



**PARLIAMENT OF THE DEMOCRATIC
SOCIALIST REPUBLIC OF
SRILANKA**

VALUE ADDED TAX (AMENDMENT)

A

BILL

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

*Presented by the Minister of Finance and Mass Media
on 17th of July, 2018*

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STATEMENT OF LEGAL EFFECT

Clause 2 : This clause amends section 22 of the Value Added Tax Act, No. 14 of 2002 (hereinafter referred to as the “principal enactment”), and the legal effect of that section as amended is to reduce the amount of tax due on local sale of certain garments by export oriented companies.

Clause 3 : This clause amends section 25A of the principal enactment and the legal effect of that section as amended is to include the Sri Lanka Deposit Insurance Scheme established under the Monetary Law Act as a specified institution which supplies financial services with effect from April 1, 2018.

Clause 4 : This clause amends section 25c of the principal enactment and the legal effect of that section as amended is to limit the taxable period for the amount of tax payable as specified in paragraphs (e) and (f) of subsection (3) of section 25c.

Clause 5 : This clause inserts new section 58A in the principal enactment in order to provide for the refund of tax for tourists.

Clause 6 : This clause amends Part II of First Schedule to the principal enactment in order to give effect to the budget proposals of 2017 to remove certain exemptions granted previously.

Value Added Tax (Amendment)

L.D.—O. 70/2016

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 2018. Short title.

5 **2.** Section 22 of the Value Added Tax Act, No.14 of 2002 (hereinafter referred to as the “principal enactment”) is hereby amended in paragraph (a) of the first proviso to subsection (1) thereof, by the substitution for the words starting from “shall be” and ending with the words “within
10 Sri Lanka” of the following:- Amendment of section 22 of Act, No.14 of 2002.

“shall be-

- (i) rupees twenty five for each such garment, for any period commencing prior to November 1, 2016;
- 15 (ii) rupees seventy five for each such garment, for any period commencing on or after November 1, 2016 but ending on or immediately after the date of commencement of this (Amendment)
20 Act;
- (iii) rupees seventy five for each such garment other than panties, socks and boxer shorts identified under the Harmonized Commodity Description and Coding System Numbers for
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Custom Purposes, for any period commencing on or after the date of commencement of this (Amendment) Act;

- 5 (iv) rupees seventy five for six pieces of
panties, socks and boxer shorts,
identified under the Harmonized
Commodity Description and Coding
System Numbers for Custom Purposes,
10 for any period commencing on the date
of commencement of this (Amendment)
Act,

supplied within Sri Lanka.”.

15 **3.** Section 25A of the principal enactment is hereby
amended in paragraph (iv) of subsection (1) thereof, by the
substitution for the words and figures “established by the
Monitory Law Act, (Chapter 422) (with effect from July 1,
2003)” of the words and figures “established by the Monitory
Law Act, (Chapter 422) (with effect from July 1, 2003), or
20 the Sri Lanka Deposit Insurance Scheme established by
regulation made under the said Act, (with effect from April
1, 2018)”.

Amendment
of section
25A of the
principal
enactment.

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

Amendment
of section
25c of the
principal
enactment.

- 25 (1) in paragraph (e) of that subsection, by the substitution
for the words and figures “(e) commencing from
January 1, 2015, but prior to May 2, 2016” of the
words and figures “(e) commencing from January
1, 2015 but prior to May 2, 2016 and commencing
30 from July 12, 2016 but prior to November 1, 2016”;

- (2) in paragraph (f) of that subsection, by the
substitution for the words and figures “(f)

commencing from May 2, 2016” of the words and figures “(f) commencing from May 2, 2016, but prior to July 12, 2016 and commencing from November 1, 2016”.

5 **5.** The following new section is hereby inserted immediately after section 58 of the principal enactment and shall have effect as section 58A of that enactment:–

Insertion
new section
58A in the
principal
enactment.

10 “Refund of tax to tourists. 58A. (1) For the period commencing from July 1, 2018 where a tourist has proved by a claim in writing in the specified form to the satisfaction of the Commissioner-General of Inland Revenue or any person authorized by him in writing in that behalf,–

15 (a) that such tourist has purchased any specified goods in Sri Lanka as shall be prescribed from an authorized retailer;

20 (b) that the value of such goods are in excess of the minimum value as shall be prescribed; and

 (c) that such tourist has paid the tax on such purchases as per the tax invoice issued to him by such authorized retailer,

25 such tourist shall if he produces the relevant goods to the authorized person for inspection at the point of departue and if such goods are being removed from Sri Lanka within two months from the date of purchase of such goods, the Commissioner-General of Inland Revenue or the authorized person may on

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4 *Value Added Tax (Amendment)*

5 being satisfied with the facts specified in paragraphs (a), (b) and (c), refund or make necessary arrangements to refund to such tourist in foreign currency, such amount of the tax paid in excess calculated on the basis of Rupee value per one hundred US Dollars, at the time of such removal of goods from Sri Lanka.

10 (2) any authorized retailer who violates any conditions subject to which his registration is made commits an offence and shall on conviction after summary trial before a Magistrate be liable to a fine not exceeding rupees One Hundred Thousand and to the cancellation of his registration.

15 (3) Notwithstanding the provisions of subsection (1) of section 20, a tax invoice may be issued by any authorized retailer at the time of the supply of such goods to any tourist who has purchased such specified goods.

20 (4) For the purposes of this section—

25 (a) “authorized retailer” means any retailer who has applied to the Commissioner-General of Inland Revenue or any person authorized by the Commissioner-General of Inland Revenue in that behalf to register under this Act as an authorized retailer;

30 (b) “tourist” means any foreigner who stays in Sri Lanka on a tourist visa for not less than thirty days.”.

6. The First Schedule to the principal enactment is hereby amended in PART II thereof as following:—

Amendment
of First
Schedule to
the principal
enactment.

(1) in paragraph (a) of that PART—

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

“(i) wheat, wheat flour or infant milk powder with effect from November 1, 2016”;

10 (b) by the substitution, in item (iv) for the words “Aircrafts, Helicopters,” of the words and figures “Aircrafts or Helicopters, [prior to the date of commencement of this (Amendment) Act];

15 (c) by the repeal of item (v) and the substitution therefor of the following:—

20 “(v) books (other than cheque books, periodicals, magazines, newspapers, diaries, ledger books and exercise books), for any period prior to November 11, 2016; and

25 books, magazines, journals or periodicals (other than newspapers) for any period on or after November 11, 2016 identified under the Harmonized Commodity Description and Coding System Numbers for Custom purposes; and

30 unused postage and revenue stamps of the Government of the Democratic Socialist Republic of Sri Lanka or of a Provincial Council;”;

(d) in item (xxii) of that paragraph—

5 (i) by the substitution in sub-item (i) for the words “sunglasses” of the words and figures “sunglasses [prior to the date of commencement of this (Amendment) Act]”;

10 (ii) by the substitution in sub-item (iv) for the words “wood (sawn)” of the words and figures “wood (sawn) [prior to the date of commencement of this (Amendment) Act]”;

15 (iii) by the substitution in sub-item (v) for the words and figures “Sri Lanka Export Development Act, No. 40 of 1979” of the words “Sri Lanka Export Development Act, No.40 of 1979 [prior to the date of commencement of this (Amendment) Act]”;

20 (iv) by the repeal of sub-item (vii) and the substitution therefor of the following:—

25 “(vii) energy saving bulbs, for any period with effect from January 1, 2017 and raw material for the manufacture of energy saving bulbs;”;

30 (e) by the addition immediately after item (xxvi), the following:—

“(xxvii) plants, machinery or accessories for renewable energy generation

5 identified under the Harmonized
Commodity Description and
Coding System Numbers for
Custom Purposes with effect from
November 11, 2016;

10 (xxviii) electrical goods identified under
the Harmonized Commodity
Description and Coding System
Numbers for Custom Purposes
with effect from November 1,
2016;

15 (xxix) medical machinery or medical
equipment identified under
the Harmonized Commodity
Description and Coding System
Numbers for Custom Purposes
with effect from November 11,
2016;

20 (xxx) hot air balloons identified under
the Harmonized Commodity
Description and Coding System
Numbers for Custom Purposes
with effect from January 1,
2017.”.

25 (2) (a) in item (xi) of paragraph (b) of that PART–

30 (i) in sub-item (b), by the substitution for the
words and figures “on or after November 1,
2016 by any person” of the words and
figures “on or after November 1, 2016 but
prior to the date of commencement of this
(Amendment) Act by any person”;

(ii) by the addition immediately after sub-item (b) of the following new sub-item:–

5 “(c) if such supply has taken place on or after April 1, 2019, other than any lease or rent by any person, and where such supply-

(i) is not relating to a sale of any condominium housing unit; or

10 (ii) is a supply of a condominium housing unit of a condominium housing project and the maximum price or the market value of such unit and
15 of each unit of that project does not exceed rupees fifteen million, whichever is higher.”;

(b) by the repeal of item (xxx) and the substitution therefor of the following:–

20 “(xxx) locally manufactured jewellery, prior to November 1, 2016 and for any period from November 22, 2016.”;

(c) by the insertion immediately after item (L) of the following:–

25 “(Li) geriatric services or child care services;

(Lii) international telecommunication services provided by “External Gateway Operators” to local telecommunication operators.”.

(3) in paragraph (c) of that PART,—

- 5 (a) by the substitution in item (xx) for the words and figures “purposes (effective from 17.7.2007)” of the words and figures “purposes [effective from 17.7.2007, but prior to the date of commencement of this (Amendment) Act]”;
- 10 (b) by the substitution in item (xxviii) for the words and figures “cinematographic cameras and projector parts and accessories” of the words “cinematographic cameras, projector parts and accessories, prior to the date of commencement of this (Amendment) Act”;
- 15 (c) by the substitution in item (xxix) for the words and figures “(with effect from January 1, 2011)” of the words and figures “[with effect from January 1, 2011, but prior to the date of commencement of this (Amendment) Act]”;
- 20 (d) by the substitution in item (xxxiii) for the words “agricultural products or plants of any type” of the words and figures “agricultural products or plants of any type, prior to the date of commencement of this (Amendment) Act”; and
- 25 (e) by the substitution in item (xxxvi) for the words “fabric, specified under the Harmonized Commodity Description and Coding System Numbers for Custom Purposes” of the words and figures “fabric, specified under the Harmonized Commodity Description and
- 30

Coding System Numbers for Custom Purposes, prior to the date of commencement of this (Amendment) Act”.

7. 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 any inconsistency.

