

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

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**VALUE ADDED TAX (AMENDMENT)**

**A**

**BILL**

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

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*Presented by the Minister of Finance on 20th of January, 2022*

(Published in the Gazette on January 07, 2022)

*Ordered by Parliament to be printed*

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**[Bill No. 102]**

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*STATEMENT OF LEGAL EFFECT*

*Clause 2* :This clause amends section 25C 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 increase the VAT rate from 15% to 18% *per centum* on supply of financial services on financial institutions with effect from January 1, 2022.

*Clause 3* :This clause amends Part II of the First Schedule to the principal enactment to exempt certain goods and services from VAT in order to give effect to budget proposals of 2022.

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

L.D.-O. 51/2021

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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| 5 | **1.**  This Act may be cited as the Value Added Tax  (Amendment) Act, No. of 2022. | Short title |
| **2.**  Section 25C of the Value Added Tax Act, No. 14 of  2002 (hereinafter referred to as the “principal enactment”) is | Amendment of section  25C of Act, No. 14 of  2002 |
| 10 | hereby amended in subsection (3) thereof as follows:- |
| (1) by the substitution in paragraph (*f*) of that |
| subsection, for the words and figures, “commencing |
| from November 1, 2016, shall be fifteen *per* |
| *centum*.” of the words and figures “commencing |
| 15 | from November 1, 2016 but ending on or before |
| December 31, 2021, shall be fifteen *per centum*;”; |
| (2) by the addition immediately after paragraph (*f*) of |
| that subsection of the following:- |

“(*g*) commencing on or after January 1, 2022, shall   
 be eighteen *per centum*.”.

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| 20 | **3.**  The First Schedule to the principal enactment is  hereby amended in PART II thereof as follows:- | Amendment |
| of the First |
| Schedule to |
| (1) in paragraph (*a*) of that PART- | the principal |
| enactment |
| 25 | (*a*) by the substitution in item (xxxi) of that |
| paragraph, for the words and figures, “with |
| effect from May 20, 2020.” of the words and |
| figures “with effect from May 20, 2020, and |
| ending on December 31, 2021;”; |

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(*b*) by the addition immediately after item (xxxi)   
 of the following new item:–

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| 5 | (2) | “(xxxii) on or after January 1, 2022, medical equipment, machinery, apparatus, accessories and parts thereof, hospital furniture, drugs and chemicals donated to a government hospital or the Ministry of Health for the provision of health services to address any pandemic or public health emergency, approved by the Minister assigned the subject of Finance on the recommendation of the Secretary to the Ministry of the Minister assigned the subject of Health.”; |
| 10 |
| 15 |
| by the repeal of paragraph (*l*) and the substitution therefor of the following:– |

“(*l*) the import or supply of–

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| 20  25  30  35 | (*a*) any motor vehicle identified under the Harmonized Commodity Description and Coding Numbers for custom purposes and liable to–  (i) the Excise Duty imposed under the Excise (Special Provisions) Act, No. 13 of 1989, on or after October 25, 2014; or  (ii) the Special Goods and Services Tax imposed under the Special Goods and Services Tax Act, No. of 2022,  on the importation of such vehicle or any motor vehicle liable to the same duty or tax on the manufacture of any such vehicle; |

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| 5  10  15  20  25  30  35 | *Value Added Tax (Amendment)* | 3 |
| (*b*) any motor vehicle remains unsold as at October 25, 2014, which would otherwise have been liable to pay the same duty referred to in item (i) of sub-paragraph (*a*) on the importation or manufacture of the same, if imported or manufactured after October 25, 2014,  other than any vehicle supplied under a financial leasing agreement entered into prior to October 25, 2014, which are disposed after the repossession of the same by the lessor on which input tax had been claimed;  (*c*) cigarettes identified under the Harmonized Commodity Description and Coding System Numbers for custom purposes and liable to-  (i) the Excise Duty imposed under the Excise (Special Provisions) Act, No. 13 of 1989 and cess imposed under Sri Lanka Export Development Act, No. 40 of 1979, on or after October 25, 2014 but prior to November 1, 2016, on the importation or manufacture of the same including cigarettes in the stocks remain unsold as at October 25, 2014, which would have been liable to the same duty on the importation or manufacture of the same, if imported or manufactured after October 25, 2014; or  (ii) the Special Goods and Services Tax imposed under the Special Goods and Services Tax Act, No. of 2022, on the importation or manufacture of the same; | |

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(*d*) liquor identified under the Harmonized   
Commodity Description and Coding   
System Numbers for custom purposes   
and subject to-

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| 5 | (i) the Customs Duty imposed under | | | | Sinhala text  to prevail in case of  inconsistency |
| the | Customs | Ordinance | |
| 10 | (Chapter 235), | | Excise | duty |
| imposed under the Excise | | | |
| Ordinance (Chapter 52) and cess | | | |
| imposed under Sri Lanka Export | | | |
| 15 | Development Act, No. 40 of 1979, | | | |
| on or after October 25, 2014 but | | | |
| prior to November 1, 2016, on the | | | |
| importation or Excise Duty on | | | |
| manufacture of the same including | | | |
| liquor imported or manufactured | | | |
| 20 | prior to October 25, 2014 remains | | | |
| unsold as at October 25, 2014, | | | |
| which would have been liable to | | | |
| the same duty and cess on | | | |
| importation or Excise Duty on | | | |
| 25 | manufacture of the same, if | | | |
| imported or manufactured after | | | |
| October 25, 2014; or | | | |
| (ii) the Special Goods and Services Tax | | | |
| imposed under the Special Goods | | | |
| 30 | and Services Tax Act, No. of 2022, | | | |
| on the importation or manufacture | | | |
| of the same.”. | | | |
| **4.**  In the event of any inconsistency between the  Sinhala and Tamil texts of this Act, the Sinhala text shall | | | |
| prevail. | | | |

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| *Value Added Tax (Amendment)* | 5 |

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