



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

**VALUE ADDED TAX (AMENDMENT)
ACT, No. 11 OF 2015**

[Certified on 30th October, 2015]

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Value Added Tax (Amendment)
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[Certified on 30th October, 2015]

L.D.—O. 16/2015

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. (1) This Act may be cited as the Value Added Tax (Amendment) Act, No. 11 of 2015 and subject to subsection (2) of this section, shall be deemed to have come into operation on January 1, 2015 unless the date on which certain provisions shall come into operation are specified in such sections.

Short title and the date of operation.

(2) The amendments made to section 17, 19, 21, 25A(5), 26, 28, 34, 41, 44, 47 and 66 by this Act shall come into operation on such date as the Minister may appoint by Order published in the *Gazette*.

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

- (1) in item (iii) of sub-paragraph (v) of subsection (1) of that section by the repeal of the words and figures “(iii) for the period commencing on” up to the words “at zero *per centum*” and the substitution therefor of the following:-

“(iii) for the period commencing on November 23, 2010 and ending on December 31, 2010 and for any taxable period commencing on or after January 1, 2011, and ending on December 31, 2014, at the rate of twelve *per centum* (of which the tax fraction is $\frac{3}{28}$); and

- (iv) for any taxable period commencing on or after January 1, 2015 at the rate of eleven *per centum* (of which the tax fraction is 11/111),

on the value of such goods or services supplied, or goods imported, other than the goods or services chargeable with tax at zero *per centum*"; and

- (2) by the repeal of item (vi) of sub-paragraph (e) of subsection (2) of that section and the substitution therefor of the following new sub-paragraph:-

“(vi) any person registered under the provisions of subsection (7) of section 22 of this Act, including any strategic development project in terms of subsection (4) of section 3 of the Strategic Development Project Act, No.14 of 2008, as is referred to in sub-paragraph (i) of paragraph (f) of Part II of the First Schedule where purchases are allowed to be made from persons registered for Simplified Value Added Tax Scheme, during the project implementation period insofar as such supplies are project related supplies;”.

- (3) in sub-paragraph (e) of subsection (2) of that section, by the substitution for the words “such purpose and which are specified in the Order published in the *Gazette*.” of the words “such purpose and published in the *Gazette*.”.

Amendment of
section 3 of the
principal
enactment.

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

- (1) in paragraph (f) of subsection (1) of that section, by the repeal of the words “(f) any person or partnership” up to the words “Part II of the First Schedule.” and the substitution therefor of the following:-

“(f) any person or a partnership having total supplies of goods for any consecutive period

of three months in any calendar year not less than rupees—

- (i) five hundred million, for any such period of three months falling within any period commencing on or after January 1, 2013, but ending on or before December 31, 2013;
- (ii) two hundred and fifty million, for any such period of three months falling within any period commencing on or after January 1, 2014, but ending on or before December 31, 2014; and
- (iii) one hundred million, for any such period of three months falling within any period commencing on or after January 1, 2015,

including the supplies under the preceding paragraphs of this section and any supplies exempted under Part II of the First Schedule;”;

- (2) in paragraph (i) of subsection (2) of that section, by the substitution for the words “for the purposes of this Act” of the words “the substitution for the words “for the purposes of this Act, including any business in which any director of a company or partner of a partnership is a director or partner of such other business or businesses; and”.

4. Section 5 of the principal enactment is hereby amended by the repeal of subsection (10) of that section and the substitution therefor of the following new subsection:-

Amendment of section 5 of the principal enactment.

“(10) For any period-

- (a) prior to October 25, 2014, where any goods supplied under a lease agreement is subsequently transferred to the lessee at the

termination of such agreement for a consideration not exceeding ten *per centum* of the total consideration of the lease agreement, such consideration shall be deemed to be a lease rental recovered under such agreement, and where such consideration is more than ten *per centum* of the total consideration of the lease agreement, such supply shall be deemed to be a separate supply.

- (b) on or after October 25, 2014, where any goods supplied under a lease agreement is subsequently transferred to the lessee at the termination of such agreement for a consideration, such consideration shall be treated as a lease rental obtained under such lease agreement.”.

Amendment of
 section 7 of the
 principal
 enactment.

5. Section 7 of the principal enactment is hereby amended by the repeal of sub-paragraph (vii) of paragraph (b) of subsection (1) of that section and the substitution therefor of the following new sub-paragraph:-

“(vii) the provision of services to overseas buyers by a garment buying office registered with the Textile Quota Board established under the Textile Quota Board Act, No.33 of 1996 or the Simplified Value Added Tax Scheme, as the case may be, where payment for such service is received in foreign currency, through a bank in Sri Lanka in so far as such services are identified by the Commissioner-General as being services essential for facilitating the export of garments to such overseas buyers.”.

Amendment of
 section 8 of the
 principal
 enactment.

6. Section 8 of the principal enactment is hereby amended by the repeal of the first proviso to that section and the substitution therefor of the following new proviso:-

“Provided that, in the case of a registered person referred to in paragraph (f) of section 3 of this Act, the value of the

supply of goods exempted under this Act made by such registered person directly or on behalf of any other person, which is in excess of twenty five *per centum* of the value of total supply of goods of such registered person other than the value of the supply of-

- (a) zero rated articles;
- (b) locally produced fresh milk, and with effect from November 1, 2015 locally grown fruits and vegetables or locally produced rice; and
- (c) goods subject to Special Commodity Levy where the supply is made by the importer himself, shall notwithstanding the provisions contained in the Special Commodity Levy Act, No. 48 of 2007,

be deemed to be treated as liable supplies of such registered person and chargeable to tax at the rate specified in section 2 of this Act using the tax fraction on the tax inclusive consideration.”.

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

Amendment of
section 10 of the
principal
enactment.

- (1) in subsection (1) of that section—
 - (i) in paragraph (iii), by the substitution for the words and figures “(iii) on or after January 1, 2013, carries on” of the words and figures “(iii) on or after January 1, 2013, but prior to January 1, 2015 carries on”.
 - (ii) by the insertion immediately after paragraph (iii), of the following new paragraph:-
 - “(iv) on or after January 1, 2015 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 seven hundred and fifty thousand 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 fifteen 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 seven hundred and fifty thousand rupees or in the succeeding twelve months period is likely to exceed fifteen million rupees.”.
- (2) in subsection (2) of that section, by the substitution for the words “is not less than rupees two hundred

and fifty million.” of the words and figures “is not less than rupees-

- (a) five hundred million for any such period of three months falling within any period commencing on or after January 1, 2013, but ending on or before December 31, 2013;
- (b) two hundred and fifty million for any such period of three months falling within the period commencing on or after January 1, 2014 but ending on or before December 31, 2014; and
- (c) one hundred million for any such period of three months commencing on or after January 1, 2015.”.

8. Section 16 of the principal enactment is hereby amended as follows:-

Amendment of section 16 of the principal enactment.

- (1) in subsection (2) of that section, by the substitution for the words “protection of revenue, cancel his registration.” of the words “protection of revenue, cancel his registration or list such registration as an inactive registration for the purposes of this Act until further inquiries are made prior to such cancellation.”.
- (2) by the repeal of subsection (2A) of that section and the substitution therefor of the following new subsection:-

“(2A) Where the Commissioner-General-

- (a) cancels any registration under subsection (2), he shall cause a list of names and the registration numbers of such registered persons to be published

in three daily newspapers in Sinhala, Tamil and English languages, having a wide circulation; or

- (b) decides such registration as inactive, shall publish the names and registration numbers of the persons whose registration has been decided as inactive in the official web site of the Department of Inland Revenue and the list so published shall be updated on monthly basis, notwithstanding the provisions of section 73.”.

Amendment of section 17 of the principal enactment.

9. Section 17 of the principal enactment is hereby amended, by the substitution for the words “in writing” wherever such words appear in subsection (2) of that section of the words “in writing or by electronic means”.

Amendment of section 19 of the principal enactment.

10. Section 19 of the principal enactment is hereby amended, by the substitution for the words “in writing” of the words “in writing or by electronic means”.

Amendment of section 21 of the principal enactment.

11. Section 21 of the principal enactment is hereby amended, other than subsection (1) thereof by the substitution for the words “in writing” wherever such words appear, of the words “in writing or by electronic means”.

Amendment of section 22 of the principal enactment.

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

- (1) by the repeal of the first proviso to subsection (6) of that section and substitution therefor of the following new proviso:-

“Provided that, notwithstanding the provisions of subsection (2), and the exemptions specified in item (i) and item (ii) of paragraph (f) of Part II of the First Schedule to this Act, any registered person

who is engaged in supplying of goods or services to—

- (a) any special project as is referred to in item (ii) above where the payment is borne by the Government; or
- (b) any strategic development project as is referred to in item (i) above if such supplies are project related supplies and are allowable to be claimed by the said Strategic Development Project within the provisions under the Strategic Development Act, No. 14 of 2008,

may be allowed to claim the input tax on the purchase of goods or services connected to supply of goods or services made to such projects.”;

- (2) in subsection (13) of that section, by the substitution for the words “issued by the Central Bank for this purpose.” of the words “issued by the Central Bank for this purpose and read with the guidelines issued and published in *Gazette* Notification by the Commissioner-General of Inland Revenue.”.

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

Amendment of section 25A of the principal enactment.

- (1) in subsection (1) of that section by the substitution for the words and figures “the provisions of Chapters I, II, III and item (xi) of the First Schedule to this Act” of the words and figures “the provisions of Chapters I, II, III and item (x) of paragraph (b) of PART II of the First Schedule to this Act”;
- (2) in paragraph (b) of subsection (2) of that section, by the substitution for the words and figures “on or

after January 1, 2013.” of the words and figures “on or after January 1, 2013 but prior to January 1, 2015; or”;

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

“(c) where the value of such supplies for a period of three months exceeds three million seven hundred and fifty thousand rupees or for a period of twelve months exceeds fifteen million rupees, as the case may be, if such registration has taken place for any period on or after January 1, 2015.”;

(4) in subsection (5) of that section, by the substitution for the words “in writing” of the words “in writing or by electronic means”.

Amendment of section 25c of the principal enactment.

14. Section 25c of the principal enactment is hereby amended in subsection (3) of that section as follows:-

- (1) in paragraph (c) of that section, by the substitution for the words “twenty *per centum*; and” of the words “twenty *per centum*;”;
- (2) by the repeal of paragraph (d) of that subsection and the substitution therefor of the following new paragraph:-

“(d) commencing from January 1, 2011, but prior to January 1, 2015 shall be twelve *per centum*;”;

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

“(e) commencing from January 1, 2015, shall be eleven *per centum*.”.

15. Section 25^F of the principal enactment is hereby amended in paragraph (h) of that section as follows:-

Amendment of section 25^F of the principal enactment.

(1) in sub-paragraph (b) of that paragraph by the substitution for the words “twelve months as at the date of such agreement” of the words “twelve months as at the date of such agreement, or”;

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

“(c) of leasing facilities under any finance lease agreement or operating leasing agreement on any asset other than any land or building, if such agreement is entered into on or after October 25, 2014 and not being an agreement for re-schedule of any agreement entered into prior to October 25, 2014.”.

16. The following new section is hereby inserted immediately after section 25J of the principal enactment and shall have effect as section 25K of that enactment:-

Insertion of new section 25^K in the principal enactment.

“The use of electronic communications or electronic records.

25^K. The Minister may on the recommendation of the Commissioner-General of Inland Revenue make regulations for the purpose of authorizing or facilitating the use of electronic communications or electronic records in respect of matters specified in section 8 of the Electronic Transactions Act, No.19 of 2006.”.

17. Section 26 of the principal enactment is hereby amended in subsection (2) thereof by the substitution for the words “in writing” of the words “in writing or by electronic means”.

Amendment of section 26 of the principal enactment.

18. Section 28 of the principal enactment is hereby amended in subsection (1) thereof by the substitution for the words “in writing” of the words “in writing or by electronic means”.

Amendment of section 28 of the principal enactment.

Amendment of
section 34 of the
principal
enactment.

19. Section 34 of the principal enactment is hereby amended in subsection (2) thereof by the substitution for the words “in writing” of the words “in writing or by electronic means”.

Amendment of
section 41 of the
principal
enactment.

20. Section 41 of the principal enactment is hereby amended in subsection (1) thereof by the substitution for the words “in writing” of the words “in writing or by electronic means”.

Amendment of
section 44 of the
principal
enactment.

21. Section 44 of the principal enactment is hereby amended in subsection (1) thereof by the substitution for the words “in writing” of the words “in writing or by electronic means”.

Amendment of
section 47 of the
principal
enactment.

22. Section 47 of the principal enactment is hereby amended by the substitution for the words “in writing” of the words “in writing or by electronic means”.

Amendment of
section 66 of the
principal
enactment.

23. Section 66 of the principal enactment is hereby amended by the substitution for the words “in writing” of the words “in writing or by electronic means”.

Amendment of
section 83 of the
principal
enactment.

24. Section 83 of the principal enactment is hereby amended in the expression of the definition “taxable period” as follows:-

- (1) by the insertion immediately before paragraph (a) of the following:-

“(1) for any period prior to April 1, 2011-”; and

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

“(2) for any period commencing on or after April 1, 2011-

(a) a period of one month (other than in

respect of the specified institutions referred to in section 25B) –

- (i) where any person registered with the Simplified Value Added Tax Scheme and accorded Registered Identified Purchaser status as specified in the guidelines issued and published in the *Gazette* by the Commissioner-General for that purpose referred to in paragraph (e) of subsection (2) of section 2;
 - (ii) where any person has commenced a business or started a project and undertakes to comply with the requirements of subsection (7) of section 22 of the Value Added Tax Act, No.14 of 2002 or subsection (6) of section 22 of the Goods and Services Tax Act, No.34 of 1996;
- (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 who is not referred to in paragraph (a) or who has opted to submit quarterly returns on the approval by the Commissioner-General;”.

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

- (1) The Heading of PART II of the principal enactment is hereby amended by the substitution for the words

Amendment of
PART II of the
First Schedule to
the principal
enactment.

and figures “For any taxable period commencing on or after January 1, 2004,-” of the words and figures “For any taxable period commencing on or after January 1, 2004 (subject to effective dates specified in subsequent amendments to the Schedule).”;

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

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

“(viii) agricultural tractors or road tractors for semi-trailers (with effect from the date on which this Act comes into operation);”

(b) by the addition immediately after item (xxv) of the following new item:-

“(xxvi) ethyl alcohol imported or manufactured and supply as a by-product which is liable to customs duty and cess on importation or excise duty under the Excise Duty Ordinance on manufacturing of such products.”;

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

(a) in sub-item (ii) of item (A) of sub-paragraph (b) of item (ii) of that paragraph by the substitution for the words and figures “on or after April 1, 2012.” of the words and figures “on or after April 1, 2012, if such lease agreement is entered into on or before October 24, 2014.”;

(b) in sub-item (iii) of item (A) of sub-paragraph (b) of item (ii) of that paragraph, by the substitution for the words and figures “on or

after January 1, 2013.” of the words and figures “on or after January 1, 2013, if such lease agreement is entered into on or before October 24, 2014;”;

- (c) in item (B) of sub-paragraph (b) of item (ii) of that paragraph, by the substitution for the words and figures “on or after January 1, 2005;” of the words and figures “on or after January 1, 2005, if such agreement is entered into on or before October 24, 2014;”;
- (d) in item (C) of sub-paragraph (b) of item (ii) of that paragraph, by the substitution for the words and figures “paragraph (c)” of the words and figures “paragraph (c), if such agreement is entered into on or before October 24, 2014.”;
- (e) in item (b) of sub-paragraph (h) of item (x) of that PART,
 - (i) by the substitution for the words “date of such agreement;” of the words “date of such agreement; or” and
 - (ii) by the addition immediately after sub item (b) of sub-paragraph (h) of item (x), the following new sub-item:-
 - “(c) of leasing facilities under any finance lease agreement or operating leasing agreement on any asset other than land or building if such agreement is entered into on or after October 25, 2014 not being an agreement for re-schedule of any agreement entered into prior to October 25, 2014;”.

- (f) in item (xi) of that paragraph, by the substitution for the words “the project relates exclusively to the aforesaid supply, lease or rental;” of the words “the project relates exclusively or partially to the aforesaid supply, lease or rental;”;
- (g) by the repeal of item (xiii) of that paragraph and the substitution therefor of the following new item:-

“(xiii) imported-

(a) unprocessed timber logs, ships or rattans; or

(b) any article subject to the Special Commodity Levy under the Special Commodity Levy Act, No. 48 of 2007 subject to the condition that such articles are sold without any processing except adaptation for sale;”;

- (h) by the repeal of item (xxxi) of that paragraph and the substitution therefor of the following new item:-

“(xxxi) telecommunication services liable 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 (effective from January 1, 2014);”;

- (i) by the addition immediately after item (l) of paragraph (b), of the following new item:-

- (li) Locally manufactured coconut milk (with effect from November 1, 2015).”.

- (4) in paragraph (c) of that PART:-

- (a) by the repeal of item (xxx) of that paragraph and the substitution therefor of the following new item:-

- “(xxx) samples in relation to a business worth not more than rupees-

- (a) twenty five thousand, on such imports made prior to January 1, 2015; and

- (b) fifty thousand on such imports for any period on or after January 1, 2015,

- subject to such terms and conditions as specified by the Director-General of Customs;”; and

- (b) by the addition immediately after item (xxxvii), of the following new item:-

- “(xxxviii) machinery, equipment or spare parts imported by Sri Lanka Ports Authority to be used exclusively within the ports of the Sri Lanka Ports Authority”.

- (5) by the addition immediately after paragraph (k) of that PART the following new paragraph:-

“(l) with effect from October 25, 2014, the import or supply of -

(a) (i) any motor vehicle identified under the Harmonized Commodity Description and Coding Numbers for custom purposes and liable to the Excise (Special Provisions) Duty under the Excise (Special Provisions) Act, No. 13 of 1989 on the importation of such vehicle or any motor vehicle liable to the same duty on the manufacture of any such vehicle;

(ii) any motor vehicle remain unsold as at October 25, 2014, which would otherwise have been liable to the same duty 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;

(b) cigarettes identified under the Harmonized Commodity Description and Coding System Numbers for custom purposes and liable to the Excise (Special Provisions) Duty under Excise (Special Provisions) Act, No. 13 of 1989 and cess under Sri Lanka Export

Development Act, No. 40 of 1979 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 the same, if imported or manufactured after October 25, 2014; or

- (c) liquor identified under the Harmonized Commodity Description and Coding System Numbers for custom purposes and subject to the Customs Duty and cess on the importation or Excise Duty on manufacture of the same including liquor imported or manufactured prior to October 25, 2014 remain unsold as at October 25, 2014 which would have been liable to the same duty and cess on importation or Excise Duty on manufacture of the same, if imported or manufactured after October 25, 2014.”.

26. The Amendment introduced to the principal enactment by section 13 of the Value Added Tax (Amendment) Act, No.7 of 2014 is hereby amended by the substitution of paragraph (c) of that section of the following new paragraph:-

Amendment of section 13 of the Value Added Tax (Amendment) Act, No.7 of 2014.

- “(c) by the substitution for the words “Senior Assessor” wherever such words occur in the principal enactment, of the words “Deputy Commissioner or Senior Deputy Commissioner”.

27. Any person who is authorized to collect the Value Added Tax as provided for in this Act during the period commencing from January 1, 2015 and ending on the date

Validation.

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.

Sinhala text to
prevail in case
of inconsistency.

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

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