



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

**VALUE ADDED TAX (AMENDMENT)
ACT, No. 17 OF 2013**

[Certified on 24th April, 2013]

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Value Added Tax (Amendment)
Act, No. 17 of 2013

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L.D.—O. 2/2013.

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. 17 of 2013 and shall be deemed to have come into operation on January 1, 2013 unless different dates of operation are specified therefor, in the relevant sections.

Short Title
and date of
operation.

2. Section 2 of the Value Added Tax Act, No. 14 of 2002 (hereinafter referred to as the “principal enactment”) as last amended by the Value Added Tax (Amendment) Act, No. 7 of 2012 is hereby further amended as follows:—

Amendment
of section 2
of the Value
Added Tax
Act, No. 14 of
2002.

(1) in paragraph (a) of the first proviso to subsection (1) of that section, by the substitution for the words “any garments” of the words “any garments or fabric”;

(2) in subsection (2) of that section:—

(a) by the substitution for the words “shall be administrated by the Commissioner-General” in the proviso to paragraph (c) thereof, of the words “shall be administrated by the Commissioner-General as stipulated in paragraph (e) of this subsection;

(b) by the substitution for the words “shall be administrated by the Commissioner-General” in the proviso to paragraph (d) thereof, of the words “shall be administrated by the Commissioner-General as stipulated in paragraph (e) of this subsection;

- (c) by the repeal of paragraph (e) of subsection (2) and the substitution therefor of the following :—

“(e) on the supply of goods or services by any registered person, who is registered in the Simplified Value Added Tax Scheme administrated by the Commissioner-General to -

- (i) any exporter or provider of zero rated services specified in terms of section 7;
- (ii) any registered person who supplies goods or services to any Strategic Development Project in terms of subsection (4) of section 3 of the Strategic Development Projects Act, No. 14 of 2008, as is referred to in sub-paragraph (i) of paragraph (f) of Part II of the First Schedule, during the project implementation period so far as such supplies are project related supplies;
- (iii) any registered person engaged in any specific project referred to in sub-paragraph (ii) of paragraph (f) of PART II of the First Schedule (effective from April 1, 2011);
- (iv) any manufacturer who supplies goods manufactured in Sri Lanka to any exporter;
- (v) any supplier who provides value added services to an exporter which results in the improvement of the quality, character or value of any goods manufactured for export;
- (vi) any person registered under the provisions of subsection (7) of section 22 of the Act, during the

project implementation period so far as such supplies are project related supplies;

- (vii) any registered person who supplies any goods or services, to any registered person referred to in subparagraph (i), (ii), (iii), (iv), (v) or (vi) above, provided that, the Commissioner-General is, on the information available, is satisfied that the value of such supplies exceeds fifty *per-centum* of the total supplies of such registered person who supplies such goods or services,

until such time as the activities of such registered person is carried out to the satisfaction of the Commissioner-General in the manner stipulated by the Commissioner-General in the guidelines issued for such purpose and which are specified in the Order published in the *Gazette*.

(3) in subsection (3) of that section:—

(a) the first proviso to that subsection is amended as follows:-

- (i) in paragraph (a), by the substitution for the words “customs bonded area;” of the words and figures “customs bonded area or a free port referred to in PART IV of the Finance Act, No. 12 of 2012;”;
- (ii) in paragraph (f), by the substitution for the words and figures “who has registered with the Textile Quota Board established under the Textile Quota Board Act, No.33 of 1996, with the approval of the Textile Quota Board

or the Board of Investment, as the case may be.” of the words and figures “who has registered with the Simplified Value Added Scheme administrated by the Commissioner-General with the approval of the Commissioner -General.”;

(b) the second proviso to that subsection is amended as follows:—

(i) by the repeal of item (vi) of paragraph (a) and the substitution therefor of the following:—

“(vi) any goods imported, including any goods received from customs bonded area by a person registered with the Simplified Value Added Scheme administrated by the Commissioner-General who imports or receives such goods for the manufacture of goods or the provision of services to a manufacturer of goods for export referred to in item (i) of paragraph (e) of subsection (2) of section 2”;

(ii) by the repeal of item (vii) of paragraph (a) and the substitution therefor of the following:-

“(vii) any plant or machinery imported, including any plant or machinery received from a customs bonded area by a person registered with the Simplified Value Added Tax Scheme administrated by the Commissioner-General who imports or receives such plant or machinery for the usage by such person for the manufacture of goods or provision of services referred to in item (i) of paragraph (e) of subsection (2) of section 2, for the manufacture of goods to be exported”;

- (iii) by the repeal of subparagraph (viii) and (ix) of paragraph (a);
- (iv) in the end of that proviso, by the substitution for the words commencing from “The deferment of the payment of tax” to the end of that paragraph of the following:—

“The deferment of the payment of tax shall be subject to a furnishing of :—

- (a) a bank guarantee in a case where the tax deferred is less than rupees ten thousand; or
- (b) a Treasury Bill as a guarantee in a case where the tax deferred is not less than rupees ten thousand ; or
- (c) a corporate guarantee which covers the amount of tax due subject to the conditions specified in the agreement in which the deferment is considered,

on the goods imported, received or purchased:

Provided that, in the case of such deferment under paragraph (b) no guarantee shall be required where such goods have been imported by a Government institution to be re-exported within one month from the date of importation.”.

3. Section 3 of the principal enactment as last amended by the Value Added Tax (Amendment) Act, No.8 of 2006 is hereby further amended as follows:-

Amendment of section 3 of the principal enactment.

- (1) in paragraph (e) of that section by the substitution for the words “under any tender agreement,” of the following:-

“under any tender agreement;

- (f) any person or a partnership having a total supplies for any three months period in any calendar year not less than rupees five hundred million including the supplies under preceding paragraphs of this section and any supplies excluded under section 2 or exempted under PART II of the First Schedule,”;
- (2) by the repeal of the proviso to that section and the substitution therefor of the following:-
- “Provided that, such tax shall be charged on such wholesale or retail supply of goods made prior to January 1, 2013, if –
- (i) any registered person makes an application to that effect to the Commissioner-General;
- (ii) any other person makes an appeal to that effect to the Commissioner-General,
- and obtains a registration as provided for in section 10 or section 12.”;
- (3) by the addition immediately at the end of that proviso of the following new proviso:—

“Provided further, the chargeability to tax referred to any registered person specified in paragraph (f) shall be other than the supplies exempted from tax as specified in PART II of the First Schedule to the Act.”.

Amendment of
section 5 of the
principal
enactment.

4. Section 5 of the principal enactment as last amended by the Value Added Tax (Amendment) Act, No.14 of 2007 is hereby further amended in subparagraph (12) thereof by the substitution for the words “a separate supply by such Assessor:” of the following –

“a separate supply by such Assessor;

- (13) Notwithstanding the provisions of Consumer Affairs Authority Act, No.9 of 2003, the maximum retail price quoted for the goods to be sold in a wholesale or retail business may be adjusted where necessary for the chargeability to tax where liability to tax is specified in paragraph (f) of section 3 of this Act.”.

5. Section 10 of the principal enactment as last amended by the Value Added Tax (Amendment) Act, No.15 of 2009 is hereby further amended as follows:—

Amendment of
section 10 of the
principal
enactment.

- (1) in item (ii) of subsection (1) of that section, by the substitution for the words and figures “on or after January 1, 2009 carries on or carries out” of the words and figures “on or after January 1, 2009, but prior to January 1, 2013 carries on or carries out”;
- (2) immediately after paragraph (c) of item (ii) of subsection (1) of that section, by the insertion of the following new item :—
 - “(iii) on or after January 1, 2013 carries on or carries out any taxable activity in Sri Lanka shall be required to be registered under this Act, if –
 - (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:”.

- (3) In subsection (2) of that section, by the substitution for the words and figures “shall not include the supplies of any wholesale or retail trading activity excluded from the payment of tax under section 3.” of the words and figures “shall not include the value of supply of goods purchased locally without any process in a wholesale or retail trading activity unless the value of total supplies for a period of three months in one calendar year including the supplies excluded under section 2 or exempted under PART II of the First Schedule to the Act, is not less than rupees five hundred million.”.

Amendment of
section 11 of the
principal
enactment.

6. Section 11 of the principal enactment as last amended by the Value Added Tax (Amendment) Act, No.7 of 2003 is hereby further amended in the proviso to subsection (1) thereof, by the substitution for the words “shall not be liable to notify the Commissioner-General.” of the following:-

“shall not be liable to notify the Commissioner-General:

Provided further, with effect from January 1, 2013, any person registered under section 12, subsection (2) of section 80 or subsection (1) of section 75, as the case may be, of the Goods and Services Tax Act, No. 34 of 1996 shall be deemed to have obtained an identification number for the clearing of goods where such registered person fulfils the criteria specified in item (iii) of subsection (1) of section 10 or a registered person during the project implementation period as specified in subsection (7) of section 22 of this Act.”.

Amendment of
section 12 of the
principal
enactment.

7. Section 12 of the principal enactment is hereby amended by the substitution for the words “may make an application in the specified form to the Commissioner-General for registration under this Act:” of the words and figures “may make an application for any taxable period prior to January 1, 2013, in the specified form to the Commissioner-General for registration under this Act:”.

8. Section 14 of the principal enactment as last amended by the Value Added Tax (Amendment) Act, No.7 of 2003 is hereby further amended by the repeal of subsection (2) thereof and the substitution therefor of the following:-

Amendment of section 14 of the principal enactment.

“(2) Any person –

- (a) registered under subsection (1) of this section ; or
- (b) deemed to be registered under section 75 or subsection (2) of section 80 of the Goods and Services Tax Act, No.34 of 1996 on August 1, 2002 and carrying on or carrying out a taxable activity subject to the conditions specified in section 3 for the registration of wholesale and retail trade or fulfilling the requirements specified in item (iii) of subsection (1) of section 10 of this Act,

shall be a registered person for the purposes of this Act.”.

9. Section 16 of the principal enactment as last amended by the Value Added Tax (Amendment) Act, No.9 of 2011 is hereby further amended as follows:-

Amendment of section 16 of the principal enactment.

- (1) in subsection (1) of that section, by the substitution for the words and figures “does not exceed the value set out in section 10.” of the following:-

“does not exceed the value set out in section 10:

Provided that, any registered person who had had a total value of taxable supplies not exceeding rupees three million for a period of three months and rupees twelve million for a period of twelve months in the year ending as at December 31, 2012, shall request for the cancellation of his registration with effect from January 1, 2013, unless such registered person has reasons to believe that the taxable supplies of such registered person is likely to exceed the value of supplies specified in sub-paragraph (iii) of paragraph (c) of subsection (1) of section 10.”;

- (2) in subsection (5) of that section, by the substitution for the words and figures, “by another person who is a registered person.” of the following:-

“by another person who is a registered person:

Provided that, in the case of a registered person whose registration is cancelled as specified in the proviso to subsection (1) -

- (a) where the assets (other than stock in trade) are not transferred to another registered person at the time immediately prior to the date of cancellation, the Commissioner-General shall taking into consideration the value of the acquisition of the assets and the period of use of such assets based on the rates of depreciation applied for income tax purposes on such assets and other matters as may be relevant, determine the value of assets which are not so transferred.
- (b) the liability to stock in trade shall not exceed the unabsorbed input tax as at December 31, 2012.”.

Amendment of
section 21 of the
principal
enactment.

10. Section 21 of the principal enactment as last amended by the Value Added Tax (Amendment) Act, No.14 of 2007 is hereby amended in subsection (1) thereof, by the substitution for all the words commencing from “(1) Every registered person shall” to the words “to be set out in such form:” of the following:—

- “(1) Every registered person shall furnish to the Commissioner-General –
- (a) 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 ;
 - (b) for any taxable period commencing on or after January 1, 2013 not later than the last day of the month after the expiry of each taxable period

a return either in writing or by electronic means of his supplies during that taxable period. 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.”.

11. Section 22 of the principal enactment as last amended by the Value Added Tax (Amendment) Act, No.7 of 2012 is hereby further amended as follows:-

Amendment of
section 22 of the
principal
enactment.

- (1) in subsection (1) of that section, by the repeal of the first proviso to that subsection and the substitution therefor of the following :-

“Provided that, the amount of tax due on the supply of –

- (a) garments within such percentage as is permitted to sell locally by the Board of Investment of Sri Lanka, established by the Board of Investments of Sri Lanka Law, No. 4 of 1978 under any agreement entered into by the manufacturer of garments for export under section 17 of the aforesaid law as approved by the Board of Investment of Sri Lanka or the Director-General of Customs, shall be rupees twenty five for each such garment so supplied within Sri Lanka;
- (b) fabric including any product as specified in the following sub-paragraphs made out of fabric within such percentage as is permitted to sell locally by the Board of Investment of Sri Lanka, established by the Board of Investment of Sri Lanka Law, No. 4 of 1978, under any agreement entered into by the manufacturer of fabric for export under section 17 of the aforesaid law, as approved by the Board of Investment of Sri Lanka or the Director-General of Customs shall be at the following rates:—

- “(i) linen or curtains at rupees forty per kilogram;
- (ii) towels at rupees twenty five per item;
- (iii) bags made out of fabric at rupees forty per item ;
- (iv) excess fabric as cut pieces not more than two metres in length of each piece at rupees twenty five per kilogram;
- (v) any other fabric at rupees forty per kilogram.”.

(2) in subsection (5) of that section –

- (a) in paragraph (e) of the second proviso, by the repeal of all the words commencing from “(e) there is an excess of input tax” to the words “more than fifty *per centum*” and the substitution therefor of the following:-

“(e) there is an excess of input tax including tax deferred under section 2, of any registered person who is registered with the Simplified Value Added Tax Scheme administrated by the Commissioner -General referred to in paragraph (e) of subsection (2) of section 2 with effect from April 1, 2011, being a supplier of goods to exporters of goods, referred to in that paragraph for the taxable period was more than fifty *per centum*. ”;

- (b) in the third proviso, by the substitution for the words and figures, “in items (i), (ii), (iii) or (iv) of paragraph (e) of subsection (2)”, of the words and figures “in items (i), (ii), (iii), (iv), (v) or (vi) of paragraph (e) of subsection (2)”;

- (3) in subsection (6) of that section, by the addition immediately after sub-paragraph (iv) of that subsection, the following new sub- paragraph:-

“(v) on any tax invoice issued prior to the commencement of the liability to tax unless such tax invoice is connected to any business approved under subsection (7) of this section”;

- (4) by the repeal of paragraph (ii) of the second proviso to subsection (10), and the substitution therefor of the following new paragraph:-

“(ii) supplies on which the tax is differed under this Act, being supplies made to exporters by a supplier so far as both are registered persons with the Simplified Value Added Tax Scheme administrated by the Commissioner-General referred to in paragraph (e) of subsection (2) of section 2 subject to the conditions specified in the guidelines specified by the Commissioner-General; and

- (5) by the insertion immediately after subsection (10), the following new subsection:-

“(11) Subject to the provisions of subsection (5) of section 16, any unabsorbed balance of the allowable input tax, calculated in terms of the provisions of this section, as at December 31, 2012, not claimable after January 1, 2013, due to the cancelation of the registration of any registered person whose total supplies does not exceed rupees three million for a period of three months and rupees twelve million per year in the year commencing from January 1, 2012 and ending on December 31, 2012, may be set off against the taxes administrated by the Commissioner-General on a request made in writing to the Commissioner-General for such purpose:

Provided that, the tax under this subsection shall be set off after the finalization of the liability on the cancellation of the registration with the approval of the Commissioner-General.”.

Amendment of
section 25A of
the
principal
enactment.

12. Section 25A of the principal enactment as last amended by the Value Added Tax (Amendment) Act, No.7 of 2012 is hereby further amended as follows:-

(1) in paragraph (iv) of subsection (1) of that section, by the substitution for the words and figures “commencing on or after January 1, 2009:” of the words “commencing on or after January 1, 2009, or the Central Bank of Sri Lanka established by the Monetary Law Act, (Chapter 422) (with effect from July 1, 2003):”

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

“(2) Every specified Institution or other person, carrying on the business of supplying of any financial services in Sri Lanka, shall be required to be registered :-

(a) where the value of such supply for a period of three months exceeds five hundred thousand rupees or for a period of twelve months one million eight hundred thousand rupees, as the case may be, if such registration has taken place for any period prior to January 1, 2013;

(b) where the value of such supply 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 January 1, 2013.”.

(3) by the repeal of subsection (3) of that section and the substitution therefor of the following:-

“(3) Every specified institution or other person required to be registered under subsection (2), shall make an application for registration in the specified form to the Commissioner-General not later than thirty days from the date of completion of the requirements specified in subsection (2):

Provided that, any institution registered under this Act and which is also a specified institution within the meaning of this Chapter, shall be deemed for all purposes to be a specified institution registered under this Chapter:

Provided further, the Commissioner-General shall register any person who has not made an application for registration under this Chapter if the Commissioner-General having regard to the nature of the activities carried on or carried out by such person, is of opinion that such person is required to be registered under this Chapter. In the circumstances such person shall be afforded an opportunity of being heard prior to being registered under this Chapter and register such person accordingly with effect from such date as may be determined by the Commissioner-General.”.

- (4) by the addition immediately after subsection (4) thereof, of the following new subsection:-

“(5) Every registered person shall notify the Commissioner-General in writing of any change –

- (a) in the name, address and place at which any taxable activity is carried on or carried out by such person;
- (b) in the nature of the taxable activity carried on or carried out by such person;
- (c) in the person authorized to sign returns and other documents; and

(d) in ownership of the taxable activity,

not later than fourteen days after the occurrence of such change.”.

Amendment of
section 25B of the
principal
enactment.

13. Section 25B of the principal enactment is hereby amended in subsection (1) thereof by the repeal of paragraph (b) and the substitution therefor of the following:-

“(b) six months for any taxable period commencing on or after January 1, 2011:

Provided that, in the case of a specified institution or any other person 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 1st day of September for that period of twelve months. In such event a separate return for the period commencing from the 1st day of January to the 31st day of March shall be submitted at the time of such change with the approval of the Commissioner-General.”.

Amendment of
section 25C of the
principal
enactment.

14. Section 25C of the principal enactment as last amended by the Value Added Tax (Amendment) Act, No.9 of 2011 is hereby further amended as follows:-

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

(a) by the substitution in the proviso to that subsection, for the words “The estimated amounts shall be adjusted to reflect the actual amount on half yearly basis.” of the words “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.

- (b) by the repeal of paragraph (a) and substitute the following :—

“(a) in the case of specified employees under Chapter XIV of the Inland Revenue Act, No. 10 of 2006, the gross remuneration payable to such employees and reflected in the pay sheet maintained under section 119 of the Inland Revenue Act, No.10 of 2006;” and

- (2) in subsection (2) of that section, by the substitution for the words and figures “under section 110 of the Inland Revenue Act, No. 38 of 2000.” of the words and figures “under section 119 of the Inland Revenue Act, No. 10 of 2006.”.

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

- (a) by the substitution in paragraph (a) thereof, for the words and figures “under item (xi) of the First Schedule but taxable under this Chapter;” of the words and figures “under item (x) of paragraph (b) of PART II of the First Schedule but taxable under this Chapter;”;
- (b) by the substitution in paragraph (d) thereof, for the words “(d) the profit or income on interest arising or accrued from inter-company transactions” of the words “(d) the profit or income (not being profit from a business) on interest arising or accrued from inter-company transactions”;
- (c) by the substitution in paragraph (f) thereof, for the words “(f) the dividend income arising to any person,” of the words “(f) the dividend income (not being profit from a business) arising to a person,”;

- (d) by the repeal of paragraph (h) thereof and the substitution therefor of the following :—

“(h) the profits or income (not being profits from a business) from the exchange of currency other than such profits or income arising or accruing to any person primarily engaged in the business or exchange of currency or any “specified institution” within the meaning of this Chapter or a person not registered with the Central Bank of Sri Lanka, but providing services similar to such services provided by a finance company,

included in the profit calculated as specified in subsection (1) of this section shall be treated as zero.”;

- (4) by the repeal of subsection (8) thereof and the substitution therefor, of the following:-

“(8) Every specified institution or any other person shall for the purpose of the calculation of tax, submission of returns and information to be furnished relating to such return, payments of tax, issue of assessments, imposition of penalty for non-submission of the returns or the information required for the purpose of this Chapter, follow –

- (a) the guidelines specified by the Commissioner-General; and
- (b) the relevant guidelines specified in the Order published in the *Gazette*,

having considered the uniform application of the calculation of the liability and any other matter specified in the guideline provisions of this Chapter.”.

15. Section 25D of the principal enactment as last amended by the Value Added Tax Act, No.8 of 2006 is hereby further amended by the substitution for the words “any registered specified institution” of the words “any registered specified institution or other person”.

Amendment of
section 25D of
the
principal
enactment.

16. Section 25H of the principal enactment is hereby amended in paragraph (b) of subsection (1), by the substitution for the words and figures “every quarter commencing on January 1, 2011.” of the words and figures “every quarter commencing on January 1, 2011 and ending on December 31, 2012.”.

Amendment of
section 25H of
the
principal
enactment.

17. Section 25I of the principal enactment as last amended by the Value Added Tax (Amendment) Act, No.9 of 2011 is hereby further amended as follows:-

Amendment of
section 25I of the
principal
enactment.

(1) in subsection (1) of that section :—

(a) by the substitution for the words, “referred to in subsection (2), may apply for registration” , of the words and figures “referred to in subsection (2), may prior to December 31, 2012 apply for registration”;

(b) in paragraph (b) of subsection (1), by the substitution for the words and figures “ shall be valid for a period of twelve years from the date of commencement of the quarter” of the words and figures “shall be valid for any quarter ending prior to January 1, 2013 from the date of commencement of the quarter”;

(c) by the addition immediately after paragraph (b) of that subsection, the following new paragraph :-

“(c) Any registration obtained under this Chapter shall be treated as cancelled with effect from the period commencing from January 1, 2013:

Provided that, any person or partnership registered under this Chapter whose turnover exceeds rupees twelve million per year and fulfils the criteria for registration under section 10 shall obtain a registration accordingly.”.

Amendment of
section 26 of the
principal
enactment

18. Section 26 of the principal enactment is hereby amended as follows:-

- (1) in subsection (1) thereof, by the substitution for the words and figures “(1) (1) The tax in respect of any” of the words and figures “(1) The tax in respect of any”;
- (2) by the insertion immediately after subsection (1) of that section of the following:-

“(1A) Notwithstanding the provisions of subsection (1) of this section, in the case of a registered person whose taxable supplies consist of any supplies other than the supply of goods manufactured in Sri Lanka by such manufacturer, the tax in respect of any taxable period on or after January 1, 2013 shall be paid :—

- (i) for the period from the 1st day to the 15th day of any month on or before the end of that month; and
- (ii) for the period from the 16th day to the end of the month on or before the 15th day of the subsequent month,

subject to the making of any final adjustments, if any , with the submission of the return .

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.”.

19. Section 28 of the principal enactment is hereby amended by the addition immediately after subsection (4) of that section of the following:-

Amendment of section 28 of the principal enactment.

“(5) Where any person whose turnover from every trade or business carried on by such person for any period of twelve months ending prior to April 1, 2011, does not exceed three hundred million and who has not complied with any law relating to tax as administrated by the Commissioner-General, requests that he be registered under section 10 of this Act, notwithstanding the provisions of subsection (1) of this section and subsection (2) of section 33 of this Act, the turnover of that person for the above period shall not be assessed if such person undertakes to-

- (a) invest his past earnings from that trade or business in any business prior to March 31, 2014; and
- (b) comply with the requirements of this Act for any subsequent period.”.

20. The following new section is hereby inserted immediately after section 64 of the principal enactment and shall have effect as section 64A of that enactment:-

Insertion of section 64A in the principal enactment.

“Certain transactions and dispositions to be disregarded.

64A. Where the assessor is of the opinion that any transaction which reduces or would have the effect of reducing the amount of tax payable by any person is artificial or fictitious or that any disposition is not in fact given effect to, he may disregard any such transaction or disposition and the parties to the transaction or disposition shall be assessable accordingly.

In this section “disposition” includes any trust, grant, covenant, or arrangement.”.

Amendment of
section 67 of the
principal
enactment.

21. Section 67 of the principal enactment as last amended by the Value Added Tax (Amendment) Act, No.9 of 2011 is hereby further amended as follows:-

- (1) in paragraph (a), by the substitution for the words and figures “under section 10; or” of the words and figures “under section 10 or section 25A; or”;
- (2) by the repeal of paragraph (aa) thereof;
- (3) in paragraph (b), by the substitution for the words and figures “under section 19; or” of the words and figures “under section 19 or subsection (5) of section 25A; or”;
- (4) in paragraph (f), by the substitution for the words and figures “under section 21; or” of the words and figures “under section 21 or section 25B ; or”;
- (5) in paragraph (g), by the substitution for the words and figures “under section 21 or;” of the words and figures “under section 21 or section 25B or”;
- (6) by the substitution in paragraph (l) of that section for the words “issues a tax invoice,” of the following:-

“issues a tax invoice; or

(m) fails to comply with the requirements specified by order published in the *Gazette* or the guidelines issued by the Commissioner-General under sections 2 or 25C, as the case may be ; or

(n) fails to furnish an annual adjustment under subsection (1) of section 25C,”.

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

Amendment of
the first schedule
of the
principal
enactment.

(1) in paragraph (a) of that PART –

(i) by the repeal of item (viii) and the substitution therefor of the following item:-

“(viii) agricultural tractors or road tractors for semi-trailers;”;

(ii) In item (xxii)–

(a) by the substitution for the words in sub-item (i) “moulding (steel, glass, rubber or plastic),” of the words, “moulding (steel, glass, mineral material, rubber or plastic);”;

(b) by the substitution for the words and figures “under the Sri Lanka Export Development Act, No. 40 of 1979,” of the following:-

“under the Sri Lanka Export Development Act, No. 40 of 1979;

(vi) bowsers, bulldozers, graders, levelers, excavators, fire fighting vehicles;

(vii) raw materials for the manufacture of energy saving bulbs,”.

(2) in paragraph (b) of that PART –

(i) in sub-paragraph (A) of paragraph (b) of item (ii), by the substitution for the words and figures “in respect of any rental falling due for payment on or after April 1, 2012.” of the following:-

“in respect of any rental falling due for payment on or after April 1, 2012;

- (iii) bowsers, bulldozers, graders, levelers, excavators, fire fighting vehicles or road tractors for semi-trailers as exempted for Custom purposes under Harmonize Commodity Description and Coding System Numbers in respect of any rental falling due for payment on or after January 1, 2013;”.
- (ii) by the repeal of item (xx) and the substitution therefor of the following:-
 - “(xx) locally manufactured coconut oil or coco peat, coir fiber, grow pellets, grow bags, twist fiber or coconut husk made out of coconut waste;”.
- (iii) by the repeal of item (xliii) and the substitution therefor of the following:-
 - “(xliii) services which result in the improvement of quality, character or value of any yarn, fabric or garment so far as such services are provided to persons other than exporters of such products;”.
- (iv) by the addition immediately after item (xliv) of the following:-
 - “(xlv) services by a Unit Trust Management company so far as such services are provided to any Unit Trust ;
 - (xli) services being hotel accommodation to any sportsman, organizer of any sport event or sponsor arriving in Sri Lanka for participating in any sport event or activity connected with sports, as may be approved by the Minister who is in charge of the subject of Sports”.

(3) in paragraph (c) of that PART –

(i) by the repeal of item (xxvii) and the substitution therefor of the following:-

“(xxvii) packing materials exclusively for the use of packing of pharmaceuticals or ayurvedic medicines manufactured in Sri Lanka and which are imported by the manufacturer of such pharmaceuticals or ayurvedic medicines, so far as such packing materials are not manufactured in Sri Lanka as approved by the Secretary to the Ministry of the Minister to whom the subject of Health is assigned or the Commissioner of the Department of Ayurveda, as the case may be, for this purpose.”.

(ii) in item (xxxvi), by the substitution for the words “subject to the chargeability of a Cess of rupees seventy five per kilogram on importation” of the words “subject to the chargeability of a Cess at a specific rate referred to in sub-item (ii) of item (xxxvii) of paragraph (b) of PART II of the First Schedule.”.

(iii) by the addition immediately after item (xxxvi) of that paragraph, the following new item:-

“(xxxvii) gully bowzers, semi-trailers for road tractors, any machinery or equipment used for garbage disposal activities carried out by any local authority, for the purpose of provision of such services to the public, as approved by the Secretary to the relevant Ministry.”.

(4) by the addition immediately after paragraph (h) of that PART, the following new paragraphs:-

“(i) the supply of goods or services by the Central Bank of Sri Lanka established by the Monetary Law Act (Chapter 422);

- (j) the supply of any services by any public corporation to the extent of provision of such services on behalf of the Government of Sri Lanka, free of charge out of the funds voted by Parliament from the Consolidated Fund or out of any loan arranged through the Government.
- (k) the supply of goods or services by any individual who is a citizen of Sri Lanka and who carries on any business of manufacturing of any article other than any liquor or tobacco product or supply of any services after returning from a foreign employment for a period of five years reckoned from the beginning of the year of assessment in which such business commences if such individual-
 - (i) returns from such foreign employment on or after January 1, 2013; and
 - (ii) invests his earnings from such foreign employment to commence such business.”.

Validation.

23. Any person who collects the Value Added Tax as provided for in this Act during any period commencing from January 1, 2013 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 of tax shall be deemed to have been, and to be, validly made:

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 such period.

Sinhala text to prevail in case of inconsistency.

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

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