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SOCIALIST REPUBLIC OF
SRI LANKA**

Part II of February 21, 2025

SUPPLEMENT

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VALUE ADDED TAX (AMENDMENT)

A

BILL

To amended the Value Added Tax Act, No. 14 of 2002

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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 the section as amended is to make provisions-

- (a) to impose a tax liability on the supply of services by a non-resident person by an electronic platform; and
- (b) to abolish the Simplified Value Added Tax Scheme and to introduce a VAT refund system instead of that.

Clause 3: This clause amends section 5 of the principal enactment and the legal effect of the section as amended is to make provisions to treat the value of following supplies as zero: -

- (a) meals or transport provided by an employer to his employees, free of charge or at a subsidized rate;
- (b) any reinsurance commission or any compensation received in foreign currency through a bank by any local insurance company from a reinsurer outside Sri Lanka; and
- (c) any unused postage and revenue stamps of the Government or of a Provincial Council, to the face value of such stamps.

Clause 4: This clause amends section 10 of the principal enactment and the legal effect of the section as amended is to make provisions to require every person who engages in export or import of goods for commercial purposes to register under the principal enactment, irrespective of the tax exemptions granted and the registration threshold specified under that enactment.

Clause 5: This clause amends section 11 of the principal enactment and is consequential to the amendment made by clause 4.

Clause 6: This clause amends section 20 of the principal enactment and the legal effect of the section as amended is to make provisions to specify the format of the tax invoice.

Clause 7: This clause amends section 21 of the principal enactment and the legal effect of the section as amended is to make the furnishing of returns by electronic means mandatory.

Clause 8: This clause amends section 22 of the principal enactment and the legal effect of the section as amended is to make provisions to bring under the purview of this section –

- (a) the person eligible for tax refund due to the abolition of the Simplified Value Added Tax Scheme and specify the manner of making such refund; and
- (b) as an input credit the payments borne by an employer who is a registered person for the supply of meals and transport under section 5.

Clause 9 : This clause amends section 26 of the principal enactment and is consequential to the amendment made by clause 2.

Clause 10 :This clause amends section 28 of the principal enactment and the legal effect of the section as amended is to make provisions to empower the Assessor to assess the amount of tax payable by a non-resident person who fails to pay the tax under section 2.

Clause 11 :This clause inserts new section 48B in the principal enactment and the legal effect of the amendment is to make provisions for the recovery of undeclared and unpaid taxes.

Clause 12 :This clause amends section 71 of the principal enactment and is consequential to the amendment made by clause 2.

Clause 13 :This clause amends section 83 of the principal enactment and the legal effect of the section as amended is to

- (a) include definitions for the expressions “eligible exporter” and “unprocessed agricultural products”; and
- (b) amend the definition of the expression “taxable period” in order to make amendments consequential to the amendments made by clause 2.

Clause 14 : This clause amends Part II of the First Schedule to the principal enactment and the legal effect of the section as amended is to include new items to paragraphs (a) and (b).

Value Added Tax (Amendment)

L.D. - O 81/2024

AN ACT 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. (1) This Act may be cited as the Value Added Tax (Amendment) Act, No. of 2025. Short title and
the date of
operation

5 (2) The provisions of this Act other than the amendment made by paragraph (1) of section 3 shall come into operation on the date on which the Bill becomes an Act of Parliament.

10 (3) The amendment made by paragraph (1) of section 3 shall be deemed to have come into operation on January 1, 2024.

2. Section 2 of the Value Added Tax Act, No. 14 of 2002 (hereinafter in this Act referred to as the "principal enactment") is hereby amended as follows: - Amendment
of section 2 of
Act, No.14 of
2002

15 (1) by the substitution in paragraph (b) of subsection (1) of that section, for the words "by any person," of the words "by any person; or";

20 (2) by the addition immediately after paragraph (b) of subsection (1) of the following: -

“(c) on the supply of services by a non-resident person through an electronic platform to a person in

Sri Lanka, with effect from April 1, 2025,”;

- (3) by the substitution in paragraph (e) of subsection (2) of that section, for the words “on the supply of goods or services”, of the words and figures “on the supply of goods or services for any period prior to October 1, 2025”; and

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

- (a) by the substitution for the words in sub-paragraph (f) thereof, of the words, “any fabric or accessories imported”, of the words and figures “any fabric or accessories imported prior to October 1, 2025,”;
- (b) in paragraph (a) of second proviso to that subsection –
- (i) in sub-paragraph (vi) thereof, by the substitution for the words “any goods imported”, of the words and figures “any goods imported prior to April 1, 2025,”; and
- (ii) in sub-paragraph (vii) thereof, by the substitution for the words “any plant or machinery imported”, of the words and figures “any plant or machinery imported prior to April 1, 2025,”.

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

Amendment of section 5 of the principal enactment

- 5 (1) in subsection (3) of that section, by the substitution for the words “as may be determined by the Assessor.”, of the following:-

“as may be determined by the Assessor:

10 Provided however, where an employer has provided to his employees, meals free of charge or subsidized meals or transport free of charge or at a subsidized rate using a motor coach between the place of residence and work place of such employees, the value of such supplies or services shall be treated as zero for the period commencing on or after January 1, 2024.”;

15

- (2) by the addition immediately after subsection (15) of that section, of the following: -

20 “(16) For the period commencing on or after January 1, 2024, the value of supply of-

(i) any reinsurance commission or any compensation received in foreign currency through a bank by any local insurance company from a reinsurer outside Sri Lanka; and

25

(ii) any unused postage and revenue stamps of the Government of the Democratic Socialist Republic of Sri Lanka or of a Provincial Council, to the face value of such stamps,

30

shall be treated as zero.”.

4. Section 10 of the principal enactment is hereby amended by the addition immediately after paragraph (viii) of subsection (1), of the following: -

Amendment
of section 10
of the
principal
enactment

5 “(ix) on or after the date of commencement of this (Amendment) Act, imports or exports goods for commercial purposes shall be required to be registered under this Act.”.

10 5. Section 11 of the principal enactment is hereby amended in subsection (1), by the substitution for the words “who is an importer of goods into Sri Lanka shall notify” of the words and figures “who is an importer of goods into Sri Lanka, other than any importer registered under section 10 shall notify”.

Amendment
of section 11
of the
principal
enactment

15 6. Section 20 of the principal enactment is hereby amended by the insertion immediately after subsection (2) of the following: -

Amendment
of section 20
of the
principal
enactment

20 “(2A) For any period commencing on or after the date of commencement of this (Amendment) Act, the format of the tax invoice shall be as specified by the Commissioner-General by Order published in the *Gazette*.”;

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

Amendment
of section 21
of the
principal
enactment

25 (1) by the repeal of subsection (1) and the substitution thereof of the following: -

“(1)(a) Every registered person shall furnish to the Commissioner- General –

- 5 (i) for any taxable period ending prior to January 1, 2013, not later than the twentieth day of the month after the expiry of each taxable period, a return of his supplies during that taxable period, either in writing or by electronic means;
- 10 (ii) for any taxable period commencing on or after January 1, 2013 but ending prior to July 1, 2025, not later than the last day of the month after the expiry of each taxable period, a return of his supplies during that taxable period, either in writing or
- 15 by electronic means; and
- 20 (iii) for any taxable period commencing on or after July 1, 2025, not later than the last day of the month after the expiry of each taxable period, a return of his supplies during that taxable period, by electronic means, and an acknowledgement generated through the Revenue Administration Management Information System
- 25 shall be issued for the receipt of the return at the time of furnish the return:

30 Provided that, the Commissioner-General may permit to a person who makes a request to file a return in writing on special circumstances which Commissioner-General deems appropriate.

(b) 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*.

(c) For the purpose of this subsection “electronic means” mean the use of a computer system or a mobile electronic device.”; and

(2) by the substitution in subsection (1B), for the words “issue a notice”, of the words “issue a notice in writing or by electronic means”.

8. Section 22 of the principal enactment is hereby amended as follows: -

Amendment
of section
22 of the
principal
enactmen

(1) in the second proviso to subsection (5) of that section-

(a) in paragraph (c) thereof, by the substitution for the words and figures “the tax differed under section 2”, of the words and figures “the tax differed under section 2 in respect of any taxable period prior to October 1, 2025”;

(b) in paragraph (e) thereof-

(i) by the substitution for the words and figures “with effect from April 1, 2011, being a supplier”, of the words and figures “with effect from April 1, 2011 but prior to October 1, 2025, being a supplier”; and

- 5 (ii) by the substitution for the words and figures “in item (i) to (vii) of paragraph (e) of subsection (2) of section 2.”, of the words and figures “in item (i) to (vii) of paragraph (e) of subsection (2) of section 2; and”; and
- (c) by the addition immediately after paragraph (e) of the following: -
- 10 “(f) there is an excess of input tax including tax deferred under section 2, of any eligible exporter defined under section 83 of this Act or any registered person whose value of supplies of goods or services was more than fifty *per centum* of his total supplies for that
- 15 taxable period who is supplying goods or services to any Strategic Development Project identified under subsection (4) of section 3 of the Strategic Development Project Act, No. 14 of 2008 or any specified project identified by
- 20 the Minister under item (ii) of paragraph (f) of Part II of the First Schedule to this Act or item (xxi) of paragraph (b) of Part III of the First Schedule to this Act-
- 25 (i) for the period prior to January 1, 2024, specified in item (i) and item (ii) of paragraph (f) of Part II of the First Schedule to this Act; or
- 30 (ii) for any period on or after January 1, 2024, specified in item (xx) and item (xxi) of paragraph (b) of Part III of the First Schedule to this Act.”;

- 5 (d) by the substitution in sub-paragraph (c) thereof, for the words and figures "commencing on or after April 1, 2011," of the words and figures, "commencing on or after April 1, 2011 and ending on or before September 30, 2025,"; and
- (e) by the addition immediately after sub-paragraph (c), of the following new subparagraph: -
- 10 "(d) if the excess is in respect of any taxable period commencing on or after October 1, 2025, such excess shall be refunded –
- 15 (i) after furnishing a proper return containing all particulars in terms of subsection (1) of section 21; and
- 20 (ii) not later than forty-five days from the last day of the month after expiry of such taxable period or from the date of furnishing a proper return referred to in sub-paragraph (i) after issuing a notice under subsection (1B) of the section (21) for the relevant taxable period, whichever is later,
- 25 subject to the conditions specified in the Risk Based Refund Scheme as may be specified by the Commissioner-General by an Order published in the *Gazette*.”;

(2) in subsection (6) of that section-

- 5 (a) in paragraph (vi) thereof, by the substitution for the words “if the payment in respect of”, of the words “for any period prior to the date of commencement of this (Amendment) Act, if the payment in respect of”;
- (b) in the first proviso to that subsection-
- 10 (i) in paragraph (b) by the substitution for the words and figures “item (xxv) and (xxvi) of paragraph (b) of Part III” of the words and figures “item (xx) and (xxi) of paragraph (b) of Part III”; and
- 15 (ii) by the substitution for the words and figures “item (xxvi) of paragraph (b) of Part III” of the words and figures “item (xxi) of paragraph (b) of Part III”;
- 20 (c) by the addition immediately after second proviso to that subsection of the following new proviso: -
- 25 “Provided further, notwithstanding the provisions of subsection (2), the tax paid by the employer as a registered person, on the payments borne by him on the outsourcing of the supply of meals and transport, in respect of a benefit referred to in the proviso to subsection (3) of section 5 may be allowed as the input credit of a
- 30 registered person irrespective of value of such benefit is zero.”.

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

- 5 (a) in item (ii) of the second proviso thereof, by the substitution for the words “guidelines specified by the Commissioner General; and”, of the words and figures “guidelines specified by the Commissioner- General for any period prior to October 1, 2025; and”;
- (b) in the third proviso thereof-
 - 10 (i) by the substitution for the words and figures “item (xxvi) of paragraph (b) of Part III” of the words and figures “item (xxi) of paragraph (b) of Part III”; and
 - 15 (ii) in paragraph (b) of third proviso, by the substitution for the words and figures “item (xxv) and (xxvi) of paragraph (b) of Part III” of the words and figures “item (xx) and (xxi) of paragraph (b) of Part III”.

20 9. Section 26 of the principal enactment is hereby amended by the insertion immediately after subsection (1A) of that section of the following new subsection: -

Amendment
of section
26 of the
principal
enactment

“(1B) Notwithstanding the provisions of subsection (1) of this section, in the case of a non-resident person who supplies services through an electronic platform to a person in Sri Lanka, the tax in respect of any taxable period,
25 payable on such supply shall be paid in such manner as may be prescribed and subject to the procedure which may be specified by the Commissioner-General.

Any tax not paid as set out above shall be deemed to be in default and the person by whom such tax is payable or

where any tax is payable by more than one person, each such person shall be deemed to be a defaulter for the purposes of this Act.

For the purposes of this subsection-

5 “electronic platform” means any procedure
in the form of a website or mobile
application used by one or more service
providers to provide their services to the
service recipients;

10 “fixed place” means a place which is
characterized by a sufficient degree of
permanence and suitable structure in
terms of human and technical resources
to supply services, or to receive and use
15 services for its own needs;

 “non-resident person” means any person who
occasionally undertakes transactions
involving supply of services, whether as
principal or agent or in any other capacity,
20 but who has no fixed place of business in
Sri Lanka, and does not include a person
registered under section 10, where such
person carries on or carries out a taxable
activity in Sri Lanka without a fixed place
25 of business but having an agent to act on
behalf of such person as referred to in
section 55.”.

10. Section 28 of the principal enactment is hereby Amendment
of section
28 of the
principal
enactment
amended as follows: -

30 (1) by the substitution in paragraph (c) of subsection (1)
for the words “for any taxable period,” of the words
“for any taxable period; or”;

- (2) by the addition immediately after paragraph (c) of subsection (1) of the following: -

“(d) any person who is chargeable with tax on the supply of services by a non-resident person in terms of paragraph (c) of subsection (1) of section 2, through an electronic platform to a person in Sri Lanka,”.

11. The following new section is hereby inserted immediately after section 48A of the principal amendment and shall have effect as section 48B of that enactment: -

Insertion of new section 48B in the principal enactment

“Recovery of undeclared and unpaid taxes

48B. Notwithstanding the provisions of this Act or any other written law, where any person has not paid any tax collected by him for the supply of goods or services which are subject to tax as indicated in the invoice issued by him, the Commissioner-General shall immediately collect such tax from such person, irrespective of whether such person is registered or not under this Act.”.

12. Section 71 of the principal enactment is hereby amended by the repeal of sub-paragraph (b) of paragraph (ii) of subsection (2) of that section and the substitution therefor of the following: -

Amendment of section 71 of the principal enactment

“(b) *six per centum* for any period from or after January 1, 2014 but prior to October 1, 2025; and

(c) *ten per centum* for any period on or after October 1, 2025.”.

13. Section 83 of the principal enactment is hereby amended as follows:-

Amendment
of
section 83
of the
principal
enactment

- (1) by the insertion immediately after the definition of the expression of “educational services” of the following definition:-

“eligible exporter” means a registered person whose value of zero-rated supplies as defined under section 7 of this Act, during the preceding calendar year was greater than fifty percent of the total value of supplies made by that person during the same period;” and

(2) in the definition of the expression “taxable period”-

- (a) in paragraph (2), by the substitution for the words and figures “any period commencing on or after April 1, 2011” of the words and figures “any period commencing on or after April 1, 2011 but prior to April 1, 2025”;

- (b) by the addition immediately after sub-paragraph (b) of paragraph (2), of the following new paragraph: -

“(3) for any period on or after April 1, 2025-

- (a) a period of one month;
- (b) a period of three months commencing respectively on the first day of January, the first day of April, the first day of July and the first day of October of each year in respect of a registered person not referred

to in paragraph (a) or who opts to submit quarterly returns on the prior written approval by the Commissioner- General.”; and

- 5 (3) by the insertion immediately after the definition of the expression “telecommunication service” of the following: -

10 “unprocessed agricultural products” means any product produced from any plants which are cultivated on land or in a green house, and includes products prepared by cleaning, sizing, sorting, grading, cutting or chilling of such product for sale;”.

15 **14.** The First Schedule to the principal enactment is hereby amended in Part III thereof as follows: -

Amendment
of the
First Schedule
to
the principal
enactmen

- (1) in paragraph (a), by the addition immediately after item (x) of the following new items: -

20 “(xi) chemical naphtha to be supplied to Ceylon Electricity Board by the Ceylon Petroleum Corporation for the generation of electricity.

- (2) in paragraph (b), by the addition immediately after item (xxiv) of the following new item;
- 25

“(xxv) liquid milk and yoghurt, produced out of locally produced fresh milk;”;

(3) in paragraph (c), by the substitution in item (iii), for the words “aircraft engines or aircraft spare parts identified under”, of the words “aircraft engines or aircraft spare parts, prior to the date of commencement of this (Amendment) Act, identified under”.

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

Sinhala text
to prevail
in case of
inconsistency

