBLICATIONSBUREAU, COLOMBO5

**Price : Rs. 17.00**  **Postage : Rs. 15.00**

*This Bill can be downloaded from* www.documents.gov.lk 

*STATEMENT OF LEGAL EFFECT*

*Clause 2* : This clause amends section 2 of the Value Added Tax Act, No. 14 of 2002 (hereinafter referred to as the “principal enactment”), and the legal effect of that section as amended is to reduce the VAT rate from 15% to 8% on the value of goods or services supplied, or goods imported with effect from December 1, 2019.

*Clause 3* : This clause amends section 3 of the principal enactment and the legal effect of that section as amended is to remove conditions laid down in section 3 in calculating registration threshold for wholesale and retail in order to prevent the discrimination of such registration for wholesale and retail.

*Clause 4* : This clause amends section 7 of the principal enactment and the legal effect of that section as amended is to make provisions to determine the refunds for exporters.

*Clause 5* : This clause amends section 10 of the principal enactment and that amendment is consequential to the amendments made to section 3.

*Clause 6* : This clause amends section 12 of the principal enactment and the legal effect of that section as amended is to provide for voluntary registration for VAT for certain persons as specified in that section.

*Clause 7* : This clause amends section 22 of the principal enactment and the legal effect of that section as amended is to reduce the amount of tax due on local sale of certain garments by export oriented companies and to remove the provisions which permit deemed input cerdit for wholesale and retail trade.

*Clause 8* : This clause amends Part II of the First Schedule to the principal enactment in order to exempt from VAT, certain goods and services in order to give effect to budget proposals of 2021.

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| *Value Added Tax (Amendment)* | 1 |

L. D.— O. 9/2020

AN ACTTOAMENDTHE VALUE ADDED TAX ACT, NO. 14 OF 2002

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

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| **1.** | This Act may be cited as the Value Added Tax | Short title |

(Amendment) Act, No. of 2021.

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| 5 | **2.** | Section 2 of the Value Added Tax Act, No.14 of 2002 | Amendment |
| (hereinafter referred to as the “principal enactment”) is hereby | | of section 2 |
| of Act, |
| amended as follows:- | |
| No.14 of |
| (1) | in item (v) of sub-paragraph (v) of subsection (1) of | 2002 |

that section by the substitution for the words “any 10 taxable period thereafter” of the words and figures “any taxable period thereafter but for the period ending on or before November 30, 2019; and”;

(2) by the insertion immediately after the item (v) of sub-paragraph (v) of subsection (1) of that section

15 of the following:-

“(vi) for the period commencing on December 1,   
2019 and ending on December 31, 2019 and   
for any taxable period commencing on or after   
January 1, 2020 at the rate of eight *per centum*

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| 20 | (of which the tax fraction is 2/27),”. | | Amendment |
| **3.** | Section 3 of the principal enactment is hereby |
| 25 | amended in subsection (1) of that section by the substitution | | of section 3 |
| of the |
| for the words “Notwithstanding the provisions of section 2, | |
| principal |
| the tax shall not be” of the words and figures | | enactment |
| “Notwithstanding the provisions of section 2, for any period | |

prior to January 1, 2020, the tax shall not be”.

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| 5 | 2 | *Value Added Tax (Amendment)* | Amendment |
| **4.** | Section 7 of the principal enactment is hereby |
| amended in subsection (1) of that section as follows:- | | of section 7 |
| of the |
| (1) | by the substitution in paragraph (*a*), for the words | principal |
| enactment |
| “where the supplier of such goods has exported | |
| such goods;” of the words “where the supplier of | |
| such goods has exported such goods for which | |

payment is received in foregin currency through a   
bank licenced under the Banking Act, No.30 of   
1988 within a period of six months from the date of

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| 10 | (2) | such exportation;”; |
| in paragraph (*b*) of that subsection– |

(*a*) by the substitution in sub-paragraph (i) for the words “immovable property outside Sri Lanka” of the words “immovable property 15 outside Sri Lanka, for which payment is received in foreign currency through a bank licenced under the Banking Act, No.30 of 1988 within a period of six months from the date of supply of such service;”;

20 (*b*) by the substitution in sub-paragraph (iii) for the words “such right if for use outside Sri Lanka” of the words “such right is for use outside Sri Lanka, for which payment is received in foreign currency through a bank

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| 25 | licenced under the Banking Act, No.30 of 1988 within a period of six months from the |

date of supply of such service;”.

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| 30 | **5.** | Section 10 of the principal enactment is hereby | | Amendment |
| amended as follows:- | | | of section 10 |
| of the |
| (1) | in subsection (1) of that section- | | principal |
| enactment |
| (*a*) | | by the substitution in paragraph (v), for the |

words and figures “on or after April 1, 2016,

*Value Added Tax (Amendment)*  3

carries on” of the words and figures “on or   
after April 1, 2016, but prior to January 1,   
2020, carries on”;

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| 5 | (*b*) | by the insertion immediately after paragraph |
| (v), of the following:- |

“(vi) on or after January 1, 2020, carries on or   
carries out any taxable activity in Sri   
Lanka shall be required to be registered   
under this Act, if—

10 (*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, 15 made in Sri Lanka in that taxable period of one month or three months, as the case may be, is seventy five million rupees or more; or

(*b*) in the twelve months period then 20 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 three hundred million rupees; or

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| 25 | (*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, 30 in the succeeding one month or three months taxable period, as the case may be, is likely to exceed

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seventy five million rupees or in the   
succeeding twelve months period   
is likely to exceed three hundred   
million rupees.”;

5 (2) in subsection (2) of that section by the substitution for the words “exempted under PART II of the First Schedule to the Act, is not less than” of the words and figures “exempted under PART II of the First Schedule to this Act, for any period prior to January 1, 2020, is not less than”.

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| 10 | **6.** Section 12 of the principal enactment is hereby | | Replacement |
| of section 12 |
| repealed and the following section substituted therefor:- | |
| of the |
| “Voluntary | 12. (1) Notwithstanding anything to the | principal |
| enactment |
| registration | contrary in sections 3 and 10, any person who |

supplies goods or services and carries on a 15 taxable activity or who imports any taxable goods may make an application to the Commissioner-General, in the form specified by the Commissioner-General, for registration under this Act,-

20 (a) for any taxable period prior to January 1, 2013:

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| Provided | however, | the |

Commissioner-General may after affording the applicant an opportunity 25 of being heard, and having regard to the nature of the business carried on by such applicant, the value of the taxable supplies made by such applicant in the two preceding taxable periods and the

*Value Added Tax (Amendment)*  5

probability that the value of his taxable   
supplies will not exceed the value   
referred to in section 10, refuse to   
register such applicant; and

5 (b) for any taxable period commencing on or after January 1, 2020, in the case of a person who supplies goods or services and carries on a taxable activity.

(2) Any person registered under this section shall not be

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| 10 | eligible for registration with the Simplified Value Added Tax Scheme unless his taxable supply exceeds the total value |

of the taxable supplies referred to in subsection (1) of section 10.”.

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| 15 | **7.** | Section 22 of the principal enactment is hereby | Amendment |
| amended as follows:- | | of section 22 |
| of the |
| (1) | in paragraph (*a*) of the first proviso to subsection (1) | principal |
| enactment |
| thereof, by the repeal of sub-paragraphs (iii) and (iv) | |

and the substitution therefor of the following:-

“(iii) (a) rupees seventy five for any period

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| 20 | commencing on or after August 16, 2018 but prior to November 1, 2019; |

(b) rupees one hundred for any period   
commencing on or after November 1,   
2019, but prior to January 1, 2021;

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| 25 | (c) rupees twenty five for any period commencing on or after January 1, 2021, |

for each such garment other than panties, socks, briefs   
and boxer shorts identified under the Harmonized   
Commodity Description and Coding System

30 Numbers for Custom Purposes;

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(iv) (a) rupees seventy five for any period   
commencing on or after August 16, 2018   
but prior to November 1, 2019;

(b) rupees one hundred for any period 5 commencing on or after November 1, 2019, but prior to January 1, 2021;

(c) rupees twenty five for any period   
 commencing on or after January 1, 2021,

for six pieces of panties, socks, briefs and boxer shorts, 10 identified under the Harmonized Commodity Description and Coding System Numbers for Custom Purposes.”;

(2) in subsection (14) of that section, by the substitution for the words and figures “ (14) Where any person” of 15 the words and figures “(14) For any period prior to the date of commencement of this (Amendment) Act where any person”.

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| 20 | **8.** | The First Schedule to the principal enactment is | Amendment |
| hereby amended in PART II as follows: - | | of the First |
| Schedule to |
| (1) in paragraph (*a*) of that PART, by the insertion | | the principal |
| enactment |
| immediately after item (xxx) of the following new | |

item-

“(xxxi) machinery and equipment including medical, surgical and dental instruments, 25 apparatus, accessories and parts thereof, hospital or medical furniture and drugs, chemical and similar items, as recommended by the Secretary to the Ministry of the Minister assigned the subject of Health, as

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| 30 | required for the provision of health services to address the COVID 19 pandemic, with |

effect from May 20, 2020.”;

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(2) by the substitution in sub-item (c) of item (xi) of paragraph (b) for the words and figures “on or after April 1, 2019, other than any lease” of the words and figures “on or after April 1, 2019 but on or before 5 November 30, 2019, other than any lease”;

(3) by the insertion immediately after sub-item (c) of item (xi) of paragraph (b), of the following: -

“(d) if such supply has taken place on or after December 1, 2019, by any person, other than any 10 lease or rent of residential accommodation.”;

(4) by the renumbering of item (Li) and (Lii) (as inserted by Value Added Tax (Amendment) Act, No.25 of 2018) of paragraph (b)as (Lii) and (Liii) respectively;

(5) by the insertion immediately after the renumbered 15 item (Liii) of the followings:-

“(Liv) commencing on or after January 1, 2020   
information technology and enabled   
services as shall be prescribed;

(Lv) health protective equipment and similar 20 products by any exporter, registered with the Board of Investment of Sri Lanka established by the Board of Investment of Sri Lanka Law, No.4 of 1978, to the Ministry of Health and Indigenous Medical Services, Department of 25   
 Health Services, Sri Lanka Army, Sri Lanka Navy, Sri Lanka Air force and Sri Lanka Police on or after April 29, 2020;

(Lvi) services in respect of inbound tours, by a travel agent registered with the Sri Lanka 30 Tourism Development Authority for any period commencing from April 1, 2020;”;

8 *Value Added Tax (Amendment)*

(6) by the addition immediately after paragraph (I) of that PART the following:-

“(m) with effect from January 1, 2021, local supply of any goods [other than goods referred to in 5 paragraph (c)], which would have been exempted on importation, if imported.”;

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| **9.** | Any person who is authorized to collect the Value | Validation |

Added Tax as provided for in this Act during the period commencing from December1, 2019 and ending on the date 10 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:

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| 15 | 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.

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| 20 | **10.** | In the event of any inconsistency between the | Sinhala text |
| Sinhala and Tamil texts of this Act, the Sinhala text shall | | to prevail in |
| case of |
| prevail. | |
| inconsistency |

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| *Value Added Tax (Amendment)* | 9 |

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