



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

VALUE ADDED TAX (AMENDMENT)

A

BILL

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

*Presented by the Prime Minister and Minister of Buddha Sasana and
Religious Affairs on 08th March, 2013*

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STATEMENT OF LEGAL EFFECT

Clause 2 : This clause amends section 2 of the Value Added Tax Act No 14 of 2002 (hereinafter referred to as the “ principal enactment”), and the legal effect of the section as amended is to -

- (a) Close the provisions referred to the deferment scheme administrated by the Textile Quota Board and Export Development Board and to made relevant deferment facility under the Simplified Value Added Tax Scheme administrated by the Commissioner General of Inland Revenue.
- (b) Regulate the Guidelines of Simplified Value Added Tax Scheme through Gazette Notifications.
- (c) Provide the submission of Treasury Bill as a guarantee for deferment in a case where the tax deferred is not less than rupees ten thousand.

Clause 3: This clause amends section 3 of the principal enactment and the legal effect of the section is to extend the liability on wholesale and retail trade where the total turnover for a period of 3 months exceeds Rs 500 mn.

Clause 4: : This clause amends section 5 of the principal enactment and the legal effect of the section is to make provisions enabling the price adjustment for VAT purposes in case of where the maximum retail price is fixed under the provisions of Consumer Affairs Authority Act

Clause 5: : This clause amends section 10 of the principal enactment and the legal effect of the section is to extend the threshold for registration to Rs 3 mn per quarter or Rs 12 mn per year.

Clause 6: : This clause amends section 11 of the principal enactment and the legal effect of the section is to make consequential amendment made to section 10 .

Clause 7: : This clause amends section 12 of the principal enactment and the legal effect of the section is to remove the voluntary registration referred to in that section.

Clause 8: This clause amends section 14 of the principal enactment and the legal effect of the section is to make consequential amendments made to section 10.

Clause 9: This clause amends section 16 of the principal enactment and the legal effect of the section is to provide consequential amendments on the cancellation of registrations below the threshold limit for registration.

Clause 10: This clause amends section 21 of the principal enactment and the legal effect of the section is to change the date of submission of the return.

Clause 11 : This clause amends section 22 of the principal enactment and the legal effect of the section is to -

- (a) Provide special rate for garments, fabric and products made out of garments or fabrics

- (b) make Consequential amendments on claimability of input credit with regards to the persons registered under Simplified Value Added Tax Scheme
- (c) make provisions for unabsorbed input credit of registered persons whose registration is cancelled due the increase of the threshold limit.

Clause 12 : This clause amends section 25A of the principal enactment and the legal effect of the section is to -

- (a) Exempt Central Bank from Value Added Tax on Financial Services.
- (b) Extend the threshold for liability to Rs 12 mn per year
- (c) Consequential amendments with regards to the amendments made and to prescribe guideline for the purposes of Chapter III A.

Clause 13, Clause 14 and Clause 15 : These clauses amend sections 25B , 25C and 25 D of the principal enactment and the legal effect of the section is to make consequential amendments for the changes made.

Clause 16 and Clause 17 : These clauses amend sections 25H and 25 I of the principal enactment and the legal effect of the section is to close the provision relating to Optional VAT.

Clause 18 : This clause amends section 26 of the principal enactment and the legal effect of the section is to change the payment date of registered persons on supplies liable to tax other than supplies of manufactured articles.

Clause 19 : This clause amends section 28 of the principal enactment and the legal effect of the section is to refrain from assessing past liabilities subject to certain conditions specified therein.

Clause 20: This clause inserts new section as 64A in which the Assessor would disregard artificial or fictitious transactions.

Clause 21 : This clause amends section 67 of the principal enactment and the legal effect of the section is to provide penal provisions for certain transactions specified therein .

Clause 22 : New exemptions introduced to PART II of the First Schedule

Value Added Tax (Amendment)

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. of 2013 and shall be deemed to have
5 come into operation on January 1, 2013 unless different dates
of operation are specified therefor, in the relevant sections.
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
10 2012 is hereby further amended as follows:-
- (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:-
- 15 (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
20 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
25 subsection;
- (c) by the repeal of paragraph (e) of subsection (2)
and the substitution therefor of the following :—
- Short Title
and date of
operation.
- Amendment
of section 2
of the Value
Added Tax
Act, No. 14
of
2002.

“(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 -

5

(i) any exporter or provider of zero rated services specified in terms of section 7;

10

(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;

15

20

(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);

25

(iv) any manufacturer who supplies goods manufactured in Sri Lanka to any exporter:

30

(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;

35

(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;

5 (vii) any registered person who supplies
any goods or services, to any
registered person referred to in sub-
paragraph (i), (ii), (iii), (iv), (v) or (vi)
above, provided that the
10 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,

15 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
20 issued for such purpose and which are
specified in the Order published in the
Gazette.

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

25 (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
30 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,
35 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 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 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 01, 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 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.”.

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 by the substitution for the words “a separate supply by such Assessor:” of the –

Amendment of Section 5 of the principal enactment.

“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.

- 5 (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”;
- 10 (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 –
 - 15 (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
 - 20 (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
 - 25 (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:”.
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- (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 exempted under PART II of the First Schedule to the Act, is not less than rupees five hundred million.”.

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:-

Amendment of section 11 of the principal enactment.

“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.”.

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:

Amendment of section 12 of the principal enactment.

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

Amendment
of section 14
of the
principal
enactment.

5 “(2) Any person –

(a) registered under subsection (1) of this Act; 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
10 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,

15 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.

20 (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:

25 Provided that, any registered person who had had
a total value of supplies not exceeding twelve
million rupees for a period of three months and
three million for a period of twelve months in the
year ending as at December 31, 2012, shall request
30 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)
35 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:

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

- 10 (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.
- 15 (b) the liability to stock in trade shall not exceed the unabsorbed input tax on trading stock as at December 2012.”.
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25 **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:-”

Amendment of section 21 of the principal enactment.

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

- 30 (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 thirtieth day of the month after the expiry of each taxable period
- 35

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:".

- 5 **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.

- 10 (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 –

- 15 (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 Director-General of Customs , shall be rupees twenty five for each such garment so supplied within Sri Lanka;
- 25 (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:
- 30
- 35

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

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

- 15 (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:-

20 “(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
25 supplier of goods to exporters of goods, referred to in that paragraph for the taxable period was more than fifty *per centum*. ”;

- 30 (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:-

5 “(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 sub section (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:-”

15 “(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

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

25 “(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 set off of tax under this subsection shall be done after the finalization of the liability on the cancelation of the registration with the approval of the Commissioner General.”.

5 **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:-

Amendment
of section
25A of the
principal
enactment.

10 (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 01, 2003):”

15 (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 in the following manner:-

20 (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
25 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
30 has taken place for any period on or after January 1, 2013.”

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

5 “(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):

10 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:

15 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
20 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:-

25 “(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;
- 30 (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.”.

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

Amendment
of section 25B
of the
principal
enactment.

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

10 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
15 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.”.

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

Amendment
of section
25C of the
principal
enactment.

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

25 (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
30 submitted within six months after the closing date
of the relevant accounting period.

- 5 (b) in paragraph (b) thereof, by the substitution for the words “maintains under paragraph (a) of section 110 of the Inland Revenue Act, No.38 of 2000; and” of the words “maintains under section 119 of the Inland Revenue Act, No.10 of 2006; and
- 10 (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 –
- 15 (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”;
- 20 (b) by the substitution in paragraph (c) thereof, for the words “other than the value addition in relation to supplies taxable under this Chapter;” of the word “included in the profit calculated as specified in subsection (1) of this section, other than the value addition in relation to supplies
- 25 taxable under this Chapter;”;
- 30 (c) by the substitution in paragraph (d) thereof, for the word “(d) the profit or income on interest arising or accrued from inter-company transactions” of the words “(d) the profit or income on interest arising or accrued (not being profit from a business) from inter-company transactions”;

(d) by the substitution in paragraph (f) thereof, for the word “(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,”;

(e) by the substitution in paragraph (h) thereof, for the words “(h) the profits or income from the exchange of currency other than such profits or income arising” of the words “(h) the profits or income from the exchange of currency (not being profit from a business) other than such profits or income arising”;

(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.”.

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

Amendment
of section 26
of the
principal
enactment

(1) in subsection (1) thereof, by the substitution for the words and figure “(1) (1) The tax in respect of any” of the words “(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 a case of a registered person whose taxable supplies consist of any supplies other than the supply of goods manufactured in Sri Lanka, the tax in respect of any taxable period on or after January 1, 2013 shall be paid in the following manner:-

(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

5 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 administered 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-

10 (a) invest his past earnings from that trade or business prior to March 31, 2014; and

(b) comply with the requirements of this Act for any subsequent period.”.

15 **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.

20 “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.

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

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:-

Amendment of section 67 of the principal enactment.

30 (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 25A; or”;

- (2) by the repeal of paragraph (*aa*) thereof;
- (3) in paragraph (*b*), by the substitution for the or 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 the Simplified Value Added Tax Scheme; or
 - (*n*) fails to furnish an annual adjustment under sub section (1) of section 25C,”.

22. The First Schedule to 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)–

- 5 (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:-
- 10 “under the Sri Lanka Export Development Act, No. 40 of 1979;
- “(vi) bowsers, bulldozers, graders, levelers, excavators, fire fighting vehicles;
- 15 (vii) raw materials for the manufacture of energy saving bulbs,”.

(2) in paragraph (b) of that PART –

- 20 (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;
- 25 (iii) bowsers, bulldozers, graders, levelers, excavators, fire fighting vehicles, road tractors for semi-trailers or prime movers as exempted for Custom purposes under Harmonize Commodity Description and Coding System Numbers in respect of
- 30 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:-

5 “(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:-

10 “(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;”

- 15 (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 ;

20 (xlvi) 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 sport.”.

- (3) in paragraph (c) of that PART –

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

30 “(xxvii) packing materials exclusively for the use of packing of pharmaceuticals or ayurvedic medicines manufactured in Sri Lanka and which are imported by the

5 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 purposes.”.

10 (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
15 (xxxvii) 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:-

20 “(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
25 the Secretary to the relevant Ministry.”.

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

30 “(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 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 01, 2013; and
- (ii) invests his earnings to commence such business.”.
- 23.** Any person who charges or collects the Value Added Tax as provided for in this Act during any period commencing from the date of operation of this Act, and ending on the March 31, 2013, shall be deemed to have acted with due authority and such charge or collection shall be deemed to have been, and to be, validly made.
- Indemnity.
- Provided that, the aforesaid provisions of this section shall not affect any decision or Order made by any Court or any proceedings pending in any Court in respect of any fee charged or collected as provided for in this Act during the aforesaid period.
- 24.** In the event of any inconsistency between the Sinhala and Tamil texts of this Act, the Sinhala text shall prevail.
- Sinhala text to prevail in case of inconsistency.

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