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# The Gazette of the Democratic Socialist Republic of Sri Lanka

## EXTRAORDINARY

අංක 1986/9 - 2016 සැප්තැම්බර් මස 27 වැනි අඟහරුවාදා - 2016.09.27

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## PART I : SECTION (I) — GENERAL

### Government Notifications

#### VALUE ADDED TAX ACT, No. 14 OF 2002

BY virtue of the powers vested in me under paragraph (e) of sub-section (2) of section 2 of the Value Added Tax Act, No. 14 of 2002 as last amended by the Value Added Tax (Amendment) Act, No. 11 of 2015, I, Kalyani Dahanayake, Commissioner General of Inland Revenue, do by this notification, specify the guidelines to operate Simplified Value Added Tax Scheme effective from 01.01.2016, as set out in the Schedule hereto.

The guidelines already issued under *Gazette* Notification No. 1910/2 dated April 16, 2015 are rescinded effective from 01.01.2016

KALYANI DAHANAYAKE,  
Commissioner General of Inland Revenue.

Department of Inland Revenue,  
Colombo 02,  
23rd September 2016.

#### Schedule

#### THE OPERATION OF SIMPLIFIED VALUE ADDED TAX (SVAT) SCHEME

##### 1. Persons eligible to be registered under SVAT

- (a) The following VAT Registered Persons and **the suppliers** of any goods or services to such registered persons are entitled to be registered under the SVAT Scheme.
- (i) any registered person who supplies goods or services to any Strategic Development Project (herein after referred to as “SDP”) established in terms of sub-section (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 to the Value Added Tax Act, No. 14 of 2002 (herein after referred to as the “VAT Act”), and who is entitled to claim input tax under the proviso of sub-section (6) of section 22 of the VAT Act during the project implementation period so far as such supplies are project related supplies which exceeds 50% of the total supplies;



- (ii) any person registered under the provisions of subsection (7) of section 22 of the VAT Act including SDP, and who is entitled to claim input tax under the VAT Act during the project implementation period so far as such purchases are project related Purchases ;
  - (iii) any registered person engaged in any specified project referred to in sub-paragraph (ii) of paragraph (f) of PART II of the First Schedule to the VAT Act;
  - (iv) any exporter or provider of zero rated services specified in section 7 of the VAT Act, having zero rated supplies exceeding fifty *per-centum* of his total supplies;
  - (v) any manufacturer who supplies goods (liable to VAT) manufactured by himself in Sri Lanka, to exporters to be utilized for manufacture of goods for export, where the value of such supplies and zero rated supplies exceed fifty *per-centum* of his total supplies;
  - (vi) any provider of value added services to exporters which results in the improvement of the quality, character or value of any goods manufactured for export where such supply of services exceed fifty *per-centum* of his total supplies;
  - (vii) any registered person who supplies any goods or services, to any registered person referred to in items (i), (ii), (iii), (iv), (v) or (vi) above, provided that the Commissioner General is, on the information available, satisfied that the value of such supplies exceed fifty *per-centum* of the total supplies of such registered person who supplies such goods or services.
- (b) Any SDP referred to in item (ii) above is required to be registered under the SVAT Scheme irrespective of the fact that such SDP is not chargeable to VAT.

## 2. Procedure for Registration under SVAT Scheme

Application and the information about the documents to be submitted for registration under SVAT, are available at the Taxpayer Service Unit of the Inland Revenue Department. Applications could also be downloaded from the official Website of the Inland Revenue Department (herein after referred to as “IRD”). [www.ird.gov.lk](http://www.ird.gov.lk).

For registration under SVAT Scheme, the applicant should be an authorized individual. In the case of a company, the applicant should be an authorized representative who has been approved by the Board of Directors of the Company. A copy of such approval should be submitted. In the case of a partnership, the applicant should be a partner. In the case of a proprietorship, applicant should be the proprietor. Further, the applicant himself is required to be present for obtaining the registration. However, in the case of a company, the applicant or an authorized representative of the company is required to be present for the purpose of SVAT registration. In the case of foreign companies, applicant could be an audit firm or lawyers’ firm.

e-registration is not applicable for the registration under the Simplified VAT Scheme.

*Note :*

- (a) Persons who are otherwise eligible for refunds are advised to request their suppliers those who have not registered under SVAT Scheme, to register under SVAT Scheme.
- (b) The back dated registration is considered only in respect of suppliers and only for a period not more than 14 days.
- (c) Any registered person referred to in item (i) to (vii) of sub paragraph (a) of paragraph 1 of this Schedule is named as **Registered Identified Purchaser (herein after referred to as “RIP”)**, and his purchase is known as suspended purchase. All above eligible persons shall obtain the Registered Identified Purchaser status under the above SVAT Scheme.

- (d) In granting RIP status to any registered person referred to in item (i) of sub paragraph (a) of paragraph 1 of this Schedule, the Commissioner General of Inland Revenue (herein after referred to as “CGIR”) should be satisfied that the supplies made to the SDP is more than 50% of his total supplies. Further, for such purpose, the place of business is visited for getting confirmation, as required.
- (e) In granting RIP status to a registered person referred to in item (iv), (v), (vi) and (vii) of sub paragraph (a) of paragraph 1 of this Schedule, a verification is made from the computer system of the IRD as to whether the supplies of such person referred to in aforesaid item (iv), (v), (vi), or (vii) is more than 50% of his total supplies. Further, for such purpose, the place of business is visited for getting confirmation, as required.
- (f) Any VAT registered person registered under SVAT Scheme as a supplier is referred to as **Registered Identified Supplier (herein after referred to as “RIS”)**. The supply made to any RIP is known as suspended supply, and the invoice raised on such supply is known as suspended tax invoice.
- (g) Any supply of a person who is engaged with specified projects and made such supply to relevant Government authority is an exempt supply under the Part II of the First Schedule of the VAT Act, but treated as deemed taxable supplies in terms of section 22 (10) of the VAT Act.
- (h) Any supply of goods or services by a registered person to any SDP is an exempt supply under the Part II of the First Schedule of the VAT Act, but treated as deemed taxable supplies in terms of section 22 (10) of the VAT Act. However, if such supply is made by any person registered under SVAT Scheme, such supply is treated as deemed suspended supply.
- (i) When an application is submitted by a person who is eligible to be a RIP, the names and the National Identity Card (NIC) numbers of two persons (a valid Passport No. in case of a non citizen), should be mentioned giving authority to obtain SVAT credit vouchers from the CGIR. This authorization cannot be altered unless a written request is made to the CGIR by the person who has signed the application. If such person is no longer employed with the registered person, another authorized person can sign the request, but such person’s eligibility should be proved giving documentary evidence.
- (j) RIP is eligible to purchase goods or obtain services, for carrying on any respective activity which is mentioned in item (i), (ii), (iii), (iv), (v), (vi) or (vii) of sub paragraph (a) of paragraph 1 of this schedule suspending VAT component. Such purchases are treated as purchases for **specified purposes**. RIP is also eligible to make standard rate supplies, but the total zero rated supplies, suspended supplies and deemed taxable supplies of any such RIP for a calendar month should not be less than 50% of his total supplies. In such a situation, such registered person is eligible to purchase goods or obtain services under suspended terms which are used for its taxable supplies, and such purchase is treated as a purchase used for **deemed specified purpose**. In case where the zero rated supplies, suspended supplies and deemed taxable supplies relating to SDP are less than 50% of the total supplies of a RIP, he is required to get changed the status from RIP to RIS.
- (k) List of the registered persons who are authorized to purchase under suspended terms is published in the official Web site of the IRD. Any RIS may refer to this information to ensure whether the purchaser is a RIP. The list is updated at the end of each month providing information on new registrations, cancellations, made inactive, changes in the status and the registered persons who are black listed under SVAT Scheme. Therefore, RIS is required to refer to above information in the Web-site of the Inland Revenue Department.
- (l) In the case of foreign companies, if applicant or signatory or credit voucher collector is an audit firm or lawyers’ firm, proprietor or partners of such firm is responsible and is legally bound for tax matters specified in this regulation.

### 3. Specific Regulations to Registered Identified Suppliers

#### 3.1 *Suspended Tax Invoice and submission of Form SVAT 04*

- (i) Supplies to RIP can be made on a **Suspended Tax Invoice** (SVAT 02) showing the VAT componed as “Suspended Value Added Tax”. Such suspended invoice should be issued without any delay. Before making supplies under suspended terms to a registered person, RIS is required to made sure that the person is a RIP. The lists of RIPs and RISs have been published in the official Web site of the Inland Revenue Department.
- (ii) A tax invoice should not be issued to any RIP under any circumstances unless the input is disallowable under the provisions of the VAT Act.
- (iii) The goods exempt from VAT except any supply which is treated as deemed taxable supplies made to SDP during the project implementation period, or to any specified project cannot be supplied under SVAT Scheme. Any such deemed taxable supply made by any person registered under SVAT Scheme to any SDP which is a RIP, is considered as deemed suspended supply as per Note (h) of paragraph 2 of this Schedule, and therefore, such person is required to follow the regulations applicable to RIS.
- (iv) Supplies should be considered on accrual basis unless the approval is obtained under section 23 of the VAT Act for accounting on cash basis, if it is on cash basis, the time of supply is the time in which the payment is received by the supplier. However, under cash basis or accrual basis, any advance payment received should be declared in the taxable period in which such payment is received.
- (v) RIS should follow provisions relating to the time of supply as stipulated in the VAT Act, Therefore, the suspended supplies as well should be declared on that basis.
- (vi) RIS is required to key data to the goods/services declaration Form SVAT 04, by using e-Service within 15 days from the end of the relevant month in which the supplies are made in order to get the approval of respective RIP to get confirmed on the suspended supply and credit voucher numbers. In this regard, the RIS is required to download the quick guide on SVAT from the Web portal of the Commissioner General.
- (vii) If there is no suspended supplies made during the any month, RIS is required to tick no suspended supplies check box and update the Form SVAT 04 unless a value to be entered as value of debit notes or credit notes.
- (viii) If the given information in Form SVAT 04 is rejected by respective RIP with reasons, RIS is required to re-submit Form SVAT 04 for the approval of RIP by using electronic filing facility.
- (ix) In any case where RIS has not updated Form SVAT 04 within the given time frame, he is required to visit IRD with Form SVAT 04 which has been signed by the authorized RIP and with the relevant credit vouchers.
- (x) When there is any amendment or deletion to be made to the record which has already been updated by the RIS and approved by RIP, RIS is required to visit IRD and get it done from the IRD officer if e-filing facility is not available.
- (xi) Separate records should be maintained to ascertain supplies on which VAT is suspended.
- (xii) RIS should e-mail Schedule SVAT 05 (Invoice breakdown) to RIP before updating the Form SVAT 04, if RIP request to do so.

#### 3.2. *Credit Voucher and submission of Schedule SVAT 05 (if any SVAT 05a, SVAT 05b) and SVAT 07*

- (i) RIS is provided a **SIMPLIFIED VAT CREDIT VOUCHER (SVCV)** by the RIP based on the Form SVAT 04 submitted by the RIS through the e-Service. RIS is required to collect such credit voucher irrespective of the fact that approval is granted electronically, and keep such credit voucher with him for five years.

- (ii) All credit vouchers received by any RIS in respect of any taxable period are required to be submitted to the IRD to prove the suspended supplies if he is requested to do so.
- (iii) RIS is required to download the Schedule templates of SVAT 05, SVAT 05a, SVAT 05b and SVAT 07, and the verifier tool from the official Website of the Commissioner General of Inland Revenue. RIS should ensure that the latest schedule templates are used for preparation of schedules.
- (iv) SVAT quick guide available in the official Web site of the Inland Revenue Department which is updated on regular basis has to be followed with the e-Service procedure.
- (v) Schedule SVAT 05 (and if applicable SVAT 05a and SVAT 05b) which have been prepared on the given template in respect of all suspended suppliers are required to be uploaded only by using e-Service by RIS himself or by using internet with the assistance of the IRD Officer on or before the end of following month.
- (vi) Schedule SVAT 07 should be uploaded by using e-Service by RIS himself when more than 20 records are to be entered. When less than 20 records are to be entered, schedule may be uploaded or updated by using e-Service or by using intranet with the assistance of the IRD officer on or before end of the following month.
- (vii) If the value of supplies is to be reduced due to the return of supply or on any other reason relating to any month where credit note is issued/received, the information should be disclosed in Schedule SVAT 05b giving the value of the supplies which is disclosed in the above schedule SVAT 05 with the credit voucher number received for that particular month. The original value of invoices and the value of credit notes should be stated in Schedule SVAT 07. However, credit voucher is issued by the RIP on the net value.
- (viii) If the value of supplies has to be reduced during the month in respect of previously declared supplies, that information should also be disclosed in Schedule SVAT 05b of the current month with the credit voucher number previously obtained. It should also be disclosed with the current period credit voucher number in respect of net supplies, and the value of credit notes. However, credit voucher is issued by the RIP on the net value. Original value of supplies and the value of credit notes should be disclosed in Schedule SVAT 07.
- (ix) If there are no suspended supplies made during the month, but there are returned supplies which are related to previously declared supplies, it should also be disclosed in Schedule SVAT 05b with the previously obtained credit voucher number for such supplies together with the current credit voucher number received on a negative value. The value of credit notes should be disclosed in Schedule SVAT 07.
- (x) If the value of supplies have to be increased on any reason relating to any month where debit note is issued/received, that information should be disclosed in Schedule SVAT 05a giving the value of the supplies which is disclosed in the above Schedule SVAT 05 with the credit voucher number received for that particular month and relevant credit voucher relating to the supplies for which the increase of value of supply is to be made.
- (xi) If schedules SVAT 05, 05a, 05b or 07 have not been submitted in time or if there is any amendment or deletion is to be made to the record which has already been uploaded, RIS is required to visit IRD and get it done from the IRD officer.

### 3.3 VAT Return

- (i) RIS should disclose VAT suspended taxable supplies in Cage C of the VAT return considering the time of supply irrespective of the fact that a credit voucher is received or not, in respect of such suspended supply. Respective suspended VAT amount on suspended supply should be declared in cage 2A. Any RIS who requests

for settlement of his VAT payments on suspended supplies through a credit voucher for any calendar month should make such request in cage R2 in the VAT return in which the supply and relevant output tax are declared. The value in R2 should be equal to the values approved by RIPs. Where there is a discrepancy between the amount entered in cage 2A and in cage R2 of the VAT return exists, such discrepancy shall be treated as a standard rated supply chargeable to VAT unless the relevant approval is obtained from RIP in any subsequent month after the submission of Form SVAT 04 to the satisfaction of the CGIR.

- (ii) The value for suspended supply in the VAT return should be the excess of the value of supply over the difference between the value of credit notes and debit notes declared in Schedule SVAT 07 based on SVAT 05a and 05b.
- (iii) RIS who has any exempt supply of goods or services made to any SDP should not disclose the value of such supply in cage A2 with deemed tax in cage 1A, and deemed tax credit in cage R1, but such supply should be disclosed as suspended supply in cage C and respective tax in cage 2A and credit in cage R2 since it is considered as deemed suspended supply as per Note (h) of paragraph 2 of this Schedule.

### 3.4 Refunds

RIS is not entitled to any refund on any Value Added Tax paid. However, where RIS claims a refund of any input tax paid by him on any import on which upfront payment has been made to the Director General of Customs or on any local purchase made from any VAT registered person so far such purchases are connected to zero rated supply or to suspended supply made to Registered Identified Purchasers by whom suspended credit voucher has been issued on such supply, such refund will be released after six months from the end of the taxable period if the Commissioner General is satisfied after carrying out a special audit on the value addition of the business of such RIS, and if such amount is relating to the period commencing on or after January 1, 2016.

## 4. Specific Instructions to Registered Identified Suppliers - NFE Suppliers

- (i) If RIS supply goods or services to RIP on Non Foreign Exchange (NFE) basis or non-cash basis on behalf of the foreign buyer, such RIS is named as NFE Supplier. Such RIS shall issue a NFE Suspended VAT Invoice on non-cash supply of goods or service (as specified in Form SVAT 02(a)) without any delay to RIP for such supply of goods or services, provided that :
  - (a) RIS shall have a delivery request from RIP to deliver such supply of goods or services. Such delivery request should essentially contain description of purchased items, quantity and names and addresses of foreign buyers to whom the final product is intended to be exported.
  - (b) RIS shall have a purchase order from foreign purchaser with the instruction to deliver the goods/ services to RIP. Name and address of the issuer of such purchase order, description and quantity should essentially be identical to details mentioned in the delivery request in (a) above ; and
  - (c) RIS shall receive foreign remittance as settlement of such supplies directly from foreign purchaser and not from any other source (eg. not allowed to set off any third party liability of RIS with the consent of foreign purchaser).
- (ii) If RIS is a NFE supplier, he should receive a “NFE Credit Voucher” provided by the CGIR and issued by the RIP who is a NFE Manufacturer in respect of such NFE supply. RIS is required to key data to Form SVAT 04, by using e-Service within 15 days from the end of the relevant month in which the supplies are made in order to get the approval of respective RIP to get confirmed of the suspended supply and credit voucher numbers.

- (iii) RIS (NFE Supplier) shall have all supporting documents for information which contents in the said forms.
- (iv) All other instructions and procedures are applied in the same manner as applicable to normal Suspended VAT Invoice, suspended supply and Credit Voucher.

## 5. Specific Regulations to Registered Identified Purchasers

### 5.1 Suspended Purchases

- (i) All purchases of raw materials, capital goods and other services from RIS used for specified purpose or for deemed specified purpose are referred to as suspended purchases. RIPs are not permitted to purchase under normal tax invoice from another SVAT registered person unless such purchases are identifiable as purchase on which no input tax is allowed under section 22 of the VAT Act.
- (ii) Suspended purchase should necessarily be for specified purposes or deemed specified purposes. If such suspended purchases have been used for any exempt supply (other than exempt supply which is treated as deemed suspended supply as per Note (h) of paragraph 2 of this Schedule) or any VAT input credit is disallowed under the VAT Act (if suspended purchases were made as disallowable part which was not identifiable at the time of purchase), an adjustment should be made as specified under section 22 of the VAT Act by disallowing the benefit received through the suspension. If no adjustment has been made by the registered person, an assessment under section 31 of the VAT Act could be issued by the Assistant Commissioner considering such suspended VAT as disallowable input credit (decision has been taken not to waive any penalty on such assessment). If suspended purchase have been used for taxable supplies, no adjustment is due (as above) since relevant output tax is payable in full to the CGIR without any input tax being deducted. However, if it is proved that any suspended purchases have not been used for specified purposes or for any deemed specified purposes, the value of such suspended purchase and the gross profit margin thereon is treated as a taxable supply, and an assessment is issued under section 31 of the VAT Act by the IRD. Any penalty thereon is not waived off.
- (iii) The copies of VAT suspended invoices issued by the suppliers should be preserved at least for a period of five years as a source documents to prove the purchases and the suspended VAT component, when such details are required.

### 5.2 Approval of Form SVAT 04 by RIP

- (i) When RIP logs into the list page under the e-Service, he is shown Form SVAT 04 submitted by RIS. Thereby, he is required to approve it giving the credit voucher number allocated to the respective RIS on or before 20 days from the end of the relevant month for which purchases were made.
- (ii) If there is any amendment or deletion to be made to the record which has already been approved by RIP, RIP is required to visit IRD and get it done from the IRD officer.
- (iii) If there is no suspended purchases made during any month, RIP is required to tick no suspended purchases check box in RIP template.

### 5.3 Credit vouchers and submission of Schedule SVAT 06

- (i) The RIP is provided with **SIMPLIFIED VAT CREDIT VOUCHERS (SVCV)** on a request made by only by using the e-Service. It is issued in triplicate in a serial order by the IRD. A book of SVCV contains 50 credit vouchers. In issuing credit vouchers to respective suppliers, such SVCV should be signed by two authorized persons (signatories). Therefore, names of five signatories with their designations, specimen

- signatures and copies of NICs (copies of passport in case of non-citizens) should be provided to the IRD at the time of collection of such SVCV, Any change of such signatories subsequently should be informed in advance. This information is to be made available to the CGIR by the person who has signed the application. If such person is no longer employed with the registered person, another person can sign the notification, but such person's eligibility to sign as authorized person should be proved giving documentary evidence.
- (ii) Request for subsequent collection of credit vouchers is also made using the e-Service, When visiting IRD for collection of credit vouchers, authorized collector should visit IRD with the original SVAT certificate and relevant document for his identification. When requesting new series of credit vouchers, the copies of used credit vouchers should be produced to the IRD.
  - (iii) RIP is required to issue a Credit Voucher on suspended purchases to the RIS not later than 20 days from the end of any calendar month in which such purchases are made. However, in respect of supplies made to RIPs on irregular basis, credit vouchers may be issued at the time of the transaction. RIP is required to issue one credit voucher covering the aggregate purchases made from one supplier during any calendar month. RIP is required to keep copies of all vouchers issued.
  - (iv) In the case of bank transactions, RIP is bound to produce SVAT credit voucher at the point of transaction or within 07 days from the end of a month in which the transaction is carried out provided that the bank submits Form SVAT 04 using the e-Service within 07 days from the end of the relevant calendar month in which the supplies are made. No credit vouchers is entertained by a bank after 07 days from the end of the following month in which the transaction is made.
  - (v) Where any credit voucher is cancelled due to a mistake, original of the cancelled credit voucher should be attached to the credit voucher book.
  - (vi) CGIR may refuse issuing credit vouchers to any RIP at any time if it appears that required percentage of credit vouchers have not been released or required approval for Form SVAT 04 have not been granted on time.
  - (vii) RIP is required to submit summary of suspended purchases - Schedule SVAT 06
  - (viii) RIP is required to download the Schedule templates of such Schedule SVAT 06 and the verifier tool from the official Website of the Commissioner General of Inland Revenue. RIP should ensure that latest schedule templates are used for the preparation of Schedule SVAT 06.
  - (ix) SVAT quick guide available in the official Website of the IRD which is updated on regular basis has to be followed to learn the e-Service procedure.
  - (x) Schedule SVAT 06 should be uploaded by using e-Service by RIP when more than 20 records are to be entered. When less than 20 records are to be entered, schedule may be uploaded or updated by using e-Service or by using intranet with the assistance of the IRD officer on or before the end of the following month.
  - (xi) If Schedule SVAT 06 has not been submitted in time or if there is any amendment or deletion is to be made to the record which has already been uploaded, RIP required to visit IRD and get it done from the IRD officer.
  - (xii) If purchases have been returned or due to any other reason for which credit note is issued/received, to any supplier during the same month in which such purchases were made, it should be disclosed in Schedule SVAT 06 with such supplier's details and credit voucher number issued during the month and the original value of purchaser and value of credit notes.



- (xiii) If purchases have been returned or due to any reason for which credit note is issued/received, to any supplier in respect of previously declared purchase, that information should be disclosed in Schedule SVAT 06 with the credit voucher number with the original value of purchase. If value of returned purchase is more than the purchase of the current period from such supplier, negative value credit voucher is to be written.
- (xiv) If there is no purchase in the current month, but there are credit notes issued/received during the month which is related to previously declared purchases, it should also be disclosed in Schedule SVAT 06 together with the current credit voucher number which is issued on a negative value.
- (xv) The credit voucher is to be written on the net value of supplies based on the value given in Form SVAT 04 for any situation mentioned in item (xii), (xiii) or (xiv) above.
- (xvi) If the value of purchases have to be increased on any reason relating to any month where debit note is issued/received, that information should be disclosed in Schedule SVAT 06 giving the value of the purchases which is disclosed in the above Schedule SVAT 06 with the credit voucher number issued for that particular month and relevant credit voucher relating to the purchases for which the increase of value of purchase is to be made.
- (xvii) Any RIP should, on request, prepare a statement of reconciliation to facilitate the officials of the Department to check whether the imports and locally purchased goods and services have been used for any specified purpose or deemed specified purpose as defined in Note (j) of paragraph 2 of this Schedule.
- (xviii) RIP is required to submit, on request, a schedule of purchases made under suspended terms giving all invoice numbers under three sub headings (i. e. raw materials, capital goods and other goods and services obtained/consumed).
- (xix) If any RIP has made suspended supplies, such RIP is required to comply with the requirements specified in paragraph 3 or 4 as the case may be, of this Schedule. During any period if RIP has not made suspended supplies, he is required to tick to suspended supply check box in RIS template.
- (xx) RIP should not purchase goods or services which are exempted under PART II of the First Schedule of the VAT Act under suspended terms. If any case SVAT credit voucher has been issued on such purchases, it should be disallowed and enter such value in cage 8A of the VAT return.

#### 5.4 VAT Return

##### 5.4.1 Value of Purchase

- (i) The value of purchases should be declared under the suspended purchases in cage "J" of the VAT Return for the month in which the suspended tax invoice is received. In any case where such purchase has not been declared for that particular month, it can be disclosed in a subsequent three months period within the same year of assessment for which accounts are made up for the purpose of section 28 of the Inland Revenue Act, No. 10 of 2006. The amount of suspended VAT should be entered in cage "K". Under no circumstances VAT on suspended purchases shall be an input tax, and therefore, it could not be deductible from output tax. As such, suspended VAT is not refundable. In case where any input tax on purchases made under **suspended terms** is disallowable under the provisions of the VAT Act as mentioned in item (ii) of paragraph 5.1, it should be disclosed in cage 8A of the VAT return.
- (ii) The value of suspended purchases in the VAT return should be the excess of the value of purchase over the difference between the value of credit notes and debit notes declared in Schedule SVAT 06.

#### 5.5 Refunds

- (i) The RIP is requested to make purchases from RIS. Refunds are not made under any circumstances other than any upfront payment made to the Director General of Customs and VAT paid in any situation mentioned in item (iii) below.

- (ii) RIP is not authorized to accept a normal tax invoice on purchases unless such purchases are identifiable as purchase on which the input relating to such purchases are disallowable for VAT purpose or the VAT component is claimable as referred to in item (iii) below. Instead of normal tax invoice which could be considered for claiming of input tax RIP shall request the supplier to issue a suspended tax invoice by requesting him to get registered under SVAT Scheme as RIS, as far as possible in the case of situations mentioned in item (iii) below.
- (iii) RIP is entitled to claim input tax credit or get excess input (if any) where goods or services obtained from any other VAT registered person who is not a RIS.
- (iv) If it appears that the purchase has been made from any RIP or RIS who has been black listed, no refund is made on tax invoices received by RIP from such persons

#### 6. Specific Regulations to Registered Identified Purchasers - NFE Manufacturers (Consignees)

- (i) If RIP is a direct exporters who received materials on Non Foreign Exchange (NFE) or non- cash basis from local suppliers (RIS) on behalf of the foreign buyer to whom the final product is exported, such RIP is named as NFE Manufacturer (Consignee) and is issued a “NFE Suspended Tax Invoice” by the RIS on non-cash basis supply, Thereafter, the NFE Manufacturer shall issue a “NFE Credit Voucher” obtained from the CGIR to such supplier (RIS), provided that such supplies are utilized only for the purpose of manufacture and export of goods to the foreign buyer. RIP shall have supporting documents for verification of the IRD officer.
- (ii) The value of NFE purchases should be declared under Non Foreign Exchange Purchases in cage “J1” of the VAT Return. The amount of suspended VAT should be entered in cage “K1”
- (iii) All other instructions and procedures shall be applied in the same manner as applicable to normal Suspended VAT Invoice, suspended purchase and Credit Voucher as applicable to RIP.

#### 7. Documents

The goods/services declaration form SVAT 04 and supplementary Schedule SVAT 05, 05a and 05b issued by suppliers should be mutually agreed with the RIP if such Supplier does not use e-Service. The documents duly signed by RIP should be returned to the RIS for enable him to submit to the CGIR in order to get keyed data from the IRD Officer via intranet.

#### 8. General Instructions to Registered Identified Purchasers and Registered Identified Suppliers

- (i) RIP should submit VAT return monthly.
- (ii) All RIS should submit his VAT Return on quarterly basis.
- (iii) RIP who made suspended supplies should follow the instructions applicable for RIS.
- (iv) Value should be to the nearest rupee (do not enter cents).
- (v) Any of those forms should not contain information from more than one calendar month.
- (vi) Request for change of address of a person registered for SVAT Scheme should be made to the Taxpayer Services Unit.
- (vii) Loss of credit voucher books or credit vouchers should be informed immediately to the IRD with an affidavit and police report to cancel such credit voucher books or vouchers.

- (viii) Cancellation of SVAT registration should be made after the cancellation of VAT registration and after receiving a request in that regard with the original certificate. Cancellation is done after receiving all due Form SVAT 04 and respective Schedules under SVAT Scheme. Further, once the cancellation is done, name of such persons are published in the Website of the Commissioner General of Inland Revenue. Further, cancellation could be made by CGIR on his discretion based on the information which shows that the registered person has not complied with the regulation issued by him.
- (ix) RIS status can be changed to RIP status on a request made with the original certificate and after satisfying in the requirements mentioned in Note (d) or (e) of paragraph 2 of this Schedule.
- (x) RIP status could be changed to RIS on a request made with original certificate and credit voucher books obtained, if any.
- (xi) RIP status could be changed to RIS, based on the information available with the CGIR where the required percentage has not been met for three consecutive taxable periods.
- (xii) Confirmation of suspended purchase or supplies will be made if both the persons have made available schedules in the given schedule templates and uploaded, updated or submitted correctly.

## 9. Penal Provisions

### (a) *Registered Identified Purchasers*

As the ultimate beneficiaries of the SVAT Scheme, the RIPs should strictly be adhered to the SVAT compliance, obligations while supporting RISs to be compliant with statutory obligations.

- (i) Not issuing due credit vouchers by RIP, or not submitting necessary forms by any RIP to the CGIR in time, which in any manner affects the other party in the process, shall be strictly dealt with under the statutory provisions of VAT Act.
- (ii) After hearing the complaints from suppliers with regard to non-submission of credit vouchers in time, if it is proved to the satisfaction of the CGIR that the negligence of such act has affected to the supplier, an assessment could be made on the respective RIP, or such RIP would be black listed.
- (iii) Not approving of respective Form SVAT 04 and not submitting Schedule SVAT 06 to the CGIR by the RIP on time, which in any manner affects the other party in the process will be strictly dealt with under the statutory provisions of VAT Act relating to non-furnishing of returns.
- (iv) If any goods or services exempted under PART II of the First Schedule of the VAT Act has been purchased by any RIP under suspended terms, statutory provisions of the VAT Act will be strictly applied.

### (b) *Registered Identified Suppliers*

- (i) If suspended tax invoice has been issued in respect of goods or services which are exempted under PART II of the First Schedule of the VAT Act, statutory provisions of the VAT Act will be strictly applied.
- (ii) The negligence of suppliers in issuing suspended tax invoice, updating Form SVAT 04 and Schedule SVAT 05, SVAT 05a, SVAT 05b and SVAT 07 to the CGIR on time and which in any manner affects the other party in the process will be strictly dealt with the statutory provisions of VAT Act relating to non-furnishing of returns.

**10. The forms and Schedules specified for the purposes of this scheme are as follows :**

- (a) The Registration Form
- (b) Suspended VAT Invoice used for supplies without charging VAT - (SVAT 02).
- (c) NFE Suspended Tax Invoice - [SVAT 02 (a)].
- (d) Form SVAT 04 which is to be updated by RIS
- (e) Simplified VAT Credit Voucher which is to be obtained from the IRD and utilized by the RIP for set off the liability of VAT on purchases from the RIS - (SVCV).
- (f) Monthly supplementary declaration - Schedule SVAT 05
- (g) Suspended Debit Notes declaration - Schedule SVAT 05a
- (h) Suspended Credit Notes declaration - Schedule SVAT 05b
- (i) Summary of the suspended normal and NFE supplies including suspended Debit Notes issued/received and Credit Notes issued/received - Schedule SVAT 07
- (j) Summary of the suspended normal and NFE purchases including suspended Debit Notes issued/received and Credit Notes issued/received including - Schedule SVAT 06

**11. This set of regulations is subjected to amendment from time to time.**

The guideline issued by the CGIR under Circular No. SEC 2012/03 of 30.07.2012 and *Gazette Notification* No. 1910/2 dated April 16, 2015 is prevail for the period prior to this *Gazette*.