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SOCIALIST REPUBLIC OF  
SRI LANKA**

**Part II of March 12, 2021**

**SUPPLEMENT**

*(Issued on 18.03.2021)*



**VALUE ADDED TAX (AMENDMENT)**

**A**

**BILL**

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

*Ordered to be published by the Minister of Finance*

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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 that section as amended is to reduce the VAT rate from 15% to 8% on the value of goods or services supplied, or goods imported with effect from December 1, 2019.

*Clause 3* : This clause amends section 3 of the principal enactment and the legal effect of that section as amended is to remove conditions laid down in section 3 in calculating registration threshold for wholesale and retail in order to prevent the discrimination of such registration for wholesale and retail.

*Clause 4* : This clause amends section 7 of the principal enactment and the legal effect of that section as amended is to make provisions to determine the refunds for exporters.

*Clause 5* : This clause amends section 10 of the principal enactment and that amendment is consequential to the amendments made to section 3.

*Clause 6* : This clause amends section 12 of the principal enactment and the legal effect of that section as amended is to provide for voluntary registration for VAT for certain persons as specified in that section.

*Clause 7* : This clause amends section 22 of 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 and to remove the provisions which permit deemed input credit for wholesale and retail trade.

*Clause 8* : This clause amends Part II of the First Schedule to the principal enactment in order to exempt from VAT, certain goods and services in order to give effect to budget proposals of 2021.

*Value Added Tax (Amendment)*

L. D.— O. 9/2020

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 2021. Short title

5     **2.** Section 2 of the Value Added Tax Act, No.14 of 2002 (hereinafter referred to as the “principal enactment”) is hereby amended as follows:- Amendment  
of section 2  
of Act,  
No.14 of  
2002

10           (1) in item (v) of sub-paragraph (v) of subsection (1) of that section by the substitution for the words “any taxable period thereafter” of the words and figures “any taxable period thereafter but for the period ending on or before November 30, 2019; and”;

15           (2) by the insertion immediately after the item (v) of sub-paragraph (v) of subsection (1) of that section of the following:-

20                     “(vi) for the period commencing on December 1, 2019 and ending on December 31, 2019 and for any taxable period commencing on or after January 1, 2020 at the rate of eight *per centum* (of which the tax fraction is 2/27),”.

25     **3.** Section 3 of the principal enactment is hereby amended in subsection (1) of that section by the substitution for the words “Notwithstanding the provisions of section 2, the tax shall not be” of the words and figures “Notwithstanding the provisions of section 2, for any period prior to January 1, 2020, the tax shall not be”. Amendment  
of section 3  
of the  
principal  
enactment

4. Section 7 of the principal enactment is hereby amended in subsection (1) of that section as follows:-

Amendment  
of section 7  
of the  
principal  
enactment

(1) by the substitution in paragraph (a), for the words  
“where the supplier of such goods has exported  
such goods;” of the words “where the supplier of  
such goods has exported such goods for which  
payment is received in foreign currency through a  
bank licenced under the Banking Act, No.30 of  
1988 within a period of six months from the date of  
such exportation;”;

(2) in paragraph (b) of that subsection—

(a) by the substitution in sub-paragraph (i) for  
the words “immovable property outside Sri  
Lanka” of the words “immovable property  
outside Sri Lanka, for which payment is  
received in foreign currency through a bank  
licenced under the Banking Act, No.30 of  
1988 within a period of six months from the  
date of supply of such service;”;

(b) by the substitution in sub-paragraph (iii)  
for the words “such right if for use outside  
Sri Lanka” of the words “such right is for  
use outside Sri Lanka, for which payment is  
received in foreign currency through a bank  
licenced under the Banking Act, No.30 of  
1988 within a period of six months from the  
date of supply of such service;”.

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

Amendment  
of section 10  
of the  
principal  
enactment

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

(a) by the substitution in paragraph (v), for the  
words and figures “on or after April 1, 2016,

carries on” of the words and figures “on or after April 1, 2016, but prior to January 1, 2020, carries on”;

5 (b) by the insertion immediately after paragraph (v), of the following:-

“(vi) on or after January 1, 2020, carries on or carries out any taxable activity in Sri Lanka shall be required to be registered under this Act, if—

10 (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, is seventy five million rupees or more; or

15 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 three hundred million rupees; or

25 30 (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

seventy five million rupees or in the succeeding twelve months period is likely to exceed three hundred million rupees.”;

5 (2) in subsection (2) of that section by the substitution for the words “exempted under PART II of the First Schedule to the Act, is not less than” of the words and figures “exempted under PART II of the First Schedule to this Act, for any period prior to January 1, 2020, is not less than”.

10 **6.** Section 12 of the principal enactment is hereby repealed and the following section substituted therefor:-

Replacement  
of section 12  
of the  
principal  
enactment

“Voluntary  
registration

12. (1) Notwithstanding anything to the contrary in sections 3 and 10, any person who supplies goods or services and carries on a taxable activity or who imports any taxable goods may make an application to the Commissioner-General, in the form specified by the Commissioner-General, for registration under this Act,-

20 (a) for any taxable period prior to January 1, 2013:

25 Provided however, the Commissioner-General may after affording the applicant an opportunity of being heard, and having regard to the nature of the business carried on by such applicant, the value of the taxable supplies made by such applicant in the two preceding taxable periods and the

probability that the value of his taxable supplies will not exceed the value referred to in section 10, refuse to register such applicant; and

- 5 (b) for any taxable period commencing on or after January 1, 2020, in the case of a person who supplies goods or services and carries on a taxable activity.

10 (2) Any person registered under this section shall not be eligible for registration with the Simplified Value Added Tax Scheme unless his taxable supply exceeds the total value of the taxable supplies referred to in subsection (1) of section 10.”.

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

Amendment  
of section 22  
of the  
principal  
enactment

- (1) in paragraph (a) of the first proviso to subsection (1) thereof, by the repeal of sub-paragraphs (iii) and (iv) and the substitution therefor of the following:-

20 “(iii) (a) rupees seventy five for any period commencing on or after August 16, 2018 but prior to November 1, 2019;

(b) rupees one hundred for any period commencing on or after November 1, 2019, but prior to January 1, 2021;

25 (c) rupees twenty five for any period commencing on or after January 1, 2021,

30 for each such garment other than panties, socks, briefs and boxer shorts identified under the Harmonized Commodity Description and Coding System Numbers for Custom Purposes;

- (iv) (a) rupees seventy five for any period commencing on or after August 16, 2018 but prior to November 1, 2019;
- (b) rupees one hundred for any period commencing on or after November 1, 2019, but prior to January 1, 2021;
- (c) rupees twenty five for any period commencing on or after January 1, 2021, for six pieces of panties, socks, briefs and boxer shorts, identified under the Harmonized Commodity Description and Coding System Numbers for Custom Purposes.”;
- (2) in subsection (14) of that section, by the substitution for the words and figures “(14) Where any person” of the words and figures “(14) For any period prior to the date of commencement of this (Amendment) Act where any person”.

8. The First Schedule to the principal enactment is hereby amended in PART II as follows: -

Amendment of the First Schedule to the principal enactment

- (1) in paragraph (a) of that PART, by the insertion immediately after item (xxx) of the following new item-

“(xxx) machinery and equipment including medical, surgical and dental instruments, apparatus, accessories and parts thereof, hospital or medical furniture and drugs, chemical and similar items, as recommended by the Secretary to the Ministry of the Minister assigned the subject of Health, as required for the provision of health services to address the COVID 19 pandemic, with effect from May 20, 2020.”;



5 (2) by the substitution in sub-item (c) of item (xi) of paragraph (b) for the words and figures “on or after April 1, 2019, other than any lease” of the words and figures “on or after April 1, 2019 but on or before November 30, 2019, other than any lease”;

(3) by the insertion immediately after sub-item (c) of item (xi) of paragraph (b), of the following: -

10 “(d) if such supply has taken place on or after December 1, 2019, by any person, other than any lease or rent of residential accommodation.”;

(4) by the renumbering of item (Li) and (Lii) (as inserted by Value Added Tax (Amendment) Act, No.25 of 2018) of paragraph (b) as (Lii) and (Liii) respectively;

15 (5) by the insertion immediately after the renumbered item (Liii) of the followings:-

“(Liv) commencing on or after January 1, 2020 information technology and enabled services as shall be prescribed;

20 (Lv) health protective equipment and similar products by any exporter, registered with the Board of Investment of Sri Lanka established by the Board of Investment of Sri Lanka Law, No.4 of 1978, to the Ministry of Health and Indigenous Medical Services, Department of Health Services, Sri Lanka Army, Sri Lanka Navy, Sri Lanka Air force and Sri Lanka Police on or after April 29, 2020;

25 (Lvi) services in respect of inbound tours, by a travel agent registered with the Sri Lanka Tourism Development Authority for any period commencing from April 1, 2020;”;

30

(6) by the addition immediately after paragraph (I) of that PART the following:-

5 “(m) with effect from January 1, 2021, local supply of any goods [other than goods referred to in paragraph (c)], which would have been exempted on importation, if imported.”;

10 **9.** Any person who is authorized to collect the Value Added Tax as provided for in this Act during the period commencing from December 1, 2019 and ending on the date on which the Certificate of the Speaker is endorsed in respect of this Act, shall be deemed to have acted with due authority and such collection shall be deemed to have been, and to be, validly made and such person is hereby indemnified against all actions, civil or criminal, in respect of such collection: Validation

15 Provided that, the aforesaid provisions shall not affect any decision or Order made by any Court or any proceedings pending in any Court in respect of any tax collected as provided for in this Act during the said period.

20 **10.** 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

