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The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

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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 (f) of sub-section (5) of section 22 of the Value Added Tax Act, No. 14 of 2002 as last amended by the Value Added Tax (Amendment) Act, No. 4 of 2025, I, Rukdevi Perpetua Himali Fernando, Commissioner General of Inland Revenue, do by this notification, specify the conditions and specifications to operate Risk Based Refund Scheme effective from 01.10.2025, as set out in the Schedule hereto.

RUKDEVI PERPETUA HIMALI FERNANDO,
Commissioner General of Inland Revenue.

Inland Revenue Department,
Colombo 02,
29th September 2025.

The Operation of Risk Based Refund Scheme

Risk Based Refund Scheme for VAT - Procedure Document

1. Introduction

Following the repeal of the Simplified Value Added Tax (SVAT) Scheme, the Inland Revenue Department (IRD) shall implement a Risk Based Refund Scheme for Value Added Tax (VAT) refunds. The Risk Based Refund Scheme (hereinafter



referred to “this scheme”) is designed to streamline the VAT refund process by assessing refund claims based on the level of risk associated with eligible persons for this scheme. This risk-based approach facilitates the expeditious processing of refund for eligible persons who are categorized as low-risk, medium-risk, or high-risk.

2. Scope

This procedure shall apply to eligible persons who are entitled to claim refunds on excess input credits under the Value Added Tax (VAT) system. This Gazette outlines the conditions specified in the Risk Based Refund Scheme that is applicable for refund claims.

- A. “Risk Based Refund Scheme” refers to a scheme of refund processing whereby refund claims are processed subject to risk assessment, based on predefined criteria to identify the likelihood of inaccuracy, non-compliance and overall behavior and reliability of eligible persons.

The eligible persons are categorized as low risk eligible persons, medium risk eligible persons or high-risk eligible persons based on the above criteria.

The eligible persons categorized as low or medium risk will be eligible to receive refunds without pre-verification of the claim. However, such refunds shall remain subject to pre-verification by the officials, where necessary.

The eligible persons classified as high risk shall be eligible to receive refunds only after the completion of pre-verification.

- B. Eligible persons :

The following persons are eligible to claim VAT refunds under this Scheme.

- i. Eligible Exporter - as defined in section 83 of the Value Added Tax Act, No. 14 of 2002 (VAT Act) as amended.
- ii. Supplier to Strategic Development Project - a registered person whose value of supplies of goods or services was more than fifty per centum of his total supplies for that taxable period, to any Strategic Development Project identified under Subsection (4) of Section 3 of the Strategic Development Project Act, No. 14 of 2008.
- iii. Supplier to Specified Project - a registered person whose value of supplies of goods or services was more than fifty per centum of his total supplies for that taxable period, to any specified project identified by the Minister under item (ii) of paragraph (f) of Part II of the First Schedule to VAT Act or item (xxi) of paragraph (b) of Part III of the First Schedule to the VAT Act.
- iv. Project approved by the Commissioner General of Inland Revenue under section 22 (7) of the VAT Act during the project implementation period.

3. Identification of the Eligible Persons

3.1 Eligible Exporter

The Commissioner General of Inland Revenue is responsible for identifying Eligible Exporters for the purposes of this scheme, based on the VAT return data of the calendar year 2024 (January to December) for the first time. Such eligibility shall be effective from the taxable period beginning from October 1, 2025 to March 31, 2026. Thereafter, eligibility will be reviewed annually based on the VAT return data of the immediate preceding calendar year, and shall be effective from 1st April of the year to 31st March of the succeeding year, or until the cancellation of the eligibility, whichever occurs earlier.

3.2 Registered person who made supplies of goods or services, more than fifty per centum (50%) of the total supplies to any Strategic Development Project or Special Project approved by the Minister

The Commissioner General of Inland Revenue is responsible for identifying Projects, other than Projects approved under Section 22(7) of the Value Added Tax Act, for the purposes of this Scheme, based on the records available with the IRD. Such eligibility shall be effective from the taxable period commencing from October 1, 2025, or any subsequent taxable period in which the Project is registered as a Strategic Development Project or a Special Project.

3.3 Project approved by The Commissioner General of Inland Revenue under Section 22(7) of the VAT Act

The Commissioner General of Inland Revenue is responsible for identifying projects for the purposes of this Scheme, based on the records available with the IRD. Such eligibility shall be effective from the taxable period beginning from October 1, 2025 or any following taxable period in which the Project is registered as a project approved under Section 22(7) of the Value Added Tax Act, to March 31st of the succeeding year, or until the cancellation of the eligibility, whichever occurs earlier.

4. Developing Risk Criteria and calculation of the risk ratings

1. The Commissioner General of Inland Revenue will develop the criteria for identifying the likelihood of accuracy, compliance, and assessing the overall eligible person's behavior and reliability but not limited to that.
2. The Commissioner General of Inland Revenue will categorize eligible persons as low-risk, medium-risk or high-risk for the purpose of administration of this scheme.
3. Such risk rating shall be effective from the taxable period commencing from October 1, 2025, and shall remain in effect until it is reviewed or cancelled. The Commissioner General of Inland Revenue will review at six-month intervals or at any time as deemed necessary the risk rating.

5. Responsibilities of Eligible Persons to Expedite Refunds

1. The eligible persons shall promptly update and maintain the accurate profile information in Revenue Administration Management Information System (RAMIS) platform to ensure all records reflect current and correct data. It is advised to submit separate email address to easy issuance of refund.
2. The eligible persons shall update their bank account details in the RAMIS immediately if there is any change, to facilitate secure and timely refund disbursements.
3. The eligible persons shall provide all necessary documentation, information, access, and facilities required to enable the Commissioner General of Inland Revenue or authorized official to conduct both initial and periodic site inspections.
4. Eligible persons must submit the required schedules by either:
 - a. entering the information directly using the schedule capture screen in the IRD e-service; or
 - b. Uploading schedules as CSV files (Excel format) through IRD e-service.
5. All uploaded schedules must be verified using the official "Schedule Verification Tool" available in IRD web portal.
6. The eligible persons shall ensure that all relevant particulars and schedules are correctly prepared, validated and uploaded to the RAMIS system.

7. The eligible persons shall furnish all documentation requested by an official promptly to facilitate efficient and timely verification of refund claims.
8. The eligible persons shall maintain and submit up-to-date contact information, including the full name, telephone numbers, and email addresses of authorized representatives of the company. Any changes to such contact information must be formally requested in writing to amend, with duly signed by a company director or any other authorized officer.
9. The eligible persons is informed that failure or delay to provide the requisite information and documentation necessary for verification purposes may result in the outright rejection of the refund claim or corresponding delay in the processing and issuance of the refunds.
10. In the event the eligible persons operates multiple projects, the eligible persons shall maintain distinct and separate records to clearly identify input tax credit attributable to each Strategic Development Project or Specified project and shall furnish such information upon request by officials.

6. Transitional adjustments

1. The guidelines issued under *Gazette* Notification No. 1986/9 dated September 27, 2016 are rescinded from the taxable period commencing from October 01, 2025.
2. The Registered Identified Supplier (RIS) is required to enter each and every suspended supply made up to September 30, 2025 into the suspended supply declaration Form (SVAT 04) by using e-Service on or before October 15, 2025 in order to get the approval of respective Registered Identified Purchaser (RIP) to get confirmed on the suspended supply and credit voucher number.
3. If the given information in Form SVAT 04 is rejected by respective RIP with reasons, RIS is required to resubmit Form SVAT 04 for the approval of RIP by using electronic filing facility on or before October 20, 2025.
4. RIP is required to issue a Credit Voucher on suspended purchases made up to September 30, 2025 to the RIS by using e-Service on or before October 20, 2025 and RIP is required to submit summary of suspended purchases - Schedule SVAT 06 on or before October 30, 2025.
5. RIS is required to submit summary of suspended supplies - Schedule SVAT 07 and Schedule SVAT 05 (and if applicable SVAT 05a and SVAT 05b) by using e-Service on or before October 30, 2025
6. Every RIP shall hand over the balance SVAT Credit Vouchers which are not used as at November 10, 2025 to the Commissioner of Medium Default Collection Unit 01 (MDC Unit 01).
7. Where a debit note or credit note is issued on or after October 1, 2025, within six months from the date of the suspended tax invoice issued in respect of suspended supplies made between April 1, 2025, and September 30, 2025, the details of such debit note or credit note shall be disclosed in Schedule SVAT 05a or SVAT 05b respectively in Excel format and soft copy should be submitted to the relevant unit where the TIN is allocated.
8. The corresponding adjustment to the debit note or credit note, in respect of the relevant suspended tax invoice, shall be declared by amending the VAT return including applicable SVAT schedule records (SVAT 4, SVAT 6 and SVAT 7) in which the taxable period that the suspended tax invoice was originally declared. Such amendment shall be made exclusively for the purpose of adjusting the suspended supply and suspended VAT. However, this adjustment shall not be affected to the original date of return submitted and statutory time bar applicable to the issuance of assessments.